

Master Thesis

# **Managing Asian Suppliers: Strategies of Selected Dutch and German Companies Under the New EU Supply Chain Law**

University of Twente

Faculty of Behavioral, Management and Social Sciences (BMS)

MSc Business Administration

Specialization in Purchasing & Supply Management (PSM)

# **UNIVERSITY OF TWENTE.**

Author / Student: D.J. Heuker

Student Number: 3276058

Email: [d.j.heuker@student.utwente.nl](mailto:d.j.heuker@student.utwente.nl)

First Supervisor: Dr. L. Pakhomova

Email: [l.pakhomova@utwente.nl](mailto:l.pakhomova@utwente.nl)

Second Supervisor: Dr. K. Stek

Email: [klaas.stek@utwente.nl](mailto:klaas.stek@utwente.nl)

March 12, 2025

## **Abstract**

The EU supply chain law, also known as the CSDDD, stands for corporate due diligence beyond direct suppliers; one of the biggest challenges for affected companies. Many procurement specialists perceive the law as impractical due to the significant challenges associated with overseeing suppliers and their sub-suppliers. This study examines which strategies Dutch and German companies with Asian suppliers use or will use to comply with this law. The findings highlight challenges and strategies to cope with these challenges. Nine interviews were conducted with procurement specialists from affected companies. The findings highlight that companies often have a risk-based approach, where they prioritize their high-risk suppliers instead of focusing on monitoring all suppliers. Also, EcoVadis is mentioned often, and it became clear that multiple companies use EcoVadis for supplier risk assessment. Although the benefits of EcoVadis are highlighted in this study, interviewees did not mention the downsides and limitations of working with EcoVadis, which is an interesting finding. Next, many companies rely on contractual clauses, where Tier 1 suppliers are responsible for their Tier 1 suppliers, and so on. This makes sure that all parties are responsible for their own direct suppliers. Also, the usage of whistleblowing mechanisms is mentioned. Such a mechanism facilitates confidential reporting of violations. A direct contact point at the buying firm is seen as most effective. To manage compliance risks, companies implement supplier training and audits. The adoption of emerging technologies such as blockchain, digital twins, and AI remains limited due to a lack of expertise among buyers and the inability of smaller suppliers to provide the required data. Companies vary in their responses to non-compliance. Some buyers terminate supplier relationships immediately to mitigate reputational risks, however, most prefer collaborative approaches to drive improvements. The study suggests that companies should focus on high-risk suppliers, strengthen contractual compliance mechanisms, and gradually integrate compliance measures rather than aiming for full compliance in the current regulatory landscape. Given the anticipated evolution of the law into a more practical framework, substantial investments in compliance at this stage may be premature. Instead, firms are advised to start with incremental steps. Lastly, raising awareness among suppliers and fostering long-term engagement are important to achieve sustainable compliance.

**Keywords** – Strategic Procurement, EU Supply Chain Law, Supply Chain Management, Supply Chain Transparency

## Table of Contents

1	Introduction.....	3
1.1	Research Questions.....	5
2	Literature review.....	5
2.1	Structure and Purpose.....	5
2.2	Supply Chain Due Diligence.....	6
2.3	Corporate Accountability.....	6
2.4	Digitalization.....	9
2.5	The Procurement Lifecycle.....	10
2.6	Research Gap.....	11
3	Methodology.....	11
3.1	Research Approach and Research Design.....	11
3.2	Sampling.....	12
3.2.1	Study Design.....	13
3.3	Data Collection.....	14
3.4	Data Analysis.....	15
3.4.1	Data structure of the challenges.....	16
3.4.2	Data structure of the strategies.....	17
3.4.3	Connecting the challenges with the strategies.....	18
3.4.4	Connecting the strategies with procurement lifecycle phases.....	19
4	Results.....	19
5	Conclusion.....	28
6	Discussion.....	29
7	Implications, Limitations and Future Research.....	32
7.1	Theoretical Implications.....	32
7.2	Practical Implications.....	32
7.3	Limitations.....	33
7.4	Future Research.....	34
8	Bibliography.....	35
9	Appendices.....	39
	Appendix A1 – Interview Questions.....	39
	Appendix A2 – All Interviews: Transcripts, Codes & Notes.....	40
	Appendix B – Outreach Email via LinkedIn to Procurement Specialists.....	152

## 1 Introduction

Millions of individuals worldwide endure inhumane working conditions (Scherrer et al., 2013), with child labor and forced labor being commonplace in certain regions, such as China (Diggory, 2024). In numerous countries, workers receive inadequate wages and face hazardous safety conditions. The Global Estimates of Modern Slavery report that 25 million people are subjected to forced labor (ILO, 2017). Additionally, 79 million children are involved in exploitative labor (BMZ, 2024), and the wage share of a product is a mere 0.6% (Foundation, 2012). Alarming, according to Amnesty International, the prevalence of these inhumane working conditions is on the rise (Diggory, 2024).

In this study, the focus is on Asia. Asia plays an important role as a trade and investment partner in the EU, significantly boosting economic growth by generating employment and providing affordable products for Western businesses and economies (Schmucker & Wolff, 2022). Additionally, countries in Asia (such as China) are key technology producers, offering innovations that are vital for Europe's green transition. For EU imports, China is the most important country, valued at 473 billion euros in 2021 (Schmucker & Wolff, 2022). China is the largest developing country worldwide, and Maplecroft's 2014 Child Labor Index classified the country as an extreme risk for child labor (Maplecroft, 2019). Furthermore, the situation is worsening, and the scale of the problem is expanding, according to Amnesty International (Diggory, 2024). Slavery prevalence in Asia is consistently higher compared to the rest of the world (Landman & Silverman, 2019).

The situation described is not recent; rather, it has been a long-term issue. There have been voluntary measures, however, these have failed to adequately prevent significant environmental damage and human rights violations (Gustafsson, 2018). Researchers and policymakers are increasingly asserting that legally binding regulations on the demand side are necessary to compel companies to comply (Moser & Leipold, 2021).

Responding to such calls, the Corporate Sustainability Due Diligence Directive (CSDDD) was introduced, otherwise known as the EU supply chain law. From now on, the term EU supply chain law will be used to refer to the CSDDD, as they are the same. The EU supply chain law has the main goal of protecting human rights and the environment (Hiessl, 2023). It aims to embed corporate responsibility for supply chains, thereby enhancing the protection of human and environmental rights globally amidst the intricacies of modern supply chains. This introduces a range of new obligations for companies, encompassing risk management, risk analysis, and due diligence measures, such as establishing complaints procedures, implementing preventive actions, and undertaking remediation efforts. Additionally, companies will be required to maintain thorough documentation and undergo regular audits (Drexler, 2023). The EU Parliament has approved the EU supply chain law on April 24, 2024 (Diggory, 2024). The EU supply chain law has not yet been enacted as national legislation. It is a Directive, and Member States must transpose this Directive into national law to the Commission by July 26, 2026. One year later, the rules will be effective for the first group of businesses (over 5,000 employees and over 1.5 billion euros turnover). On July 26, 2029, full application will be a fact (European Commission, 2024).

The EU supply chain law will be a mandatory Human Rights and Environmental Due Diligence (HREDD) law. This law establishes the legal liability of large companies for negative impacts caused abroad (Schilling-Vacaflor & Gustafsson, 2024). It aims to improve and update the rules regarding the social and environmental information that companies must report. The law applies to a broader scope of large corporations, listed small and medium-sized enterprises, and specific non-EU companies earning over €450 million in revenue within the EU market (Commission, n.d.). The law applies to (Diggory, 2024):

- “European companies with limited liability, more than 1,000 employees and more than €450 million in turnover worldwide.”

- “Although small and medium-sized enterprises (SMEs) are not directly affected by the law, they may be indirectly affected, e.g. as suppliers to larger in-scope companies.”

It still remains unclear when the law will enter into force, however, it is expected that companies need to comply with the rules based on the number of employees and turnover (Oxfam, 2024):

- **From 2027:** Companies with over 5,000 employees and over 1.5 billion euros turnover a year;
- **From 2028:** Companies with over 3,000 employees and over 900 million euros turnover a year;
- **From 2029:** Companies with over 1,000 employees and over 450 million euros turnover a year.

To ensure that businesses account for their impact on the environment and society throughout their operations, the EU supply chain law will establish an environmental and human rights due diligence obligation. The EU supply chain law will require companies to identify, prevent and mitigate impacts related to human rights and environmental impacts. Not only regarding the direct Tier 1 suppliers, but also the indirect suppliers (European Commission, 2022).

One of the biggest pitfalls of the new law are the costs: the imperative for ESG implementation will result in significantly higher costs, particularly in the beginning. For managing and controlling the entire value chain, human resources and procurement software are necessary (Kloepfel, 2024).

The new regulations and obligations will impact sourcing and supply chain strategies. Managing compliance with these complex regulations will result in higher implementation and transition costs for companies. When these costs continue to rise, the result can be that EU importers potentially need to withdraw from certain source countries. According to Wolfmayr et al. (2024), this could lead to a notable decrease in international trade between EU organizations and countries like China, which are at high risk for due diligence violations. A decline in international trade could lead to less diversification of EU imports. Additionally, EU organizations will incur higher costs and face increased prices as they search for suitable and valuable alternative suppliers. Consequently, the EU's competitiveness with the US and China will diminish.

The EU supply chain law is not the first HREDD law that has emerged. Adopted in 2017, the French Duty of Vigilance law (DV law) is one of the first comprehensive HREDD legislation globally. It addresses environmental and human rights issues and holds large companies legally liable for negative impacts caused overseas (Schilling-Vacaflor & Gustafsson, 2024). Also, Germany has passed a Supply Chain Act (Lieferkettengesetz, referred to as “LkSG”) in June 2021 (Lothar et al., 2022) and Britain has passed the Modern Slavery Act in 2015, which prohibits child labor (Lothar et al., 2022).

The main difference between the EU supply chain law and earlier laws, is that the EU law is more extensive. This time, due diligence efforts will need to extend beyond the operations of itself and their direct suppliers. EU companies need to check and monitor the whole chain of activities: both upstream and downstream and both direct and indirect business partners. Failure to obey this law will have sanctions. Penalties can be around 5% of the company’s worldwide net turnover (Cleary Gottlieb, 2024).

It is interesting and valuable to learn from companies that adhere to the French, German and British laws, and how civil society actors have utilized it to improve corporate accountability within global supply chains. In the research question, stated in subchapter 1.1, “strategies” is being mentioned. “Strategies” is the answer to the question “how” companies adhere to the law. How they do it currently, and how they can do it in the future. Strategy is about creating a unique and valuable position by doing things differently from others or doing the same things in a better way. It requires making clear choices about what to focus on and what to avoid. This ensures that resources are being used wisely. A good strategy connects all activities to work together, so that it is harder for competitors to imitate and keeping the business strong (Porter, 1996).

This research provides a theoretical and empirical analysis of company compliance and corporate accountability under new supply chain regulations. To achieve this, a framework that highlights different stages and mechanisms of accountability is used (Figure 2.3.1).

## **1.1 Research Questions**

Main research question: What strategies do selected Dutch and German companies with Asian suppliers implement to cope with the challenges posed by the new EU supply chain law?

Sub-question 1: Are selected Dutch and German companies with Asian suppliers actively developing strategies to comply with the new EU supply chain law?

Sub-question 2: What are the key challenges that the selected companies face in complying with the EU supply chain law?

Sub-question 3: What is the relationship between the key strategies and key challenges from the selected companies?

## **2 Literature review**

Many businesses opt for offshore outsourcing, where independent foreign suppliers partially or fully handle production. Due to considerably lower wages in countries such as China, South Korea, Mexico, Singapore and Taiwan, offshore outsourcing results in significantly reduced total production costs. This can provide a competitive advantage by allowing companies to offer cheaper products to customers and achieve a higher return on equity (Kotabe & Murray, 2004). However, there are risks associated with offshore outsourcing: process and control risks, supply risks, demand risks and environmental and sustainability risks (Christopher et al., 2011). Companies that must comply with the new EU supply chain law need to minimize the process and control risks and the environmental and sustainability risks (Diggory, 2024). This research aims to clarify the strategies employed to minimize these risks. Ultimately, the goal of this research was to have a clear vision of the strategies that can be used to cope with the challenges posed by the new EU supply chain law.

### **2.1 Structure and Purpose**

The EU supply chain law was introduced recently. Therefore, there are not yet many published studies about this law. However, similar laws have been implemented in the past. Studies related to these similar laws, such as the DV law and the LkSG, were analyzed for this current research.

To structure the literature review, a systematic approach was used to identify relevant studies that examine laws like the EU supply chain law. This law is new, therefore existing research on similar legislative frameworks is examined, such as the DV Law and the LkSG. These studies highlight best practices and compliance strategies employed by companies that are affected by these laws. Examining prior studies and best practices is essential for understanding how companies have navigated similar regulatory challenges, such as the DV Law and the LkSG. These studies provide insights into effective compliance strategies, for example, risk-based supplier assessments, contractual obligations, and digital monitoring tools. These insights can give Dutch and German companies valuable information that can be applied for compliance for the EU supply chain law. Additionally, reviewing existing research informs the development of interview questions.

## 2.2 Supply Chain Due Diligence

The EU supply chain law and the LkSG focus on Supply Chain Due Diligence (SCDD). These practices mandate that organizations map their supply chains and evaluate the performance and adherence of suppliers and sub-suppliers (Jena & Samal, 2024). Whereas Weihrauch et al. (2023) focused more on the political strategies that paved the way toward due diligence in Germany, Stefan (2022) discusses the strengths and weaknesses of the German legislation. Organizations should proactively develop comprehensive strategies to ensure compliance with SCDD practices, aligning with societal norms and expectations for ethical and responsible business conduct within their supply chain network (Weihrauch et al., 2023). SCDD practices stand apart from other regulatory frameworks. They encompass a comprehensive mapping of supply chains and a thorough risk assessment of potential human rights and environmental violations. This evaluation extends across the organization, its direct and indirect suppliers, and even subcontractors (Weihrauch et al., 2023).

A substantial amount of theoretical research exists on supply chains (eg. Christopher, 2005), however, the concept of supply chain transparency was virtually unknown 15 years ago (Bateman & Bonanni, 2019). Gaskjenn (2022) explains that one of the reasons is the fact that it can be costly for firms to gather and disclose the necessary information, while the benefits are unclear. Supply chain due diligence can also be called risk-based due diligence, and given the obligatory nature since the coming of the EU supply chain law, it is important to study the changing strategies (Bright & Buhmann, 2021). Following the approach of Gaskjenn (2022), there is minimal previous research conducted due to the EU supply chain law being a new law. Therefore, primary data was obtained. However, the studies of Schilling-Vacaflor and Gustafsson (2024) and Lothar et al. (2022) are also conducted for further investigation.

Translating the soft nature of the law into hard law obligations is challenging (Bueno et al., 2024). On the one hand, a soft approach may lead to a lack of understanding about the implications of the law. On the other hand, hard law obligations with very clear prescriptions of measures that need to be taken can result in “check-box compliance”, instead of the desired risk-based approach (Bueno et al., 2024). The EU supply chain law in its current state does not provide a clear path to compliance and supervision. Kluiiver (2023) looked at how different companies, subject to different laws, have organized the regulatory supervision. There is no consensus on what the best approach would be, making it harder but also more important to conduct this current research.

This lack of clarity in compliance and supervision raises important questions about corporate accountability. It is important for companies that they take responsibility for their supply chains. Corporate accountability is not only a matter of legal requirements, it is the way how companies engage with suppliers, how they mitigate risks, and how supply chains are built in an ethical way (Weihrauch et al., 2023). In the next subchapter, the concept of corporate accountability will be discussed more in-depth. It will be highlighted why corporate accountability is so important for Dutch and German companies subject to the EU supply chain law.

## 2.3 Corporate Accountability

Researchers have a growing interest in the field of laws related to supply chains (Partzsch, 2024). The laws highlight a new foreign corporate accountability (FCA). According to Lenschow et al. (2023), this is “the accountability of companies for negative impacts caused abroad by their subsidiaries or suppliers”.

Schilling-Vacaflor and Gustafsson (2024) provide a contribution to the understanding of corporate accountability dynamics in global trade by developing and applying an analytical framework to assess the impact of the DV law. The research highlights the challenges and opportunities associated with corporate compliance. The study focuses on the agri-food sector; however, the authors expand their

scope to insights from other industries as well. This makes sure that the applicability of their findings is broader.

The analytical framework, proposed by Schilling-Vacaflor and Gustafsson (2024), is presented in Figure 2.3.1. It offers a structured approach to understanding corporate compliance under HREDD laws like the EU supply chain law. This framework, which consists of Accountability Relationships, Answerability, and Enforceability, links theoretical obligations with practical corporate behavior.



Figure 2.3.1: Analytical Framework (Schilling-Vacaflor & Gustafsson, 2024)

Expanding the analysis beyond the agri-food sector provides a broader view of compliance challenges across industries, which is crucial for understanding the impact of the law. However, compliance strategies often vary by sector. This raises the need for industry-specific approaches, instead of solutions that fit all companies. Companies adapt to increasingly stringent global regulations. Therefore, further research should examine how accountability mechanisms evolve in different supply chain structures and whether best practices can be standardized or must remain industry specific.

The study of Schilling-Vacaflor and Gustafsson (2024) offers an understanding of corporate accountability under HREDD laws, providing a valuable foundation for future research. However, further studies could build on their framework by exploring the relationship and collaboration between legal compliance and voluntary corporate social responsibility initiatives, as well as the role of international harmonization in shaping accountability standards. Such research would deepen the understanding of how corporate accountability can be effectively implemented.

The implementation of HREDD and the DV law highlight challenges for companies, especially in understanding the scope and obligations. Schilling-Vacaflor and Gustafsson (2024) highlight that there is a lack of clarity among organizations regarding how to operationalize these requirements. This is also mentioned by an interviewee: “...many companies have no clue on where to start and what to do concretely.” Such statements show the gap between legal obligations and the practical understanding of it. A low practical understanding can have a negative effect on compliance. Despite the uncertainty, the



studied companies (Carrefour, Danone, Casino Group and Savencia) progress in adapting their risk assessment and mitigation strategies. Also, new governance structures such as the "Duty of Care Committee" at Casino Group and the "Ethics and Culture Committee" at Savencia, demonstrate institutional responses to the law. These initiatives suggest a growing recognition of the need for improved approaches to meet HREDD obligations. However, it remains unclear whether these measures are sufficient to address the law's broader objectives.

The findings of the study show a variation of used tools and methods. This shows that there is no standardization of HREDD practices. Multiple strategies are identified that companies use to comply with the DV law. This could give insights in the way that companies are able to comply with the EU supply chain law, since these laws have similarities. While prioritizing certain products and impacts, the rationale behind these choices remains unclear. Half of the firms used self-assessment tools for suppliers, though these pose risks of biased reporting. All companies identified high-risk suppliers and implemented action plans for non-compliance. Sustainability requirements were integrated into contracts, and employee training programs reinforced compliance. Many relied on certifications like RTRS and RSPO, while some mitigated risks by avoiding high-risk regions. These approaches show a mix of strategies to regulatory demands; proactive compliance and risk-avoidance.

These measures suggest proactive steps; however, it still raises critical questions. For example, the effectiveness of self-assessment tools for suppliers, used by only half the companies, is debatable, given the potential for biased reporting. Also, the avoidance of high-risk regions might lead to unintended consequences, such as the exclusion of vulnerable suppliers who might benefit most from improved standards.

The answerability stage emphasizes grievance mechanisms and stakeholder consultations. According to Schilling-Vacaflor and Gustafsson (2024), all studied companies had grievance mechanisms in place, but had to adjust them to comply with the DV law. The effectiveness of these mechanisms depend on their legitimacy and accessibility, as outlined by the UN Guiding Principles on Business and Human Rights (OHCHR, 2011). However, the degree to which these changes have improved outcomes for stakeholders is unclear.

Although companies have established processes to address grievances, the study reveals a broader challenge: ensuring that these mechanisms are not merely performative but also empower affected workers and stakeholders. This distinction is important in assessing the transformative potential of HREDD initiatives.

The third and last stage, the enforceability stage, highlights the legal and organizational shifts prompted by DV law. Schilling-Vacaflor and Gustafsson (2024) provide a clear example of Casino Group: they faced a legal claim despite dedicating substantial efforts to control direct suppliers through multistakeholder initiatives. Challenges in tracing indirect suppliers persist, showing the limitations of current traceability mechanisms. A highlighted "solution" is shifting responsibility for HREDD compliance from CSR departments to legal departments, especially in response to lawsuits. One interviewee noted a "backlash effect" of the law, where legal teams have recommended withholding information to avoid liability. This defensive posture may be negative for transparency and collaborative efforts, undermining the law's intent to foster accountability.

The current literature shows progress in HREDD practices but also shows that there are barriers for implementation. There is limited evidence of transformative impact. The introduction of governance structures and risk assessment tools is encouraging; however, questions remain regarding the effectiveness, transparency, and engagement with indirect (Tier 2, Tier 3, Tier N) suppliers. Also, the observed shift towards legal risk management highlights a potential tension between compliance and broader sustainability goals. Companies may prefer to avoid liability instead of taking proactive

measures, and this can lead to a lower effectiveness. Future research can examine if legal obligations lead to positive changes, or that it only causes a defensive approach.

## **2.4 Digitalization**

Digitalization is becoming more important, also regarding the topic of HREDD complexities. It involves the use of advanced digital technologies to optimize existing business processes and create new value-driven models, ultimately enhancing efficiency and transparency (Verhoef et al., 2021). In the context of supply chain management, digital tools allow organizations to generate, process, and share real-time data, which is important for monitoring supplier compliance and mitigating risks across multi-tier supply chains. This is particularly relevant given the voluntary nature of the law and the lack of standardized frameworks (Tamimi & Sebastianelli, 2017). Also, Di Vaio et al. (2024) made the link between accountability and digitalization, by elaborating on the role of digitalization and artificial intelligence in supply chain management. Therefore, in this subchapter, digitalization is discussed more extensively.

Digitalization is increasingly getting more important for enhancing supply chain sustainability and compliance with evolving legal requirements. The effective use of digital technologies in supply chains rose the concept named “Digital Supply Chain” (DSC), which makes sure that the supply chain transparency improves (Zhang et al., 2024). Therefore, the topic of digitalization is highly relevant to study, since one of the major challenges of the EU supply chain law is improving and maintaining transparency (Diggory, 2024). Next to Zhang et al. (2024), a large number of researchers have delved deeper into the topic of digitalization. For example, Frank et al. (2019) focused on supply chain management in the field of Industry 4.0, and Müßigmann et al. (2020) stated that 5G and blockchain technologies have multiple applications in the field of supply chain management. Digitalization in empirical studies is often operationalized as the way that digital technologies are being used by organizations (Yu et al., 2023). Li et al. (2024) found that digitalized organizations perform better and operate more effectively in turbulent times, highlighting the essence of delving deeper into the possibilities of digital tools.

Lothar et al. (2022) emphasize the role of digital tools in identifying sustainability intervention points, which can aid companies in adhering to supply chain laws. Their study focuses on a case from the textile and non-food items industry with procurement markets in China, Turkey, Bangladesh, and Pakistan. It highlights the transformative potential of digitalization. The case company faced a lawsuit over human rights violations, leading to big changes to ensure future compliance. These included reducing the number of direct suppliers from 600 to 300, improving labor standards through external audits and a supplier code of conduct, issuing a human rights policy statement, and implementing blockchain technology to enable transparent monitoring of suppliers.

While these actions demonstrate the potential of digital tools to drive compliance and ethical supply chain management, they also show the complexities and challenges related to such transitions. For example, reducing the number of suppliers can enhance manageability, but may also create dependency on fewer partners, potentially increasing risks if issues arise with those suppliers. Another example is related to blockchain; it may enable transparency, but its implementation requires significant resources and technical expertise, which may not be accessible to all companies.

Table 2.4.1: Opportunities and boundaries of digital helpers for supply chain implementation (Lother et al., 2022)

	Opportunities	Boundaries
Digital Twin	Decrease risks, increase resilience & optimize processes	Cross-company confidential data not easy to retrieve / must be protected
Blockchain	Transparency, traceability, and security / Greenwashing is avoided	Possibly restricted data due to privacy policies
Robotic Process Automation	Substantial reduction of repetitive office tasks	Setup / Training costs / Acceptance by office workers

Lother et al. (2022) also provide an analysis of specific digital tools that can improve supply chain management. This includes digital twins, blockchain, and robotic process automation (RPA). Each tool presents unique opportunities and constraints. For example, digital twins serve as virtual replicas of supply chain processes. This allows companies to compare planned versus actual performance. This capability can lead to more informed decision-making and continuous improvement. Next, blockchain technology offers a decentralized system for recording transactions securely and transparently. This fosters trust among supply chain partners. A downside is that the effectiveness relies on widespread adoption across the supply chain, which can be difficult to achieve. Finally, RPA automates repetitive administrative tasks, such as data collection and supplier communications. This reduces repetitive and “boring” efforts and frees up (time) resources for more strategic activities.

The study shows multiple advancements, but it does not fully address the broader implications of digitalization, such as the consideration of ethical practices or compliance in the case of blockchain. Digitalization offers promising solutions for improving supply chain sustainability and legal compliance, but companies need to realize that this development does come with big challenges. Companies must carefully evaluate their specific contexts, resources, and stakeholder needs to effectively leverage these technologies. Future research could further explore how smaller firms or those in resource-constrained environments can adopt these tools effectively, ensuring that digitalization supports inclusive and sustainable supply chain practices.

## 2.5 The Procurement Lifecycle

In this current study, it will be examined which strategies Dutch and German companies use to increase chances of complying with the EU supply chain law. These strategies will be placed in one of the phases within the procurement lifecycle. By doing so, the research provides an understanding of where and how companies can implement a certain strategy to ensure compliance. By mapping strategies to specific phases in the procurement lifecycle, the study reveals whether companies focus more on preventive measures, ongoing monitoring or reactive approaches. This structured approach makes it more clear which steps businesses must take to navigate compliance challenges when working with Asian suppliers.

The procurement lifecycle is a systematic framework that guides the procurement process, from identifying needs to monitoring supplier performance. By mapping strategies to specific stages of the procurement lifecycle, companies can address legal requirements from the beginning. This approach makes sure that companies are proactive, instead of reactive. It also minimizes risks of non-compliance and penalties or reputational damage. The six phases of the procurement lifecycle are (Selvakumar, 2024):

- Identifying needs, where an organization determines and quantifies its requirements;
- Market research, involving a survey of potential suppliers capable of meeting these needs;
- Supplier evaluation and selection, which assesses suppliers based on criteria such as price, quality, and delivery time, followed by selecting the most suitable ones;
- Negotiation, where price, delivery, and payment terms are agreed upon;
- Contract formation, which formalizes the agreements in a contract covering all terms and conditions;
- Review and control, involving continuous monitoring of supplier performance and implementing corrective actions where necessary.



Figure 2.5.1: Procurement Lifecycle (Selvakumar, 2024)

By integrating compliance strategies within the procurement lifecycle, companies can systematically manage risks and improve transparency in their supply chains. Understanding where these strategies fit within the procurement lifecycle allows companies to mitigate compliance risks. The insights will give a clearer roadmap for companies to meet regulatory demands.

## 2.6 Research Gap

Existing literature underscores and examines the presence of inhumane working conditions, such as child labor and forced labor, and the inefficiency of voluntary measures that have been the case in the past. However, there remains a research gap in understanding the practical implications and outcomes of supply chain regulations. There is a need for research on the strategies that companies use to comply with new regulations in the EU supply chain law. Laws like the DV law and the LkSG provide insights, however, there is limited empirical analysis on the new EU supply chain law. This also makes sense, because the developments surrounding this law are new. Also, within the German law for example, it is only necessary to address the Tier 1 suppliers (Lothar et al., 2022), whereas in EU law it is mandatory to examine the whole value chain (both upstream and downstream) (Diggory, 2024). The limited measures of the German law will challenge companies to enhance supply chain transparency and minimize bureaucratic effort in effectively tracking suppliers and identifying risks, however, it is expected that companies subjected to the EU supply chain law need even more and better strategies.

## 3 Methodology

### 3.1 Research Approach and Research Design

This study is inductive and uses a qualitative research design. Online interviews were conducted to gain an understanding of the perceptions and strategies of Dutch and German companies with Asian suppliers regarding the new EU supply chain law. Before conducting the interviews, other studies were examined to analyze company cases that have complied with similar regulations. Insights from these cases served as a foundation for developing the online interview questions. First, the analytical framework, presented in Figure 2.3.1, includes in total eight questions that help to analyze corporate accountability in global

supply chains. Schilling-Vacaflor and Gustafsson (2024) conducted interviews based on these eight questions. The findings of these interviews were analyzed used to formulate interview questions for this study.

As a research method, multiple interviews were done. Roselle (1996) recommends six to twenty participants. According to Guest et al. (2006), there is no fixed threshold for the amount of participants one should include in a qualitative study. The sample size mostly relies on the concept of saturation. Saturation occurs when no new information or themes are observed in the data (Guest et al., 2006). Given the novelty of the topic, it was expected that companies don't know much yet and that they feel overwhelmed. Therefore, the expectation was that saturation will happen relatively fast when conducting the interviews. Given the novelty of the topic, and the recommendation of Roselle (1996), conducting eight to ten interviews was expected to be enough to have a clear vision of the main strategies.

### **3.2 Sampling**

Online interviews were selected due to their numerous benefits. Firstly, the convenience and comfort of an online meeting is high. Interviewees are more open and willing to share information because of the digital environment (Olliffe et al., 2021). Secondly, in-person interviews lead to more costs because of researcher travel and accommodation expenses. In-person interviews also require more time due to the travel time and appointment setting (Olliffe et al., 2021).

The selected participants needed to be managers, CPOs, Purchasing Specialists and/or compliance officers in Dutch or German companies that have significant supply chain interactions with Asian suppliers. Purposive sampling was used to select participants who have direct experience with supply chain management and compliance issues. A nonrandom technique was used, where the researcher decides what needs to be known and sets out to find suitable people to gather this knowledge (Tongco, 2007). To implement purposive sampling, criteria were established to define a suitable informant. It is important to define the needed qualifications when using purposive sampling (Allen, 1971). Sometimes it occurs that snowball sampling follows purposive sampling (Tran & Perry, 2003). Snowball sampling was also used in this study, since an interviewee recommended another company that matched with the predefined criteria.

It was important to look at industries that do business with Asia frequently. This helped to find interviewees easier. EU businesses engage in a wide range of activities with Asia, covering various industries. Popular manufacturing exports are apparel, textiles, electrical machinery, metal products, chemical products, transport equipment, basic metals, and rubber and plastics (Xu, 2010).

Participants for the online interviews were found by contacting Procurement Specialists via LinkedIn Premium. This was done by typing the following into the search bar: "Procurement + [company name]". Using this approach, procurement specialists from the company were identified. These people were contacted with the outreach email presented in Appendix B.

To maximize the response rate, the importance for their business to think about strategies that they can implement to comply with the new EU supply chain law was being highlighted. Emails were sent out to people working in affected companies (over 1,000 employees and over 450 million euros turnover). 457 companies are affected in the Netherlands (College voor de Rechten van de Mens, 2024). Every year, a company called "MT Sprout" publishes a list of the 500 companies with the best reputation in the Netherlands. This list was used to look for procurement specialists working within affected companies (MT Sprout, 2023). Two strategic procurement specialists per company were contacted until at least six interviews were planned, since it was also planned to contact German procurement

specialists. After contacting 342 strategic procurement specialists (171 different companies), this was achieved.

Next to procurement specialists working in Dutch companies, also procurement specialists working in German companies were contacted. Twenty nine German companies were included in the Fortune Global 500 (Fortune, 2024). Procurement specialists working in these 29 German companies were contacted via LinkedIn Premium. Two strategic procurement specialists per company were contacted. Out of 29 German companies (58 people contacted), only one procurement specialist agreed for an interview. Two other procurement specialists working in different German companies agreed on an interview later, via a contact person of the University of Twente.

As German companies have already been required to comply with the LkSG (EcoVadis, 2023), the insights gained from these interviews were expected to provide valuable knowledge. The LkSG represents an improvement in aligning corporate practices with the principles outlined in the EU supply chain law (MHP, 2024). Therefore, Dutch companies can benefit from the experiences of German firms that already comply with LkSG regulations.

### 3.2.1 Study Design

The different Acts and the EU supply chain law have their own obligations and strategies. In the literature review it is highlighted which strategies companies apply to comply with the French and German Acts. In this study, the focus is on the strategies to comply with the EU supply chain law. To give an overview of this study, a study design was created.

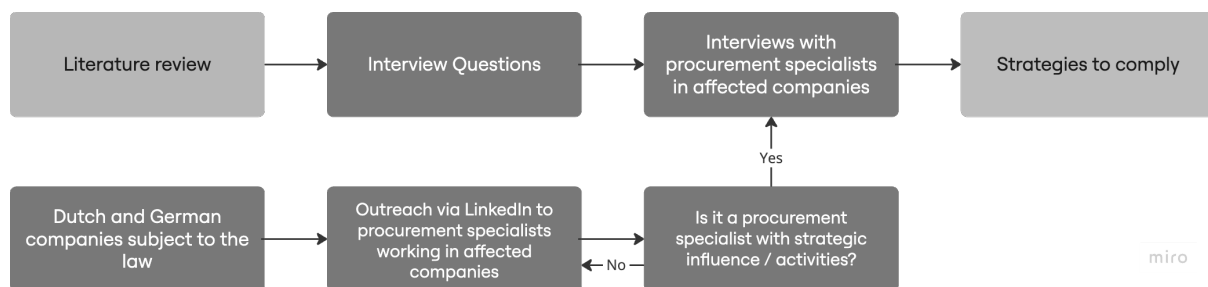


Figure 3.2.1.1: Study Design (Designed by the author)

The study design shows two processes. Firstly, the design shows how the research question in this study is answered (“Strategies to comply”). Based on strategies from companies subject to the French, German and British Act (“Literature review”), interview questions are formulated. These interview questions steer the interviews and will lead to strategies to comply with the EU supply chain law.

Secondly, the second row shows the process (in short) of acquiring interviewees. Companies that are subject to the law are identified, followed by doing outreach via LinkedIn. In this process, it was necessary that the procurement specialist is strategically involved in the procurement department. When this was not the case, the specialist was not suitable for an interview since chances are that he or she doesn’t know sufficient about the EU supply chain law. This process is explained more in detail in subchapter 3.2 Sampling.

### 3.3 Data Collection

Figure 2.3.1 shows the analytical framework used in this research. In this framework, questions were presented that were used to gather information about different companies. Findings of Schilling-Vacaflor and Gustafsson (2024) were used as input for the interview questions in this study, such as the utilization of a risk assessment process, a grievance mechanism, and the shift of responsibilities towards the legal department. In total, the interviews of this study consist of 18 questions, as presented in Appendix A1. Interview questions two and four are derived from the main research question, that focuses on both strategies and challenges. Interview questions nine until fourteen are linked to the findings of digitalization (Lothar et al., 2022), presented in chapter 2.4. The other interview questions are linked to the findings of the study of Schilling-Vacaflor and Gustafsson (2024), presented in chapter 2.3. By covering key areas such as awareness of the EU supply chain law, perceived challenges, compliance strategies, and future plans, answers to the research questions can be formulated. The answers given in interview questions one until four provide the information necessary to answer sub-question 1. The responses to interview question two provide the required information for answering sub-question 2. Sub-question 3 can be addressed upon the completion of data collection and analysis of all information obtained from the interviews.

The interview questions were open-ended questions, this made sure that the responses were in-depth and that there is flexibility to explore emerging themes. Interviews were conducted via Microsoft Teams. On average, the duration of an interview was 50 minutes. Interviews were recorded (with participants' consent), transcribed and coded. All interview transcripts and codes are presented in Appendix A2.

Table 3.3.1: Interviewee characteristics and company characteristics

Interviewee	Job Role	Company Branche	Company Nationality	Range of revenue / year	Interview Duration
1	Strategic Buyer	European Aviation Industry	Dutch	€10-15 Billion	61 minutes
2	Procurement Manager	Consumer Goods	Dutch	€40-70 Billion	37 minutes
3	Vice President Global Supplier Management	Logistics & Distribution	German	€70-100 Billion	61 minutes
4	Head of Global Supply Chain Sustainability & Global Supplier Quality Development Projects	Automotive	German	€2-4 Billion	53 minutes
5	Group Procurement Manager	Specific Consumer Good	Dutch	€0.5-1.2 Billion	50 minutes
6	Manager Procurement Business Development	Machinery	German	€4-6 Billion	31 minutes
7	Senior Vice President Operations	Machinery	Dutch	€5-7 Billion	68 minutes

	and Environmental Taskforce Lead				
8	Procurement Manager	Information Technology	Dutch	€400-500 Million	60 minutes
9	Procurement Officer	Retail & E-Commerce	Dutch	€500-600 Million	21 minutes

### 3.4 Data Analysis

The interviews were transcribed. Microsoft Teams has an automatic transcription tool that transcribes during the interview. However, these sentences are often not correct and need to be adjusted. The automatic transcriptions were checked, and the correct sentences were made. This was a time-intensive task, however, reading and re-reading leads to familiarizing yourself with the data (Braun & Clarke, 2006). After this process, the transcripts were analyzed using qualitative content analysis. Manual coding is selected as the analysis method. This helps to organize and explore the data and to discover themes (Welsh, 2002). Three types of coding techniques were used, following the approach of Corbin and Strauss (2008): open coding, axial coding and selective coding.

According to Corbin and Strauss (2008), open coding is “the process of breaking down, examining, comparing conceptualizing, and categorizing data.” This can be linked to Phase 2 in thematic analysis (Braun & Clarke, 2006): generating initial codes. Initial codes were produced from the data, and these codes include features of the data. After all data was coded initially, the next step is axial coding. Open codes were reviewed, looking for connections between different codes. Broader categories were formulated. The last coding step is selective coding. This is “the process of selecting the core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development” (Corbin & Strauss, 2008). The Gioia method is used for generating codes and themes. According to Gioia et al. (2013), this method consists of first-order concepts (open coding), second-order themes (axial coding) and aggregate dimensions (selective coding). After this step, there was a better understanding of the concepts derived from the data. The codes are presented in Figure 3.4.1.1, Figure 3.4.2.1 and Appendix A2.

After transcribing, familiarizing with the data and coding, important strategies mentioned by the interviewees were analyzed and reflected on. Strategies and challenges were also connected to each other, based on the output of the interviewees. The selected insights of participants were based on three criteria, following the approach of Tuli et al. (2007): the applicability beyond a specific firm or industry, whether or not multiple interviewees mentioned an idea or strategy, and if an idea or strategy is actually valuable and worth pursuing.

Figures 3.4.1.1 and 3.4.2.1 show the relationships between first-order concepts (open coding), second-order themes (axial coding) and aggregate dimensions (selective coding), following the approach of Corbin and Strauss (2008) and the Gioia methodology (Gioia et al., 2013).

The challenges and strategies received a number; C1 until C5 for the challenges and S1 until S12 for the strategies. These indications are being used in subchapter 4.3, where the challenges are connected to the strategies.



### 3.4.1 Data structure of the challenges

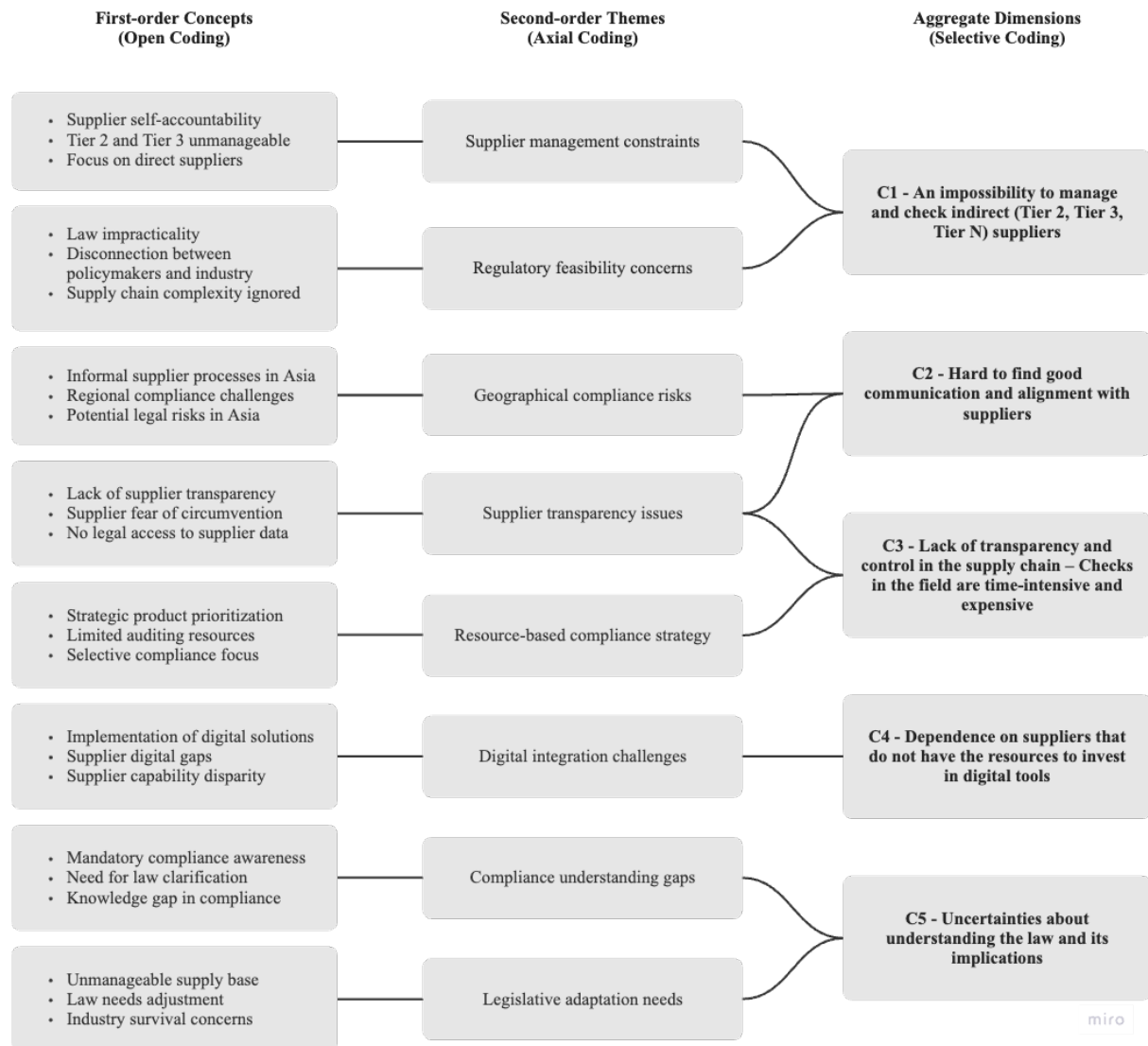
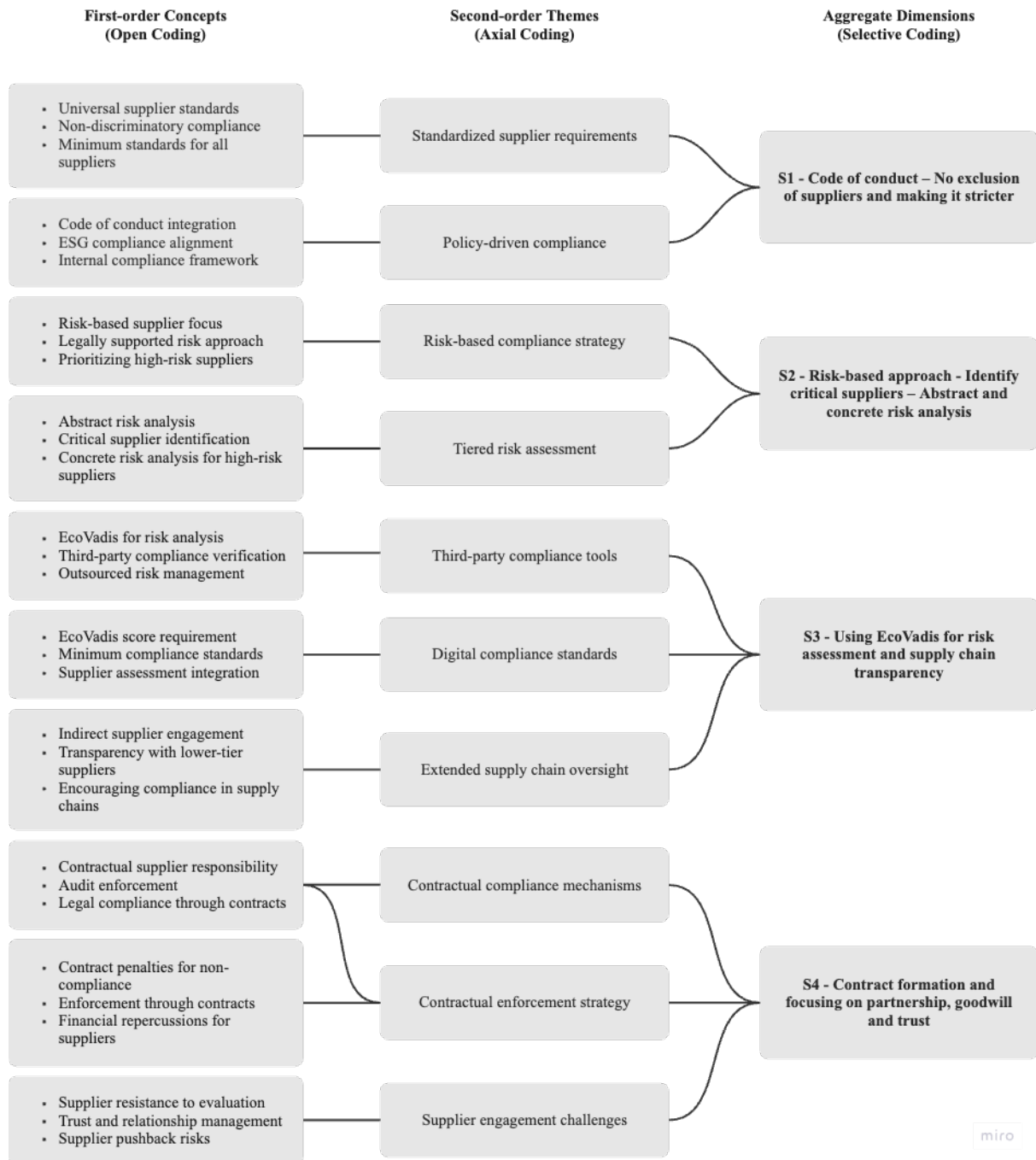


Figure 3.4.1.1: Data structure of the challenges

### 3.4.2 Data structure of the strategies



*This figure continues the next page.*

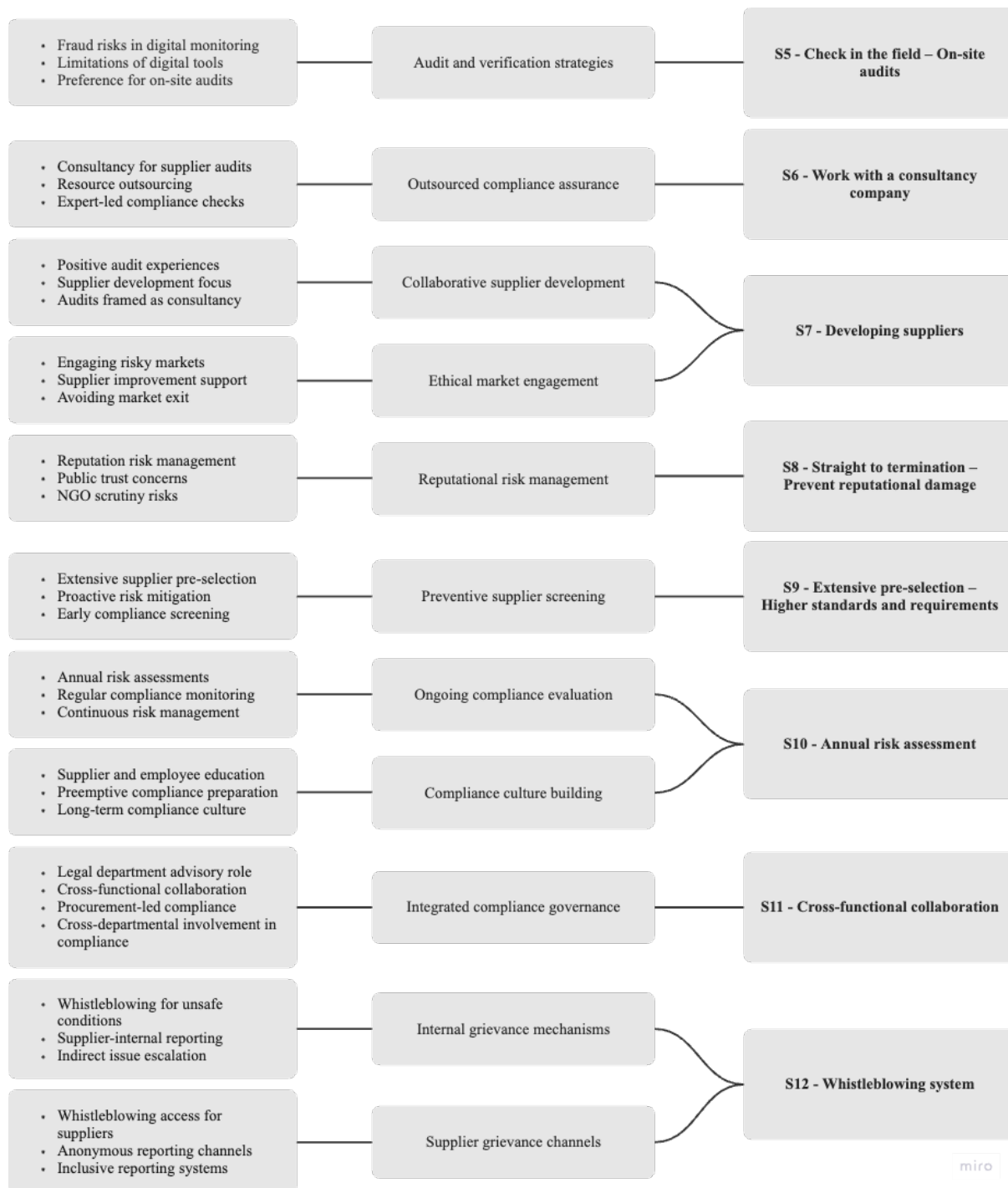


Figure 3.4.2.1: Data structure of the strategies

### 3.4.3 Connecting the challenges with the strategies

The identified challenges are systematically connected with the strategies that companies employ to address them, visualized in Table 4.3.1, in the results chapter. This process followed a structured approach based on open coding, axial coding, and selective coding, as proposed by Corbin and Strauss (2008). Starting with open coding, recurring themes and patterns were identified. The transcript data was broken down to labels. While doing this, challenges and strategies were identified. Next, axial coding was applied. The open codes were connected to each other; relationships between these codes established. Related concepts from the open codes were grouped into broader categories, so that a better

understanding of the data could be obtained. In the last step of coding, the axial codes were refined into higher-order constructs, called selective coding. Overarching themes were derived that included the core challenges and strategies mentioned by the interviewees. Finally, challenges were linked systematically with strategies. For each challenge, the transcripts and codes were revisited to examine how interviewees discussed potential solutions and strategic adaptations. By referencing specific statements from the interview data, a clear link could be made between the challenges and the strategies related to the EU supply chain law.

### **3.4.4 Connecting the strategies with procurement lifecycle phases**

The study first involved an analysis of the procurement lifecycle. The different phases and the overall concept were examined. After collecting and analyzing the data on company strategies, it was possible to determine where each strategy fit within the lifecycle. This approach ensured that the placement of strategies was based on an understanding of the theoretical framework.

To match the strategies with the appropriate phases, each strategy identified through the interviews was systematically assessed in relation to the objectives and key activities of each procurement phase. By aligning the insights from interviews with the phases of the procurement lifecycle, the study ensured that the placement of strategies was both theoretically grounded and practically relevant.

## **4 Results**

This chapter presents the key findings of this study, addressing the research question: What strategies do selected Dutch and German companies with Asian suppliers implement to cope with the challenges posed by the new EU supply chain law? The findings are based on data collected through interviews with procurement specialists from selected Dutch and German companies. A distinction is made between these two groups, as German companies have prior experience with the LkSG, which influences their strategies and perceptions. The identified strategies highlight the measures taken to ensure compliance with the EU supply chain law.

In subchapter 4.1, the challenges will be presented to enable answering sub-questions 1 and 2. This will be followed by the presentation of the results of the strategies, in subchapter 4.2. Together with subchapter 4.3, where the relationship between challenges and strategies is presented, sub-question 3 can be answered.

### **4.1 Challenges companies have encountered when looking at obligations under the law**

#### **C1 - An impossibility to manage and check indirect (Tier 2, Tier 3, Tier N) suppliers**

The responses about the challenges encountered under the obligations of the new EU supply chain law provided detailed insights into the perceived difficulties. There are several challenges mentioned, however, one task is seen as impossible by multiple interviewees (Interviewees 3, 4, 6 and 7). According to Diggory (2024), one of the biggest challenges linked to the EU supply chain law is the fact that responsibilities move beyond the direct suppliers. Not only Tier 1 needs to be managed, also the indirect suppliers, Tier N. This is also expressed. For example, interviewee 7 (Senior Vice President Operations and Environmental Taskforce Lead in a Dutch company, Machinery Industry) said:

*“I have organized my suppliers, and I've asked them to organize, make it a chain where the companies are held accountable how they treat their supply base and not the Tier 2 Tier 3 because it's unworkable, I cannot manage how a Chinese supplier is providing.”* [The interviewee means that they have

structured their supply chain so that each supplier is responsible for ensuring compliance with their own direct suppliers. This way, accountability is maintained at each level, instead of trying to directly monitor all suppliers further down the chain, which would be too complex and impractical.]

This shows that it is seen as unworkable, and that the only solution would be that companies are held accountable for their own direct suppliers. Two interviewees (Interviewees 4 and 7) gave an elaboration on this topic, expressing their disbelief about the law and about the politicians that were involved. Interviewee 4 (Head of Global Supply Chain Sustainability & Global Supplier Quality Development Projects in a German company, Automotive Industry) said:

*“Totally impractical. That's some politicians who only started but never worked in the industry they have thought that it would work, but for everybody who is really working in the industry and who knows how suppliers and customers are working together and how supply chains are working, they definitely know that it's totally impractical. And that it cannot work.”* [The interviewee means that politicians who created the EU Supply Chain Law do not have industry experience themselves. The law is unrealistic and impractical because it does not account for the complexities of supply chains, such as the difficulty of monitoring all indirect suppliers.]

## **C2 - Hard to find good communication and alignment with suppliers**

Furthermore, interviewee 1 (Strategic Buyer in a Dutch company, European Aviation Industry) finds it especially challenging to find a common language in communication. There was no further elaboration by interviewee 1, however, multiple interviewees (Interviewees 1, 2 and 3) highlighted the challenges related to communication. As said by interviewee 2 (Procurement Manager in a Dutch company, Consumer Goods Industry):

*“Working with Asian suppliers; I can imagine it could be an issue. I've heard from colleagues working with Asian markets as well, there are more informal processes, especially with suppliers. So there can be some irregularities in the way they are hiring people, so I'm guessing, in Asia, markets could be tough just as Latin American markets. There should be paid more attention to the impact of that law.”* [The interviewee means that in some Asian markets, business operations may follow informal or less regulated processes, making it harder to ensure compliance with the EU Supply Chain Law. They suggest that companies need to pay extra attention to these regions.]

Next to the informal processes of suppliers, an interviewee also mentioned the fact that suppliers do not feel the need to be transparent in the way that the law requires. This is also due to competitive reasons; when a buying firm knows the Tier 2 supplier, the Tier 1 supplier could be afraid to be circumnavigated. This theory is also confirmed by interviewee 3 (Vice President Global Supplier Management in a German company, Logistics & Distribution Industry):

*“Our suppliers are not obliged to tell us who they're working with, they're even afraid to tell us because of course then they think that we're going to circumnavigate them and buy directly from the factory and cut them out, right. So actually it will be an impossibility for many companies because there is no legal right to demand this access.”* [The interviewee means that suppliers often do not disclose their own suppliers (Tier 2, Tier N) because they fear being bypassed. This lack of transparency makes it impossible for companies to trace their supply chains as required by the law.]

## **C3 - Lack of transparency and control in the supply chain – Checks in the field are time-intensive and expensive**

Transparency and control are challenges that come back frequently during the interviews. When talking about certain strategies, such as including strict measures in the code of conduct and contracts, as said by interviewee 8 (Procurement Manager in a Dutch company, Information Technology Industry) for example, challenges arise considering the effectiveness and actual compliance. To be sure that a supplier

is complying, a check in the field is necessary. This is a time-intensive and costly operation, therefore interviewee 8 also mentioned “it has to be a very strategic product for us.” Since the law is demanding full compliance through the supply chain, and not only for the suppliers holding strategic products, this is a challenge that buying firms deal with.

#### **C4 - Dependence on suppliers that do not have the resources to invest in digital tools**

Also, compliance of the buying firm depends on compliance of the suppliers. According to Diggory (2024), digital tools are needed to comply. A big challenge arises when looking at the (digital) capabilities of suppliers. As said by Interviewee 7 (Senior Vice President Operations and Environmental Taskforce Lead in a Dutch company, Machinery Industry): “We have implemented a solution to manage that. Or are implementing that solution. The challenge here is; we might have a digital solution, but the suppliers don't have that.” Small and medium-sized suppliers don't always have the resources to invest in digital tools, and therefore the buying firm is also not able to control the supplier digitally.

#### **C5 - Uncertainties about understanding the law and its implications**

Lastly, multiple interviewees (Interviewees 1, 3, 5 and 7) highlight that the law is new and that it leaves room for interpretation. Companies see all these regulations, but are not sure what it all means, when it will be effective and if the law will adjust. Interviewee 5 (Group Procurement Manager in a Dutch company, Specific Consumer Good Industry) mentioned:

*“We are aware that it's mandatory so which means that we will need to comply. But the first thing is that we need to have a good and solid understanding. What does it entail?”*

The mentioned interviewees are aware of the challenge about the uncertainty of the law. This may lead to postponing necessary measures. Interviewee 7 (Senior Vice President Operations and Environmental Taskforce Lead in a Dutch company, Machinery Industry) mentioned to be convinced that the law will adjust. When asked “Do you think that the law will change?”, the answer was “Of course, because nobody can manage his whole supply base. The law has to adjust, or they will kill the whole industry.” The interviewee referred to another legislation, the EUDR, and said that this was an impractical law as well, and therefore it will not come into force by January 1, 2025. The interviewee is convinced that the same will happen for the EU supply chain law.

## **4.2 Strategies companies are implementing to comply with the EU supply chain law**

The interviewees revealed interesting strategies. It is acknowledged that it is a big challenge to comply, but that there are several strategies that help to maximize the impact and the possibilities within the company.

### **S1 - Code of conduct – No exclusion of suppliers and making it stricter**

First of all, a code of conduct can be used as a tool for compliance. By mentioning factors such as human rights, working conditions and child labor, there is more clarity about the expectations of the buying firm. Interviewee 3 (Vice President Global Supplier Management in a German company, Logistics & Distribution Industry) highlights to include all suppliers: “We don't care if that's a strategic supplier or a small supplier or a big supplier or a supplier of certain products. It's a minimum standard for us to do business with suppliers.” Next to including all suppliers, multiple interviewees (Interviewees 1, 5, 6 and 8) mention the essence to make the code of conduct stricter so that it also includes standards related to the EU supply chain law. Interviewee 5 (Group Procurement Manager in a Dutch company, Specific Consumer Good Industry) mentioned: “we have our own code of conduct where we work with. Naturally, this is described into that if we want to comply with CSRD and ESG rules and regulations. That's also where it's indicated.”

## **S2 - Risk-based approach - Identify critical suppliers – Abstract and concrete risk analysis**

The EU supply chain law suggests to control the whole supply chain, both upstream and downstream (Diggory, 2024). Multiple interviewees (Interviewees 3, 4, 6 and 7) mention the impossibility and describe the only alternative for it: a risk-based approach. Interviewee 7 (Senior Vice President Operations and Environmental Taskforce Lead in a Dutch company, Machinery Industry) mentioned “the best approach according to this law is a risk-based approach. I'm going to continue as I am and put for certain suppliers and risk-based employees in place which is totally approved by the legislation and only focus on the risk-based suppliers.” Interviewee 6 (Manager Procurement Business Development in a German company, Machinery Industry) implements different risks analyses for different suppliers:

*“We have to 1st carry out the abstract risk analysis. So we take into account the whole supplier base and also from our subsidiaries and we carry out the risk analysis and then we identified in the 1st place the critical suppliers in our abstract risk analysis and then we are going into the second step, which would be the concrete risk analysis and then we take into account the other critical suppliers and they have to participate in sustainability assessments, which we also carry out via EcoVadis.”* [The interviewee means that their company first performs a broad (abstract) risk analysis on all suppliers to identify high-risk suppliers. Next, only the critical suppliers go through a more detailed (concrete) risk analysis, including sustainability assessments through EcoVadis.]

The interviewee recognizes the time-intensive task and impossibility if they would choose to conduct a concrete risk analysis for all suppliers, and instead first does an abstract risk analysis. Only for the critical suppliers, the concrete risk analysis will be done.

## **S3 - Using EcoVadis for risk assessment and supply chain transparency**

When talking about digital tools, there is one tool highlighted and recommended frequently by multiple interviewees (Interviewees 3, 4, 6, 7 and 8): EcoVadis. EcoVadis is being used for risk assessment, ESG regulations and compliance, according to Interviewee 4 (Head of Global Supply Chain Sustainability & Global Supplier Quality Development Projects in a German company, Automotive Industry) for instance:

*“We are working with a service provider called EcoVadis. Maybe you know them in terms of risk analysis, ESG risk analysis with our suppliers and yeah, we asked them how they will cover this law.”*

Interviewee 4 mentions that risks can be found easier, and that EcoVadis has experts that can help with compliance with the law. EcoVadis has solutions that allow the buying firm to see fast which companies score high or low on certain risk standards and quality standards. Interviewee 4 (Head of Global Supply Chain Sustainability & Global Supplier Quality Development Projects in a German company, Automotive Industry) said: “We have implemented additions to our processes, for example that an EcoVadis scorecard and minimum rating score at EcoVadis is a minimum requirement to be a supplier.” EcoVadis also gives the possibility to upload Tier 2 and Tier 3 suppliers to the tool, allowing for assessment of these parties as well. Interviewee 4 (Head of Global Supply Chain Sustainability & Global Supplier Quality Development Projects in a German company, Automotive Industry) mentioned: “when we know sub sub suppliers or whatever we can try to invite them for example for EcoVadis.” Since five out of nine interviewees (Interviewees 3, 4, 6, 7 and 8) mentioned the implementation of EcoVadis solutions, it can be recommended to look at the possibilities for companies that don't work with EcoVadis yet.

## **S4 - Contract formation and focusing on partnership, goodwill and trust**

Next, strategies related to the contract are mentioned by multiple interviewees (Interviewees 1, 2, 3, 4 and 8). Companies recognize that it is an impossibility to control Tier N suppliers, and therefore the

focus will be on writing down responsibilities in the contracts. Interviewee 2 (Procurement Manager in a Dutch company, Consumer Goods Industry) mentioned:

*“Contracts could be a good one if I mean, if you're a big company and you're dealing with a smaller supplier, then you could add it up in the contract that your supplier is responsible that their suppliers, all their suppliers have a proper set of characteristics or good traits, and you have the ability and capacity to audit them periodically. If you have that in your contract and then you're covered.”* [The interviewee means that large companies can use contracts to shift compliance responsibility to their suppliers by requiring them to ensure their own suppliers meet certain standards. Including audit rights in the contract provides an extra level of oversight.]

Interviewee 2 (Procurement Manager in a Dutch company, Consumer Goods Industry) added that “it can be tricky to ask your supplier to evaluate their suppliers because they can easily shut off that door.” Therefore, there needs to be a sense of partnership, goodwill and trust. This interviewee emphasized the utilization of contracts, also in the form of skewed and foolproof contracts.

*“The contracts that we have are way more skewed to our benefit than ours in what we can do if they do not comply to regulations or KPIs or levels of service, so we have mechanisms to cut off the contract to find them, to ask for reimbursement of some way.”* [The interviewee means that their contracts are structured in a way that heavily favors their company. This allows the company of the interviewee to terminate agreements, impose fines, or seek financial compensation if suppliers fail to meet compliance requirements.]

This company focuses on creating contracts that in favor of the buying firm, so that enforcement is easier to manage.

#### **S5 - Check in the field – On-site audits**

Companies are aware that contracts and agreements can be effective, but that a check in the field is necessary in some cases. Interviewee 8 (Procurement Manager in a Dutch company, Information Technology Industry) stated:

*“A digital protocol where you check suppliers and monitor things, it is also really easy to commit fraud. So, I don't really see the added value. I think the only strategic tool would be to actually visit the location and to check if everything is going well at the supplier.”* [The interviewee means that digital tools for supplier monitoring can be unreliable because suppliers may manipulate the data. Physical on-site visits are the only way to verify compliance accurately, according to the interviewee.]

#### **S6 - Work with a consultancy company**

Following the risk-based approach mentioned earlier, it is important to first identify the high-risk suppliers. Checks in the field cannot be done for all suppliers; therefore, this is the best approach. Some companies may also be too small to do checks in the field themselves. Interviewee 9 (Procurement Officer in a Dutch company, Retail & Ecommerce Industry) suggested a solution to this problem: hiring a consultancy company. This could be an interesting option for smaller companies as well. “(company name) is too small to check the suppliers on-site ourselves. Then we would ask for a consultancy company for advice and to check the supplier at the location.”

#### **S7 - Developing suppliers**

The focus on developing suppliers is an interesting strategy as well. This can be linked to the strategy of building a relationship, goodwill and trust, since developing suppliers can have a positive impact on the relationship. Interviewee 3 (Vice President Global Supplier Management in a German company, Logistics & Distribution Industry) stated:



*“Companies are a bit scared when we audit them, but we try to make this a good experience. We say, look, take it as free consultancy. We’re offering you free consultancy. We’re helping you to determine what to focus on, you know, and we will try to pick on the primary thing.”*

### **S8 - Straight to termination – Prevent reputational damage**

This is a strategy that is not being recognized and implemented by all interviewees. Other interviewees, such as Interviewee 7 (Senior Vice President Operations and Environmental Taskforce Lead in a Dutch company, Machinery Industry), don’t see it as their duty to develop suppliers. The company where this interviewee works for, goes straight to termination if they are not meeting the standards of the company. Both strategies are valid, since this argument has pros and cons. Benefits of suppliers are that you don’t have to rely on only your big suppliers, therefore the buying firms lower their risks on dependence (Interviewee 3, 2024). Also, interviewee 3 (Vice President Global Supplier Management in a German company, Logistics & Distribution Industry) mentioned:

*“We will continue to do business in those risky countries and in fact it’s wrong to exit them because if you are there, you can help them to improve. If you’re not there, this makes the condition for the people living in those countries very, very difficult.”*

The downside of working with suppliers that do not comply, is reputational risk. The risk of reputational damage is highlighted by interviewee 7 (Senior Vice President Operations and Environmental Taskforce Lead in a Dutch company, Machinery Industry):

*“There are always people which are saying, yeah, but then you take business and money from there so they will stay in that environment. But what’s going to happen if I do business with them and next week next week an NGO notices I’m doing business with a company which has child labor, what do you think is going to happen with my public trust?”* [The interviewee means that while helping suppliers improve is ideal, doing business with a non-compliant supplier carries reputational risks. If an NGO connects the company to child labor, public trust in the company could be damaged. The risk of reputational damage is too high, so the interviewee prefers to stop these collaborations.]

### **S9 - Extensive pre-selection – Higher standards and requirements**

Extensive pre-selection is being used to prevent having suppliers that do not comply or cannot comply. Interviewee 8 (Procurement Manager in a Dutch company, Information Technology Industry) mentioned: “we look really extensively and we have a pre selection. If something is wrong, we can see it immediately when we check them and see oh god, this is not good. So they will not come through our selection.” This step is important in the process, since an extensive pre-selection can already make sure that the bad suppliers are excluded.

### **S10 - Annual risk assessment**

Interviewee 3 (Vice President Global Supplier Management in a German company, Logistics & Distribution Industry), who is working in a German company, emphasized on the use of an annual risk assessment. The German company did not do this in the past, however, the LkSG made it mandatory to do. “Now we religiously do this every single year with a robust process behind involving our greater organization.” Non-German companies can look at the possibilities to implement an annual risk assessment. By thinking about this process now, and also to the suppliers, a buying firm can prepare the suppliers for the future. This is also mentioned by interviewee 3 (Vice President Global Supplier Management in a German company, Logistics & Distribution Industry):

*“We’ve already been educating our global organization and our suppliers. So therefore, in fact the CS triple D is not going to find this hard to comprehend because we’ve already been talking about it for the last two years.”* [The interviewee means that their company has been preparing for the EU Supply

Chain Law for two years by educating both employees and suppliers. Therefore, compliance will not be a big challenge.]

### **S11 - Cross-functional collaboration**

Schilling-Vacaflor and Gustafsson (2024) mentioned a case where the responsibilities shifted from the CSR department to the Legal department. The interviewees in this study show different opinions regarding this topic. Multiple interviewees (Interviewees 3, 4 and 8) see the legal department as a consultant and prefer a cross-functional collaboration. Interviewee 8 (Procurement Manager in a Dutch company, Information Technology Industry) mentioned:

*“Legal sits in there from a consulting perspective only, right? They cannot be the ones taking care of assessing suppliers. This is not their job. Their job is to ensure that when we have questions about the law where we need clarification, we have a department that deals with that.”*

Interviewee 8 (Procurement Manager in a Dutch company, Information Technology Industry) mentioned: “For us the responsibility is not at Legal. They are mostly just busy for advice. An advisory organ. But they will be involved in everything.” Next to this, the interviewee also highlighted the strategy to involve the legal department, since the law is legally complex and there is room for interpretation.

### **S12 - Whistleblowing system**

Multiple interviewees (Interviewees 3, 6, 7 and 8) mention the usage of a whistleblowing system. Some companies focus on checking the whistle blowing system on the supplier side, such as interviewee 8 (Procurement Manager in a Dutch company, Information Technology Industry):

*“The so-called whistle-blower is in there. It is about unsafe working conditions, these kinds of things. But, we are not in a direct line. The thing that we ask, is that within their organization there is a point of contact so that they can approach them this way.”* [The interviewee means that their company does not directly handle whistleblower reports from supplier employees. Instead, they require suppliers to have their own internal reporting mechanisms.]

However, the majority of companies have a whistleblowing system on the side of the buying firm. Interviewee 6 (Manager Procurement Business Development in a German company, Machinery Industry), for example: “It’s for our own employees, but also for our supplies or customers. So we have a tool and an e-mail address where they can report any violations or issues and so on. So also the employees of the supplier.” According to Consulting (n.d.), involving an external party enhances legitimacy and stakeholder trust. Therefore, it can be recommended to the company of interviewee 8 (Procurement Manager in a Dutch company, Information Technology Industry) to think about improvements of the whistleblowing system.

### 4.3 The relationship between challenges and strategies

As described and explained in subchapter 3.4.3, the relationship between challenges and strategies is made visible in Table 4.3.1. To ensure readability, the challenges and strategies are noted in Table 4.3.2.

Table 4.3.1: The relationship between challenges and strategies

	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12
C1												
C2												
C3												
C4												
C5												

Table 4.3.2: Challenges and strategies derived from the interviews

Challenges	Strategies
C1 – An impossibility to manage and check indirect (Tier 2, Tier 3, Tier N) suppliers	S1 - Code of conduct – No exclusion of suppliers and making it stricter
C2 - Hard to find good communication and alignment with suppliers	S2 - Risk-based approach - Identify critical suppliers – Abstract and concrete risk analysis
C3 - Lack of transparency and control in the supply chain – Checks in the field are time-intensive and expensive	S3 - Using EcoVadis for risk assessment and supply chain transparency
C4 - Dependence on suppliers that do not have the resources to invest in digital tools	S4 - Contract formation and focusing on partnership, goodwill and trust
C5 - Uncertainties about understanding the law and its implications	S5 - Check in the field – On-site audits
	S6 - Work with a consultancy company
	S7 - Developing suppliers
	S8 - Straight to termination – Prevent reputational damage
	S9 - Extensive pre-selection – Higher standards and requirements
	S10 - Annual risk assessment
	S11 - Cross-functional collaboration
	S12 - Whistleblowing system

Firstly, managing and checking indirect (Tier 2, Tier 3, Tier N) suppliers is one of the most mentioned challenges related to the EU supply chain law. Although the emphasis on the impossibility, EcoVadis is seen as a potential tool to manage this challenge (Interviewee 4, 2024). Furthermore, contracts could be used, by adding in the contract that the supplier is responsible for their direct suppliers (Interviewee 2, 2024).

Secondly, multiple interviewees (Interviewees 1, 2 and 3) find it a challenge to communicate and align with suppliers. A strict code of conduct can be a solution, since companies can include rules and regulations related to the EU supply chain law (Interviewee 5, 2024). Also, a check in the field can make sure that communication and aligning improves. Interviewee 8 (2024) emphasized on the importance of visiting the location, so that the buying firm knows how operations are going on the supplier side. Next, developing suppliers can also be a suitable strategy for improving communication with suppliers. Interviewee 3 (2024) sometimes offers free consultancy to the supplier, and therefore the supplier can improve and work better with the buying firm. Extensive pre-selection can help to prevent working with suppliers that have bad communication or non-optimal alignment (Interviewee 8, 2024). An annual risk-assessment helps to prepare suppliers for the future. Better prepared suppliers are more likely to be aligned and to communicate better (Interviewee 3, 2024). Lastly, a whistleblowing system is implemented by multiple companies, allowing for employees to report any violations and issues. When having this whistleblowing system in place, buyers and suppliers understand their personnel better, and therefore communication and alignment will be improved (Interviewee 6, 2024).

Thirdly, companies find it challenging to be sure that a supplier is complying. Checks in the field are necessary to be sure, but this is time-intensive and expensive (Interviewee 8, 2024). To overcome this challenge, a risk-based approach is possible. Interviewee 6 (2024) only implements a concrete analysis for the high-risk suppliers. This way, costs for managing and controlling suppliers can be limited. Also, EcoVadis can be used to save time and expenses (Interviewee 4, 2024). Next, working with a consultancy company is mentioned by Interviewee 9 (2024) as a strategy to manage suppliers, since smaller companies are not able to do checks in the field all by themselves. Extensive pre-selection is linked to this challenge again, since this can prevent having bad suppliers in a portfolio. Checks in the field may be less urgent for supplier that have a good reputation already (Interviewee 8, 2024). Lastly, a whistleblowing system can help to get better insights into processes on the supplier side. Therefore, the buying firm is better able to decide which suppliers need a check in the field, and which suppliers have priority (Interviewee 6, 2024).

Fourthly, dependence on suppliers that do not have the resources to invest in digital tools is a major problem (Interviewee 7, 2024). Developing suppliers is a possible solution, since helping suppliers with implementing digital solutions can be beneficial for both the buying firm and the supplier. However, Interviewee 7 (2024) mentioned that it is not their duty to develop suppliers. In their case, going straight to termination is the only option, since the risk of reputational damage is high. As mentioned before, an extensive pre-selection can help to prevent this problem to occur, since pre-selection leads to only selecting suppliers that have their digital tools in place or are able to implement digital solutions (Interviewee 8, 2024).

Lastly, uncertainties about the law and its implications are a challenge. EcoVadis can be a solution, since this company is knowledgeable about the law, and they have the resources to help buying firms with their challenges (Interviewee 4, 2024). Consultancy companies can also help, since these companies also have up to date knowledge about the law (Interviewee 9, 2024). Cross-functional collaboration between the procurement and legal department can lead to a better understanding of the law, where procurement is responsible but legal is the consultant (Interviewee 8, 2024).

## 5 Conclusion

The announcement of the new EU supply chain law represents a pivotal moment in the governance of corporate responsibility. The law emphasizes topics related to human rights, environmental sustainability, and ethical considerations within supply chains. This study aimed to understand the strategies applied by Dutch and German companies with Asian suppliers to comply with the law. By examining the context of prior laws, such as the DV law and the LkSG, and through qualitative analysis of interviews with procurement specialists, this research has provided valuable insights into the challenges, strategies, and implications of the law.

The interviewees show variation in how companies perceive the impact of the EU supply chain law. German companies, who already had to deal with the LkSG, view the law as an extension of existing frameworks, leading to relatively lower disruption. On the other side, Dutch companies are less prepared in general. Multiple companies mention expecting big administrative and financial burdens, because it is necessary to monitor and control indirect suppliers according to the law. These varied responses by interviewees highlight the importance of prior compliance infrastructure in mitigating the challenges of new regulations. Mentioning the variation highlights that prior compliance experience influences how companies perceive and handle new regulations. This suggests that regulatory preparedness can mitigate the burden of new laws, making preventive compliance processes a key factor in adaptation. It also underscores the essence of this current study since this current study aims to prepare and help companies for compliance with the new EU supply chain law.

One of the biggest challenges identified is the difficulty in managing and verifying compliance among indirect suppliers. Many procurement specialists consider the legal requirement to oversee the entire supply chain unrealistic or impossible, especially for complex supply chains. This study shows that multiple companies rely on contractual clauses and supplier responsibility frameworks to push compliance requirements towards indirect suppliers. In addition, companies face resistance from suppliers who are not willing to disclose information about their suppliers due to the fear of being bypassed. This lack of transparency, combined with uncertainties of the law, creates an environment where compliance remains a hard task.

Companies often have a risk-based approach, where they prioritize high-risk suppliers instead of attempting complete monitoring of the whole supply chain. Whistleblowing mechanisms have also been implemented, allowing supplier employees to report violations directly to the buying firm. This increases transparency. One of the most used tools for supplier risk assessment and compliance monitoring is EcoVadis, which provides sustainability ratings and supply chain risk evaluations. Interviewees mentioned many benefits but did not discuss the downsides, which are important to consider. A limitation of EcoVadis is its reliance on self-reported data, which can sometimes lead to inaccurate or too optimistic assessments of supplier performance. Also, its standardized evaluation framework may not fully account for industry- or region-specific risks. Therefore, the framework may not be suitable for all industries or regions. To mitigate these risks, companies can adopt a diversified approach to sustainability assessments (Sustainability Directory, 2024).

The EU supply chain law can be seen as a new era of corporate accountability because traditional boundaries of compliance are broken. While many companies expect the law to adjust and make it more practical, this study revealed interesting strategies to work on compliance as soon as possible. While companies are busy with understanding the law and complying with the law, the insights from this study can be a guide for companies to improve supply chain transparency, resilience, and social responsibility.

## **6 Discussion**

This chapter discusses the findings of this research by connecting the Results (Chapter 4) with the Literature review (Chapter 2). It evaluates the key strategies adopted by selected Dutch and German companies with Asian suppliers to comply with the new EU supply chain law and explores how these strategies align with or deviate from existing theories and empirical studies. Lastly, the strategies are mapped to specific stages of the procurement lifecycle, as mentioned and explained in subchapter 2.5.

### **6.1 Perceived impact of the law**

The varying perceptions of the EU supply chain law, as mentioned in Chapter 4 Results, reflect the theoretical perspectives on regulatory challenges outlined in Chapter 2 Literature review. German companies, influenced by prior compliance with the LkSG, demonstrated preparedness and a limited perception of disruption. In contrast, Dutch companies reported greater concerns about administrative burdens and financial costs. This difference aligns with the analysis of Schilling-Vacaflor and Gustafsson (2024), because they mention that prior regulatory experience can benefit the processes and responses of companies for compliance of other or similar laws.

Moreover, the finding that companies anticipate high compliance costs supports the identification of Christopher et al. (2011) that supply chain risks associated with environmental and sustainability regulations may occur. The scope of the law is to extend to indirect suppliers. This introduces new and big challenges for companies, emphasizing the need for extensive due diligence mechanisms, as suggested by Diggory (2024).

While strategies are being developed, compliance levels vary. German companies, having prior experience with supply chain regulations, are more advanced. On the other side, multiple Dutch companies are still in the early stages of adaptation and understanding the law. Multiple Dutch and German companies perceive the law as impossible and expect the law to adjust. Therefore, not all companies are actively developing strategies to comply with the new EU supply chain law.

### **6.2 Strategies**

This study identified many strategies, especially linking five broad categories to the literature: the risk-based approach, supplier development, digital tools, the contracts and a cross-functional collaboration.

For the risk-based approach, companies prioritize high-risk suppliers, focusing on areas with the greatest likelihood of human rights violations or environmental harm. This strategy reflects the strategies of the four companies mentioned in Schilling-Vacaflor and Gustafsson (2024), where all companies identified their high-risk suppliers. The impossibility of auditing all suppliers, mentioned in the results, also aligns with the analytical framework of Schilling-Vacaflor and Gustafsson (2024), which emphasizes practicality in enforcement mechanisms.

For supplier development, collaborative efforts were a key finding. Multiple companies focused on training and developing the supplier, and this supports the view of Lothar et al. (2022) that supplier engagement is essential for improving labor standards and compliance outcomes. However, the associated possibility of reputational risks that is presented in the results, highlight a tension between improvement and liability concerns. The study of Schilling-Vacaflor and Gustafsson (2024) shows that the case companies avoid high-risk countries and regions, and these companies also exclude suppliers that did not comply with certain sustainability requirements.

Digitalization and monitoring tools have an interesting contradiction when looking at the literature and the results. Lothar et al. (2022) highlights the implementation of digital twins, blockchain and RPAs,

while the interviewees in this study mentioned to have no knowledge about this topic or that it is currently not being implemented within the procurement department. On the other side, participants consistently highlighted EcoVadis as a valuable tool for evaluating supplier sustainability performance, particularly in aligning with regulatory requirements and enhancing supply chain transparency. However, it is notable that none of the interviewees addressed the potential drawbacks or limitations associated with only relying on EcoVadis. This absence is an interesting finding, considering that EcoVadis' standardized assessment model may overlook industry- or region-specific sustainability risks (Mooney, 2023), and its reliance on self-reported data can lead to inaccuracies due to supplier bias or misrepresentation (HQTS, 2024). Additionally, the periodic nature of EcoVadis assessments may not adequately capture rapidly evolving supply chain risks. It is recommended that companies complement EcoVadis assessments with other specialized tools, such as the Carbon Disclosure Project (CDP), and invest in internal sustainability experts. This diversified approach would provide a better understanding of supply chain sustainability and transparency.

Another divergent from the literature is the utilization of contracts. Contracts are being mentioned in Schilling-Vacaflor and Gustafsson (2024), but only about including sustainability requirements with clauses. This strategy is also mentioned in this current study. However, the other studies did not talk about mentioning in the contract that the supplier is responsible for their Tier 1 suppliers (Tier 2 for the buying firm). This finding was perceived as interesting by multiple interviewees. One of the first interviewees mentioned this strategy, and it was used as input for the other interviews as well.

Lastly, Schilling-Vacaflor and Gustafsson (2024) mentioned the option to shift responsibilities from the CSR department to the legal department. Interviewees explained that this should not be the case, since the legal department should function as the consultant only. A cross-functional collaboration needs to be employed, where the different departments work together.

### **6.3 Mapping the strategies to specific stages of the Procurement Lifecycle**

The research revealed multiple interesting strategies that companies apply to improve supply chain transparency, and to maximize chances to comply with the new EU supply chain law. Although many companies perceive the law as impossible (e.g., interviewee 7 (Senior Vice President Operations and Environmental Taskforce Lead in a Dutch company, Machinery Industry)), with a high chance of the law being adjusted in the future, several strategies can be implemented as soon as possible. The strategies are mapped to specific stages of the procurement lifecycle, as mentioned and explained in subchapter 2.5.

#### **Phase 1: Identifying needs**

**Cross-functional collaboration:** Legal, CSR, and procurement departments work together to align compliance needs with operational requirements. This ensures a better understanding and approach to identifying procurement needs.

**Risk-based approach – Identify critical suppliers – Abstract and concrete risk analysis:** A risk-based approach prioritizes identifying and mitigating risks by assessing suppliers based on their impact and compliance vulnerabilities. This strategy ensures resource allocation focuses on high-risk areas. Companies categorize suppliers based on their importance to the supply chain and their associated risks. Multiple companies choose for an abstract risk analysis first; this is less time intensive and during this process the high-risk suppliers can be identified. For the high-risk suppliers, a concrete risk analysis can be conducted.

## Phase 2: Market research

**Extensive pre-selection – Higher standards and requirements:** Companies implement extensive screening processes to ensure only suppliers meeting compliance standards proceed to the next stages. Setting elevated benchmarks for suppliers ensures compliance with stringent sustainability and ethical standards.

**Using EcoVadis for risk assessment and supply chain transparency:** Platforms like EcoVadis provide structured supplier evaluations and risk assessments. They assign minimum scores for sustainability, compliance and risk to identify viable partners. Working with EcoVadis is one of the most important decisions mentioned in this study. EcoVadis provides valuable tools and insights, and several companies are highly depending on the tools. Extending the analysis to indirect suppliers enhances supply chain transparency and accountability. At EcoVadis, it is possible to upload the indirect suppliers when there is data available.

**Work with a consultancy company:** Consultancy companies are up to date considering procurement regulations and necessary steps forward. Since the law leaves room for interpretation, is new and there is a possibility that the law will adjust, it is recommended to contact a big consultancy company like KPMG to help with compliance.

## Phase 3: Supplier evaluation and selection

**Code of conduct – No exclusion of suppliers and making it stricter:** Firstly, the code of conduct needs to be extensive and complete regarding all guidelines considering human rights, safe working conditions, and other topics related to the law. Then, the code of conduct needs to apply for all suppliers, without making exceptions. Suppliers can copy the code of conduct of the buying company, so that regulations are clear and effective fast.

**Check in the field – On-site audits:** On-site audits by company representatives verify compliance and provide deeper insights into supplier practices. Many companies mentioned the benefits of checks in the field, this way the buying firm has a better understanding of the supplier. Checks in the field can only be done for the high-priority suppliers, since it is time-intensive. However, regular on-site checks improve the transparency and clarity.

## Phase 4: Negotiation

**Contract formation and focusing on partnership, goodwill and trust:** Emphasizing trust and long-term partnerships during negotiations fosters supplier accountability and compliance. Negotiation strategies can include contract clauses that incentivize ethical behavior and establish clear penalties for non-compliance.

## Phase 5: Contract formation

**Contract formation and focusing on partnership, goodwill and trust:** Holding Tier 1 suppliers accountable for the actions of their Tier 2 suppliers ensures compliance throughout the supply chain. This is one of the most interesting strategies mentioned frequently. When looking at the challenge of the new law, it is impossible to manage the whole supply chain. This strategy gives a solution to the problem. Also, organizations can implement clear termination triggers for non-compliance, ensuring alignment with sustainability and regulatory goals. Furthermore, legal teams draft contracts that are extensive and in the favor of the buying company. This means that the buying company benefits the contract more, due to certain regulations or clauses. When a supplier acts in a way that is not responsible, the buying company can make changes. Negotiations emphasize building long-term partnerships based on goodwill and mutual trust to promote transparency and compliance. Building a relationship and trust



is a general strategy that can be included in all steps of the procurement lifecycle. However, interviewee 2 (Procurement Manager in a Dutch company, Consumer Goods Industry) mentioned this topic in the negotiation phase, and therefore this strategy is placed here.

**Straight to termination – Prevent reputational damage:** In cases of severe non-compliance, contracts can be terminated to mitigate risks and ensure adherence to standards. Companies highlight the danger of reputational damage in case of considering working with suppliers that are not complying.

## **Phase 6: Review and control**

**Developing suppliers:** Companies invest in training and resources to help suppliers meet compliance standards and improve their practices. Several companies continue business with suppliers in case of non-compliance, with the thought that suppliers need financial resources to improve their processes and become compliant. When a buying firm stops doing business with a supplier, it is less likely that the supplier can change their situation. Several buying firms see it as their duty to help suppliers and improve them.

**Annual risk assessments:** Annual assessments ensure ongoing supplier compliance and identify new risks within the supply chain.

**Whistleblowing system:** Anonymous reporting mechanisms allow stakeholders to highlight non-compliance. Multiple companies have a whistleblowing system where also employees from the supplier can make use of. This means that employees of the supplier can report anything that concerns them, directly to the buying firm. Having a whistleblowing system like this means that employees of the supplier feel safer and more confident to report anything, since the point of contact is outside of their own organization (Consulting, n.d.)

## **7 Implications, Limitations and Future Research**

### **7.1 Theoretical Implications**

This study makes a significant contribution to the academic literature by focusing on the strategies companies employ to comply with the EU supply chain law. While numerous online articles discuss what companies should do, there is a noticeable gap in peer-reviewed research that examines what companies are doing. There has been little to no academic research that systematically gathers insights from strategic procurement specialists regarding their perspectives and strategies for compliance. This study is one of the first to bridge that gap, by conducting in-depth interviews with procurement specialists from affected companies. The findings provide a unique and practice-based perspective on compliance strategies. This gives new insights into the way that companies operate regarding these new regulatory challenges. It gives insights into how companies balance operational efficiency. As one of the first studies to explore this topic through empirical research, it lays the foundation for future studies on compliance regarding the EU supply chain law. Lastly, this study can also be used as a starting point for new studies focusing on different, similar laws. This is exactly what was done in this study as well, since there was a scarce number of studies done related to the EU supply chain law.

### **7.2 Practical Implications**

This study provides a guideline of strategies that European companies can use during the adaptation process to the new law. It was expected that companies are aware of the new legislation, and that some companies know how to address it. Based on this research, not only companies within the study can take a step in the right direction, but all companies that are subject to the law.

In addition, this research gives insights into the changes that happen operationally, in terms of what businesses can implement to reduce compliance costs while enhancing sustainability. Strategies are being explored in the field of assessment of supplier risks, digital monitoring, and stakeholder engagement, and these strategies make sure that companies have access to valuable information to meet legal requirements and gain a competitive advantage. Because interviews are held in different industries, it is more likely that the findings will also be applicable in different industries. Therefore, companies that vary in offerings, size, and complexity can all benefit from this research.

### **7.3 Limitations**

The findings may be not generalizable to all EU companies, especially firms that are not covered by the law, because these companies are too small. Also, because the EU supply chain law is new and evolving, ongoing changes in regulations may impact the findings. The new and evolving nature of the law also means that it was hard to find suitable participants that already implemented certain strategies. Like mentioned earlier, the biggest companies need to comply with the law from 2027. It may be the case that companies prioritize other important tasks first, because they don't feel the urge of the EU supply chain law yet.

From 342 strategic procurement specialists asked to contribute to the research, nine specialists participated. This covers only a small share of the companies that need to comply with the EU supply chain law, therefore it is possible that the research includes biases. The given answers may not be generalizable to all companies affected by the law.

Reflecting on this study; it was challenging, due to the novelty of the EU supply chain law. Since the legislation has only recently been introduced, there is a lack of peer-reviewed academic sources specifically addressing its implications. While many online articles and corporate reports discuss potential strategies for compliance, these are often opinion-based rather than being findings from empirical research. This made it difficult to build upon existing academic literature, as there were few theoretical frameworks or prior studies that directly addressed how companies are preparing for this law.

Another challenge was the fact that many companies still have a passive approach when it comes to compliance. Given that the details of the law remain somewhat unclear and that it is not yet implemented, many businesses have chosen to delay major investments in compliance measures. This attitude is not surprising, as similar trends have been observed with past regulations (for example the EUDR, said by Interviewee 7), where companies initially did not do anything until there was more certainty about enforcement of the law and potential penalties. Several procurement specialists interviewed in this study indicated that they expect further clarifications or modifications to the law before it becomes effective, leading them to take only incremental and small steps so far.

This uncertainty among companies also made data collection more difficult, as many procurement specialists were unable to provide concrete details on their strategies, simply because they had not yet developed a fully structured compliance approach. Instead, many are still in the early phases of assessing risks, evaluating suppliers, and exploring digital tools, but without committing to a specific long-term strategy. This shows the importance of this study, as it provides one of the first empirical insights into how businesses are acting. However, it also highlights the need for continued research in the coming years, as companies refine their strategies as more regulatory clarity emerges.

## 7.4 Future Research

Given the novelty of the EU supply chain law and the limited academic research available on corporate compliance strategies, this study serves as an important starting point. However, as the EU supply chain law continues to evolve and companies further develop their approaches, several areas for future research can be identified.

Firstly, future research can focus on how strategies of companies evolve over time, since many companies are still in the early stages of compliance. A longitudinal study that follows companies before, during, and after the law's full implementation would provide valuable insights into how businesses adapt, which strategies are most effective, and what challenges persist. This could help policymakers to refine the law and to assist companies in developing best practices.

Secondly, this study focused on Dutch and German companies with Asian suppliers, but future research could expand to other EU member states and industries with different supply chain structures and processes. For example, industries such as textiles face different human rights and environmental risks than sectors like automotive. Also, analyzing how companies in for example France or Germany, where similar due diligence laws already exist, approach compliance could provide comparative insights into the effectiveness of different acts and laws.

Thirdly, while some companies in this study mentioned using digital tools such as EcoVadis for risk assessment, the usage of advanced technologies like blockchain, AI, and digital twins remains limited. Future research could explore how digital transformation impacts supply chain transparency and compliance efforts. A study comparing companies that fully integrate digital solutions with those that rely on traditional compliance methods could provide insights into the effectiveness of these technologies.

And lastly, one of the concerns raised in this study is that compliance costs may lead companies to withdraw from certain high-risk sourcing regions, such as China or Southeast Asia, in favor of suppliers in lower-risk areas. Future research could examine whether the law leads to shifts in global trade patterns and/or supplier diversification.

## 8 Bibliography

- Allen, H. B. (1971). Principles of Informant Selection. *American Speech*, 46, 47-51. <https://doi.org/10.2307/3087986>
- Bateman, A., & Bonanni, L. (2019). *What Supply Chain Transparency Really Means*. <https://hbr.org/2019/08/what-supply-chain-transparency-really-means>
- BMZ. (2024). *MENSCHENRECHTE SCHÜTZEN - Das Lieferkettengesetz*. <https://www.bmz.de/de/themen/lieferkettengesetz>
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77-101. <https://doi.org/10.1191/1478088706qp063oa>
- Bright, C., & Buhmann, K. (2021). Risk-Based Due Diligence, Climate Change, Human Rights and the Just Transition. *Sustainability*, 13(18), 10454. <https://www.mdpi.com/2071-1050/13/18/10454>
- Bueno, N., Bernaz, N., Holly, G., & Martin-Ortega, O. (2024). The EU Directive on Corporate Sustainability Due Diligence (CSDDD): The Final Political Compromise. *Business and Human Rights Journal*, 9(2), 294-300. <https://doi.org/10.1017/bhj.2024.10>
- Christopher, M. (2005). *LOGISTICS AND SUPPLY CHAIN MANAGEMENT*. <https://old.mu.ac.in/wp-content/uploads/2021/02/Logistics-and-Supply-Chain-Management-Martin-Christopher.pdf>
- Christopher, M., Mena, C., Khan, O., & Yurt, O. (2011). Approaches to managing global sourcing risk [Article]. *Supply Chain Management: An International Journal*, 16(2), 67-81. <https://doi.org/10.1108/13598541111115338>
- Commission, E. (2022). *Corporate sustainability due diligence*. [https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence\\_en](https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en)
- Commission, E. (2024). *Corporate sustainability due diligence*. [https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence\\_en](https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence_en)
- Commission, F. E. (n.d.). *Corporate sustainability reporting*. [https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en)
- Consulting, K. (n.d.). *Building effective grievance mechanisms: ten things to consider*. <https://kumi.consulting/insights/building-effective-grievance-mechanisms-ten-things-to-consider/>
- Corbin, J., & Strauss, A. (2008). *Basics of Qualitative Research (3rd ed.): Techniques and Procedures for Developing Grounded Theory*. SAGE Publications, Inc. <https://doi.org/10.4135/9781452230153>
- Di Vaio, A., Latif, B., Gunarathne, N., Gupta, M., & D'Adamo, I. (2024). Digitalization and artificial knowledge for accountability in SCM: a systematic literature review. *Journal of Enterprise Information Management*, 37(2), 606-672. <https://doi.org/10.1108/JEIM-08-2022-0275>
- Diggory, K. (2024). *EU Corporate Sustainability Due Diligence Directive (CSDDD) Obliges Companies to Operate in a Fair and Sustainable Manner*. EQS. Retrieved May 17 from <https://www.eqs.com/compliance-blog/eu-supply-chain-law/>
- Directory, S. (2024). *What Are The Potential Risks of Over-Reliance on Digital Technologies in Transparency Initiatives?* <https://sustainability-directory.com/question/what-are-the-potential-risks-of-over-reliance-on-digital-technologies-in-transparency-initiatives/>
- Drexler, C. (2023). New Supply Chain Law Came into Force in January - Companies Must Act Now [Article]. *ZWF Zeitschrift fuer Wirtschaftlichen Fabrikbetrieb*, 118(5), 316-319. <https://doi.org/10.1515/zwf-2023-1055>
- EcoVadis. (2023). *German Supply Chain Due Diligence Act (LKSG)*. <https://ecovadis.com/regulations/german-supply-chain-due-diligence-act-lksg/#:~:text=Lieferkettengesetzes%20or%20LkSG%20requires%20companies,rights%20violations%20and%20environmental%20damage.>
- Fortune. (2024). *Fortune Global 500*. <https://fortune.com/ranking/global500/>
- Foundation, F. W. (2012). *Climbing the Ladder to Living Wages*. <https://api.fairwear.org/wp-content/uploads/2016/06/ClimbingtheLadderReport.pdf>

- Frank, A., Dalenogare, L., & Ayala, N. (2019). Industry 4.0 technologies: Implementation patterns in manufacturing companies. *International Journal of Production Economics*, 210. <https://doi.org/10.1016/j.ijpe.2019.01.004>
- Gaskjenn, N. K. (2022). Supply chain due diligence's influence on supply chain strategies: an analysis on the upcoming Norwegian transparency act. Gaskjenn, N.K. (2022), "Supply chain due diligence's influence on supply chain strategies: an analysis on the upcoming Norwegian transparency act", Doctoral dissertation.
- Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2013). Seeking Qualitative Rigor in Inductive Research: Notes on the Gioia Methodology. *Organizational Research Methods*, 16(1), 15-31. <https://doi.org/10.1177/1094428112452151>
- Gottlieb, C. (2024). *Supply Chain Due Diligence Obligations in Germany, France, and the EU: An Overview*. <https://www.clearygottlieb.com/news-and-insights/publication-listing/supply-chain-due-diligence-obligations-in-germany-france-and-the-eu-an-overview>
- Guest, G., Bunce, A., & Johnson, L. (2006). How Many Interviews Are Enough?: An Experiment with Data Saturation and Variability. *Field Methods*, 18(1), 59-82. <https://doi.org/10.1177/1525822X05279903>
- Gustafsson, M. (2018). Private Politics and Peasant Mobilization. *Springer International Publishing*. <https://doi.org/10.1007/978-3-319-60756-6>
- Hiessl, C. (2023). Labour rights & their enforcement in global value chains. *ERA Forum*, 24, 201-215. <https://doi.org/10.1007/s12027-023-00754-9>
- HQTS. (2024). *EcoVadis and assessment process explained*. <https://www.hqts.com/ecovadis-assessment/>
- ILO. (2017). Global estimates of modern slavery: forced labour and forced marriage. 5. [https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@dgreports/@dcomm/document/s/publication/wcms\\_575479.pdf](https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@dgreports/@dcomm/document/s/publication/wcms_575479.pdf)
- Jena, S. K., & Samal, T. (2024). The impact of supply chain due diligence practices on supply chain performance: an organization's perception. *The International Journal of Logistics Management*. <https://doi.org/10.1108/IJLM-12-2023-0523>
- Kloepfel, M. (2024). Benefits and Challenges of Implementing ESG in Procurement. <https://www.linkedin.com/pulse/benefits-challenges-implementing-esg-procurement-marc-kloepfel-66tgf/>
- Kluiver, H.-J. d. (2023). Towards a Framework for Effective Regulatory Supervision of Sustainability Governance in Accordance with the EU CSDD Directive. A Comparative Study. *European Company and Financial Law Review*, 20(1), 203-239. <https://doi.org/doi:10.1515/ecfr-2023-0010>
- Kotabe, M., & Murray, J. Y. (2004). Global sourcing strategy and sustainable competitive advantage. *Industrial Marketing Management*, 33(1), 7-14. <https://doi.org/10.1016/j.indmarman.2003.08.004>
- Landman, T., & Silverman, B. W. (2019). Globalization and Modern Slavery [armed conflict; economic development; forced labour; globalization; human rights; modern slavery; worker rights protection]. *2019*, 7(4), 16. <https://doi.org/10.17645/pag.v7i4.2233>
- Lenschow, A., Gustafsson, M.-T., & Schilling-Vacaflor, A. (2023). The politics of supply chain regulations: Towards foreign corporate accountability in the area of human rights and the environment? *Regulation & Governance*, 17(4), 853-869. <https://doi.org/https://doi.org/10.1111/rego.12526>
- Li, L., Tang, W., Zhou, H., & Yang, S. (2024). Digitalization and Firm Performance: The Moderating Role of Top Management Team Attributes. *IEEE Transactions on Engineering Management*, 71, 6595-6605. <https://doi.org/10.1109/TEM.2023.3242766>
- Lothar, H., Schaefer, P., Schmidt, L., & Rödger, J. M. (2022). Preparing for the new Supply Chain Law – An introductory paper discussing the Opportunities and Boundaries of a digitalized Supply Chain [Conference paper]. *E3S Web of Conferences*, 349, Article 09001. <https://doi.org/10.1051/e3sconf/202234909001>

- Maplecroft. (2019). *Progress on child labour flatlining in world's manufacturing hubs*. <https://www.maplecroft.com/insights/analysis/child-labour-in-worlds-manufacturing-hubs/>
- Mens, C. v. d. R. v. d. (2024). *Nieuwe EU-wetgeving verplicht grote bedrijven mensenrechtenschendingen tegen te gaan: wat houdt de wet in en wat betekent dit voor Nederland?* <https://www.mensenrechten.nl/actueel/toegelicht/toegelicht/2024/nieuwe-eu-wetgeving-verplicht-grote-bedrijven-mensenrechtenschendingen-tegen-te-gaan#:~:text=Het%20betreft%20bedrijven%20met%20meer,gaan%20onder%20de%20richtlijn%20vallen.>
- MHP. (2024). Bridging the LkSG and CSDDD: Key Similarities and Differences in the Path to the EU Supply Chain Act. <https://www.mhp.com/en/insights/blog/post/lksg-vs-csddd>
- Mooney, G. (2023). *Unlocking Sustainability: A Deep Dive into EcoVadis*. [https://clearstreamolutions.ie/2023/08/03/a\\_deep\\_dive\\_into\\_ecovadis/](https://clearstreamolutions.ie/2023/08/03/a_deep_dive_into_ecovadis/)
- Moser, C., & Leipold, S. (2021). Toward “hardened” accountability? Analyzing the European Union’s hybrid transnational governance in timber and biofuel supply chains. *Regulation & Governance*, 15(1), 115-132. <https://doi.org/10.1111/rego.12268>
- Müßigmann, B., von der Gracht, H., & Hartmann, E. (2020). Blockchain Technology in Logistics and Supply Chain Management—A Bibliometric Literature Review From 2016 to January 2020. *IEEE Transactions on Engineering Management*, PP, 1-20. <https://doi.org/10.1109/TEM.2020.2980733>
- OHCHR. (2011). *Guiding Principles on Business and Human Rights*. [https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf)
- Oliffe, J. L., Kelly, M. T., Gonzalez Montaner, G., & Yu Ko, W. F. (2021). Zoom Interviews: Benefits and Concessions [Article]. *International Journal of Qualitative Methods*, 20. <https://doi.org/10.1177/16094069211053522>
- Oxfam. (2024). *EU's heavyweights slash supply chain rules to appease big business*. <https://www.oxfam.org/en/press-releases/eus-heavyweights-slash-supply-chain-rules-appease-big-business#:~:text=If%20the%20law%20enters%20into,with%20the%20rules%20from%20202027.>
- Partzsch, L. (2024). Campaigning for Greater Accountability in Global Supply Chains. *The Journal of Environment & Development*, 33(4), 755-775. <https://doi.org/10.1177/10704965241260544>
- Porter, M. E. (1996). What is strategy? [https://www.uniba.it/it/docenti/somma-ernesto/whatisstrategy\\_porter\\_96.pdf](https://www.uniba.it/it/docenti/somma-ernesto/whatisstrategy_porter_96.pdf)
- Roselle, A. (1996). The case study method. *Library Review*, 45(4), 30-38. <https://doi.org/10.1108/00242539610115281>
- Scherrer, C., Langhammer, R. J., Matthes, J., Pies, I., Seele, P., & Knebel, S. (2013). Inhumane working conditions on the global market - Who should, and who can act? [Article]. *Wirtschaftsdienst*, 93(4), 215-232. <https://doi.org/10.1007/s10273-013-1513-5>
- Schilling-Vacaflor, A., & Gustafsson, M.-T. (2024). Towards More Sustainable Global Supply Chains? Company Compliance with new Human Rights and Environmental Due Diligence Laws. *Environmental Politics*, 33(3), 422-443. <https://doi.org/10.1080/09644016.2023.2221983>
- Schmucker, C., & Wolff, G. (2022). Managing Risks in the EU-China Economic Relationship. *Social Science Open Access Repository*. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-86655-0>
- Selvakumar, K. (2024). *Procurement Vs. Purchasing: The Major Differences*. Gofrugal. <https://www.gofrugal.com/blog/procurement-vs-purchasing-differences/>
- Sprout, M. (2023). *MT500 van 2023: de lijst*. <https://mtsprout.nl/ranking/mt500-2023/overzicht>
- Stefan, K. (2022, 2022/04/23). The German Supply Chain Due Diligence Act 2021 and Its Impact on Globally Operating German Companies. Proceedings of the 2nd Riau Annual Meeting on Law and Social Sciences (RAMLAS 2021),
- Tamimi, N., & Sebastianelli, R. (2017). Transparency among S&P 500 companies: an analysis of ESG disclosure scores. *Management Decision*, 55(8), 1660-1680. <https://doi.org/10.1108/MD-01-2017-0018>

- Tongco, M. D. C. (2007). Purposive sampling as a tool for informant selection [Article]. *Ethnobotany Research and Applications*, 5, 147-158. <https://doi.org/10.17348/era.5.0.147-158>
- Tran, V. M., & Perry, J. A. (2003). Challenges to using neem (*Azadirachta indica* var. *sianensis* Valenton) in Thailand. *Economic Botany*, 57(1), 93-102. [https://doi.org/10.1663/0013-0001\(2003\)057\[0093:CTUNAI\]2.0.CO;2](https://doi.org/10.1663/0013-0001(2003)057[0093:CTUNAI]2.0.CO;2)
- Tuli, K. R., Kohli, A. K., & Bharadwaj, S. G. (2007). Rethinking Customer Solutions: From Product Bundles to Relational Processes. *Journal of Marketing*, 71(3), 1-17. <https://doi.org/10.1509/jmkg.71.3.001>
- Verhoef, P. C., Broekhuizen, T., Bart, Y., Bhattacharya, A., Qi Dong, J., Fabian, N., & Haenlein, M. (2021). Digital transformation: A multidisciplinary reflection and research agenda. *Journal of Business Research*, 122, 889-901. <https://doi.org/https://doi.org/10.1016/j.jbusres.2019.09.022>
- Weihrauch, D., Carodenuto, S., & Leipold, S. (2023). From voluntary to mandatory corporate accountability: The politics of the German Supply Chain Due Diligence Act. *Regulation & Governance*, 17(4), 909-926. <https://doi.org/https://doi.org/10.1111/rego.12501>
- Welsh, E. (2002). Dealing with data: Using NVivo in the qualitative data analysis process. Forum qualitative sozialforschung/Forum: qualitative social research,
- Wolfmayr, Y. C., E., Mahlkow, H. M., B., & Pfaffermayr, M. (2024). *Trade and Welfare Effects of New Trade Policy Instruments*. <https://www.fiw.ac.at/wp-content/uploads/2024/02/FIW-RR-02-24.pdf>
- Xu, B. (2010). The sophistication of exports: Is China special? *China Economic Review*, 21(3), 482-493. <https://doi.org/10.1016/j.chieco.2010.04.005>
- Yu, W., Wong, C. Y., Chavez, R., & Jacobs, M. (2023). Surfing with the tides: how digitalization creates firm performance through supply chain entrainment. *International Journal of Operations & Production Management*, 43(12), 2008-2030. <https://doi.org/10.1108/IJOPM-10-2022-0678>
- Zhang, S., Yu, Q., Wan, S., Cao, H., & Huang, Y. (2024). Digital supply chain: literature review of seven related technologies. *Manufacturing Rev.*, 11, 8. <https://doi.org/10.1051/mfreview/2024006>

## **9 Appendices**

### **Appendix A1 – Interview Questions**

#### **Awareness and perception of the EU supply chain law**

1. How do you perceive the impact of the new EU supply chain law?
2. What challenges have you encountered when looking at the obligations under the law?
3. How does [company name] assess the importance of compliance with this law?

#### **Strategies for Compliance and Risk Management**

4. What are the most important strategies and/or processes that [company name] has implemented or will implement to comply with the EU supply chain law?
5. Did the risk assessment process of [company name] change because of the new law? If so, how?
6. Have there been preventive actions, such as a grievance mechanism, that [company name] has introduced to meet the requirements of the law? Did the grievance mechanism change because of the law?
7. Did the supplier acquisition process change because of the new EU supply chain law? If so, how?
8. Did the process of external auditing change because of the new EU supply chain law? If so, how?
9. How does digitalization play a role in your company's approach to manage supply chain risks and to comply with the law?
10. Can AI be used or does [company name] currently use AI to comply with the law? If so, how?
11. How is [company name] planning to improve supply chain transparency? Are there digital tools being used for this purpose?

#### **(Only discuss 12, 13 and 14 when the interviewee doesn't explicitly mention them in 9, 10 and 11)**

12. Is blockchain technology used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?
13. Is a digital twin used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?
14. Is robotic process automation used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

#### **Corporate Accountability and Transparency**

15. When the law of Duty of Vigilance became effective, research shows that businesses chose to shift responsibilities within a company from the CSR and human rights department to the legal department. Companies were aware that disclosed information can be used against them. Do you expect that this will happen in your company, or did it happen already?
16. What strategies and actions are being used when faced with non-compliance from suppliers? Do these strategies and actions need to be adjusted because of the law?



## Financial and Operational Implications

17. What financial impacts are expected when complying with the EU supply chain law and how is [company name] going to balance higher costs while maintaining efficiency?
18. Do you think the long-term sourcing strategies will change because of the law? For example, withdrawing from doing business with high-risk regions such as China?

## Appendix A2 – All Interviews: Transcripts, Codes & Notes

1 = Interviewer / Researcher

2 = Interviewee / Strategic Procurement Specialist in an EU company with Asian suppliers affected by the EU supply chain law.

**Procedure:** Introduce myself - explaining a couple of things before the interview - start recording - you introduce yourself.

**Research Question:** What strategies do selected Dutch and German companies with Asian suppliers implement to cope with the challenges posed by the new EU supply chain law?

**Purpose:** By exploring these strategies, the research will highlight effective practices for achieving compliance while maintaining operational efficiency.

**Confidentiality:** Everything will be kept confidential. Responses will be anonymized, such as your name and the name of the company. I will also make sure that people cannot guess which company it is when reading the transcript.

**Participation is voluntary** and of course, you can always stop the interview if you would like this, without giving any reasons or explanations.

**Data collection:** The anonymized data will be analyzed by me, and I will use it for my master thesis. My master thesis will be published on the website of the University when I graduate, and I can also share it with you before or after this if you would like.

**I would like to record our interview so that I can watch it back later and analyze it, the recording will only be accessible by me, and I will not share it. Do you give consent for this?**

**START INTERVIEW**

## A2.1 Interview 1

Interviewee 1: Strategic Buyer in a Dutch company – European Aviation Industry

### A2.1.1 Transcript

#### Q1

1: How do you perceive the impact of the new EU supply chain law?

2: I think it has a great impact. And so, I see that at least at (company name) they are seriously working to try to flesh that out. What I know, we have two directives: the Due Diligence Directive and the other one is the reporting directive, the CSRD. And (company name) actually has little to do with child labor. At least I think so, I'm not 100% sure, but of course we're not in the textile industry, or in perhaps other industries where child labor is an issue. So (company name) focuses more on environment. And then you have the well-known three factors, and that's People, Planet and Profit. Well, that's also the peg we use. And under people is Society and safety. And Society, is that what we classify under child labor, but to our knowledge is not in our supply chain. We are not so worried about child labor. I don't know if that's justified or unjustified, but we aren't. Let me say, the subject Planet, we actually see that as there are 3 parts the circularity of the materials and we do buy a lot of materials. Second is climate, so mainly CO2 emissions. And 3 is nature, that especially has to do with nitrogen. So, when we build things, for example, we have to expand the power grid and make new substations. And then we have to apply for permits. So then we have to deal with nitrogen deposition. The most focus from those two directives has to do with climate. And when we look at that, we actually have two major ones: polluters that we deal with in our supply chain, those are the cable contractors, and the cable in stores. And by cable contractors, I actually mean the cable producers. So that is where we buy from, right. Just for you; I work on projects myself for example, on the offshore projects so in the North Sea that there are new wind farms there, then somewhere a platform is built. We call that a socket at sea. At that socket, all those wind turbines end up. And those plugs into that, then there are maybe 60 and so you get 60 loose cables to that platform and from that platform a cable goes over the bottom of the North Sea to the land and there it enters somewhere at a land station or substation. Whatever we call it. And those cables, we buy from China, or Korea, or Greece, or another country. And by manufacturing this cable, it releases a lot of CO2. In my opinion, the cable production process releases a great deal of carbon dioxide. Perhaps during the production process itself, but also during its transportation from China to the North Sea. So that's the cable producer who makes cables, but separately we also hire parties that I call the cable installers. They install those cables in the North Sea, they just have boats. And they have all kinds of equipment on board and with that equipment they lay the cables on the ground or install them in the North Sea in a safe way. Will all contractors, we would like them to work in a sustainable way and to do it in a CO2-neutral and limited way. We have various ways of giving substance to this. And that is particularly in the reporting right now. So that we make agreements with those parties, that they are reporting, but most importantly, the way they report. And that is already a big deal. So that is actually our main focus right now. And to give you an example, we have to build at least 14 of those offshore platforms right now in the North Sea over the next 10 years. And to secure that capacity, we want to build sufficient platforms. We need to contract multiple parties so that they have sufficient capacity and also the right equipment to be able to do the work immediately, we conclude framework agreements. These are long-term framework agreements, and in those agreements we try to make agreements with the contractors about how often they report on CO2 emissions, but also how they report, because ultimately these reports will also have to be included in our annual reports. And in this process, a lot of time goes into that. In order to make agreements with the firms, because before you know there will be confusion between parties. Sometimes, we don't get the point or the reporting of other parties, which is an aspect that is happening frequently. This is mainly the point for the pillar climate. Then we also have circularity. The recycled materials to buy from copper can that cables consist of copper and cable and

you have aluminum cables. In the case of copper cables, that can be pretty good. So then we try to make arrangements with the parties. To use as much reused materials as possible. And so, we also have to make agreements about that, for example that they go from 10% now to 15% in a year and after 20% so that we agree targets with his to get them to that point. This is not possible for aluminum cables, because if you start reusing all the aluminum, the composition of the aluminum will change and so will the entire cable. So, we don't have a solution for that yet.

## Q2

1: What challenges have you encountered when looking at the obligations under the law?

2: Yes, we try to be fully compliant with the legal obligation. I learned from the news that the CEO of Boskalis made trouble and threatened to go out of the country with Boskalis the moment this law would come through. Or at least this directive and if that would be translated into Dutch legislation. He has enough of it: he isn't able to do business in the Netherlands like this. He'll go to another country. However, (company name) is 100% owned by the Dutch state. It is not a government organization, but the Minister of Finance has all the shares. And, I think you have to look at it in that light, that so we are saying we are just doing nicely what is expected of us and we are going to do everything we can to try to properly meet the objectives of the law which still has to be translated in the Netherlands, right? So there still needs to be a translation from the European legislation to Dutch, but we're going to do everything what the legislation intends and the challenges we face. So that is mainly in finding a common language in communication with the contractors.

1: Yes, clear. And also, already what you said at the first question, that you think at the moment that there is no issue in the area of child labor, but you are not sure, and you have to take actions to make it sure because of this legislation.

2: Yes, that is true, and we must delve deeper into this. Whether there are possibilities that there is Child Labor and we also hire consultancy companies to find this out for us the moment there are sectors where we suspect that there is Child Labor, we will be the first to take action on that. And that also has to do with the fact that we are 100% government funded. So, it obviously cannot be a government organization that is not paying attention to these topics. But true, you can't be sure of that, so it may be so and you have to show with this legislation that you are sure within the supply chain.

1: Alright, and you don't have to mention the names of the consultancy firms, but are these firms specialized in child labor and CSR?

2: Yes, I think the best consultancy firms for (company name) would be auditors from one of the big 4 companies, so they have their own departments that are specialized in CSR and human rights.

## Q3

1: How does [company name] assess the importance of compliance with this law?

2: We see the importance of it, it is fully endorsed. Resources are also recruited, so people are also hired and not just one, but multiple. We also get all the departments within (company name) that are approached. In terms of presentations, trainings, so it is being taken very seriously. The importance is fully endorsed.

## Q4

1: What are the most important strategies and/or processes that [company name] has implemented or will implement to comply with the EU supply chain law?

2: When I look at CSR, as far as I am concerned there are 3 processes or 3 moments where I as a purchaser can influence CSR, and one is procurement contact with suppliers. I can apply evaluation criteria and include a rewarding system, including build-in subcriteria about CSR. So that is during the process, with framework criteria. We can also include a roadmap, where we focus on CSR and

additional measures. Next, the way of reporting is important. So like I said, not only the way of reporting, but also the frequency and the details of the process. As third, steering suppliers once we already have a contract. An example is about geo physical and geotechnical factors. In our case, we hire a party that has a boat, a vessel, and with that vessel they sail over the bottom of the North Sea and they use sensors to examine what the bottom of the sea looks like where the cable is going to be laid. Well, such a boat can have a tier, tier 1, 2, and 3. Tier 3 is the most polluting and tier 1 the least. What I can do, is making them an offer where I say okay; you can be a little bit pricier, but only if you use a tier 1 vessel. They get what you call a “notional discount”. So, the party with a tier 1 vessel may be a little more expensive than someone else, but since they use a tier 1 vessel and this is less polluting, we still do business with you. This is a rewarding system that we implement so that we score better on CSR measures. The second thing was about frameworks, where we discussed a roadmap or we approve to make a CSR roadmap after the contract signing. So then you approve that they will do tasks for (company name) the coming 10 years, but then we will make agreements on CSR. And then third, during the contract and tasks, our CSR advisors, like safety and parlement advisors, are working and join for example a boat to check if they comply, as promised.

#### Q5

1: Did the risk assessment process of [company name] change because of the new law? If so, how?

2: I don't dare to say yes to that, I just don't know. But I do know that we employ all kinds of risk managers. But (company name) knows that if we continue like this, we risk that we don't comply with CSR laws and goals, so I guess we are busy with changing and updating the risk assessment process. However, I don't know the details.

#### Q6

1: Have there been preventive actions, such as a grievance mechanism, that [company name] has introduced to meet the requirements of the law? Did the grievance mechanism change because of the law?

2: I don't know that either, but I assume that so in those roadmaps that that's one of the things that are included and described.

#### Q7

1: Did the supplier acquisition process change because of the new EU supply chain law? If so, how?

2: Yes, so in principle we set higher standards and requirements. With respect to the mission they're going to fulfill, so where before let's say, environment or child labor or safety? Whether recycled materials were not important and we just wanted a particular service or work or material as cheaply as possible. All those parties have to meet all kinds of requirements. And we also ask for minimum requirements during the tendering process. Also, in the field of safety and CSR and then you see that certain parties just drop out. At a certain point you say, we are no longer participating. We can no longer meet all those requirements. Or we are not big enough to meet all those requirements, and that is something I experience on a regular basis. And I also understand that it has many implications and consequences when importing materials into Europe. We buy a lot from Southeast Asia. And then you have all kinds of new import tariffs, but also rules where you have to report how much CO2 emissions are being released with the shipment.

1: And is it also the case that you that there is now more looking at high-risk regions to avoid? So suppose you have a supplier in China that you prefer to look at other countries?

2: Yes, so there is looking more sharp at, but that doesn't necessarily have to do with CSR. That has more to do with geopolitical developments. We as (company name) prefer to do less business with China, because we are afraid that they are going to spy on us or that we are going to become too

dependent on them or things like that. So it doesn't have so much to do with child labor or CO2 emissions or things like that.

#### Q8

1: Did the process of external auditing change because of the new EU supply chain law? If so, how?

2: Yes, this does change. I'm not 100% sure, but this is really going to change in the near future. We do a lot of audits on our contractors, and sometimes we purchase more and then we take these things into consideration where we need to be caution on upfront.

#### Q9

1: How does digitalization play a role in your company's approach to manage supply chain risks and to comply with the law?

2: I can't answer that. I had never thought about it myself that digitalization is also something that can change something about it, so I found that interesting from your report. Again, that was new to me. I think that digitalization is definitely going to play a role in that as well. But in what way specifically, I don't know.

1: Ah okay, so considering AI, digital twins and blockchain you don't have knowledge about?

2: No, you know, I don't know if you can imagine this, but you have to imagine you're working with 7,000 people, then very often you just don't know what's going on in another departments, so in a small company it works very different.

#### Q10 skipped because no knowledge indicated

#### Q11

1: How is [company name] planning to improve supply chain transparency? Are there digital tools being used for this purpose?

2: I know we work with applications in which the contractors can upload their documents and agreements are also made about that. So you have to upload those and these documents. There are multiple applications that we use and that's actually where the exchange of information takes place. And I assume that there is also reporting in those places, so that there will be data there from which we can infer. Or things like blockchain for increased transparency, which is have never thought of that it would be possible.

1: Yes, but then at this moment, what is the go-to tool that is being used to maintain and optimize transparency in the supply chain?

2: So, we make agreements in the contracts and there is always a heading "information service" or "information system". In here, it is specifically described what information they need to supply and what information (company name) needs. Also in what application they do this, and when. And that is also being enforced on, so we are also looking to see if that happens and I am sure that yes at some point there will be more and more requests for CSR information. And then they just must do that there.

1: Yes, and is this specifically targeted and applicable for direct suppliers? And is there a plan to also monitor indirect suppliers?

2: That is a good question, because you have a whole supply chain. We ask our contractors for specific data that we need. This can also be data from their subcontractors, also related to a culture ladder that we have. Do you know about this ladder?

1: No, I don't.

2: Okay, this is a ladder from 1 until 5, and as an organization you can be certified based on the extent that you comply to guidelines related to safety. When you are busy with safety concerns in an interactive way, maybe you are on ladder 4 or 5. If you are not caring about safety, maybe you are on 1. The higher on the ladder, the better transparent you are with your contractors and subcontractors. And then you work together in an intensive way. So, (company name) has level 4, which is almost the highest. We discuss all safety risks with our contractors together, but also with subcontractors. When a contractor has level 1 or 2 on the ladder, we don't collaborate with them. So this is a demand of us. Safety is the most important for (company name). We are really involved in the whole supply chain considering safety, but this is not yet the case in the field of "Planet" or "Nature".

1: No exactly. And this level 1 to 5, does it also depend on the supplier's supplier for example? So that the level of your supplier is influenced by the level of the supplier's supplier, etc etc?

2: Good question, yes this is true, so you only receive level 4 if your contractors have level 4, and this work all the way through the supply chain, so this way (company name) is operating considering safety on a really big level, and on CSR level a little lower. And this is normal of course, since the legislation is fairly new. It's not long ago that this came through the European Commission, there has been a lot of discussions. And all these organizations are looking for ways to handle the legislation. So that is also why your research is really nice and valuable.

#### **Q12, 13 and 14 skipped because no knowledge indicated**

#### **Q15**

1: When the French Duty of Vigilance Law became effective, research shows that businesses chose to shift responsibilities within a company from the CSR and human rights department to the legal department. Companies were aware that disclosed information can be used against them. Do you expect that this will happen in your company, or did it happen already?

2: I find it an interesting observation, because I realized that this can actually happen, and this consequence was not something I was aware of. However, I don't recognize it in (company name). But that is mostly because we are not in the industry where child labor is common, this is more environment and then you don't have objections, appeals and lawsuits very quickly. This is more that you try together with other parties. Things would change the processes in such a way, for example of those recycled copper cables that so you engage with them. Or yes, how can you make sure that from now on those cables are recycled a little bit more and then try to think with them about subcontractors who can then supply them with that recycled material or even make plans about that so that our old cables can be returned so that they can use them again or something like that. But not so fast legal consequences.

#### **Q16**

1: What strategies and actions are being used when faced with non-compliance from suppliers? Do these strategies and actions need to be adjusted because of the law?

2: That becomes a different way of proceeding. Then the answer is, yes, isn't it? So, through that legislation by those directors. That has a tremendous incentive to hire People to start thinking about having conversations with the supplier to go into those tenders to include smart things there. I don't know if you can call it strategies, but it is effecting people, processes and systems.

1: Yes, but then are there any specific actions that are being implemented or that you can name?

2: Well, for example, one very concrete one is that for example we created a questionnaire and sent those to our contractors. We asked them to fill out that questionnaire so that we could get a better sense on what exactly they are doing about child labor and emissions and all of that kind of stuff for ourselves and actually it already answers an earlier question, that's actually to identify our risks.

1: Yes, but what I mean, is when it appears that a supplier is not operating conform agreements you made earlier, what are the consequences and strategies for this situation?

2: The contracts we have agreed on, means compliance on a code of conduct, because in there all our demands are mentioned. When they don't comply with this, we can rescind the contract. We can trigger penalty clauses. We can appeal. That happens when we feel that a party is systematically ignoring or refusing to our laws and regulations. Then they will not be selected in new tenders or they will just drop out because they do not meet our minimum requirements. When they comply, are selected, have a contract and then they don't comply, then they face fines or dissolution of the contract in the worst case.

### Q17

1: What financial impacts are expected when complying with the EU supply chain law and how is [company name] going to balance higher costs while maintaining efficiency?

2: If it leads to more expensive products, then it is what it is. If it leads to more expensive service, same story. If we need to hire more people, we have to. That is the benefit of such an organization. In the end, you and me pay the electricity bill. If it gets more expensive, the consumers have to pay for it and they will notice it.

1: Yes, so this is mostly about the price of the products and services. Will there be other financial consequences as well?

2: Well look, for (company name) only the price of goods and services. For a company like (company name), it leads to other choices because they need to perform cost cutting. This can lead to reorganization, cutting in the costs, outsourcing or sourcing in other ways, so that the general costs can be lowered. It is about profitability. To remain profitable, companies need to find ways to make processes cheaper.

### Q18

1: Do you think the long-term sourcing strategies will change because of the law? For example, withdrawing from doing business with high-risk regions such as China?

2: Yes, I think on the whole it does have a certain effect that if the cost price goes up, that many companies are going to reorient themselves. But the reason why we have less and less to do with Southeast Asia, is because of geopolitical nature. We have to comply with the European Procurement Act 2012. This means that we have to tender all works above the certain threshold amount. The supplier that wins, wins, easy as that. If that's a company in China, so it is. We'd rather choose a company in America or in Portugal, but if it happens that a supplier in China is the best option, then it is like that.

1: Yes, but I can also imagine that when the whole supply chain needs to be controlled, you would prefer a company from for example Europe instead of one from China.

2: It is like this; if the Chinese company is not providing transparency and openness, then they don't meet our requirements. If they say upfront that they are transparent and willing to provide all necessary information, then we don't have a reason to not choose them.

1: Yes, but are there enough suppliers that provide sufficient information?

2: Yes, what I notice in the big companies, the suppliers just cooperate. They understand that a big company has to comply or they leave, so they are willing to implement it as well.

1: Yes alright. In research, it also became clear that there will be a trend where Chinese suppliers find EU buyers less important, because they have to comply with a lot of things and for example Asian buyers not.

2: Yes, but they will do it anyways. Everyone prefers to sell to their neighbor, so do Chinese suppliers. But their production and manufacturing capacity is so big, that they also kind of need EU buyers to sell to. But in some years, I don't know, this might change. For now, the most important trigger is since the war in Ukraine and COVID that we want to work as less as possible with China. We want to be independent from these countries in Asia.

### A2.1.2 Open and Axial Coding

Text snippets	Open codes	Axial codes
...it has a great impact.	It has great impact	Great impact
...seriously working to try to flesh that out.	Serious efforts	Serious efforts
...Society, is that what we classify under child labor, but to our knowledge is not in our supply chain. We are not so worried about child labor.	Not so worried about child labor	Not so worried about child labor
...the subject Planet, we actually see that as there are 3 parts the circularity of the materials and we do buy a lot of materials.	Planet as an important factor	Planet
The most focus from those two directives has to do with climate.	Climate has the most focus	Climate
...that is particularly in the reporting right now. So that we make agreements with those parties, that they are reporting, but most importantly, the way they report.	Parties must report and more importantly, how they do it	Reporting in a specific way
...in those agreements we try to make agreements with the contractors about how often they report on CO2 emissions, but also how they report, because ultimately these reports will also have to be included in our annual reports. And in this process, a lot of time goes into that.	Agreements about climate standards	Agreements about climate standards
...there still needs to be a translation from the European legislation to Dutch, but we're going to do everything what the legislation intends and the challenges we face. So that is mainly in finding a common language in communication with the contractors.	Find a common language in communication	Common language in communication
...we must delve deeper into this. Whether there are possibilities that there is Child Labor and we also hire consultancy companies to find this out for us the moment there are sectors where we suspect that there is Child Labor, we will be the first to take action on that.	Hire consultancy companies for investigation	Hiring consultancy companies



...the best consultancy firms for (company name) would be auditors from one of the big 4 companies, so they have their own departments that are specialized in CSR and human rights.	Hire one of the big 4	Hiring one of the big 4
We see the importance of it, it is fully endorsed. Resources are also recruited, so people are also hired and not just one, but multiple.	Importance recognized, multiple people hired	Importance recognized, multiple people hired
In terms of presentations, trainings, so it is being taken very seriously.	Presentations, trainings	Presentations, trainings
...procurement contact with suppliers. I can apply evaluation criteria and include a rewarding system, including build-in sub criteria about CSR.	Contact with suppliers, rewarding system, include CSR criteria	Contact with suppliers, rewarding system, include CSR criteria
...include a roadmap, where we focus on CSR and additional measures.	Roadmap with focus on CSR	Roadmap
...the way of reporting is important. So like I said, not only the way of reporting, but also the frequency and the details of the process.	Way of reporting with details	Detailed reporting
...steering suppliers once we already have a contract.	Steering contracted suppliers	Steering contracted suppliers
...“notional discount”. So, the party with a tier 1 vessel may be a little more expensive than someone else, but since they use a tier 1 vessel and this is less polluting, we still do business with you. This is a rewarding system that we implement so that we score better on CSR measures.	Notional discount, rewarding system	Notional discount, rewarding system
...working and join for example a boat to check if they comply, as promised.	Check in the field	Check in the field
...I just don't know.	No knowledge	No knowledge
...we employ all kinds of risk managers.	Employ risk managers	Employ risk managers
...I don't know that either...	No knowledge	No knowledge
Yes, so in principle we set higher standards and requirements.	Set higher standards and requirements	Higher standards, higher requirements
...we also ask for minimum requirements during the tendering process. Also, in the field of safety	Minimum requirements during tendering process	Minimum requirements

and CSR and then you see that certain parties just drop out.		during tendering process
We as (company name) prefer to do less business with China, because we are afraid that they are going to spy on us or that we are going to become too dependent on them or things like that. So it doesn't have so much to do with child labor or CO2 emissions or things like that.	Prefer less business with China, afraid of spying, afraid of dependency	China not preferred, afraid of spying, afraid of dependency
Yes, this does change.	External auditing process will change	External auditing process will change
We do a lot of audits on our contractors, and sometimes we purchase more and then we take these things into consideration where we need to be caution on upfront.	Extensive auditing on contractors	Extensive auditing
I can't answer that.	No knowledge	No knowledge
I think that digitalization is definitely going to play a role in that as well. But in what way specifically, I don't know.	Digitalization will play a role, role uncertain	Role of digitalization aware but uncertain
...we work with applications in which the contractors can upload their documents and agreements are also made about that.	Upload documents and agreements	Upload documents and agreements
...we make agreements in the contracts and there is always a heading "information service" or "information system". In here, it is specifically described what information they need to supply and what information (company name) needs.	Agreements in contracts, demand for information supply	Agreements in contracts, demand for information supply
...at some point there will be more and more requests for CSR information. And then they just must do that there.	More demand for CSR information	More demand for CSR information
We ask our contractors for specific data that we need. This can also be data from their subcontractors, also related to a culture ladder that we have.	Ask for specific data, also from subcontractors	Ask for specific data, also from subcontractors
...this is a ladder from 1 until 5, and as an organization you can be certified based on the extent that you comply to guidelines related to safety. When you are busy with safety concerns in an interactive way, maybe you are on ladder 4 or 5.	Culture ladder	Culture ladder

When a contractors has level 1 or 2 on the ladder, we don't collaborate with them. So this is a demand of us.	Demand for good score on the culture ladder	Culture ladder
...you only receive level 4 if your contractors have level 4, and this work all the way through the supply chain...	Indirect suppliers influence score of direct suppliers on the culture ladder	Culture ladder
...I don't recognize it in (company name). But that is mostly because we are not in the industry where child labor is common, this is more environment and then you don't have objections, appeals and lawsuits very quickly.	Shift responsibilities to legal department not recognized	No responsibilities for legal department
...we created a questionnaire and sent those to our contractors. We asked them to fill out that questionnaire so that we could get a better sense on what exactly they are doing about child labor and emissions and all of that kind of stuff for ourselves and actually it already answers an earlier question, that's actually to identify our risks.	Questionnaire about child labor and emissions, identify risks	Questionnaire to suppliers
The contracts we have agreed on, means compliance on a code of conduct, because in there all our demands are mentioned. When they don't comply with this, we can rescind the contract. We can trigger penalty clauses. We can appeal.	Contracts, compliance on code of conduct, rescind the contract, trigger penalty clauses, appeal	Contracts, compliance on code of conduct, rescind the contract, trigger penalty clauses, appeal
...they will not be selected in new tenders or they will just drop out because they do not meet our minimum requirements. When they comply, are selected, have a contract and then they don't comply, then they face fines or dissolution of the contract in the worst case.	Not selected for tenders, stop collaboration, face fines, dissolution	Not selected for tenders, stop collaboration, face fines, dissolution
If it leads to more expensive products, then it is what it is. If it leads to more expensive service, same story. If we need to hire more people, we have to.	More expensive products, more expensive service, hire more people	More expensive products, more expensive service, hire more people
If it gets more expensive, the consumers have to pay for it and they will notice it.	Higher cost price for consumers	Higher cost price
...for (company name) only the price of goods and services. For a company like (company name), it leads to other choices because they need to perform cost cutting.	Higher price of goods and services, or cost cutting within a company, depending	Higher cost price, make processes cheaper, depending on

	on type of company and industry	type of company and industry
To remain profitable, companies need to find ways to make processes cheaper.	Make processes cheaper	Make processes cheaper
Yes, I think on the whole it does have a certain effect that if the cost price goes up, that many companies are going to reorient themselves.	Companies need to reorient	Reorientation
...if the Chinese company is not providing transparency and openness, then they don't meet our requirements. If they say upfront that they are transparent and willing to provide all necessary information, then we don't have a reason to not choose them.	Chinese / Asian suppliers are accepted when they meet requirements, no distinction	Chinese / Asian suppliers are accepted when they meet requirements, no distinction
...what I notice in the big companies, the suppliers just cooperate. They understand that a big company has to comply or they leave, so they are willing to implement it as well.	Suppliers just cooperate with big companies	Suppliers cooperate

### A2.1.3 Selective Coding

Multiple insights, strengths and strategies emerged in the interview:

#### Perceived impact of the new EU supply chain law

- Great impact
- Serious efforts
- Climate

#### Challenges when looking at obligations under the law

- Reporting in a specific way
- Common language in communication with the suppliers

#### Assessed importance of compliance with the law

- Importance recognized
- Multiple people hired
- Presentations, trainings

#### The most important strategies and/or processes to comply with the law

- Contact with suppliers

- Rewarding system, include CSR criteria
- Roadmap with focus on CSR
- Detailed reporting
- Steering contracted suppliers
- Notional discount
- Check in the field

**Change of risk assessment process? In what way?**

- No knowledge

**Change of grievance mechanism? In what way?**

- No knowledge

**Change of supplier acquisition process? In what way?**

- Yes
- Higher standards and requirements
- Minimum requirements during tendering process
- China not preferred, afraid of spying, afraid of dependency

**Change of external audition process? In what way?**

- Yes
- Extensive auditing

**The role of digitalization**

- No knowledge

**The role of AI**

- No knowledge

**How to improve supply chain transparency with digital tools?**

- Upload documents and agreements
- Agreements in contracts
- Demand for information supply, more demand for CSR information
- Ask for specific data, also from subcontractors
- Culture ladder

### **The role of blockchain technology**

- No knowledge

### **The role of a digital twin**

- No knowledge

### **The role of robotic process automation**

- No knowledge

### **Shifting responsibilities from the CSR and human rights department to legal department?**

- No, the interviewee doesn't recognize this
- No responsibilities for legal department

### **Strategies used in the case of non-compliance from suppliers**

- Questionnaire to suppliers about child labor and emissions, to identify risks
- Contracts
- Compliance on code of conduct
- Rescind the contract
- Trigger penalty clauses
- Appeal
- Not selected for tenders
- Stop collaboration
- Face fines
- Dissolution

### **Which financial impacts related to the law, and how to balance higher costs while maintaining efficiency?**

- More expensive products or services (consequences for consumers)
- Hire more people (consequences for company and profit margin)
- Make processes cheaper (consequences for company and profit margin)
- Depends on type of company and industry

### **Expected change of long-term sourcing strategies?**

- Reorientation
- Asian suppliers are accepted when they meet requirements, no distinction
- Suppliers just cooperate with big companies

## A2.2 Interview 2

Interviewee 2: Procurement Manager in a Dutch company – Consumer Goods Industry

### A2.2.1 Transcript

#### Q1

1: How do you perceive the impact of the new EU supply chain law?

2: So, especially with bigger companies, it shouldn't be a surprise or any different. It shouldn't have a quite huge impact on the way they're doing business, because at least from what I've experienced, there have always been a compliance team already. This team already carefully checks with whom we make business. I think this new law will, of course, have a positive impact. And it may impact those companies that are a bit smaller and haven't settled about compliance that will allow them to check the background of who they are doing business with. For example, if I'm going to hire a supplier, I'm gonna check their finances, if their employees are properly employed, I'm gonna check if they have any legal issues or any sort of lawsuit. So those kinds of things are being checked up by medium to large companies.

#### Q2

1: What challenges have you encountered when looking at the obligations under the law?

2: In the past, I've seen in both Europe and Latin America, 80 to 90% of suppliers who have no issues regarding a proper way of doing business from their side. Proper compliance let's call it that way, sorry. But, I've seen a few cases, again, both in Latin America and Europe, of suppliers who were chosen were granted a tender, and while investigating them, granted the business just because of either irregularities on the way they would hire their employees or the way they are under finances because that's also a risk towards the company that's hiring them.

#### Q3

1: How does [company name] assess the importance of compliance with this law?

2: So, there is a catalog of suppliers which have been building up over the past 5-6 years and all the suppliers who are involved in this catalogue yearly, they are evaluated on compliance issues. They keep on the catalogue and we can work with them if they are not right, we give them a warning so they can check what's lacking or what they are missing. We give them a chance, a period of time. If they can fix it, they're still in the catalog. If they're not, then until next year. So pretty much that is the way.

1: Okay, and if you work with Asian suppliers, do you think by hearing about the law, that it's a big problem for companies to comply with the law?

2: Working with Asian suppliers; I can imagine it could be an issue. I've heard from colleagues working with Asian markets as well, there are more informal processes, especially with suppliers. So there can be some irregularities in the way they are hiring people, so I'm guessing, in Asia, markets could be tough just as Latin American markets. There should be paid more attention to the impact of that law.

1: What do you mean with regulations, like the rules are not strictly formulated on paper?

2: You would see their financial statements, for example, then you would see the production they make, let's say 300 tons of raw materials and we know to make that amount of raw material you need at least 100 people. When we check their financial statements and you see there are a number of employees, you see 50 or 40 and then there's something that's not adding up. It's like saying, well, you can build a house with two people when you actually need 20. So those kind of things. If you pay extra detail to the numbers and on the documents, then you you'll find it.

1: And in that case, for example, then that means that the 50 people work more than they should or?

2: Less, less so they were on paper with a number of people because they needed 100 to make this production, but on paper they had 50. So the question was either these fifty were working double time or? Triple turn or they were they were outsourcing or they were hiring people that were not in the books, so those could be.

#### Q4

1: What are the most important strategies and/or processes that [company name] has implemented or will implement to comply with the EU supply chain law?

2: I would say as I was mentioning the story the buildup of this catalog because it's a tool that allows you periodically to evaluate what the vendors are doing. If you don't evaluate periodically then you will have this issue coming up more often than you want to because you can have a vendor that will be everything you're looking for for this year, but you are not sure if they're going to keep doing it for the upcoming years. So I mentioned earlier, in my current company we have a catalogue of vendors that are approved to work with us and these vendors in order to be into this catalog, they have been evaluated. So the compliance team has given the green flag or the OK that we can work with them and we evaluate them periodically every year. So the biggest and most important strategy would be to periodically check up the financial, contractual and environmental definitions of this company status.

1: But then in the catalog maybe they are like direct suppliers, right? So how, or what strategies would you implement to control the suppliers of your direct suppliers?

2: I think, there's got to be a lot of trust, of course. Not in the way of we're going to believe everything they say, but it can be tricky to ask your supplier to evaluate their suppliers because they can easily shut off that door. So there's got to be a sense of partnership. There's got to be a sense of goodwill and a good relationship. So you can first of all explain: why are you doing this and then have the openness to discuss with your supplier how is your relationship or how are you sure your suppliers are properly working or have everything in line? So I would say it's more of a let's say human traits to be on good terms with them. So you can ask the proper questions and they can give you the proper information.

#### Q5

1: Did the risk assessment process of [company name] change because of the new law? If so, how?

2: I wouldn't know what I've been told in most companies I work in this in this continent, in this country as well. They have been doing this for the past five, eight years, so I wouldn't know and I would even doubt if they have changed at all because the process was already well established.

#### Q6

1: Have there been preventive actions, such as a grievance mechanism, that [company name] has introduced to meet the requirements of the law? Did the grievance mechanism change because of the law?

2: No know that I'm aware of. Usually just also a context. This is even though procurement is the team that's facing the suppliers usually is receiving instructions, orders, guidelines from the compliance team that could be in some companies outside procurement. And some companies have a special team dedicated to procurement topics.

1: Okay. And maybe working with a grievance mechanism, do you know a bit more about this?

2: We don't have this. I mean, the only way I've seen or been aware of if it's a case that comes up on the news. As big as that then it comes through us as procurement. But at least if there's any complaint directly from their employees, either compliance team takes care of that and makes the proper investigation. But it hasn't reached our level.



## Q7

1: Did the supplier acquisition process change because of the new EU supply chain law? If so, how?

2: In my company or the companies that I work with, no, but I can imagine **it could and it should in companies that don't have this proper way of evaluating vendors in a way of their the pool size of vendors might have reduced after the implementation of the law.** Depends on the portfolio and depends on the industry, but usually for some raw materials there is not many vendors, so it could be a hit for some companies.

1: You're saying you're already happy if there is a supplier with the raw materials?

2: Yeah.

1: So that's why it's not, you're not really in a position to be picky or?

2: You're not, but you should, because **also it's our job to develop suppliers. If you develop a supplier, help them grow, not because we are being good people, but because in a market you need, if you only rely on your big suppliers at some point, it's going to become an oligopoly from your request. So you got to develop a small or medium supplier.** so in the next 5, 6 years you can have a competition to those big guys and therefore develop, not only in business but also in the way they are growing. So that's also part of our responsibility.

## Q8

1: Did the process of external auditing change because of the new EU supply chain law? If so, how?

2: **I wouldn't know.** External auditing would escape my scope.

1: So yeah, you told a little about the strategy. So the main strategy would apply was focused on trust? So, with the supplier so that you can carefully approach the supplier's supplier. Would there be another strategy involved there, including yeah, auditing that supplier?

2: **Contracts could be a good one if I mean, if you're a big company and you're dealing with a smaller supplier, then you could add it up in the contract that your supplier is responsible that their suppliers, all their suppliers have a proper set of characteristics or good traits, and you have the ability and capacity to audit them periodically. If you have that in your contract and then you're covered.** I don't recall if in my previous company they have it. I know in my current company they do. We have gone through the long way. We're trying to make it through, as I mentioned before, good terms. It would be if I ask my supplier: hey have you audited your suppliers to check regarding compliance, everything is OK and they tell me no, I don't have time. I don't have money. Then I could say, hey, I'm sorry, but based on the contract, you should do it. So you get the money from wherever you need or you get the time from wherever you need. You have to do it and you have to show me evidence because if not, I'm going to audit you. That would be a way. And **in an audit, we do it in the same way we evaluate our direct supplier, we would have to evaluate the third-party supplier, which would cost us money. That's why we transfer the responsibility to our supplier. We haven't written that, but it could be part of the contract.**

1: Okay, So you basically say if you don't do it yourself, we audit it and if it's wrong then you will be fined.

2: You pay for it. I mean, if you don't do it, we will do it and you will pay for it regardless of the outcome.

## Q9

1: How does digitalization play a role in your company's approach to manage supply chain risks and to comply with the law?

2: The first thing that comes to my mind is instead of having a room filled with boxes and papers of every single record that we've worked with suppliers in the past 4-5 years, we can have it all in the computers in the drive. So that allows us to review in the past years, if everything has been properly evaluated. If we see something that catches our eye, we can check how in the past years was it like this or has it changed? So that makes our life easier. Well, compliance life easier.

#### Q10

No knowledge indicated.

#### Q11

1: How is [company name] planning to improve supply chain transparency? Are there digital tools being used for this purpose?

2: Well, the first thing that comes to my mind is the attender on tenders. We are trying to see every negotiation. I mean, we are not a public company, but we have a name. We have a brand and we are trying to be as transparent as we can on the way we do business. So no one can complain, but that's on the business side, if you're talking about transparency in the way our suppliers work. I don't recall any particular task.

1: Okay, yeah, I mean, so for example, did you have real time access to data about shipping? The way they operate, so you can maybe plan for just in time delivery or these kinds of things.

2: Usually we recall in, I mean if you wanna know the status, we would go to our supplier. We don't have any platform or tool that will allow us to check what the supplier's status is. Calling is the main communication here.

#### Q12

1: Is blockchain technology used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: I'm familiar with blockchain, but I've never seen it apply to supply chain management.

#### Q13

1: Is a digital twin used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: I have actually never heard of a digital twin, I am sorry.

#### Q14

1: Is robotic process automation used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: Let's say you can ask your vendors to fill out a form and that is connected to a program that will evaluate them financially and human rights and then, well, human resources compliance and even environmentally if they are aligned with certain standards, then, that could be that would cut off many hours of people working on it. That's the only thing that comes up to my mind. So, making a form with factors so that the robotic process automates that you can audit themselves automatically.

#### Q15

1: When the French Duty of Vigilance Law became effective, research shows that businesses chose to shift responsibilities within a company from the CSR and human rights department to the legal department. Companies were aware that disclosed information can be used against them. Do you expect that this will happen in your company, or did it happen already?

2: I hope it doesn't. I know legal should be involved for sure, but it's not only about the legal component, it should be about the human component. So it could be a teamwork. At least from what I've heard, or

I'm aware of, there is always teamwork between CSR and HR, with legal, especially with these topics. Because if the problem or situation escalates, then it's not only about the legal framework, but also the reputational framework that could impact our company. So that's when legal may not be enough.

1: Yes, so who should be the most responsible one that handles the situation?

2: I will put it on HR, but no actually not compliance. Well, compliance usually could be within HR. So, I would for sure put it within compliance.

#### Q16

1: What strategies and actions are being used when faced with non-compliance from suppliers? Do these strategies and actions need to be adjusted because of the law?

2: Luckily, I mean a good contract is a contract that would only benefit one part, and that sounds horrible, but it's the truth. The contracts the idea is to prepare the parts to any potential scenario and if you negotiate a contract properly then it will benefit your company the most. So the contract that we have are way more skewed to our benefit than ours in what we can do if they do not comply to regulations or KPIs or levels of service, so we have mechanisms to cut off the contract to find them, to ask for reimbursement of some way. So based on the contracts we, yeah, based on the contracts we can do it. They just have to do it. If they find a way to cheat on the rules, then our contract was not foolproof.

1: But previously you also talked about that sometimes you don't have a choice because some suppliers basically have the resource you need, or is this in general the case?

2: We, from what I've seen, there's never one only supplier. It could be the cheapest by a mile, but if the cheapest is not compliant, then we will not work with them.

#### Q17

1: What financial impacts are expected when complying with the EU supply chain law and how is [company name] going to balance higher costs while maintaining efficiency?

2: I don't really expect many much of an impact because of this process that we already have. I would be surprised if any of our suppliers are not compliant with the regulations. But if they do impact, if there's a current supplier, then we will have to check Plan B could be high, could be more expensive, could have different service level agreements. That's the first thing I can think of.

1: OK. And uh, how can you imagine if you have Asian suppliers, maybe from experience, or maybe from other persons, how it would impact the financial performance and the financials?

2: I think in the same way as mentioned before, probably those who are not compliant were the cheapest. So therefore, you will pay more for those suppliers who are compliant. Therefore, there's going to be a kind of make impact. It could be thousands, millions, depending on how much you rely on these suppliers. But yeah, that way.

#### Q18

1: Do you think the long-term sourcing strategies will change because of the law? For example, withdrawing from doing business with high-risk regions such as China?

2: I think for sure the Asian countries or even China would have to step up on the way they look to be compliant to our new regulation. If they want to do business with us, I think it's more their loss than our loss. Because they don't want to lose only clients, but only also reputation, which is harder to clean after everything you've built. So I would say, it's more on their side to be worried on that. Of course, we will be worried as well because of the potential impact that I've mentioned. But I think it would be more on their side. There's one thing to lose a client you sell things to then losing a supplier you buy stuff from.

### A2.2.2 Open and Axial Coding

Text snippets	Open codes	Axial codes
...especially with bigger companies, it shouldn't be a surprise or any different. It shouldn't have a quite huge impact on the way they're doing business...	Shouldn't have a huge impact	No big impact expected
I think this new law will, of course, have a positive impact.	Positive impact expected	Positive impact expected
Working with Asian suppliers; I can imagine it could be an issue.	Informal supplier processes in Asia, regional compliance challenges, potential legal risks in Asia	Geographical compliance risks
...there are more informal processes, especially with suppliers. So there can be some irregularities in the way they are hiring people...	More informal processes and irregularities with Asian suppliers	Informal processes, irregularities
There should be paid more attention to the impact of that law.	More attention to the law	More attention
...the buildup of this catalog because it's a tool that allows you periodically to evaluate what the vendors are doing. If you don't evaluate periodically then you will have this issue coming up more often than you want to because you can have a vendor that will be everything you're looking for for this year, but you are not sure if they're going to keep doing it for the upcoming years.	Catalog as a strategic tool for periodically evaluating vendors	Catalog as a strategic tool
...the biggest and most important strategy would be to periodically check up the financial, contractual and environmental definitions of this company status.	Check financial, contractual, and environmental definitions as a strategy	Check financial, contractual, and environmental definitions
...there's got to be a lot of trust, of course.	A lot of trust needed	Trust
...it can be tricky to ask your supplier to evaluate their suppliers because they can easily shut off that door.	Supplier resistance to evaluation, trust and relationship management, supplier pushback risks	Supplier engagement challenges
...there's got to be a sense of partnership. There's got to be a sense of goodwill and a good relationship.	A sense of partnership, goodwill and a good relationship	Partnership, goodwill, relationship
...I would say it's more of a let's say human traits to be on good terms with them.	Be on good terms with the supplier	Be on good terms
I wouldn't know...	No knowledge	No knowledge

No know that I'm aware of.	No knowledge	No knowledge
We don't have this.	No grievance mechanism in place	No grievance mechanism
...it could and it should in companies that don't have this proper way of evaluating vendors in a way of their the pool size of vendors might have reduced after the implementation of the law.	Supplier acquisition process should change to evaluate vendors	Supplier acquisition process should change
...also it's our job to develop suppliers. If you develop a supplier, help them grow, not because we are being good people, but because in a market you need, if you only rely on your big suppliers at some point, it's going to become an oligopoly from your request. So you got to develop a small or medium supplier.	Develop suppliers and help them grow	Developing suppliers
I wouldn't know.	No knowledge	No knowledge
Contracts could be a good one if I mean, if you're a big company and you're dealing with a smaller supplier, then you could add it up in the contract that your supplier is responsible that their suppliers, all their suppliers have a proper set of characteristics or good traits, and you have the ability and capacity to audit them periodically. If you have that in your contract and then you're covered.	Contractual supplier responsibility, audit enforcement, legal compliance through contracts	Contractual compliance mechanisms
...in an audit, we do it in the same way we evaluate our direct supplier, we would have to evaluate the third-party supplier, which would cost us money. That's why we transfer the responsibility to our supplier. We haven't written that, but it could be part of the contract.	Audit only first tier suppliers and because auditing second tier costs money	Audit responsibility of second tier supplier to first tier supplier
...instead of having a room filled with boxes and papers of every single record that we've worked with suppliers in the past 4-5 years, we can have it all in the computers in the drive. So that allows us to review in the past years, if everything has been properly evaluated.	Digitalization used instead of papers and data stored somewhere	Store important data on computers on a drive
We don't have any platform or tool that will allow us to check what the supplier's status is. Calling is the main communication here.	No use of a platform or tool, calling as the main communication	Calling as the main communication
I'm familiar with blockchain, but I've never seen it apply to supply chain management.	No knowledge	No knowledge
I have actually never heard of a digital twin...	No knowledge	No knowledge

So, making a form with factors so that the robotic process automates that you can audit themselves automatically.	Using RPA for automatic auditing	Using RPA for automatic auditing
I hope it doesn't. I know legal should be involved for sure, but it's not only about the legal component, it should be about the human component. So it could be a teamwork.	Legal should be involved, but it should be a teamwork	Legal involved, teamwork
...if the problem or situation escalates, then it's not only about the legal framework, but also the reputational framework that could impact our company.	Not only legal framework, also reputational framework	Legal framework, reputational framework
...I would for sure put it within compliance.	Compliance as main responsible organ	Compliance department is responsible
...the contract that we have are way more skewed to our benefit than ours in what we can do if they do not comply to regulations or KPIs or levels of service, so we have mechanisms to cut off the contract to find them, to ask for reimbursement of some way.	Contract penalties for non-compliance, enforcement through contracts, financial repercussions for suppliers	Contractual enforcement strategy
If they find a way to cheat on the rules, then our contract was not foolproof.	No way to cheat on the rules, foolproof contract	Foolproof contract
...there's never one only supplier. It could be the cheapest by a mile, but if the cheapest is not compliant, then we will not work with them.	Supplier only selected when compliant	Compliant supplier selected
I don't really expect many much of an impact because of this process that we already have.	No financial impact expected	No financial impact expected
I think for sure the Asian countries or even China would have to step up on the way they look to be compliant to our new regulation.	Asian countries will adapt for compliancy	Asian countries adapt for compliancy

### A2.2.3 Selective Coding

Multiple insights, strengths and strategies emerged in the interview:

#### Perceived impact of the new EU supply chain law

- No big impact expected
- Positive impact expected

#### Challenges when looking at obligations under the law

- Issue of working with Asian suppliers

### **Assessed importance of compliance with the law**

- Informal processes
- Irregularities
- More attention

### **The most important strategies and/or processes to comply with the law**

- Catalog as a strategic tool
- Check financial, contractual, and environmental definitions
- Trust
- Partnership, goodwill, relationship
- Be on good terms
- Add in contract that supplier is responsible for their suppliers

### **Change of risk assessment process? In what way?**

- No knowledge

### **Change of grievance mechanism? In what way?**

- No knowledge

### **Change of supplier acquisition process? In what way?**

- Supplier acquisition process should change
- Developing suppliers

### **Change of external audition process? In what way?**

- No knowledge
- Audit responsibility of second tier supplier to first tier supplier

### **The role of digitalization**

- Store important data on computers on a drive

### **The role of AI**

- No knowledge

### **How to improve supply chain transparency with digital tools?**

- Calling as the main communication

### **The role of blockchain technology**

- No knowledge

### **The role of a digital twin**

- No knowledge

### **The role of robotic process automation**

- Using RPA for automatic auditing

### **Shifting responsibilities from the CSR and human rights department to legal department?**

- Legal involved, teamwork
- Not only legal framework, also reputational framework
- Compliance department is responsible

### **Strategies used in the case of non-compliance from suppliers**

- Skewed contracts
- Mechanisms to cut off contract
- Reimbursement
- Foolproof contract
- Compliant supplier selected

### **Which financial impacts related to the law, and how to balance higher costs while maintaining efficiency?**

- No financial impact expected

### **Expected change of long-term sourcing strategies?**

- Asian countries adapt for compliancy



### A2.3 Interview 3

Interviewee 3: Vice President Global Supplier Management in a German company – Logistics & Distribution Industry

#### A2.3.1 Transcript

##### Q1

1: How do you perceive the impact of the new EU supply chain law?

2: Well, to be honest, we are pretty prepared because for us it's not new. We're a German company already faced with the LkSG, so I mean it's just an extension of that. Maybe it's going to go a bit deeper or broader, but actually regardless of what anybody says, it's too early to understand the impact because the law is not concrete. I actually spoke to the Commissioner that wrote the CS Triple D and she says well, depending on what kind of company you are. If you are a clothing company, for instance, the expectation would be that you go much deeper and broader because clothing is clearly a high-risk category. If you're a consulting company, you may not have to do anything. So it really does depend, and it's too early to try to determine how broad or how deep you go. In addition to that, there is still the opportunity because it hasn't yet been translated into local country law. We don't know what those requirements are going to look like. So you cannot definitely say that you have to do everything. This is still not clear, so the legislation is indicating something, but it depends how it's put now into the different laws across Europe.

##### Q2

1: What challenges have you encountered when looking at the obligations under the law?

2: Again, and you're gonna hear this from me a lot, right, I mean, we've had our first workshop on it. You know, we were well prepared for the German supply chain law, so we're not kind of afraid of this legislation at all. We've done some initial preparation to understand, you know, and to make sure that all that the organization understands what we do today. But again, it's too early to start preparing anything. Because there is this high level legal framework which isn't giving you any guidance. So actually it's not concrete and therefore you cannot, you know, people are getting a bit overly excited. You know the basic principles, but you do not know the extent. So again, we think we're in a good way because we're already complying with the German supply chain law. Yes, there's this unknown element of going beyond the first tier, but we don't know to what extent yet.

1: Yeah, but so imagine the law is definite. And they say, well, you have to control the whole value chain. Do you see it as a challenge for managing the Asian suppliers or not? Because the transparency normally is a bit lower in Asia.

2: It's actually impossible. So, it's an unrealistic expectation. You have no legal authority to know anything. So, I mean, you might be able to go one tier down if you're lucky. Maybe I can give you a practical example. Today we actually do look beyond the Tier 1 already, right? Not in every area, but certainly for corporate wear. For instance, we want to ensure that we understand the factory that the product is coming from. Our suppliers are not obliged to tell us who they're working with, they're even afraid to tell us because of course then they think that we're going to circumnavigate them and buy directly from the factory and cut them out, right. So actually it will be an impossibility for many companies because there is no legal right to demand this access.

1: Yeah, because and I will also share the other strategies from the other companies. For example, a company said that they include in their contract with their Tier 1 suppliers some obligations, so they include like you have to, you can only work with your Tier 1 suppliers that have good human rights, good safety standards, these kinds of things. Would this be a strategy you can implement?

2: We already do that today. I mean, we say that ours in our supply code of conduct, we already say today that they need to pass our standards down to their suppliers, but that doesn't mean to say that they are doing it. You cannot guarantee just because you say something on a piece of paper. This is really nothing, right? So like in my eyes, that doesn't give you access to who their suppliers are.

1: So you think when the law comes through as strict as if I formulate it actually, then it's impossible to comply?

2: Yes. What you can do if you're not aware, there is technology out there which can map your supply chain. So we've actually piloted those kind of things, but actually even they're not aware. So you can put a part in and if you put this part in, actually there's a kind of chain. Where potentially the suppliers that might be in that chain, but very often, even when you look at it, it's a potential because you know that component within that widget, but you don't know which direction that's coming from. They could be, you know, maybe one example we buy for the UK freezer where right. So for our people that are operating in frozen conditions or the packet food that you think about, you know that you can microwave. We have to give them special equipment and for that we buy from 1 supplier who sources it from 12 factories. So suddenly your supplier base is going to exponentially explode. So if you think that one becomes 12.

1: Exactly. And what does the technology do you? Is it like a specific technology that you implement for creating more transparency, or is it just that you use multiple?

2: There are certain companies out there that are providing this kind of technology, but we decided not to go ahead with it because it just ends up causing more confusion because there's no guarantee that the chain that they see is the right chain.

### Q3

1: How does [company name] assess the importance of compliance with this law?

2: For us, complying with the law is a prerequisite of doing business right. So like, it's absolutely the wrong impression to state that it's countries far, far away, or developing countries where the problems sit. Very often we see these issues on our own doorsteps in Germany, in Netherlands, in the UK, absolutely health and safety is a problem. Globally, child labor is a bit different, of course. I mean it be very weird in the Netherlands, UK or Germany to find a factory of children of course, right. But you might find those somewhere else, right? But definitely things like health and safety, you know, and working conditions, you know, we buy a lot of R&D for transportation. We see this more frequently in Europe.

### Q4

1: What are the most important strategies and/or processes that [company name] has implemented or will implement to comply with the EU supply chain law?

2: So again, because we're doing the LkSG, we're already complying quite a lot. So we have our supply code of conduct. Maybe you saw it on our Internet site, it's available publicly. We have this in 45 languages translated so that our suppliers are not asked to sign something they don't understand. We have online on demand training. Again, you can see this on our web page in 11 different languages. So that not only do they and these 11 languages cover the majority of our supply languages in a way, right? So therefore, not only does a supplier sign something, but they can actually conduct the training, right? So this means that they can physically understand what they're signing, not just blindly signing a piece of paper on top of that because of the LkSG. Actually, we had to implement some additional elements in our contract because our supply code of conduct and if you speak to other companies to some extent, I think we're a bit unique and if you try to look at KPIs across the world and people sustainability reports, we use our supply code of conduct for every supplier we do business with. We don't care if that's a strategic supplier or a small supplier or a big supplier or a supplier of certain products. It's a

minimum standard for us to do business with suppliers. You will find in other companies they say, oh, it's our most important supplier. Well, what does that mean, right? We say it's for everybody. So our standard is for everybody, but that means for our high risk categories. Let's take an example of corporate where on top of our supply code of conduct, we put additional measures that are unique to that industry. So we would then embed into our contract things like the factories that we buy from have to be certified. The certifications we have are third party certifications that are validated externally. That covers not only the environmental impacts of what the factory is doing, but also the human rights of the people that are working with inside those factories, right? So depending on the category, we make adjustments for certain specific requirements and we act from that. So from these contractual clauses. This allows us to do due diligence and we call it adaptive due diligence. The other thing that we see in other companies is they don't do adaptive due diligence, right? They send you one questionnaire and whether you produce fish or whether you're storing something or whether you're a provider of corporate, where you get exactly the same questionnaire and we've seen this because we're also providing to our customers and they will send us questionnaires about how we handle fish. Well, we don't handle fish, right? So this is a completely inadequate questionnaire and the reason why we say we do adaptive due diligence is that for instance for our R&D transportation suppliers. We have, if you think about it, they're not in a stable fixed working environment, right? So we have to understand whether the people are getting their rest breaks, the critical questions that we need to understand. How is the accommodation working for them? You know, how is this really working versus a corporate? We need to take care. The accommodation is not somehow being provided or if it's being provided, how it's being provided. Our passports been retained, so we really adjust what we do using a combination of self-assessment questionnaires, third party due diligence questionnaires, physical audits. We use a combination of different measures to be able to assess those. If you've heard about worker's voice, this is something that used to be used quite a lot in the mining industry. We actually use this for our R&D transportation people because these are the people we cannot see, right? They are on the road. You don't see them, so you need some other mechanism to reach the workers and the best way of us to do that is to use a workers voice solution because it gets directly to the people that you can't physically. You know, if you go to a location the supplier can hide the people that they don't want you to talk to right very easily, because they can say they're on the road, right? At the moment we train our supply code of conduct specifically, which of course reflects the law to some extent, right? So we're trying to explain to, I mean, if you go to Japan, I did my first audit in Japan recently and they've never had a human rights ordered in their life. They have no idea what it's about, so you have to take them on the journey. You have to make sure that they're you know what we shouldn't be doing is going crazy. If you find something wrong because you're going to find something wrong. Even if you came to our organization, he started poking into our processes. It's highly likely that there's something that you would find if I read your thesis. I would probably be able to cut holes in it for you, right? I mean this is very normal. This is very very normal. So you know, we try to take the suppliers on a journey. We go step by step, making sure you know that they understand what to do. Very often, you know they haven't got their own supply code of conduct right, which means that they're not controlling their own supplier base, in which case we say to them, take our supply code. And copy it with pride. Take if you need to use 90% of the content and then you adjust for you, please do it, you know. When we went to Japan again, there was a company that needed to implement proper health and safety policies. They were doing everything right, but they didn't have anything documented and documentation is critical, right? So we gave them an example of the health and safety kind of policies, but to say you need to adapt it for your own industry, for your own, you know, but we can share with you an example of what we do, what we have. Feel free to use what you can and use this as a kind of stepping stone.

## Q5

1: Did the risk assessment process of [company name] change because of the new law? If so, how?

2: No. And we actually believe that we have done the assessment based on this and we already feel that what we do under the LkSG compliments already what's required for the CS Triple D. So actually we

don't feel that we're going to necessarily need to change anything based on this new law, because we already had it implemented before the LkSG, we had to make some slight tweaks for the LkSG to make sure that we were robustly documenting. This was the main finding that we had to say, OK, we were doing everything, but maybe not documenting it in a strict enough way. We feel very strongly that for this element we are already well prepared. This is our conclusion of the recent workshop to say what we're doing today is still sufficient under the new legislation. As far as we read it.

## Q6

1: Have there been preventive actions, such as a grievance mechanism, that [company name] has introduced to meet the requirements of the law? Did the grievance mechanism change because of the law?

2: We've had a grievance mechanism in place for years and it will continue to exist. The only question that we have, and this is why we're waiting to understand what the law will mean, they seem to be suggesting and by the way, we do a lot of political canvassing, right? Which is why we're saying we still have the ability to influence to some extent with other companies, local legislation. So we've had a grievance mechanism in place for our own operation and our suppliers for years. This exists on the Internet. Anybody can find it when we go and do audits, we hand out cards to the employees so that they can find it. Under the current legislation, as I understand it, there seems to be a suggestion that the two systems need to be separated. For us, this would be insane because there was one route in, you know, it's completely confidential. You know, we can identify whether it's a supply case or an internal case and having two systems is just going to become complicated because we allow this visibly on the Internet. So then you'd have to say, well, if you're a supplier, go on this. Go in this route and if your own operations go in this route. For us, this is bureaucratic and not necessary.

1: Okay. Do you think that the grievance mechanism is still effective within the new law?

2: Depends. If they insist in the legislation that we have to have two completely separate systems, then we're going to have to figure out what to do.

## Q7

1: Did the supplier acquisition process change because of the new EU supply chain law? If so, how?

2: You have to remember you're talking to a company that's implemented a German supply chain law, right? So like, it's not like we don't know anything. Our selection process, because of the LkSG and it would not be different because of the CS triple D, did change to some extent. So for the high risk categories, let's take for example, temporary labor, we use EcoVadis for temporary labor as one of our due diligence approaches. Depending on the scoring of the supply, we use a bonus malice system already in our tenders whereby we say that if a supplier has a good rating, and good depends on the country that you're in, right. If you set the parameters so high at 70 points in Asia, you wouldn't find a single supplier, right? So, you need to have these kind of elements of thresholds. So we artificially inflate and deflate the rates of our suppliers based on how well they perform. Sometimes they get a malice, so it means that their prices artificially inflated so it looks worse. We artificially deflate the price so that the price looks better depending on how they score. And actually our supply is quite like this because they say now there's a value to doing something like EcoVadis because we can see that if we're doing well, you know, maybe they are in 3rd place and they get into first place because of this adjustment mechanism that we make. So for sure we do change our requirements based on this. The same with corporate, where if they're not certified, you know or they're not prepared to be certified. Actually for us it's a complete knockout criteria. So it for sure because of the LkSG, we have made adjustments to what we do and we will continue to push that in those high risk categories we need to do things differently. You know, we've changed contracts in the transportation area to say that they cannot appoint other suppliers without notifying us who they're using for, for example, because

transportation is a bit risky for us. So for sure, under the LkSG we've made changes and we will continue to adjust ourselves, you know, based on the risky categories.

1: So you said when you implement some things that you improve your processes within the company of the supplier you go, for example from rank 3 to rank 1 right? So then it makes you more attractive for buyers as well. Or is it like a closed system where only they can have access to?

2: We don't allow this access outside of the suppliers in (company name). This is confidential information of the supplier, which you cannot publish elsewhere. So every strategy is different. If, for instance, you are doing a competitive bidding where you've explained the rules of the game, we might show them their rank. Of course, they don't see the commercials behind. They just see a rank. Because they need to know if you're doing multiple rounds of tendering. So at the moment I'm actually in (city name) where we have a three day negotiations with suppliers, more than 90 suppliers we're negotiating with in these three days. Maybe we're conducting an E auction. Well, of course, if they don't know what position they are in, how can they possibly provide a better bid? So again, it depends on your negotiation strategy that you've built. If it's in the interest of all parties to have an awareness. Of where they are, ranking. Of course they're not going to see the commercials. Otherwise, you're breaking competition law, you know, but you might. They might see a ranking to see if they are first, 7th or 10th, and if they have to improve their bid.

#### Q8

1: Did the process of external auditing change because of the new EU supply chain law? If so, how?

2: Absolutely. With the new LkSG, for sure, we didn't do any supplier audits in the past, we now do. I think in a way that we're lucky. I mean, I would feel sorry for a company that didn't have to comply with LkSG having to go straight to CS Triple D because they are not prepared. I mean to some extent at least we have the backbone. Of course, we might have to go deeper here, or we might have to separate systems there. You know, these are the things that we might have to do, but we're not starting from nothing. And because the LkSG is not only because we're a German owned company and also centrally, we control everything from the center of Germany. This means that we've had to explain to our German enter, sorry to our Chinese entities, our Turkish entities, our South African entities that they are in scope of the LkSG. We have supplied a webcast where we explain to our suppliers why the LkSG impacts them even if they are a supplier of IT systems in China. So we've already been educating our suppliers the importance that we are collaborating together. We've been educating them on the legislation. What it means to them why we're making changes and how that's going to impact them, that if they're not prepared to work with us to give us the disclosure that we need, then we can simply not do business with them.

#### Q9

1: How does digitalization play a role in your company's approach to manage supply chain risks and to comply with the law?

2: So digitalization is actually really critical, you know, so we have a lot of suppliers, thousands, in more than 100 countries. And all the facilities we have where we're operating in rural locations and also cities as an example, this number racks up pretty quickly and for us, digitization is so important because you have to figure out, you know, my team spends most of their time I have a campaign manager that simply deals with making sure the suppliers are assessed and we are fully and completely reliant on data because if you've got, I think somebody talked the other day we were in a talk in a conference and they said we have 5000 suppliers. If we had 5000 suppliers, you would know instinctively what all the suppliers do, right? We have way more than 5000. You have to figure out which or what suppliers, how much spend do we have with them. So what's the influence we have over them? Which categories are they in to make sure that we route our due diligence correctly? So if you did not have this transparency and if your data is crappy and we're not perfect, by the way, in this area we can definitely improve.

We're making changes to our systems to get better. Digitalization is such an important part of our company strategy and of the procurement strategy. Without that, it would be an impossibility. You would not be able to. You know, when we talk about a supplier, we want to see if that supplier is operating with us in 20 countries. We need to find out whether or not one of them is performing badly or has an issue compared to the other ones right? And how they're progressing, so this is absolutely critical for ensuring that if you don't know your data, you're gonna die with this legislation. If you don't understand who you're spending money with, what they provide, what services they provide to you, where that's a major issue, and either mention that there is this new technology coming up that we're still not really buying into yet. I guess you know because sometimes if you're given too much data, you're overwhelmed with the data and you are paralysed, right? Because you're having to deal with red flags that are actually false red flags. So there is definitely technology coming in where they can show you what they believe the supply chain looks like and if this legislation for CS Triple D really remains that strong that you have to go down your supply chain, the only way that you would be able to gain this visibility is by companies starting to I think the companies called PreWave. By the way, if you want to look them up, you know, and that's just an example of one company that can provide this kind of transparency you're going to be heavily reliant on that because you will have no contractual rights to go beyond your own jurisdiction, yes, you can contract it, but you could only contract it to the next level down. You can't contract it all the way to the field, for example.

1: Hmm, yeah. And what is the main digital tool or platform that (company name) uses?

2: You can't just necessarily use one. So maybe I can explain a little bit to you how it works. We have more than 100 financial systems across the world, let's say 100. This gets pushed into one financial system globally, right? So 100 systems are pulling data into one platform from that platform. We extract everything from suppliers. We then connect this data to various other systems like for instance that are contracted through procurement as an example. Or are there suppliers that are managed by the business as an example? Because we do have this in some cases, we're not responsible for all thousands of suppliers within our group, so that we get this transparency. We understand, therefore, the contractual periods, if it's a procurement supply, we have the concrete supplier details that sit behind, right. So we connect multiple systems. And from this we create dashboards. We also invested and this is because of the LkSG. This is why I'm saying, the CS Triple D is not massively keeping me awake at night. I'm a bit worried about going on the N tier, but like we bought because of the LkSG, we bought a single platform for risk management. So what happens in there is all of the suppliers that we are assessing, we can see through 1 dashboard that we then produce power BI reports that our whole organization can go in see has my supplier been assessed and it's been assessed under what? We do a lot about bribery and anti-corruption, so there's many different types of assessments that we do and we determine based on what the supplier's primary function is, whether they we need to focus more on human rights. So if you think about temp labor, I don't really care to a point, if they're using, you know, recycled paper. This is not my major concern. My major concern is that the people are being treated appropriately, they're being paid correctly, that their passports are not being retained, that they're not being housed in crappy accommodation. These are the kind of things that we're taking care of. So therefore they are more likely to get something around human rights due diligence rather than whether or not they're taking care of their carbon footprint as an example. So we have one system where we are not fully where we want to be yet, but we're, you know, this is where we get the full transparency of what the supplier is doing and where they are in terms of risk. But you need to connect many systems to it.

## Q10

1: Can AI be used or does [company name] currently use AI to comply with the law? If so, how?

2: We don't use AI. Currently, no. I mean well, no, we don't really. And a lot of these things like PreWave would be AI. What we do utilize are things like EcoVadis. So with EcoVadis, for instance, if our suppliers get access to that route, they're picking up news feeds, right? Which is done through AI so

that we can be alerted to any issues that happen anywhere in the world. We also have a data intelligence team ourselves actually that particularly is for temporary labor, we can put in all the supplier names and if anything pops anywhere in the world, we get notified of it. So at least we know that something is going on that we need to investigate as an example. But beyond that, at the moment, no, the problem with artificial intelligence is you get many false red flags. So we looked at systems, but if you're going to be faced with multiple false red flags that are not actually correct and accurate, you're going to waste your time. Finding out that everything's false and investing so much time in this that you're not actually going to do the work that you need to do, right? So which is actually assessing auditing your suppliers to find those problems that are going on. This why currently we are not fully convinced by the solutions that are on the market so far.

1: But do you think if AI gets more extensive or the red flags are get getting cut out, it can be a useful tool?

2: Absolutely yes.

1: And for what processes specifically?

2: So if we have to go beyond the first tier. For driving that and also you know at the moment for instance, we have to go to our suppliers for data. What AI can do is of course pick up or scrape from the Internet all of their policies and processes. So maybe we don't have to contact them. The problem that we have as an organization is that we use many small suppliers, right, local suppliers and they don't even have Internet presence, you know, so therefore, again, we've tested technologies that can scrape the data, but they can only scrape the data for people like Microsoft and you know Oracle and Mercedes and so forth. Well, these are not the ones that are problematic companies right, because they're big, large, robust organizations where, yes, sometimes things go wrong, you know, but they're like us. And those are not the suppliers I'm concerned about. I'm concerned about the small ones that maybe they don't know the processes. They don't understand legislation. You know, they don't understand what they need to do, they don't understand what policy should even look like they've been. For example, you can't really have a global provider right of transport. You need the person that can transport from A to B in the country that you're in and these companies, they grow from one man and a van, and then they've suddenly got 20 vans. Then they've suddenly got 50 vans and they're growing so fast that they're not keeping up with legislation or policies and they don't have the support mechanisms like we do. You know they don't have a team that's dealing with kind of legislations, they're trying to do their best and they somehow get lost along the way. So it's our responsibility as a big company to try to provide them with capacity building and understanding to say, well, what is it that what can we do to help you understand what you need to do. And often you know with audits, it depends how companies do them. But we try to, I mean, it's really hard, right? Companies are a bit scared when we audit them, but we try to make this a good experience. We say, look, take it as free consultancy. We're offering you free consultancy. We're helping you to determine what to focus on, you know, and we will try to pick on the primary thing. So as we if we do an audit for the first time with picking the most important things first, not trying to overwhelm them, asking them to do 50 things, but asking them to do 5 things. And slowly bringing them on that journey and also giving them the confidence that if they start as a company that starts EcoVadis for the first time, they're generally going to score pretty poor because it's new and they are learning and what we say is we will help you to learn along the journey. So do not be afraid if you score badly in the first year. What we're looking for is that you continuously improve over time now, of course, if they're going to continue being poor, then we will have something to think about. But that shouldn't discourage them because we feel it's our responsibility to get them on the journey in the first place. Because once they're open to that idea, they will naturally learn and improve, right? So this is where we feel it's our responsibility.

### Q11

1: How is [company name] planning to improve supply chain transparency? Are there digital tools being used for this purpose?

2: **Currently not.** We've looked at things like PreWave for example could be one thing that we would do. And again, we are waiting now a little bit to understand in our minds. We are aware that we need to go deeper. We do in some categories already that are risky. We will continue as we do to search for solutions that we think would be useful to us and when the moment comes where we either need to have to or the technology is developed stably enough, then absolutely we are open to those new technologies.

### Q12

1: Is blockchain technology used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: **Solutions that we think can help us, but we only want the solution once we feel that it's robust and good enough for usage. We have a whole team of people that build blockchain solutions for our customers, but not related to risk management.** It could be used around like for instance finding the optimal route to deliver A to B. And if you've got electric vehicles or some other alternative technology that you can find along the route where you need to refuel, for instance, in the most efficient way, right. Because if you need to travel too far and your vehicle can't wait that long to be refuelled, you're going to have a major issue, right?

### Q13

1: Is a digital twin used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: **I'm not the digital person, so I am not fully aware of digital twin.** I've heard it been discussed within our company, so absolutely we're doing something, but because I'm not the digital person, I'm unable to respond to the question.

### Q14

1: Is robotic process automation used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: **We use RPAs all the time. Even today, I think I mentioned it earlier that we build RPAs to talk to two systems to scrape data, to put them into other systems and connecting all of our data together.**

### Q15

1: When the French Duty of Vigilance Law became effective, research shows that businesses chose to shift responsibilities within a company from the CSR and human rights department to the legal department. Companies were aware that disclosed information can be used against them. Do you expect that this will happen in your company, or did it happen already?

2: **Absolutely not. I am actually working in procurement, so I'm not a CSR or human rights department. I work in procurement, so I'm procurement and for the German supply chain law, and I don't see that this would differ for the CS Triple D under the German supply chain law, you have to have a Human Rights Council and this consists of own operations.** So we have ERHR to employee relations procurement, so ERHR takes care of own operations and everything that happens within the boundaries of our own organization. Then procurement, that's where I sit. We are responsible for our supplier base because we are the nearest to that element. **Legal sits in there from a consulting perspective only, right? They cannot be the ones taking care of assessing suppliers. This is not their job. Their job is to ensure that when we have questions about the law where we need clarification, we have a department that deals with that.** We have another department that's responsible for the environment. So we, our Human Rights Council and human rights group whatever, and this goes beyond, of course, human rights is also the



environmental part. We already have a combination of different departments coming together, but suppliers are managed by procurement. And therefore the responsibility to ensure that our suppliers are being assessed, the governance responsibility sits squarely with procurement.

#### Q16

1: What strategies and actions are being used when faced with non-compliance from suppliers? Do these strategies and actions need to be adjusted because of the law?

2: So we do quite a lot around that already actually. So where we find that there's a violation, this could be a whistle blowing issue through our confidential whistleblowing site. It could be that they're scoring poorly in an assessment. It could be that we are some of our sourcing guys have concerns over certain suppliers now it's very important to understand that we don't just dump suppliers, right. Our responsibility is to try to help them, so we always say that we will terminate a supplier as a last resort. We'll only do that if we cannot bring them to the table, so we activate corrective action plans that could be based on an audit. It could be based on an assessment that we see, you know, whatever that might be. So we have a strong mechanism to build our corrective action plans to work with the suppliers to make sure those corrective action plans are fulfilled. We have different levels of severity. If something was very severe, you know we might and I say might and I'll explain why I say might later on and why it's important. There are occasions where we might either stop new business completely, stop business until the corrective action plan is activated. Now we try not to do this because suppliers need to keep money being generated if they're going to make the changes. If you suddenly stop doing business with them, they cannot invest and it's an investment. What they do is an investment. So if a supplier is not playing the game with us and they are not doing what they need to do. First of all, we would say you can continue with the business that you have, but you're not going to be involved in any more tenders. And then of course, they start realizing that they're not being invited to anything anymore and it gives them a kind of wake up call to say we are serious about this. If you do not, and this will then jolt some suppliers into action. They say oh my god, I need to do it, otherwise I'm not going to get to participate anymore, right? I'm just going to be stagnating if they still continue after that threat to still not do anything, then we might completely stop the business until something is repaired. But of course they have to be careful, because if we start switching to somebody else, the likelihood of us going back is going to be very difficult, right? And then the final thing is that we completely exit and it could be that in some cases if the supplier is a very small, it's a commodity and the spend is really tiny. With them, we might go straight to termination because there's so many alternatives and the spend is not that big and we're not going to massively impact their operation you know, we're not their biggest customer. For instance, you know we're a drop in the ocean and therefore you know it takes a lot of time to go through the cap process. It takes a lot of resources and it takes a lot of follow up. So in some cases we may take that decision to cease business with something that's relatively small, because it's just not worth the effort.

#### Q17

1: What financial impacts are expected when complying with the EU supply chain law and how is [company name] going to balance higher costs while maintaining efficiency?

2: They already do that under the LkSG, so there's penalties that apply if it's so. I mean, there's nothing different between the CS Triple D and the LkSG. In a way, I mean penalties already apply if you don't do what you're supposed to do. And this law is very strong, by the way, because the German Government does write to you asking you to confirm what you've been doing. You know, I've dealt with the Australian modern slavery, the UK modern slavery, the Canadian Act.

#### Q18

1: Do you think the long-term sourcing strategies will change because of the law? For example, withdrawing from doing business with high-risk regions such as China?

2: Absolutely not. We operate in more than 100 countries in the world. We are believers in global trade. We will continue to do business in those risky countries and in fact it's wrong to exit them because if you are there, you can help them to improve. If you're not there, this makes the condition for the people living in those countries very, very difficult. So we will not withdraw. Otherwise, we wouldn't have a business. We would have to close the doors, right? So.

1: Alright, thank you for your time and answers, these were my questions. Do you have any more important information that we didn't discuss?

2: No, maybe just a kind of reflection. If it helps you, maybe other companies, you know what? I'm really happy to help. I mean, we were really nervous about the LkSG legislation and it was a bit like the CS Triple D, right? It was very gray. It was a very poorly produced legislation which leaves many question marks in our minds when we were implementing it. You know, we had to take a lot of legal counsel, not only from our internal legal organization, but to be sure, we also engaged with external legal companies to make sure that they felt that we were doing the right things. You know, we wanted a second opinion from outside of our walls. What I'm really happy about in the end is that 90% we had already. Somehow we had been doing for years the thing that we had to improve upon was all the documentation behind, because with this law you have to be transparent. You know, if you come in to be audited, you need to show what you're doing. So although we were doing the right things, we did not necessarily document in a systematic way, right, so for us, yes, before the legislation came into operation, we had to make sure that we did this. We also did our risk assessment, but it wasn't an annual risk assessment, which is the requirement of the LkSG. You know, it would be a bit more haphazard as to when we did this and the risk assessments. Now we religiously do this every single year with a robust process behind involving our greater organization. You know, looking at the risks that are coming in through our whistle blowing system. You know, we are now adding a new category to our risk category based on the results that we see of certain supplier types. So these kind of things, we had to sharpen and we had to put in place this Human Rights Council, which was a requirement of the LkSG. So I mean, I was really happy that 90% we kind of had and 10% we needed to make the changes. I mean companies that are starting from zero, will really struggle to comply with the legislation, and I think I got one piece of great advice because I've been doing this role for three years now, maybe 4. And one person from a company that was more advanced than us at the time gave me one piece of advice to say: "just make the start" and this was the best piece of advice I've had. Because some companies are paralyzing themselves thinking they have to do everything perfectly, and therefore they do nothing. So we said we just make a start. We see what works. We come back, we adjust what we need to do. But if we don't make a start, we're not going to be ready. So at least when the CS triple D comes into play, in a way, we have had calls across the whole community across the world. We have compliance calls, you know that we pair up with the divisional compliance offices where we've explained the LkSG 'cause, if you can imagine it in China, they're thinking what the hell is this German law and why does it affect me, right? So we've already been educating our global organization and our suppliers. So therefore in fact the CS triple D is not going to find this hard to comprehend because we've already been talking about it for the last two years.

### A2.3.2 Open and Axial Coding

Text snippets	Open codes	Axial codes
...we are pretty prepared because for us it's not new. We're a German company already faced with the LkSG, so I mean it's just an extension of that.	Pretty prepared, extension of the LkSG	Prepared, extension LkSG
...it's too early to understand the impact because the law is not concrete.	Too early, law is not concrete	Too early, law is not concrete
So you cannot definitely say that you have to do everything. This is still not clear, so the legislation is indicating something, but it depends how it's put now into the different laws across Europe.	Legislation is not clear	Law is not concrete
...we were well prepared for the German supply chain law, so we're not kind of afraid of this legislation at all. We've done some initial preparation to understand, you know, and to make sure that all that the organization understands what we do today.	Pretty prepared, extension of the LkSG	Prepared, extension LkSG
It's actually impossible. So, it's an unrealistic expectation. You have no legal authority to know anything.	Law is impossible to comply, unrealistic expectation	Impossible to comply, unrealistic expectation
Our suppliers are not obliged to tell us who they're working with, they're even afraid to tell us because of course then they think that we're going to circumnavigate them and buy directly from the factory and cut them out, right. So actually it will be an impossibility for many companies because there is no legal right to demand this access.	Lack of supplier transparency, supplier fear of circumvention, no legal access to supplier data	Supplier transparency issues
...we say that ours in our supply code of conduct, we already say today that they need to pass our standards down to their suppliers, but that doesn't mean to say that they are doing it. You cannot guarantee just because you say something on a piece of paper.	Code of conduct, pass standards down to their suppliers, no guarantee	Code of conduct, no guaranteed measure
...complying with the law is a prerequisite of doing business right.	Prerequisite of doing business	Prerequisite
...because we're doing the LkSG, we're already complying quite a lot.	Prepared, extension LkSG	Prepared, extension LkSG
...we have our supply code of conduct.	Code of conduct	Code of conduct

We have this in 45 languages translated so that our suppliers are not asked to sign something they don't understand.	Different languages so that suppliers understand	Multiple languages
...online on demand training.	Online on demand training	Online on demand training
...we had to implement some additional elements in our contract because our supply code of conduct and if you speak to other companies to some extent, I think we're a bit unique and if you try to look at KPIs across the world and people sustainability reports, we use our supply code of conduct for every supplier we do business with. We don't care if that's a strategic supplier or a small supplier or a big supplier or a supplier of certain products. It's a minimum standard for us to do business with suppliers.	Universal supplier standards, non-discriminatory compliance, minimum standards for all suppliers	Standardized supplier requirements
So from these contractual clauses. This allows us to do due diligence and we call it adaptive due diligence.	Contractual clauses, adaptive due diligence	Contractual clauses, adaptive due diligence
...so we really adjust what we do using a combination of self-assessment questionnaires, third party due diligence questionnaires, physical audits.	Self-assessment questionnaires, physical audits	Self-assessment questionnaires, physical audits
They have no idea what it's about, so you have to take them on the journey. You have to make sure that they're you know what we shouldn't be doing is going crazy.	Take suppliers on the journey	Develop suppliers
...take our supply code. And copy it with pride. Take if you need to use 90% of the content and then you adjust for you, please do it, you know.	Suppliers take buyers code of conduct, copy it with pride	Copy buyers code of conduct
No. And we actually believe that we have done the assessment based on this and we already feel that what we do under the LkSG compliments already what's required for the CS Triple D. So actually we don't feel that we're going to necessarily need to change anything based on this new law...	Risk assessment process did not change	No changes
We've had a grievance mechanism in place for years and it will continue to exist.	Grievance mechanism in place, did not change	No changes
Depends. If they insist in the legislation that we have to have two completely separate systems, then we're going to have to figure out what to do.	Might happen that grievance mechanism changes	Possibility for changes

<p>...for the high-risk categories, let's take for example, temporary labor, we use EcoVadis for temporary labor as one of our due diligence approaches. Depending on the scoring of the supply, we use a bonus malice system already in our tenders whereby we say that if a supplier has a good rating, and good depends on the country that you're in, right. If you set the parameters so high at 70 points in Asia, you wouldn't find a single supplier, right? So, you need to have these kind of elements of thresholds. So we artificially inflate and deflate the rates of our suppliers based on how well they perform.</p>	<p>Use EcoVadis for high-risk categories, good rating depends on country, artificially inflate and deflate supplier rates</p>	<p>EcoVadis for high-risk categories, artificially inflate and deflate supplier rates</p>
<p>...we have made adjustments to what we do and we will continue to push that in those high risk categories we need to do things differently. You know, we've changed contracts in the transportation area to say that they cannot appoint other suppliers without notifying us who they're using for, for example, because transportation is a bit risky for us. So for sure, under the LkSG we've made changes and we will continue to adjust ourselves, you know, based on the risky categories.</p>	<p>Continue making adjustments in high-risk countries, changing contracts</p>	<p>Continuous adjusting in high-risk countries</p>
<p>They might see a ranking to see if they are first, 7th or 10th, and if they have to improve their bid.</p>	<p>Decision making based on ranking</p>	<p>Public ranking system</p>
<p>Absolutely. With the new LkSG, for sure, we didn't do any supplier audits in the past, we now do.</p>	<p>External auditing in place</p>	<p>External auditing</p>
<p>I would feel sorry for a company that didn't have to comply with LkSG having to go straight to CS Triple D because they are not prepared. I mean to some extent at least we have the backbone.</p>	<p>LkSG as an advantage when looking at the CSDDD</p>	<p>Prepared, extension LkSG</p>
<p>We have supplied a webcast where we explain to our suppliers why the LkSG impacts them even if they are a supplier of IT systems in China. So we've already been educating our suppliers the importance that we are collaborating together. We've been educating them on the legislation. What it means to them why we're making changes and how that's going to impact them, that if they're not prepared to work with us to give us the disclosure that we need, then we can simply not do business with them.</p>	<p>Explain suppliers why the law is important for both parties, educating suppliers on legislation, communicating possible consequences</p>	<p>Educating suppliers on legislation</p>
<p>...digitalization is actually really critical, you know, so we have a lot of suppliers, thousands, in more than 100 countries. And all the facilities we have where we're operating in rural locations and also</p>	<p>Digitalization is critical,</p>	<p>Digitalization is critical</p>

cities as an example, this number racks up pretty quickly and for us, digitization is so important...		
...we are fully and completely reliant on data...	Completely reliant on data	Reliant on data
...there is definitely technology coming in where they can show you what they believe the supply chain looks like and if this legislation for CS Triple D really remains that strong that you have to go down your supply chain, the only way that you would be able to gain this visibility is by companies starting to I think the companies called PreWave.	Technology for supply chain transparency, PreWave	PreWave for supply chain transparency
...that's just an example of one company that can provide this kind of transparency you're going to be heavily reliant on that because you will have no contractual rights to go beyond your own jurisdiction, yes, you can contract it, but you could only contract it to the next level down.	Heavily reliant on this software, goes beyond jurisdiction to go beyond direct suppliers	Heavily reliant on software for supply chain transparency
...100 systems are pulling data into one platform from that platform. We extract everything from suppliers.	Extract everything from suppliers	Extract everything from suppliers
...all of the suppliers that we are assessing, we can see through 1 dashboard that we then produce power BI reports that our whole organization can go in see has my supplier been assessed and it's been assessed under what? We do a lot about bribery and anti-corruption, so there's many different types of assessments that we do and we determine based on what the supplier's primary function is, whether they we need to focus more on human rights.	See all data in 1 dashboard, Power BI reports, efforts related to bribery and anti-corruption	1 Dashboard with data, Power BI reports, bribery and corruption
My major concern is that the people are being treated appropriately, they're being paid correctly, that their passports are not being retained, that they're not being housed in crappy accommodation. These are the kind of things that we're taking care of.	Human rights as major concern	Human rights
We don't use AI. Currently, no.	No use of AI	No use of AI
We also have a data intelligence team ourselves actually that particularly is for temporary labor, we can put in all the supplier names and if anything pops anywhere in the world, we get notified of it.	Use AI for notifications of news of suppliers	AI for news updates from suppliers
...the problem with artificial intelligence is you get many false red flags. So we looked at systems, but if you're going to be faced with multiple false red flags that are not actually correct and accurate, you're going to waste your time.	Many false red flags with AI	AI not accurate

<p>What AI can do is of course pick up or scrape from the Internet all of their policies and processes. So maybe we don't have to contact them. The problem that we have as an organization is that we use many small suppliers, right, local suppliers and they don't even have Internet presence, you know, so therefore, again, we've tested technologies that can scrape the data, but they can only scrape the data for people like Microsoft and you know Oracle and Mercedes and so forth. Well, these are not the ones that are problematic companies right...</p>	<p>AI can pick up data and scrape from the internet, problem is no data from small and local suppliers</p>	<p>Small and local suppliers have no data, not suitable for AI</p>
<p>Companies are a bit scared when we audit them, but we try to make this a good experience. We say, look, take it as free consultancy. We're offering you free consultancy. We're helping you to determine what to focus on, you know, and we will try to pick on the primary thing.</p>	<p>Positive audit experiences, supplier development focus, audits framed as consultancy</p>	<p>Collaborative supplier development</p>
<p>...do an audit for the first time with picking the most important things first, not trying to overwhelm them, asking them to do 50 things, but asking them to do 5 things. And slowly bringing them on that journey and also giving them the confidence...</p>	<p>Don't overwhelm suppliers, give suppliers confidence</p>	<p>Developing suppliers</p>
<p>...do not be afraid if you score badly in the first year. What we're looking for is that you continuously improve over time now, of course, if they're going to continue being poor, then we will have something to think about.</p>	<p>Continuously improving over time</p>	<p>Developing suppliers</p>
<p>...our responsibility to get them on the journey in the first place. Because once they're open to that idea, they will naturally learn and improve, right?</p>	<p>Get suppliers on the journey, focus on learning and improving</p>	<p>Developing suppliers</p>
<p>Currently not.</p>	<p>No digital tools for supply chain transparency</p>	<p>No digital tools for supply chain transparency</p>
<p>Solutions that we think can help us, but we only want the solution once we feel that it's robust and good enough for usage. We have a whole team of people that build blockchain solutions for our customers, but not related to risk management.</p>	<p>Solutions not robust and good enough so far</p>	<p>Solutions not robust and good enough so far</p>
<p>I'm not the digital person, so I am not fully aware of digital twin.</p>	<p>No knowledge</p>	<p>No knowledge</p>
<p>We use RPAs all the time. Even today, I think I mentioned it earlier that we build RPAs to talk to two systems to scrape data, to put them into other systems and connecting all of our data together.</p>	<p>Use RPA to scrape data and gather data</p>	<p>Scrape and collect data with RPAs</p>

<p>Absolutely not. I am actually working in procurement, so I'm not a CSR or human rights department. I work in procurement, so I'm procurement and for the German supply chain law, and I don't see that this would differ for the CS Triple D under the German supply chain law, you have to have a Human Rights Council and this consists of own operations.</p>	<p>No shift of responsibilities to legal department</p>	<p>No shift of responsibilities to legal department</p>
<p>Legal sits in there from a consulting perspective only, right? They cannot be the ones taking care of assessing suppliers. This is not their job. Their job is to ensure that when we have questions about the law where we need clarification, we have a department that deals with that.</p>	<p>Legal department advisory role, cross-functional collaboration, procurement-led compliance</p>	<p>Integrated compliance governance</p>
<p>So where we find that there's a violation, this could be a whistle blowing issue through our confidential whistleblowing site. It could be that they're scoring poorly in an assessment. It could be that we are some of our sourcing guys have concerns over certain suppliers now it's very important to understand that we don't just dump suppliers, right. Our responsibility is to try to help them, so we always say that we will terminate a supplier as a last resort. We'll only do that if we cannot bring them to the table, so we activate corrective action plans that could be based on an audit.</p>	<p>Confidential whistle blowing site, poorly scores in assessment, don't just dump suppliers, help suppliers</p>	<p>Developing supplies, corrective action plans</p>
<p>There are occasions where we might either stop new business completely, stop business until the corrective action plan is activated. Now we try not to do this because suppliers need to keep money being generated if they're going to make the changes. If you suddenly stop doing business with them, they cannot invest and it's an investment. What they do is an investment. So if a supplier is not playing the game with us and they are not doing what they need to do. First of all, we would say you can continue with the business that you have, but you're not going to be involved in any more tenders. And then of course, they start realizing that they're not being invited to anything anymore and it gives them a kind of wake up call...</p>	<p>Preferred to not stop business with a supplier, supplier needs funds for investment in improvements</p>	<p>Continue business with suppliers, funds to invest in improvements</p>
<p>...we might go straight to termination because there's so many alternatives and the spend is not that big and we're not going to massively impact their operation you know, we're not their biggest customer.</p>	<p>Straight to termination in some cases, many alternatives, not a big spend</p>	<p>Straight to termination</p>



...penalties already apply if you don't do what you're supposed to do. And this law is very strong, by the way, because the German Government does write to you asking you to confirm what you've been doing.	Penalties for non-compliance, no difference with LkSG	Penalties for non-compliance
Absolutely not. We operate in more than 100 countries in the world. We are believers in global trade. We will continue to do business in those risky countries and in fact it's wrong to exit them because if you are there, you can help them to improve. If you're not there, this makes the condition for the people living in those countries very, very difficult. So we will not withdraw.	Engaging risky markets, supplier improvement support, avoiding market exit	Ethical market engagement
We also did our risk assessment, but it wasn't an annual risk assessment, which is the requirement of the LkSG. You know, it would be a bit more haphazard as to when we did this and the risk assessments. Now we religiously do this every single year with a robust process behind involving our greater organization.	Annual risk assessments, regular compliance monitoring, continuous risk management	Ongoing compliance evaluation
...looking at the risks that are coming in through our whistle blowing system.	Whistle blowing system	Whistle blowing system
...one person from a company that was more advanced than us at the time gave me one piece of advice to say: "just make the start" and this was the best piece of advice I've had. Because some companies are paralyzing themselves thinking they have to do everything perfectly, and therefore they do nothing.	Just make the start	Just make the start
So we've already been educating our global organization and our suppliers. So therefore in fact the CS triple D is not going to find this hard to comprehend because we've already been talking about it for the last two years.	Supplier and employee education, preemptive compliance preparation, long-term compliance culture	Compliance culture building

### A2.3.3 Selective Coding

Multiple insights, strengths and strategies emerged in the interview:

#### Perceived impact of the new EU supply chain law

- Prepared, extension LkSG
- Too early, law is not concrete

### **Challenges when looking at obligations under the law**

- Impossible to comply, unrealistic expectation
- Suppliers not transparent, no legal right for access
- Code of conduct, no guaranteed measure

### **Assessed importance of compliance with the law**

- Prerequisite of doing business

### **The most important strategies and/or processes to comply with the law**

- Code of conduct
- Multiple languages
- Online on demand training
- Add elements to contract
- No exclusion of suppliers for code of conduct
- Contractual clauses, adaptive due diligence
- Self-assessment questionnaires, physical audits
- Develop suppliers
- Copy buyers code of conduct
- Audit as free consultancy
- Annual risk assessment, robust process
- Whistle blowing system
- Just make the start

### **Change of risk assessment process? In what way?**

- No changes

### **Change of grievance mechanism? In what way?**

- No changes
- Possibility for changes

### **Change of supplier acquisition process? In what way?**

- EcoVadis for high-risk categories, artificially inflate and deflate supplier rates
- Continuous adjusting in high-risk countries
- Public ranking system

### **Change of external audition process? In what way?**

- Yes
- Educating suppliers on legislation

### **The role of digitalization**

- Digitalization is critical
- Reliant on data
- PreWave for supply chain transparency
- Heavily reliant on software for supply chain transparency
- Extract everything from suppliers
- 1 Dashboard with data, Power BI reports, bribery and corruption

### **The role of AI**

- No use of AI
- AI for news updates from suppliers
- AI not accurate
- Small and local suppliers have no data, not suitable for AI

### **How to improve supply chain transparency with digital tools?**

- No digital tools for supply chain transparency

### **The role of blockchain technology**

- Solutions not robust and good enough so far

### **The role of a digital twin**

- No knowledge

### **The role of robotic process automation**

- Scrape and collect data with RPAs

### **Shifting responsibilities from the CSR and human rights department to legal department?**

- No shift of responsibilities to legal department
- Legal as consultant

### **Strategies used in the case of non-compliance from suppliers**

- Developing supplies
- Corrective action plans
- Continue business with suppliers, funds to invest in improvements
- Straight to termination

**Which financial impacts related to the law, and how to balance higher costs while maintaining efficiency?**

- Penalties for non-compliance

**Expected change of long-term sourcing strategies?**

- No change in long-term sourcing strategies
- Continue business in risky countries
- Wrong to exit because need to improve

## A2.4 Interview 4

Interviewee 4: Head of Global Supply Chain Sustainability & Global Supplier Quality Development Projects in a German company – Automotive Industry

### A2.4.1 Transcript

#### Q1

1: How do you perceive the impact of the new EU supply chain law?

2: Since 2-3 years we have to cover the German supply chain law and have to tackle these, the requirements coming from that and even there we are in, in the very beginning, I feel so from the from the point of when we see the processes and from the organizational point of view it's implemented and it's covered. But to cover all the requirements, finally we are still in the beginning 'cause it's a very yeah difficult topic. I cannot imagine at all that this will work because no company knows its supply chains, so that is special knowledge, so nobody is telling his customer the their sub supplier. So because it's special knowledge, nobody wants that the customer would be able to for example ask for prices at our sub suppliers and so on. And that is a thing. I don't know if the mindset in the industry is changing, but that is the point. Definitely today, I cannot imagine at all how we should tackle this and how we should get to know our supply chains from from scratch. Yeah, and that's the biggest problem. All the other things are things you can tackle with IT solutions and whatever. That's one thing, but that is for me, yeah, the main problem.

1: And then do you think that, how do you see it in the future? Do you think that a lot of companies will be fined or will be really affected by the law or do you think that the law will be adjusted?

2: I don't know. I hope it will be adjusted but, so I can only see it from the German perspective and German government, they told us in the last weeks and months. Oh, we will stop the German law and we will implement the European law on a very low level, but I cannot imagine how. It's all the challenges in my eyes. They had to take influence on the European law before it became a thing.

#### Q2

1: What challenges have you encountered when looking at the obligations under the law?

2: We are working with a service provider called EcoVadis. Maybe you know them in terms of risk analysis, ESG risk analysis with our suppliers and yeah, we asked them how they will cover this law. Even they said we are thinking about different alternatives but no real solution currently, so real changes we did not have carried out.

1: What exactly does EcoVadis do?

2: So there are two things, so there's one part of EcoVadis means that we upload our suppliers to this cloud platform and they calculate a risk level for each company based on a predefined country risk based on a predefined industry. And enriched by results of a data crawling AI data crawling results from thousands of public available data sources in terms of sustainability, and the result is a risk level and the risk analysis without involving the supplier. It's the first step. The second step is then based on risk. We invite our suppliers step by step to the EcoVadis ratings platform where suppliers have to fill out questionnaires, have to upload evidences for his answers and where hundreds of real experts, not virtual experts, but natural intelligence, reading and checking and evaluating these what suppliers reported and uploaded. And then the supplier gets a scorecard with an ESG rating. And yeah, the scorecard suppliers can use for any other customer who's asking for that. So it's not only for us and that's also the reason why suppliers on that platform have to pay a little bit for it.

### Q3

1: How does [company name] assess the importance of compliance with this law?

2: One thing is that we have a legal department with lawyers and they give us advice about that, what we need to do to be compliant with that law and with our trainings for all relevant people and especially, me, the people who have to carry out these things. We also take any chance to participate on webinars and everything to come on a level where I know what I'm talking about and yeah then because that and then we are using also platforms like EcoVadis and all these things to do that, yeah.

### Q4

1: What are the most important strategies and/or processes that [company name] has implemented or will implement to comply with the EU supply chain law?

2: I'm only telling for the upstream supply chain. Yeah, I'm not telling about (company name) itself, only what we are doing in direction of our sub suppliers. And there we have implemented additions to our processes, for example that an EcoVadis scorecard and minimum rating score at EcoVadis is a minimum requirement to be a supplier. A new supplier for cost. We implemented that existing supplier and wants to get nominated for new business needs also to have a scorecard with that minimum score and yeah and we are evaluating also our suppliers and general supply evaluation where we assessing quality logistics performance. All these things, also the rating score from EcoVadis and environmental certification and such things are part of that supply evaluation, and they're also considered.

1: What strategies can you think of when you, for example, have to control the 2nd tier, third tier suppliers?

2: Currently, no idea. So we need to get to know them when we know them, we can also check them. And it's a general question. The main problem is with Tier 2 Tier 3 supplies and so on that there is no contractual relationship with them. So and I cannot imagine how we can force them to do all these things. What we can do when we know them, we can also do this upload to the EcoVadis platform where we get this risk level without involving them. That is of course possible, but on the other hand then to try to get further information or to invite them to EcoVadis, they register there, so of course we can ask but from the contractor point of view, I see this very difficult and I also don't know why a supplier from China, from Indonesia, from Mexico or Brazil, should follow that so it your European law and you are not my direct customer, why should I do that? Yeah, and can you imagine that? He can do this on a voluntary basis, but how to how to force them? I don't know.

1: Yeah, so, so far you think the law's pretty impractical.

2: Totally impractical. That's some politicians who only started but never worked in the industry they have thought that it would work, but for everybody who is really working in the industry and who knows how suppliers and customers are working together and how supply chains are working, they definitely know that it's totally impractical. And that it cannot work. Not for 100%, of course, you can be lucky. So when you're asking your supplier and he's asking his supplier there in some partially, it may work. But that's, as I said, that is a voluntary thing and it's for European companies. They know where it comes from. But for companies outside Europe, as I said, why should they follow that?

### Q5

1: Did the risk assessment process of [company name] change because of the new law? If so, how?

2: I don't think that it's needed that it has to be changed so much. So in my eyes maybe adjust it but the risk rating score for example, which I now get from my direct supplier. OK when I get it for my Tier 2 or Tier 3 supplier, the process would be the same I think. On the law itself, what is required only to be adjusted. So from the German law to the European law, when there are differences in detail, it of course it has to be adjusted by that has also to be covered by EcoVadis, and then we will.

## Q6

1: Have there been preventive actions, such as a grievance mechanism, that [company name] has introduced to meet the requirements of the law? Did the grievance mechanism change because of the law?

2: Yeah, for sure. All the requirements of the German law are implemented, also this. But I cannot tell you too much about this, since I don't know.

## Q7

1: Did the supplier acquisition process change because of the new EU supply chain law? If so, how?

2: We defined that a new supplier, but also for an existing supplier that wants to get nominated for new business, needs to strive for an EcoVadis scorecard and with a minimum score. And that is one prerequisite among many others. Yeah, that a supplier will be considered as a supplier for nomination of new business. When they can't support it, the first thing is that they need to support this approach with their software and with their platforms. So you need to be able to build supply chains also in that software. You know when you know your Tier 2 or Tier 3 supplier you need to build these connections somehow. So that's one thing. And when that is possible, OK then we can start to find out our supply chain. Very often we know for example our Tier 2 suppliers we may maybe know I can imagine that we adapt our contract in that way that we require our direct supplier to also may multiply this requirement to their suppliers and so on. That's the normal way. As far as it works, yeah. But yeah, that is for sure a point and we can then when we know sub supplier sub sub suppliers or whatever we can try to invite them for example for EcoVadis. And yeah, that's these are all things to do.

## Q8

1: Did the process of external auditing change because of the new EU supply chain law? If so, how?

2: Actually, I don't know because that is a point. Currently, we don't do sustainability orders with our suppliers. We're thinking about to how to do it in future. Currently we don't do it, so I cannot tell you if the process will change. I don't know. So this will be one possible lever to motivate suppliers to work with us and with EcoVadis so. The best levels are when, as a player will be as a new supplier to (company name) and when a supplier wants to get nominated for new business. These are important levers to get supplier motivation, but this is also a point. For example, we are performing or carrying out process audits with all of our suppliers, and there for example as part of the customer expectations. This level will also be used for motivation and to get the supply on that track.

## Q9

1: How does digitalization play a role in your company's approach to manage supply chain risks and to comply with the law?

2: There will be a prerequisite for that without digitalization. They're running projects, also internal projects in our company, in purchasing digitalization projects. And there are differences depending on the commodity. When you have electronic supply as in the electronic supply chains is much more used that you know your supply chain really that you have a distributor where you are buying an electronic part from then the distributor gets the part from any front end manufacturer. And then there is a back end manufacturer and whatever. So in this supply chain are quite often known. In the area of electronics, it is much easier and there are also internal project. It is just running to build up these supply chains with the help of digitalization. But it's totally not used in terms of mechanical parts and electromechanical parts. But even for that, digitalization is for me a key to get that handled in any way.

1: Yeah. And what specifically do you use for digital, what is the main platform or main technology for the most impactful field of utilization?

2: That's for sure SAP for us as the main system. And that stands somewhere in the middle. So and we're always trying to build things around SAP. Not everything you can do with it. That's also because we now working with EcoVadis. With some quality tools, there's SAP, not very good, but yeah. And then, if possible, we have to always trying to build up such an digital environment to to try to adapt it somehow to SAP.

1: How do you think it can best help to maybe control the 2nd tier or the 3rd tier suppliers to have more transparency in the supply chain?

2: The main question is to visualize your supply chains. To visualize the connections between all these company, I think without digital support, this is not really possible to do this visualization because you may have 1 Tier 1 supplier that has N sub suppliers or you may have sub supplier Tier 2 supplier that is delivering to more than one Tier 1 supplier or whatever. So in order to visualize all these connections, some kind of digitalization is absolutely mandatory.

#### Q10

1: Can AI be used or does [company name] currently use AI to comply with the law? If so, how?

2: Everybody talks about AI, but I must say personally I have no real knowledge about AI. So for sure we will use it somehow in the future but yeah, for now I don't know.

1: And do you have an idea how AI can be used in the future?

2: Oh, I think that I cannot really imagine that. So I personally haven't thought so much about that. I'm hearing many things, very special solution that AI can do this and that. And sometimes I think, OK, there's only something of optimization, but for me personally it's quite difficult to imagine what AI would bring us, what it would do in the future. So it looks like that it will be the future and AI can solve everything. I cannot tell you currently, I don't know. We also were in contact with many startup companies, so there was every week another company and they were telling us so they can do it only with AI, everything with AI and don't need anything else and yeah, you couldn't really get it so because nobody of them could really give us approve what will come out, what will be the result. They were always nice, nice visualizations in demos and so on. But it was not so clear for us what they are doing and we said we are an automotive supplier, it's quite a conservative company and we are a big company and we thought that it would be better to have a mixture from AI and natural intelligence and also work with a with a bigger company. So it we felt that nobody could give us some, some evidence or real thing where we could imagine what the results will be from those so. But I see what they are doing, they are scanning publications, they are scanning websites and whatever. For me, I'm not deep enough in that to judge what is what would I say the kind of optimization process or what is really intelligent in that way so. It's like too early to see a clear implementation of AI. So we are interested in that and we saw many demos. We were in contact, for example, with a company from Denmark, who looked very interesting, but at the end it was not so clear.

#### Q11

1: How is [company name] planning to improve supply chain transparency? Are there digital tools being used for this purpose?

2: Digital solutions help to improve transparency in the supply chain and contact with many companies. But I don't know special details in that so. I am not one of the people that is really looking to digitalize their procurement processes and these are not my processes. So I'm not so deep into that.

#### Q12

1: Is blockchain technology used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: I don't know what blockchain exactly means, so I don't know.



### Q13

1: Is a digital twin used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: I can imagine. Yeah, I heard it in some connection. There's also a tool or something. What our customers are trying to push into the supply chain. Yeah, it's their dream to know everything. I saw it from the supplier perspective and for example our customers like (customer name) or what they want us to be part of such a platform and we are not really happy with that because we don't want to be so transparent and that is the point because nobody wants to be so transparent for a customer, and that is here also the point. So the dream of our customer is that they know everything about us that, and you think we want that? Not really. From the technical point of view, fantastic. But from a competitive point of view, I don't think that many companies want to be so transparent. It's hard to find the balance between optimal transparency and not giving away too much.

### Q14

1: Is robotic process automation used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: I think so, but I don't know. I have no opinion about that.

### Q15

1: When the French Duty of Vigilance Law became effective, research shows that businesses chose to shift responsibilities within a company from the CSR and human rights department to the legal department. Companies were aware that disclosed information can be used against them. Do you expect that this will happen in your company, or did it happen already?

2: For the general requirements and general overview of course, Legal Department is correct for the interpretation of that law and that is correctly applied. Yeah, but for the operational part it's still human resources and human rights. It's not only human resources, every department has its duty so when in every relationship between organizational levels or whatever. So that human rights topic and should be OK. So for me it is a cross functional thing from the operational point of view and the legal point of view of that, of course, that should be part also and should be included.

### Q16

1: What strategies and actions are being used when faced with non-compliance from suppliers? Do these strategies and actions need to be adjusted because of the law?

2: But what I know from the new law, I don't think that it must be adjusted so much. Maybe in detail, but yeah. In some cases of potential noncompliance, and there we involved also a crossfunctional team. It was also legal in this team. It was the sustainability board of our Business Unit was of course the supplier responsible buyer. We call it supplier owner. It's the buyer who owns that special supplier responsible for every maintenance in the system. There with support and advice of our legal department, we started to contact the suppliers and get to know more information and so on. And yeah, to find out what? What is the background? It was only a few things. One case was the result that it wasn't a very old case and we got this information. In one case about EcoVadis and then we found out that it was the case from years ago and it's now a supplier which is not active anymore for (company name) and another case it was a point where we checked the situation and there were all official sources stated that the supplier was compliant and it was a point where we decided then there is no need to do any special thing because the topics complained about were outside the supplier and you must already check there is some, in my eyes, it also point, can you rely on any press release? There can be any newspaper article or any broadcasting, TV or whatever where they stayed; Oh, there is a big problem, but then you don't know what is in reality, what happens there. And in that case, maybe there was some environmental pollution around this supplier, but there was no hint that it was caused by the suppliers and maybe some old things happened there in former times or whatever. So and the supplier was been certified only a

few weeks ago by a certification body where they did a sustainability audit and everything was fine and everything was perfect and that's also a point. Yeah, you cannot rely on press releases. So it's a point and it depends on everything the case and what it's definitely done. And for me that should be also the main purpose of this law that **companies take care about when they get to know anything, there's any noncompliance, potential noncompliance to find out what is what is what really happened and and what is the problem and to take care about so that is the point.** And for that, the German law is really sufficient, I would say. **A strategy of the German law is to keep the business relationship and not to stop it. Yeah, the goal is when you stop the relationship, it's the situation at this noncompliance supplier is as worse as before.** Yeah, or as bad as before. On the other hand, **when you try to improve the situation, so it's better for that supplier and it's better for the world, yeah. And that's also a point in the European law.** They, as I understood it, is it is required that at any point at the end, there's a requirement that the **business relationship should be terminated, and that's a complete different approach.** That's one of the three or four points I recognized, which are completely different to the German law.

#### Q17

1: What financial impacts are expected when complying with the EU supply chain law and how is [company name] going to balance higher costs while maintaining efficiency?

2: Our owner of the company, (name of company owner), has given a clear directive that he doesn't want to pay for it, that our customer should pay for it. He wants **higher prices to cover that cost.** However, what I see is that currently, our customers are not really willing to pay more for it, but I would definitely support this approach.

#### Q18

1: Do you think the long-term sourcing strategies will change because of the law? For example, withdrawing from doing business with high-risk regions such as China?

2: **In general, yes. So the sourcing strategy will definitely change because these sustainability requirements will be part or are now part of sourcing decisions that is sure, but I don't think that it will depend on countries.** So we don't see that China in general is a high risk country. That's not correct, so. We have to take measures and actions or we just take it. We are for example re auditing every supplier, **no company will be a supplier without being audited.** At the supplier we see what is the situation, and especially in the automotive industry, they are on such a high level even also in China, so. We don't think that Chinese automotive suppliers have higher risks than here in Europe because they are also on the very high level because they have to produce the same technology. They have to fulfill the same requirement from the car makers, and you cannot say it's a very high risk in this or that country, but it's for sure it will change. It will have an influence on sourcing decisions in the future, because the sustainability point of view will be part of it.

#### A2.4.2 Open and Axial Coding

Text snippets	Open codes	Axial codes
I cannot imagine at all that this will work because no company knows its supply chains, so that is special knowledge, so nobody is telling his customer the their sub supplier. So because it's special knowledge, nobody wants that the customer would be able to for example ask for prices at our sub suppliers and so on. And that is a thing.	Impossible to comply	Impossible
...I cannot imagine at all how we should tackle this and how we should get to know our supply chains from from scratch. Yeah, and that's the biggest problem. All the other things are things you can tackle with IT solutions and whatever. That's one thing, but that is for me, yeah, the main problem.	No knowledge	No knowledge
We are working with a service provider called EcoVadis. Maybe you know them in terms of risk analysis, ESG risk analysis with our suppliers and yeah, we asked them how they will cover this law. Even they said we are thinking about different alternatives but no real solution currently...	EcoVadis for risk analysis, third-party compliance verification, outsourced risk management	Third-party compliance tools
...one part of EcoVadis means that we upload our suppliers to this cloud platform and they calculate a risk level for each company based on a predefined country risk based on a predefined industry. And enriched by results of a data crawling AI data crawling results from thousands of public available data sources in terms of sustainability, and the result is a risk level and the risk analysis without involving the supplier.	Upload suppliers to EcoVadis, calculate risk levels	Upload suppliers to EcoVadis, calculate risk levels
We invite our suppliers step by step to the EcoVadis ratings platform where suppliers have to fill out questionnaires, have to upload evidences for his answers and where hundreds of real experts, not virtual experts, but natural intelligence, reading and checking and evaluating these what suppliers reported and uploaded. And then the supplier gets a scorecard with an ESG rating.	Invite suppliers to EcoVadis, fill out questionnaires, upload evidences, scorecard with ESG rating	Invite suppliers to EcoVadis, fill out questionnaires
...we have a legal department with lawyers and they give us advice about that, what we need to do to be compliant with that law and with our trainings for all relevant people and especially, me, the people who have to carry out these things.	Legal department as consultant	Legal as consultant

<p>...participate on webinars and everything to come on a level where I know what I'm talking about and yeah then because that and then we are using also platforms like EcoVadis and all these things to do that...</p>	<p>Participate on webinars, use platforms like EcoVadis</p>	<p>Participate on ESG webinars, EcoVadis for risk analysis</p>
<p>...we have implemented additions to our processes, for example that an EcoVadis scorecard and minimum rating score at EcoVadis is a minimum requirement to be a supplier.</p>	<p>EcoVadis score requirement, minimum compliance standards, supplier assessment integration</p>	<p>Digital compliance standards</p>
<p>We implemented that existing supplier and wants to get nominated for new business needs also to have a scorecard with that minimum score and yeah and we are evaluating also our suppliers and general supply evaluation where we assessing quality logistics performance.</p>	<p>Scorecard with minimum score, general supplier evaluation, assess quality logistics performance</p>	<p>Minimum rating score at EcoVadis, general supplier evaluation</p>
<p>Currently, no idea. So we need to get to know them when we know them, we can also check them. And it's a general question. The main problem is with Tier 2 Tier 3 supplies and so on that there is no contractual relationship with them.</p>	<p>No knowledge</p>	<p>No knowledge</p>
<p>What we can do when we know them, we can also do this upload to the EcoVadis platform where we get this risk level without involving them. That is of course possible, but on the other hand then to try to get further information or to invite them to EcoVadis, they register there, so of course we can ask but from the contractor point of view, I see this very difficult and I also don't know why a supplier from China, from Indonesia, from Mexico or Brazil, should follow that...</p>	<p>Upload Tier 2 and Tier 3 supplier to EcoVadis platform, get risk level of indirect suppliers, impractical because indirect suppliers don't care</p>	<p>Upload Tier 2 and Tier 3 suppliers to EcoVadis platform</p>
<p>Totally impractical. That's some politicians who only started but never worked in the industry they have thought that it would work, but for everybody who is really working in the industry and who knows how suppliers and customers are working together and how supply chains are working, they definitely know that it's totally impractical. And that it cannot work.</p>	<p>Law impracticality, disconnection between policymakers and industry, supply chain complexity ignored</p>	<p>Regulatory feasibility concerns</p>
<p>I don't think that it's needed that it has to be changed so much. So in my eyes maybe adjust it but the risk rating score for example, which I now get from my direct supplier. OK when I get it for my Tier 2 or Tier 3 supplier, the process would be the same I think.</p>	<p>Adjust risk assessment process also for Tier 2 and Tier 3 suppliers</p>	<p>Risk assessment process for Tier N suppliers</p>

...I cannot tell you too much about this, since I don't know.	No knowledge	No knowledge
We defined that a new supplier, but also for an existing supplier that wants to get nominated for new business, needs to strive for an EcoVadis scorecard and with a minimum score. And that is one prerequisite among many others.	EcoVadis scorecard with minimum score	Minimum rating score at EcoVadis
...they need to support this approach with their software and with their platforms. So you need to be able to build supply chains also in that software. You know when you know your Tier 2 or Tier 3 supplier you need to build these connections somehow.	Support approach to build supply chains in software	Support approach in software
Very often we know for example our Tier 2 suppliers we may maybe know I can imagine that we adapt our contract in that way that we require our direct supplier to also may multiply this requirement to their suppliers and so on.	Add in contract that supplier is responsible for their suppliers, cover yourself by the contract	Add in contract that supplier is responsible for their suppliers
...when we know sub sub suppliers or whatever we can try to invite them for example for EcoVadis.	Indirect supplier engagement, transparency with lower-tier suppliers, encouraging compliance in supply chains	Extended supply chain oversight
Currently we don't do it, so I cannot tell you if the process will change.	No knowledge	No knowledge
There will be a prerequisite for that without digitalization. They're running projects, also internal projects in our company, in purchasing digitalization projects.	Digitalization is critical	Digitalization is critical
...SAP for us as the main system. And that stands somewhere in the middle. So and we're always trying to build things around SAP.	SAP as the main system	SAP as the main system
...we now working with EcoVadis.	EcoVadis for risk analysis	EcoVadis for risk analysis
The main question is to visualize your supply chains. To visualize the connections between all these company, I think without digital support, this is not really possible to do this...	Digital support to visualize supply chain	Digitalization to visualize supply chain
Everybody talks about AI, but I must say personally I have no real knowledge about AI.	No knowledge	No knowledge
...quite difficult to imagine what AI would bring us, what it would do in the future.	No knowledge	No knowledge

It's like too early to see a clear implementation of AI.	Too early to see implementation of AI	AI development is too early
Digital solutions help to improve transparency in the supply chain and contact with many companies. But I don't know special details in that so.	Digital support to visualize supply chain	Digitalization to visualize supply chain
I don't know what blockchain exactly means, so I don't know.	No knowledge	No knowledge
...we are not really happy with that because we don't want to be so transparent and that is the point because nobody wants to be so transparent for a customer, and that is here also the point.	Not wanting to be so transparent	Not wanting to be so transparent
...from a competitive point of view, I don't think that many companies want to be so transparent. It's hard to find the balance between optimal transparency and not giving away too much.	Not wanting to be so transparent	Not wanting to be so transparent
I think so, but I don't know. I have no opinion about that.	No knowledge	No knowledge
For the general requirements and general overview of course, Legal Department is correct for the interpretation of that law and that is correctly applied. Yeah, but for the operational part it's still human resources and human rights.	Legal department as consultant, not responsible	Legal as consultant
...it is a cross functional thing from the operational point of view and the legal point of view of that, of course, that should be part also and should be included.	Cross functional	Cross functional
...companies take care about when they get to know anything, there's any noncompliance, potential noncompliance to find out what is what is what really happened and and what is the problem and to take care about so that is the point.	Investigate what is actually the problem	Investigate the problem
A strategy of the German law is to keep the business relationship and not to stop it. Yeah, the goal is when you stop the relationship, it's the situation at this noncompliance supplier is as worse as before.	Preferred to not stop business with a supplier, supplier needs funds for investment in improvements	Continue business with suppliers, funds to invest in improvements
...when you try to improve the situation, so it's better for that supplier and it's better for the world, yeah. And that's also a point in the European law. They, as I understood it, is it is required that at any point at the end, there's a requirement that the	Preferred to not stop business with a supplier, supplier needs funds for investment in improvements	Continue business with suppliers, funds to invest in improvements

business relationship should be terminated, and that's a complete different approach.		
...higher prices to cover that cost.	Higher cost price as financial impact	Higher cost price
In general, yes. So the sourcing strategy will definitely change because these sustainability requirements will be part or are now part of sourcing decisions that is sure, but I don't think that it will depend on countries.	Change in long-term sourcing strategies, sustainability requirements will be part of it	Change in long-term sourcing strategies, sustainability requirements
...no company will be a supplier without being audited.	Audit every company before becoming a supplier	Audit every potential supplier

### A2.4.3 Selective Coding

Multiple insights, strengths and strategies emerged in the interview:

#### Perceived impact of the new EU supply chain law

- Impossible

#### Challenges when looking at obligations under the law

- EcoVadis for risk analysis
- Upload suppliers to EcoVadis, calculate risk levels
- Invite suppliers to EcoVadis, fill out questionnaires

#### Assessed importance of compliance with the law

- Legal as consultant
- Participate on ESG webinars
- EcoVadis for risk analysis

#### The most important strategies and/or processes to comply with the law

- EcoVadis for risk analysis, minimum rating score at EcoVadis
- General supplier evaluation
- No knowledge for strategies for Tier N suppliers
- Upload Tier 2 and Tier 3 suppliers to EcoVadis platform
- Impractical law, politicians without procurement knowledge decided

**Change of risk assessment process? In what way?**

- Risk assessment process for Tier N suppliers

**Change of grievance mechanism? In what way?**

- No knowledge

**Change of supplier acquisition process? In what way?**

- Minimum rating score at EcoVadis
- Support approach in software
- Add in contract that supplier is responsible for their suppliers
- Upload Tier 2 and Tier 3 suppliers to EcoVadis platform

**Change of external audition process? In what way?**

- No knowledge

**The role of digitalization**

- Digitalization is critical
- SAP as the main system
- EcoVadis for risk analysis
- Digitalization to visualize supply chain

**The role of AI**

- No knowledge
- AI development is too early

**How to improve supply chain transparency with digital tools?**

- Digitalization to visualize supply chain

**The role of blockchain technology**

- No knowledge

**The role of a digital twin**

- Not wanting to be so transparent



### **The role of robotic process automation**

- No knowledge

### **Shifting responsibilities from the CSR and human rights department to legal department?**

- Legal as consultant
- Cross functional

### **Strategies used in the case of non-compliance from suppliers**

- Investigate the problem
- Continue business with suppliers, funds to invest in improvements

### **Which financial impacts related to the law, and how to balance higher costs while maintaining efficiency?**

- Higher cost price

### **Expected change of long-term sourcing strategies?**

- Change in long-term sourcing strategies
- Sustainability requirements
- Audit every potential supplier

## A2.5 Interview 5

Interviewee 5: Group Procurement Manager in a Dutch company – Specific Consumer Good Industry

### A2.5.1 Transcript

#### Q1

1: How do you perceive the impact of the new EU supply chain law?

2: I think that's right now for us. It's very much on a preliminary basis. So we have heard about it, but what it totally impacts for us as an organization, that's still a bit vague in all honesty.

#### Q2

1: What challenges have you encountered when looking at the obligations under the law?

2: I think that that relates to your previous question that I don't think we can fully grasp the impact of everything. Maybe to give you a little bit of information is that we are a Benelux organization and our suppliers are coming pretty much everything is coming from the continent and from the UK, which means those are our direct suppliers, however, as your research also indicates, there might be some suppliers or sub suppliers where the original source is coming from China or Asian countries, and that is something which we definitely need to look more into because as I said before, that is something which we haven't grasped completely yet.

#### Q3

1: How does [company name] assess the importance of compliance with this law?

2: Well, even though we don't fully have the clear picture of everything when it comes to food, we are aware that it's mandatory so which means that we will need to comply. But the first thing is that we need to have a good and solid understanding. What does it entail? What does it entail for us practically? How can we manage all the obligations which are indicated? What can we do ourselves? And we also need to see how our suppliers can comply. Because if we are, we would notice that there are non-compliant parts, OK can those suppliers solve the non-compliance or does that mean we need to change suppliers? I don't have the answer to that now, but that is something which we definitely need to look into.

1: Yeah. And also when you look at the law, it's focusing on human rights, unsafe working conditions, child labor, do you think when working with Asian suppliers it is a practical law or would it be impossible to ask to comply with this one?

2: I think that's a very good yet difficult question which opposing there. Not to forget, of course we were in the, let's say, in the Benelux. So when we call it in the Western world, so that is something which we indicate ourselves. So we have our own code of conduct where we work with. Naturally, this is described into that if we want to comply with CSRD and ESG rules and regulations. That's also where it's indicated. But then there comes the difficulty, and that's I think maybe the good part of the legislation, is that we also need to check the suppliers of our suppliers. As I said previously, the sub sub suppliers. Whereas it might be very common for you, for me, for Fred's family where you talk to everybody says yeah, this is relatively normal. Well, then it comes to a different country with a different culture. There might be different types of normal. Hey, you also don't know everything around it, so. We have a very good Social Security system in the Netherlands, also in the surrounding countries. I think in a lot of European countries, but in the rest of the world that is not necessarily the case. So therefore, again I think it is very good that it is, but if you would be asked a question which would be in a way, an unethical question, but if it would be in, for instance, China, if you would say, OK, if this underage person does not go to work, he or she can't feed the family and three people will die, or that

person goes to work, you choose. As I said, it's an unethical question which we don't need to answer now, but if you think about it, yeah, that's a totally different system compared to the Netherlands, Belgium or surrounding countries.

#### Q4

1: What are the most important strategies and/or processes that [company name] has implemented or will implement to comply with the EU supply chain law?

2: What we've been doing is, not coming back to the very beginning, I said, we want to grasp what it's all about. So I think that's what we need to realize. We need to realize what are the practical implications, what we've done as well. We've already have been working with the consultancy company for different aspects when it comes to sustainability. This company is also helping us to get a better understanding what it entails. And so that is something which we definitely need to do. That's part of our strategy. In order to fully understand what does it mean this next step, and that's where the procurement department is at perfect place to start that we start checking with our suppliers and that they can guarantee, OK, what does their supply chain look like? Because we are aware that certain products must have their original source in China or maybe surrounding countries, where not necessarily the EU rules and regulations, policies, cultures will apply, so that is something which we need to get an understanding about and once we have that because then we can frame it. OK, what does it entail to? Then we can look OK, how do these companies comply? And because one thing might be that they say, OK, yes, tick in the box. But how can we assure that that tick in the box is not? Yeah, just because of saying, but we really need evidence so that can be certifications. But it can also be certain governmental or other type of programs which that company applies. And we're not there yet, that's for sure. We are definitely not there yet.

1: And you thought about working together with a company? Is it by any coincidence, EcoVadis? Because a lot of companies said that.

2: I know EcoVadis is from the certification. Indeed, no, we don't work with them. Not deliberately, in a way, because I think it's a very good type of model, let's call it sustainability accreditation what they do. But no, we work really with a consultancy company who's helping us advise who's also helping us with the things for CSRD, CSDDD and ESG, which we need to comply with and that's on the one hand, the advice. So the consultancy part and on the other hand the compliance in what do we need to report and then coming back to a previous question that relates to, OK, what are the steps we eventually need to do in order to get there. And that's like I said, that's multiple steps and we're not there yet.

#### Q5

1: Did the risk assessment process of [company name] change because of the new law? If so, how?

2: I'm not sure if it's in ongoing change, which we have seen. I think things started more well, OK, I work from two years, I think several years ago. Even before I joined (company name). But when I was working for other companies, the rules and regulations when it came, for instance to child labor and associated parts, companies started to have their code of conduct, which they asked their suppliers to adhere to. Larger companies had their own code of conduct, so things started and I think might be from U.S. companies. It came to Europe. And that's what you see now happening. Other things we see happening, for instance, when it came to (specific products related to company). That's where you see that there is a lot of focus on from companies that they want to be sure, OK, how do you make sure that that process goods in a sustainable way can also be with forest, when it comes to FSC. So then you see there is much more focus and I think in (company name) it has also come when it comes to risk management, the part, OK, how can we adhere as well. All to the human part. So that has evolved more and more over time. One side note, and that's for instance with the war in Ukraine. Then you see that with everything happening in other parts of some parts of the world are literally on fire. And then it also means you can't have access to goods, or at a very high price. So what happens then? Your risk

management takes a whole new look. You start looking OK, how can we make sure we comply with that and then to make the bridge to OK the human part, that is something which is happening as well because I think during the course of time, people start looking at things in a different way, and maybe people were not aware in the past. Then they started to be aware. But they didn't care too much, and now people are aware and start to care. And then it comes to, OK, how can we adhere to that? Because yeah, eventually you're saying something about another country, another culture. And yeah, we have a certain type of influence on it because of course we can choose different suppliers, but I can't change the policy of the Chinese Government. I can change the supplier of course, that is possible. **I cannot generalize a country, I can only look at specific companies within a country. To generalize for Asian or South American company countries that you say in the whole country, for instance child labor is normal, I don't believe in it.** In the opposite, yeah, I would not dare to say that in those parts of the world, there is not a single case of child labor. I would not dare to say that because then I would think, OK, might be. I have not seen it, but I can imagine it. So it is more coming to some parts you said before when you do a risk assessment then you would say upfront, OK, there is more risk with doing business with a company from China on that element compared to doing business with a company from Germany.

1: And then maybe the risk assessment is more extensive or is there like one framework for risk assessment?

2: The way I think you need one-size-fits-all. That can definitely help the difference will be if you have European companies, they comply with the EU legislation and the local legislation for which these things they are all part of that. So for EU, there's not a risk when it comes down to the sub supplier for the sub sub suppliers, yeah, then you come in a bit more vague area because not necessarily are we aware and then it's the case, OK **how can a supplier confirm where their goods are sourced from. I don't know that. So you can follow up with that. You can do that with all that reports. You can do that with certifications in order to make sure that they have the overview and really actually prove OK, do they do it well? Let's call it ethical sourcing.**

## Q6

1: Have there been preventive actions, such as a grievance mechanism, that [company name] has introduced to meet the requirements of the law? Did the grievance mechanism change because of the law?

2: Let's say Dutch legislation, it exists because it's with every company that's also **a trust person and that is an independent company if independent person employee both factory workers as well as white collars can go to.** But more I don't really know.

1: And maybe a grievance mechanism can also be between companies so that you have a mechanism within (company name) that's yeah, it's impractical for the Tier 2 to 3 suppliers, but maybe for direct suppliers, they can also, yeah, they can give feedback via your company.

2: That might definitely be the case. But **then it comes to what I said before, our suppliers, their their role, EU based. Our Tier 1 suppliers, so for tier 2/3, in a lot of cases it is not known to the employees of those companies where it goes to or even if they would not know** because if it is a product coming from, for instance China, it goes into a container. And it's a mass product. It's a bulk product so it could be for instance any type of product. They wouldn't have a clue.

1: Yeah, but it's interesting that Tier 1 suppliers are all in the Europe, but is there a specific reason for it or it just happened to be like that?

2: I think it just happened to be like that, that's for sure. But it's also like, part of our background is where (specific information about their business). That's how it started. We still have this, it is part of our DNA. So we really do have our own (production locations) still. So it's a different type of mentality, different type of culture. So it's really companies where you started with you keep expanding with and

of course you start adding new suppliers. But it has not popped to mind to say, OK, maybe we should skip the distributor, or maybe we should skip the EU supplier and go directly to the source in Asia. And it also depends like on your volumes like how big do your volumes need to be in order to justify the sourcing? Because you would need to order the factory, you would need to see everything. What's happening here? By hand? Then you're in charge of the shipping and everything, so. Yeah, you need really, really big volumes.

#### Q7

1: Did the supplier acquisition process change because of the new EU supply chain law? If so, how?

2: No, that's what I said in there from the beginning. First, we need to understand fully what it means that we need to put the scope in place like OK, what does it entail to then find out with the sub sub suppliers and then if we have the risk areas or the really risk areas if that will be the case only then we can start to adjust because we're not fully aware of everything now. So therefore we cannot adjust.

#### Q8

1: Did the process of external auditing change because of the new EU supply chain law? If so, how?

2: Kinda. We start to get a better understanding of what it means, so that also means that these parts are being asked to supplier. So we have our own code of conduct, for instance as well, where child labor is also included and that's what we started to ask for the past at least two years for suppliers to adhere to that or in case they have their own code of conduct. Because sometimes you do business with very, very large enterprises and they say we have our own code of conduct, then we look ourselves. Or the closest which we are particularly interested in to find out. OK, what's the company's policy on that? And then if it complies with so far it has always done, then we say, OK, this is good to go. So that has started from our side.

#### Q9

1: How does digitalization play a role in your company's approach to manage supply chain risks and to comply with the law?

2: More and more because in a way it can make things easier. From what is happening, you have a better understanding. You get much more insight and data from everything. What you're capable to do, rather than do everything manually or other things there. And I think there's a lot of good things that the other part for it next to that is. It also means that more and more you need to start reporting and that's what we see with CSRD. That's what we will see with CS triple D like you, you get a million questions to ask and then it has a lot of advantages. The other part is that you really start to get plenty of new people on board. The only thing they need to do is to make sure we comply with the rules for which is a Dutch or Benelux company. It's no brainers, but still you need to prove it that you comply. And in order to comply, you need to follow the rules and then you need to say, OK, we follow the rules and this is our process. So it becomes auditable. Any external auditor can check it and to see like, yeah, OK, we see the full board, the process, we really did these checks. We really did the checks for our suppliers, sub suppliers, etcetera, etcetera. So that's the other side of the the coin.

1: And if you can mention one or two of the most important digital tools that you use or can implement to come up with that. Within all these tools?

2: Like I said, we're the consultant company which we're using and they will help us with a tool when it comes to CSRD and well, future or currently that would also mean to comply with CS Triple D and that also for instance, entails child labor and also territory suppliers. So that's definitely a part. The other part from our side is that we want to get more insight on our suppliers. How can we get more information from them? How can we get the news feed and things? What is happening? Just so you have more and more knowledge, more and more understanding of the supplier, but it can also be of an industry and even bigger can also be from an area or a country where you say look we don't know about this, but can

we in a really easy basis, get a better understanding rather than to say to five people on our side, OK, take the plane to, for instance, China and then spend two months there, exploring everything and they're visiting every possible supplier which links to category AB and C. So, that one is custom made. That's the one for CSRD and CSDDD. The other one would be a more generic purchasing tool. So that relates to ERP, but more on the process optimization part of it.

#### Q10

1: Can AI be used or does [company name] currently use AI to comply with the law? If so, how?

2: **The last part? No, not yet. Can it be used? Yeah, I'm pretty sure it can.** Naturally, it will depend upon the prompts which we will be able to give to get that understanding as well. Thing could definitely help to get an understanding of head that scope I've been talking about that we understand, OK, what does it look like? What does it mean? And therefore then we can check, OK, how do we or how does the AI generated scope a model? How does it relate to the reality which we're getting from our suppliers? I think it will be a perfect thing to check into a match. In a way, just to be sure, and also to indicate like look from our side, this is all the checks we have done and then like I say to you, if you have recommendations, happy to hear, we would say that to the consultancy company as well and if we're being audited. I would say the same to the auditing or the certification company to say like, look, if there's things which you think we can improve or do better or easier. I am happy to hear it.

#### Q11

1: How is [company name] planning to improve supply chain transparency? Are there digital tools being used for this purpose?

2: **The first one that really relates to compliance when it comes to CSRD and CS triple D. So that's a compliance tool.** The other part relates much more to what you're indicating now, and I would call it the procurement optimization tool. So we have insights, I don't know to what extent we would want to indicate, let's say the information from our suppliers. To the, let's say external world. I don't know that there has not been a policy on that yet. The only thing now is and that's what I ask you from the beginning as well. Like, yeah, OK, we have the interview, but you can't use our name with everything in it, because that's what we say. We don't want that. Naturally, we do have competitors, but it's not that we have hundreds of competitors in the Benelux area. **So from what that is, that's why we say, OK, we like to keep things to ourselves. It's just a thing. So therefore I think that also relates now to the transparency like we will give the transparency to our customers because we do get the questions asked.** You need to think like for instance very well known customers would be like (customers of the company). They have the names everybody has heard of and they come with questions to us as well, because for them we're also tier one, sometimes Tier 2 supplier, OK, what do we do and how can we make sure we adhere to all these processes and policies? So then we do need to be fully transparent with them and also indicate in case we are not doing something yet or we can improve. We work with them to say like, OK, how can we improve by what time do we need to have improved? And in case we count then it would come down OK, which alternatives would we be able to offer? Because sometimes it can be and I don't have an example now, but sometimes it can be that you say; yeah, look, we really can't adhere to that process because we can't get that product. We can't provide you with that service or call it what you like and that's what needs to be feedback then.

#### Q12

1: Is blockchain technology used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: **Only heard about it. I can't tell you more about it, no.**

#### Q13

1: Is a digital twin used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: Never heard about it to be honest.

1: Maybe there's another system that you use for transparency. So for example, when something happens within a delivery or in the packaging on the supplier side, that there is a dashboard you use for insights.

2: Yeah, what we do, if we make use of an ERP system, it makes sure we can track everything from the field. So because when we use a (raw product) where it comes down to that we can completely track that to the end customer who would have a complaint indicating, look, there was something wrong with my (end product) in this case. So then we can track that completely. We can because that (raw product) that's part of the economical department on our side or we can track OK from when was it produced? If we know when it was produced from which batch was the (raw product) delivered. If we know from which batch it was delivered OK from which supplier did it come from and that supplier needs to be able to indicate, look, it came from this area and all the data from their side so that what we can do if it comes down to packaging, we immediately go back to our suppliers. If you say there's something wrong with the packaging, we go to them and they are able to indicate look OK, it came from this badge and this was the production run. They can indicate like, OK, was this actually the case or did I say, look, we had a problem for just one day. Or do we have problems that whole week or well, whatever. So tracking and tracing it's a mandatory requirement. So it might be that certain parts we are already doing exactly what you say, but, I'm not aware of the terminology which is used, but as any production company, there needs to be full track and tracing otherwise you are not allowed to work.

#### Q14

1: Is robotic process automation used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: We have been starting with that. So like I said, we do have SAP or I didn't mention SAP before, but SAP, that's our ERP system. So we have a lot of processes automated with it. Nonetheless, we still have parts where people are working with Excel files downloads. This would definitely be parts of a process where you say OK, can that be automated and well by asking that question times out of 10, it's a rhetorical question because you know the answer is yes, but sometimes we do not know how to do that, or it's a part of compliance with other parts. So yes, we are doing that. Luckily enough, there's still plenty of room for optimization there.

1: Yeah, and like, if you look at the ways you use it now and maybe the potential for robotic process automation to comply with the law, how can it maybe be used or or improved?

2: Well, then it comes down to, for instance, like what I said before, this consultancy company was working on their software for us in order to comply with CSRD and CS Triple D. That is something which they have the knowledge from a legal perspective. They are practical enough to understand that we are a (industry) company so that we are not legal as experts on this part. So they are the ones who can indicate to us, look, you need to comply with these rules and these regulations. These are certain exceptions and these have critical parts where you really need to be aware of, because if you don't do that then you will definitely have problems or issues, call it what you like. So that is definitely something what we are using.

#### Q15

1: When the French Duty of Vigilance Law became effective, research shows that businesses chose to shift responsibilities within a company from the CSR and human rights department to the legal department. Companies were aware that disclosed information can be used against them. Do you expect that this will happen in your company, or did it happen already?

2: Well, I think nowadays you live in a world where anything can happen. So, but that's maybe not the answer you're looking for. I think at the end of the day, if you really want this to work for companies, you need to get that understanding and to make it part of your DNA, if you say look, I would love to do

that, but I can't do it in 2025 or 2026, so I just adhere to whatever I'm being asked to do, because if I would like you indicate, send it to the legal department, my legal department needs to expound with one or two people. Those one or two people need to be paid naturally. So if I would need to do that, I can do that, but I need to increase my price eventually. If I'm in a competitive environment, it's more challenging. So then I can say as a company like look, I will comply. I will do it how it needs to be so I will do everything it is and maybe I do a little bit extra. However, maybe I won't go full pool on it because it means I need to hire two legal experts, I need to hire one extra person from sustainability, I need to hire two finance specialists and then as a company, one part of sustainability is also that you stay in business at the end of the day. So it's not only about profitability in a way, but also yeah, surviving. If you really want it. Therefore, it can mean and that's what I think we'll do is that most likely we will do more than being asked. But being the experts, I think that would go some steps to form because you have so much legislation, you have to see a strike where which in a way started out of the blue. And really, in order to be best in class in that. Yeah. Well, I think 5 people is already very small. What I indicate to have so the team might grow from 5 to 1 to I don't know how many. Well, you see everything happening everywhere that people are on strike because they want more weight. And then I think you would price yourself out of the market as a company for us anyway, if you would say no, we won't be best in class, we want to be. That's what I think we always do because we also have a sustainability report in general, where we indicate how important we feel about doing business in a fairway and because that's also one of our company values. What I think will happen is that we will do a little bit more than being asked. And then in order for that that we are very much prepared, because also if I talk to some others, they don't have a clue at all. What's happening. So then I think at least we're a little bit further than that, but that's what it is.

#### Q16

1: What strategies and actions are being used when faced with non-compliance from suppliers? Do these strategies and actions need to be adjusted because of the law?

2: Well that I think is something which I would say sound familiar, yet you have to bear in mind that all of our Tier 1 suppliers they are not in Asia or in South America for that matter. So that's definitely a big thing of what we can do is if we have Tier 2 or Tier 3 suppliers who are based in Asia, more specific in China and India, with an unfortunate event, we would come to realize that there is a part of non-compliance. That is something which we will do in case of you said before with in case of any problems which happened on the, let's say for a production company, what you ask for a root cause analysis. So that's one. The second part is after that, OK, what's your improvement plan? And if you have no fate at all in that improvement plan, you know. Then it's not the right partner, because end of the day if that Tier 3 supplier says, this is my improvement plan, then the Tier 2 supplier says OK, I agree to it and also your tier one says OK, I agree to it as well. So then you've had double checks, and if everybody says, well, OK, we're not going to do anything about it. And just as an extreme example, well then you know that they don't adhere to their things and then it means that your Tier 1 supplier is also not adhering to your contract which you made with him because you say look as part of the code of conduct we have, for instance, child labor as 100% no go and it's stipulated in a certain way, but I frame it very shortly and say, yeah, yeah, OK, it's sad, but there it's 100% normal. That would be for us, the thing where we say, OK, look, I do make sure you start changing things there. Have the example which you gave and that you give the account. But if they say yeah, no, we're not going to do that then you know OK then it's time to leave.

#### Q17

1: What financial impacts are expected when complying with the EU supply chain law and how is [company name] going to balance higher costs while maintaining efficiency?

2: I think that's a very good question because right now the first part is being looked at, it means extra costs for us and the extra costs are part of the compliance. Part of that is also because we don't know



everything yet. So it's the unknown. So in order to make the unknown more familiarized, yeah, you need to spend time on it. You need to spend money on it to get familiarized with everything. So that's one part they say, OK, there's money going out. Then there's the compliance part where we say look, we need software. Software from a company and that company also needs to comply with our rules and regulation. Also with the EU rules and regulations, the Dutch one. And then everything needs to be audited by an external company which says, yeah, OK, you're good to go. And in our case it will be a company like KPMG, so also not exactly the cheapest type of auditors, but due to the size of our company, that's the one which we do need. They need to indicate look OK we agree and we approve your way of working from the software which you use and we also agree to the way how you process this and also how you make the output in your statements. So then if you look at all of that, they say, OK, that's only money going out. I think in future once we start getting for instance, more knowledge about it, once we start understanding what it entails, what it's about, then I think we can start using it as well, it could look like a best in class practice that we say, look, we only work with suppliers who adhere to this 100%. We have the full proof. We have the full evidence. We have tier one, we have tier two, we have tier three, and this is something which we pride ourselves in.

1: And for example, do you also think that you'll see it on the front end, so with the cost price, that the cost will increase of the products?

2: Yeah, some cases you have to, because our financial figures, they are being audited as well. So we can't hide costs. So we say, look, we have this amount, amount X, as an extra cost due to wages due to expenditures on it. As an example, there might be others. Yeah, those are parts of our general costs. So what happens? Parts of our general costs, they are part of the cost price, which automatically means OK, you need to do something with it. Or you say that's another thing. Like, OK, We're fully aware, but yeah, we would take it out. So or you agree to a lower margin or to no margin well then if you have no margin, you can't survive because if there is one thing when you have a setback, then you go bankrupt. So I don't think that would be the way forward. So one way or the other, there will be a cost price increase effect.

## Q18

1: Do you think the long-term sourcing strategies will change because of the law? For example, withdrawing from doing business with high-risk regions such as China?

2: I think so, and I hope so as well, because it means that in a way, for instance when you particularly talk about child labor that I think it would really be beneficial for the world, if there would be much more of a Social Security system in larger parts of the world. Yet you still have to bear in mind that I haven't visited all of those places, different countries, different rules, OK? Rules you can change, but a different culture is hard to change. And that's also what there is. I mean, we look everything from a western point of view and I think, OK, when it comes to child labor, naturally it is very much controversial. So I'm pretty sure people will be able to agree with that quite quickly. But the other part which you have with that is, I think it's more about starting the conversation with. Also companies can be NGOs, but they're definitely later or maybe from first hand also production companies and everything. What there is in order to get that understanding of, OK can we start moving things and I think you see more and more of a shift that things are changing, and the things have been changing in the Western world. And I think when it comes down to these things, you have seen some changes. You will have factories which will be having much, yeah, better working conditions even then for instance, Benelux companies.

## A2.5.2 Open and Axial Coding

Text snippets	Open codes	Axial codes
It's very much on a preliminary basis. So we have heard about it, but what it totally impacts for us as an organization, that's still a bit vague in all honesty.	Too early, law is not concrete	Too early, law is not concrete
...I don't think we can fully grasp the impact of everything.	We cannot fully grasp the impact yet	Too early, law is not concrete
...we are aware that it's mandatory so which means that we will need to comply. But the first thing is that we need to have a good and solid understanding. What does it entail?	Mandatory compliance awareness, need for law clarification, knowledge gap in compliance	Compliance understanding gaps
...we have our own code of conduct where we work with. Naturally, this is described into that if we want to comply with CSRD and ESG rules and regulations. That's also where it's indicated.	Code of conduct integration, ESG compliance alignment, internal compliance framework	Policy-driven compliance
We need to realize what are the practical implications, what we've done as well. We've already have been working with the consultancy company for different aspects when it comes to sustainability. This company is also helping us to get a better understanding what it entails. And so that is something which we definitely need to do. That's part of our strategy.	Working with consultancy company, help with an understanding about what it entails	Working with consultancy company
...we work really with a consultancy company who's helping us advise who's also helping us with the things for CSRD, CSDDD and ESG, which we need to comply with and that's on the one hand, the advice.	Working with consultancy company, help with an understanding about CSRD, CSDDD and ESG	Working with consultancy company
...the rules and regulations when it came, for instance to child labor and associated parts, companies started to have their code of conduct, which they asked their suppliers to adhere to.	Companies have their own code of conduct	Code of conduct of suppliers
I cannot generalize a country, I can only look at specific companies within a country. To generalize for Asian or South American company countries that you say in the whole country, for instance child labor is normal, I don't believe in it.	No generalization of countries	No generalization of countries
...how can a supplier confirm where their goods are sourced from. I don't know that. So you can follow up with that. You can do that with all that reports. You can do that with certifications in order	Ethical sourcing, confirmation of supplier that they know where goods are sourced from	Ethical sourcing

to make sure that they have the overview and really actually prove OK, do they do it well? Let's call it ethical sourcing.		
...a trust person and that is an independent company if independent person employee both factory workers as well as white collars can go to.	Trusted independent person within a company	Whistle blowing system
...then it comes to what I said before, our suppliers, their their role, EU based. Our Tier 1 suppliers, so for tier 2/3, in a lot of cases it is not known to the employees of those companies where it goes to or even if they would not know...	Whistle blowing system harder for Tier 2 and Tier 3	Whistle blowing system harder for Tier N
No, that's what I said in there from the beginning. First, we need to understand fully what it means that we need to put the scope in place...	We cannot fully grasp the impact yet	Too early, law is not concrete
...we have our own code of conduct, for instance as well, where child labor is also included and that's what we started to ask for the past at least two years for suppliers to adhere to that or in case they have their own code of conduct.	Code of conduct, child labor is included, suppliers must include it in their own code of conduct	Code of conduct, child labor always included
More and more because in a way it can make things easier. From what is happening, you have a better understanding. You get much more insight and data from everything.	Digitalization gets more important, insights and data	Digitalization is critical
...consultant company which we're using and they will help us with a tool when it comes to CSRD and well, future or currently that would also mean to comply with CS Triple D and that also for instance, entails child labor and also territory suppliers.	Working with consultancy company	Working with consultancy company
The last part? No, not yet. Can it be used? Yeah, I'm pretty sure it can.	No knowledge	No knowledge
The first one that really relates to compliance when it comes to CSRD and CS triple D. So that's a compliance tool.	Compliance tool	Compliance tool
So from what that is, that's why we say, OK, we like to keep things to ourselves. It's just a thing. So therefore I think that also relates now to the transparency like we will give the transparency to our customers because we do get the questions asked.	Not wanting to be so transparent	Not wanting to be so transparent
Only heard about it. I can't tell you more about it, no.	No knowledge	No knowledge

Never heard about it to be honest.	No knowledge	No knowledge
...we make use of an ERP system, it makes sure we can track everything from the field.	ERP system to track everything from the field	ERP system to track everything from the field
...we can completely track that to the end customer who would have a complaint indicating, look, there was something wrong with my (end product) in this case. So then we can track that completely.	Track raw materials and the whole chain	ERP system to track everything from the field
...SAP, that's our ERP system. So we have a lot of processes automated with it.	SAP as the main system	SAP as the main system
...this consultancy company was working on their software for us in order to comply with CSRD and CS Triple D. That is something which they have the knowledge from a legal perspective.	Working with consultancy company	Working with consultancy company
...I think nowadays you live in a world where anything can happen.	No knowledge	No knowledge
...we would come to realize that there is a part of non-compliance. That is something which we will do in case of you said before with in case of any problems which happened on the, let's say for a production company, what you ask for a root cause analysis.	Realization of non-compliance	Realization of non-compliance
...what's your improvement plan? And if you have no fate at all in that improvement plan, you know. Then it's not the right partner...	Continuously improving over time	Developing suppliers
...I do make sure you start changing things there. Have the example which you gave and that you give the account. But if they say yeah, no, we're not going to do that then you know OK then it's time to leave.	No sign of improvement efforts, time to leave	Straight to termination
...right now the first part is being looked at, it means extra costs for us and the extra costs are part of the compliance.	Additional costs for company	Additional costs for company
...some cases you have to, because our financial figures, they are being audited as well. So we can't hide costs.	In some cases higher cost price, cannot hide costs	Higher cost price
...or you agree to a lower margin or to no margin well then if you have no margin, you can't survive because if there is one thing when you have a setback, then you go bankrupt. So I don't think that	In some cases higher cost price, cannot hide costs	Higher cost price

would be the way forward. So one way or the other, there will be a cost price increase effect.		
I think so, and I hope so as well, because it means that in a way, for instance when you particularly talk about child labor that I think it would really be beneficial for the world, if there would be much more of a Social Security system in larger parts of the world.	Expected change in long-term sourcing strategies, beneficial for the world	Change in long-term sourcing strategies

### A2.5.3 Selective Coding

Multiple insights, strengths and strategies emerged in the interview:

#### Perceived impact of the new EU supply chain law

- Too early, law is not concrete

#### Challenges when looking at obligations under the law

- Too early, law is not concrete

#### Assessed importance of compliance with the law

- Too early, law is not concrete

#### The most important strategies and/or processes to comply with the law

- Code of conduct
- Working with consultancy company

#### Change of risk assessment process? In what way?

- Code of conduct
- No generalization of countries
- Ethical sourcing

#### Change of grievance mechanism? In what way?

- Whistle blowing system
- Whistle blowing system harder for Tier N

**Change of supplier acquisition process? In what way?**

- No, too early, law is not concrete

**Change of external audition process? In what way?**

- Code of conduct, child labor always included

**The role of digitalization**

- Digitalization is critical
- Working with consultancy company

**The role of AI**

- No knowledge

**How to improve supply chain transparency with digital tools?**

- Compliance tool
- Not wanting to be so transparent
- ERP system to track everything from the field

**The role of blockchain technology**

- No knowledge

**The role of a digital twin**

- No knowledge

**The role of robotic process automation**

- SAP as the main system

**Shifting responsibilities from the CSR and human rights department to legal department?**

- No knowledge

### **Strategies used in the case of non-compliance from suppliers**

- Realization of non-compliance
- Developing suppliers
- Straight to termination

### **Which financial impacts related to the law, and how to balance higher costs while maintaining efficiency?**

- Additional costs for company
- Higher cost price

### **Expected change of long-term sourcing strategies?**

- Change in long-term sourcing strategies

## A2.6 Interview 6

Interviewee 6: Manager Procurement Business Development in a German company – Machinery Industry

### A2.6.1 Transcript

#### Q1

1: How do you perceive the impact of the new EU supply chain law?

2: Impact on our company, but as we already have to comply with the German human rights due Diligence Act, I think we're on a good way at the moment because we already have set up several processes and measures in order to comply with this law. And yeah, the CS Triple D will be, I think enter into force in 2027 and then we have to like adapt our processes with regard of the future requirements and that's what we will be working on within the next year I guess. But yes, I think their most impact on our procurement department is that the CS Triple D will also take into account the tier n suppliers. So at the moment we're focusing on our direct suppliers, so that you want suppliers, but in the future we have to create transparency in the whole tier in supply chain which will be a really challenging, I would say.

1: And with the German Act, you mean the LkSG right?

2: Yes.

1: Yeah, a lot of companies also said that it's basically impossible to control the tier 2, 3, 4. Do you think that as well?

2: Yes, I would say I would also agree with that, but also with the CS Triple D there will be the risk or the scoping approach with the risk analysis. So we have to switch our risk analysis and we will really have to, yeah, focus on areas where we say there's more negative impacts with regard to human rights issues, environmental issues. And then we have to look how we can really have a deep dive into our Tier N suppliers, but at the moment, to be honest, we don't know how. So yes, at the moment we would also, I would say it's quite impossible.

1: Yeah. For the risk assessment, by the way, do you work with EcoVadis?

2: Yes. So at the moment we're affected by the LkSG, we have to 1st carry out the abstract risk analysis. So we yeah, we take into account the whole supplier base of (company name) and also from our subsidiaries and we carry out the risk analysis and then we identified in the 1st place the critical suppliers in our abstract risk analysis and then we are going into the second step, which would be the concrete risk analysis and then we take into account the other critical suppliers and they have to participate in sustainability assessments, which we also carry out via EcoVadis.

#### Q2

1: What challenges have you encountered when looking at the obligations under the law?

2: I would also again say having a transparency about whole supply chain or also the Tier N suppliers will be really challenging. Then also say it's not only Tier N suppliers, but also like customers and so on. But that's not the topic of the procurement department, but of our Sustainability department and the sales department would say that's also an yeah issue because when our suppliers we have like a greater impact as we have on our customers, I would say. So I would say, yeah, that's I would say that's a most challenging aspect because the risk analysis, the scoping of approach will be I think better than the one of the LkSG. More risk based to be honest. And then, yeah, maybe what could be challenging is that we are having to focus more on environmental aspects because the LkSG for example is really focusing



on human rights aspects, but CS Triple D is here more focusing on environmental topics as biodiversity, carbon emissions and so on. But we already have, for example, a climate transition plan. So I think we will go on a good way there.

### Q3

1: How does [company name] assess the importance of compliance with this law?

2: I would say it's we, it's important for us to comply with this law because if there is like an issue, then we also have problems with our reputation. So we definitely really want to comply with this law and we're aware of great importance, I would say, yeah.

### Q4

1: What are the most important strategies and/or processes that [company name] has implemented or will implement to comply with the EU supply chain law?

2: To be honest, we're not typical to say because at the moment we're not really working on how to comply with the CS triple D because at the moment we are working on to comply with the LkSG and what we will do is that we take into account our current processes and which are relevant, and then we have to like adopt them to the new obligations of the CS triple D. But I would say we will have shared that the risk analysis as we have to take a look on our Tier N supplies as well. And then the others, yeah. For example, we already have a climate transition plan, which is also required by the CS Triple D. So that's what we're currently having in place. What we are doing downstream is to be honest, I cannot say anything because as I'm sitting in a procurement department, I'm not involved in those processes.

1: And what you said about the risk analysis that you have to control the tier N suppliers as well, how do you mean that with the risk analysis? For example, do you withdraw from high-risk countries where transparency may be lower?

2: I think we have to like adapt in the way that at the moment we're doing like an risk analysis about all our supplier base. So every supplier will have to be evaluated by risk analysis and in the future it's like more the scoping approach of the CS triple D. So more risk based. So I think we will then not take into account every supplier, but we define different areas or countries. So maybe a country such as China is identified as high up as with high potential negative effects. Or industry, for example, where the supplier is working in every identified like more the areas and then we go into the detail and make like in form of human rights impacts assessment where we really have to look in the whole supply chain of the suppliers or of the whole categories, for example. At the moment we're working on that, so it's in the beginning.

### Q5

1: Did the risk assessment process of [company name] change because of the new law? If so, how?

2: Well, we set up a complete new risk assessment process for the LkSG. So we said we defined also a strategic KPI which with a goal sustainability goal, so it's called. We want to reach 100% suppliers managed regarding human rights until 2030 and then the process or the KPI is set up with different steps. So the first step; every supplier has to sign the code of conduct. It's like an invention measure, which is also stated in there. Then every supplier has to pass a due diligence check also like a prevention measure and then in the third step we carry out the case risk analysis and identify the critical suppliers. So this is the abstract risk analysis based on industry and country risks and takes into focus the topics of human rights violations and environmental pollution. And there is a 4th step. Those supplies were identified as critical, they have to take part in a sustainability assessment, which we conduct via EcoVadis and then in the next step, all suppliers with a scorecard in EcoVadis below 45 points will have to take part in social audit, which will be conducted by our sustainability department.

## Q6

1: Have there been preventive actions, such as a grievance mechanism, that [company name] has introduced to meet the requirements of the law? Did the grievance mechanism change because of the law?

2: Yes, we have introduced a grievance mechanism.

1: Did it change because of the law or was it just implemented and before there wasn't any?

2: Not quite sure. I think it did not change. So I think the grievance mechanism was established in the corporate governance and department, but now it's also they are working together with the Sustainability department because our human rights officer is sitting in the Sustainability Department.

1: And maybe in short, how does the grievance mechanism work? For example, on the supplier side, can they use the grievance mechanism as well?

2: Yes, yes, it's for our own employees, but also for our supplies or customers. So we have a tool and an e-mail address where they can report any violations or issues and so on. So also the employees of the supplier.

## Q7

1: Did the supplier acquisition process change because of the new EU supply chain law? If so, how?

2: Yes, we established that every supplier before we are going into a business relationship with the supplier, they have to send a code of conduct. So we send out the supplier code of conduct, which is yeah, which includes our basic principles with regard to no corruption, no human rights violation, no environmental pollution and so on. And they have to actively sign it and send back to us. And if they do not, then we won't have a business relationship with them or they also can send us their own code of conduct and we then check if the content is matching according to our content and then it's fine and if it there are any yeah information missing then they have to sign ours or they have to adapt their code of conduct.

1: So for example, can you also say in your code of conduct that the supplier of the supplier of the supplier needs to have this in the code of conduct as well or?

2: Well, in our code of conduct, it is stated that they also have to take into account their suppliers and if that they do not do any human rights violations and so on. But if they don't, they are not required to also send out a supplier code of conduct to the supplier, but we require them to yeah, also have a look on their supply chain as well. We're conducting social audits for the suppliers who are like identified as critical and then scorecard below 45 points and we also ask questions about the content and how they are like really, what measures are they having in and quality supply quality audit as well so. All suppliers are have to take part in the audit, but we usually just take a sample.

## Q8

1: Did the process of external auditing change because of the new EU supply chain law? If so, how?

2: In the supply quality order, they included some topics on sustainability. For example, human rights topics and also environmental topics. And then what we also set up is that our Sustainability Department conduct social audits. So the social audits are really established.

## Q9

1: How does digitalization play a role in your company's approach to manage supply chain risks and to comply with the law?

2: Not the biggest role, I would say as a well. We're collecting supplier data within a tool and then we upload all the suppliers and also data to our risk analyzers tool and then we're like proceeding within

this EcoVadis platform with all the next steps. More I would not say that we're doing more than that within digitalization.

#### Q10

1: Can AI be used or does [company name] currently use AI to comply with the law? If so, how?

2: I think it can be used to comply with the law, but I think would be maybe within the next steps to be honest. Maybe to screen the supplier based on criteria? Send a case check criteria and then I'm also within the industry and so on. Maybe then the risk indication could be adapted.

#### Q11

1: How is [company name] planning to improve supply chain transparency? Are there digital tools being used for this purpose?

2: We're creating transparency with our purchasing tool I would say so that we collect the supplier master data, and then we improve the transparency about the risk with the EcoVadis tool. But we will do it in the future with regard to Tier N, I don't know to be honest at the moment.

#### Q12

1: Is blockchain technology used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: I don't think so at the moment, I am not quite sure. No. I think for the LkSG we do not use it. And maybe we'll have to use it for the CS triple D, but so far no.

#### Q13

1: Is a digital twin used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: At the moment it's not used. I think in the future it can be really helpful, maybe not only with regard to the CS triple D, but also with other laws.

1: And how can the digital twin then be used in the future?

2: Then we have like more information on the material level for example. And also information on the carbon emissions and so on and what is included in the product which we're purchasing.

#### Q14

1: Is robotic process automation used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: It's used in the procurement department, but I'm not the expert in it as I know that we're having this in place. But honestly, more I cannot say and also how we can use it in the future for the requirements of the CS Triple D I think for sure. We can also maybe to send out like letters or to transfer information from data plays to the other, but I'm not the expert in it.

#### Q15

1: When the French Duty of Vigilance Law became effective, research shows that businesses chose to shift responsibilities within a company from the CSR and human rights department to the legal department. Companies were aware that disclosed information can be used against them. Do you expect that this will happen in your company, or did it happen already?

2: Good point, because that's what we are also like discussed a few weeks ago and because we have a legal department, but it's not involved at all in those ESG requirements, so. And I think in my opinion, in the future we have to like not to shift the responsibility, but we I think we have to include them more in those topics. Now, the legal department is not involved at all. I think they are aware of it, but we do

not involve them in any decision makings, or we also do not ask them how they would understand this sentence of the law or something like that. So no.

#### Q16

1: What strategies and actions are being used when faced with non-compliance from suppliers? Do these strategies and actions need to be adjusted because of the law?

2: If we know that they are actively doing something which is not compliant with the law, I would say we face them out so. We don't want to work further with them. But we also established the supply chain Governance Board, which is like set up with the head of different departments with or different stakeholder departments. For example, head of corporate sustainability, Head of corporate procurement, Head of Corporate Quality management and so on. And if there are any special cases we discussed it in this board.

1: Yeah. Yeah. OK. So for example, a strategy that another company used; they said like; the first thing we don't do is face them out because then the company that, for example, doesn't comply with human rights laws and we face them out, then they don't have the money to invest in improvements.

2: I guess maybe I I said it wrongly, so if they really actively do not want to comply with it and we have no chance to have any impact, then we face them out because then we do not want to work with them anymore. But everything before we try to talk to them and try to help. And then, depending on the situation, I would say yes, it will be discussed separately in the supply chain governance board. How to proceed them?

#### Q17

1: What financial impacts are expected when complying with the EU supply chain law and how is [company name] going to balance higher costs while maintaining efficiency?

2: I think we're not there at the moment. We're not in the step of evaluating that, to be honest, for this, the CS triple D so.

1: Okay, and for the LkSG?

2: Yeah, we like we invested in risk analysis tool for example. Also, me and my colleague in the purchasing department added resources because of the supply chain due diligence act. So that's why I am in the recruitment department and at first was in a sustainability department, but as of these reasons and it's also a huge procurement topic in my, we added some resources, I would say.

#### Q18

1: Do you think the long-term sourcing strategies will change because of the law? For example, withdrawing from doing business with high-risk regions such as China?

2: No, I think it will not change. We will also in the future work with them, but I think we have to then take a closer look, work closer with them and going more into supply engagement. Informing them about risk. Talking about that how to comply with several laws and so on. Yes, but we will definitely do businesses with those regions as well in the future.

## A2.6.2 Open and Axial Coding

Text snippets	Open codes	Axial codes
Impact on our company, but as we already have to comply with the German human rights due Diligence Act, I think we're on a good way at the moment because we already have set up several processes and measures in order to comply with this law.	Impact, pretty prepared, extension of the LkSG	Impact, pretty prepared, extension of the LkSG
...with the CS Triple D there will be the risk or the scoping approach with the risk analysis. So we have to switch our risk analysis and we will really have to, yeah, focus on areas where we say there's more negative impacts with regard to human rights issues, environmental issues. And then we have to look how we can really have a deep dive into our Tier N suppliers, but at the moment, to be honest, we don't know how.	Switch risk analysis, focus on areas with more negative impact	Switch risk analysis, focus on areas with more negative impact
...we have to 1st carry out the abstract risk analysis. So we yeah, we take into account the whole supplier base of (company name) and also from our subsidiaries and we carry out the risk analysis and then we identified in the 1st place the critical suppliers in our abstract risk analysis...	Abstract risk analysis, critical supplier identification	Tiered risk assessment
...the second step, which would be the concrete risk analysis and then we take into account the other critical suppliers and they have to participate in sustainability assessments, which we also carry out via EcoVadis.	Concrete risk analysis, participate in sustainability assessments, use EcoVadis	Concrete risk analysis, participate in sustainability assessments, EcoVadis for risk analysis
...having a transparency about whole supply chain or also the Tier N suppliers will be really challenging.	Challenge for supply chain transparency	Challenge for supply chain transparency
...the risk analysis, the scoping of approach will be I think better than the one of the LkSG. More risk based to be honest.	Risk-based approach	Risk-based approach
...it's important for us to comply with this law because if there is like an issue, then we also have problems with our reputation. So we definitely really want to comply with this law and we're aware of great importance...	Important to comply, reputational damage	Important to comply, reputational damage

...the risk analysis as we have to take a look on our Tier N suppliers as well. And then the others, yeah. For example, we already have a climate transition plan, which is also required by the CS Triple D. So that's what we're currently having in place.	Risk analysis, climate transition plan	Risk analysis, climate transition plan
I think we have to like adapt in the way that at the moment we're doing like an risk analysis about all our supplier base. So every supplier will have to be evaluated by risk analysis and in the future it's like more the scoping approach of the CS triple D. So more risk based. So I think we will then not take into account every supplier, but we define different areas or countries.	Risk-based approach	Risk-based approach
...we defined also a strategic KPI which with a goal sustainability goal, so it's called. We want to reach 100% suppliers managed regarding human rights until 2030 and then the process or the KPI is set up with different steps.	Include a strategic KPI with a sustainability goal	Sustainability KPIs
...every supplier has to sign the code of conduct.	Code of conduct	Code of conduct
...every supplier has to pass a due diligence check also like a prevention measure...	Due diligence check	Due diligence check
...we carry out the case risk analysis and identify the critical suppliers. So this is the abstract risk analysis based on industry and country risks and takes into focus the topics of human rights violations and environmental pollution.	Identify critical suppliers, abstract risk analysis, human rights violations, environmental pollution	Identify critical suppliers, risk-based approach
Those supplies were identified as critical, they have to take part in a sustainability assessment, which we conduct via EcoVadis and then in the next step, all suppliers with a scorecard in EcoVadis below 45 points will have to take part in social audit, which will be conducted by our sustainability department.	Critical supplies do a sustainability assessment, use of EcoVadis, scorecard with minimum score, social audit	Sustainability assessment, minimum rating score at EcoVadis, social audit
Yes, we have introduced a grievance mechanism.	Grievance mechanism in place	Grievance mechanism in place
...it's for our own employees, but also for our suppliers or customers. So we have a tool and an e-mail address where they can report any violations or issues and so on. So also the employees of the supplier.	Whistleblowing access for suppliers, anonymous reporting channels, inclusive reporting systems	Supplier grievance channels
...we established that every supplier before we are going into a business relationship with the supplier, they have to send a code of conduct. So we send out the supplier code of conduct, which is yeah, which	Code of conduct, principles related to ESG	Code of conduct

includes our basic principles with regard to no corruption, no human rights violation, no environmental pollution and so on. And they have to actively sign it and send back to us. And if they do not, then we won't have a business relationship with them or they also can send us their own code of conduct and we then check if the content is matching according to our content and then it's fine and if it there are any yeah information missing then they have to sign ours or they have to adapt their code of conduct.		
...in our code of conduct, it is stated that they also have to take into account their suppliers and if that they do not do any human rights violations and so on. But if they don't, they are not required to also send out a supplier code of conduct to the supplier, but we require them to yeah, also have a look on their supply chain as well.	Code of conduct, add that supplier is responsible for their suppliers	Add that supplier is responsible for their suppliers
Not the biggest role, I would say as a well. We're collecting supplier data within a tool and then we upload all the suppliers and also data to our risk analyzers tool and then we're like proceeding within this EcoVadis platform with all the next steps.	Digitalization not the biggest role, collecting supplier data, upload suppliers within EcoVadis	Digitalization not the biggest role, upload suppliers to EcoVadis
I think it can be used to comply with the law, but I think would be maybe within the next steps to be honest. Maybe to screen the supplier based on criteria? Send a case check criteria and then I'm also within the industry and so on. Maybe then the risk indication could be adapted.	Too early to see implementation of AI	AI development is too early
We're creating transparency with our purchasing tool I would say so that we collect the supplier master data, and then we improve the transparency about the risk with the EcoVadis tool.	Improve transparency about risks with EcoVadis	Improve transparency about risks with EcoVadis
I don't think so at the moment, I am not quite sure.	No knowledge	No knowledge
At the moment it's not used.	No usage of a digital twin	No usage of a digital twin
Then we have like more information on the material level for example. And also information on the carbon emissions and so on and what is included in the product which we're purchasing.	More information on material level, information on carbon emissions	More information on materials
It's used in the procurement department, but I'm not the expert in it as I know that we're having this in place.	No knowledge	No knowledge

...it's not involved at all in those ESG requirements, so. And I think in my opinion, in the future we have to like not to shift the responsibility, but we I think we have to include them more in those topics. Now, the legal department is not involved at all.	No shift of responsibilities to legal department, cross functional	No shift of responsibilities to legal department, cross functional
...if they really actively do not want to comply with it and we have no chance to have any impact, then we face them out because then we do not want to work with them anymore. But everything before we try to talk to them and try to help. And then, depending on the situation, I would say yes, it will be discussed separately in the supply chain governance board. How to proceed them?	Preferred to not stop business with a supplier, developing suppliers	Continue business with suppliers, developing suppliers
I think we're not there at the moment.	Too early to think about this	Too early
No, I think it will not change. We will also in the future work with them, but I think we have to then take a closer look, work closer with them and going more into supply engagement.	No change in long-term sourcing strategies	No change in long-term sourcing strategies, continue business in risky countries

### A2.6.3 Selective Coding

Multiple insights, strengths and strategies emerged in the interview:

#### Perceived impact of the new EU supply chain law

- Impact, pretty prepared, extension of the LkSG

#### Challenges when looking at obligations under the law

- Challenge for supply chain transparency

#### Assessed importance of compliance with the law

- Important to comply
- Reputational damage

#### The most important strategies and/or processes to comply with the law

- Switch risk analysis, focus on areas with more negative impact
- Identify critical suppliers from abstract risk analysis



- Concrete risk analysis, participate in sustainability assessments, EcoVadis for risk analysis
- Risk-based approach
- Risk analysis, climate transition plan

**Change of risk assessment process? In what way?**

- Sustainability KPIs
- Code of conduct
- Due diligence check
- Identify critical suppliers, risk-based approach
- Sustainability assessment, minimum rating score at EcoVadis, social audit

**Change of grievance mechanism? In what way?**

- No, however, grievance mechanism in place

**Change of supplier acquisition process? In what way?**

- Code of conduct
- Add that supplier is responsible for their suppliers

**Change of external audition process? In what way?**

- No

**The role of digitalization**

- Digitalization not the biggest role
- Upload suppliers to EcoVadis

**The role of AI**

- AI development is too early

**How to improve supply chain transparency with digital tools?**

- Improve transparency about risks with EcoVadis

**The role of blockchain technology**

- No knowledge

**The role of a digital twin**

- No usage of a digital twin
- More information on materials

**The role of robotic process automation**

- No knowledge

**Shifting responsibilities from the CSR and human rights department to legal department?**

- No shift of responsibilities to legal department
- Cross functional

**Strategies used in the case of non-compliance from suppliers**

- Continue business with suppliers, developing suppliers

**Which financial impacts related to the law, and how to balance higher costs while maintaining efficiency?**

- Too early

**Expected change of long-term sourcing strategies?**

- No change in long-term sourcing strategies, continue business in risky countries

## A2.7 Interview 7

Interviewee 7: Senior Vice President Operations and Environmental Taskforce Lead in a Dutch company – Machinery Industry

### A2.7.1 Transcript

#### Q1

1: How do you perceive the impact of the new EU supply chain law?

2: It's a very good question. I don't think the EU supply chain law is not something on its own. You should link it with EUDR, CSRD, LkSG, and if I look to that perspective, I think that's the opinion that Europe is diminishing the competitiveness of our business in general. And let me explain you why, because then you start to understand why I'm saying this. Because it's not that I'm against environmental good doing or I'm not against managing your risks because that's what I do constantly. When we have the Ukrainian war, I was really prepared on my Tier 1 and Tier 2 suppliers because I saw it coming because I got a naval background. So I have some knowledge with the MI. I knew it was coming, so I was already prepared to act on it. The challenge, however, is if civil servants are defending somewhere behind a desk and don't understand what the impact is and what they're developing and how they're acting, they can completely disrupt an economy. And just to give you a few examples, because then you understand what's happening. Two years ago, everybody had to go on a heat pump. The German market had a demand of 500,000 heat pumps. The German government stopped. Certainly, that demand and as a result the demand went down from 500,000 to 200,000 a year. A company I know, now has 170,000 heat pumps on stock, which is a value of €850 million. Almost all bankrupt because they had to up their production lines and then now have less demand. And all production lines are running. Just an example of behavior. If you look to EUDR, which is the European Def Force Regulation which should have been implemented by the 1st of January 2025, which actually meant that you as a wholesaler should be able to point out if I would sell you a hammer with a wooden handle; where did the tree stand? Where from a geolocation point of view is the tree? Where does this wooden handle comes from? And is that handle not coming from a DEF 4 stated area? I don't know how you will find it out. But if China and South America are not willing to play ball, where do you get root for construction from? But even a better example is that the Netherlands is pushing for heat pumps. Everybody has to put a heat pump in their house. And if you put an LCA, a life cycle analysis document or an EPD from a NAN 15804 Type A2, which is the standard of analyzing LCA, find out that the heat pump is using 200 to 400% more energy to deliver the same efficiency as a gas boiler. It takes an installer 2 and half to three days to renovate a house and put instead of a gas boiler heat pump in. We have an issue with our electricity net in the Netherlands and we're putting heat pumps in so we are complicating our network electricity nets. Well, if you look to the early in the 60s, we were installing gas in every house. So what we did, we did area by area, we closed off the electricity and we put in gas and everybody got gas. It cost an install of 20 minutes to remodel a boiler to a hydrogen. So it's all nice to have these legislation, but if you're now because of your small minded thinking, pushing everybody to heat pumps, which is increased use of energy, which is not more green than a gas boiler, except when it uses green energy which is impossible to change within 2030, which costs a person on average between 10 to 15,000 to remodel his house while adding and while if you would go for hydrogen you would reach 2030 and you would be able to have your CO2 reduction and it will cost less, then it's a kind of stupid way of thinking. That's what I think. What people are doing without thinking what they're doing?

1: Yeah. So related to the CS triple D, you mean I heard this more often also from other companies that they think or they see that the people that have the power to make the law effective, they don't know what they're doing because otherwise they would see it's not practical.

2: Yeah, because let's take if you would, I don't know if you have ever heard of an LCA, a life cycle analysis document. It shows you how the life cycle of the product is. I can show you if you want, because then you can immediately see what I mean. Let me test if I can show it. So here, this is an LCA. An LCA explains you what the environmental impact is of a product which you use in construction during the production phase, the build phase, the usage phase and the recycle phase. Each of these phases have different calculation methods. If I would have a plasterboard, let's take a plasterboard for now. The same clip spots in the same plasterboard in Germany will have another outcome than in the Netherlands. They use different standards to calculate this year to year. The impact on this product. Secondly, what's the life cycle of a stone? Do you use a stone in a wall for 25 years? 30 years? 10 years? What's the standard? Because a stone can go longer than wood and use less maintenance cost not included in the discussion, so that's already a discussion which you have and then if you look and this is all based on the EU standards here and if you then look what you can get out of this LCA, you can see what's the total use renewable energy the way reactive waste disposal, antibiotic depletion etcetera, etcetera. But none of the suppliers is enforced to bring this data in this model to the markets. So what you get is like if you go to the university library; every professor writes the book differently and there's no standard data, but this data I'm selling (number related to company) different products. How can I advise my customers on the impact of X products if I don't have this information and that's what's happening somewhere in Brussels. People say this is the latest we want to implement this and you have to implement it. But I don't understand what we can do to make that work. **Civil servants are always disconnected with real life.** They don't have to fight for the money, they get money from taxation. They screw you over if they want to because they don't feel the urgency to have this. **They want to change things, but they don't think what the impact of the change is, because they're not impacted by the change themselves. And the CS triple D is going to create a \*\*\*\* load of administrative burden onto the whole chain.** And that's not what I take comfort if let's take (company name) because (company name) is a supplier, a customer of us. (company name) makes 3% net profit on their projects. Three percent, 3%, imagine. And now you have to hire five or six people extra to record to organize your CS triple D. That's what they're not thinking about. Who's gonna pay then? Who's going to pay in the end that process? It's gonna come to the end. For sure. Who's buying a house? And as a result, you're buying. Your house is getting more expensive and then people say oh it's so expensive. But that's what's going to happen. We are creating policies and processes which are out of touch with realism. 'Cause, I already had FSC and all other necessities implemented. To make this, I already have a process in place with BSI. I already make sure that my suppliers are auditors by BSI to test if their welfare of the employees are covered. Etcetera, etcetera.

## Q2

1: What challenges have you encountered when looking at the obligations under the law?

2: **They want us to check the Tier 2 and Tier N suppliers. You can't manage that.** Because **your supply chain is fluid.** The supply chain is always fluid. If you have (product), if you want to drink it at home, and you think about the fact that the packaging is made of cardboard, and there is plastic in between. Plastic comes from oil. Where does this bottle of oil come from? I don't know that a producer will have multiple sources for oil to create the plastics. A producer will have multiple sources of wood to create the cardboard. If you go there till the end tier and then you still have multiple farmers who have (raw product). **So the only thing to stop this craziness, is give people responsibility for their own responsibilities. So only responsibility for your Tier 1. Because if I push you to be responsible for your Tier 1 supplier, and I say to the other one, you are responsible for your Tier 1 supplier and you are responsible for their Tier 1 supplier, in the end, what you then organize is that you make the whole supply chain responsible.** Let's look what's happening to the EUDR that we implemented with the 1st of 2025 and now everybody's saying \*\*\*\* you, we're not going to do it. And now the EU government is trying to change that. It's gonna be the same for the CS triple D. At certain moments, Germany's going to wake up. Germany's going to say we disagree, or **everybody's going to take a risk based approach**

and a risk based approach is that you only focus on the products which are of higher risk and the other ones you say, well, I didn't do it because I don't believe it's a high risk.

1: Yeah, but then according to the law, you get a fine.

2: You can get a fine, but then I go to court saying, what is the risk? Because the law is unclear on what is a risk. So, no one can completely comply because the interesting discussion here is also, I think competitiveness is one of the reasons. My companies exist so to that end, make clear who my sub suppliers are. Or is it my prerogative that my competitor doesn't know who are my suppliers? You should ask me if I'm your supplier; have you organized your Tier 2, Tier 3 suppliers? I have organized my own suppliers and I've asked them to organize, make it a chain where the companies are held accountable how they treat their supply base and not the Tier 2 Tier 3 because it's unworkable, I cannot manage how a Chinese supplier is providing. We cannot manage how, if the Chinese supplier outsource certain parts of his business to a third party. I can't see this from here, and none of my controlling agencies can see this. And then all for sure it happens. And I know for sure that if a Dutch company does business in India or has got an entity in India or Africa or Saudi, they will be facilitating payments. But I call it differently. So let's not be naive here.

1: So how do you approach it, when you look at this law, you think it's impossible? How do you approach it within your company? Like, are you completely ignoring it?

2: No, we will do the minimum to meet the risk appetite and we go for risk appetite. We have implemented a solution where we collected data from suppliers in a data process and then we can say; look, we have done the analysis of these suppliers. So, first we already have a clear ESG strategy towards suppliers. So what we do first we ask our suppliers, above a certain spend level to sign a supplier code of conduct. That conduct is nothing more and less. You can see it on our website where we ask suppliers to adhere to the United States policy. That's what we found important. Then for supplies with a certain spend, we ask them to provide us insights in their performance on these areas. And then we ask them to do an EcoVadis rating or B Corp rating. Those are certain ratings where a third party is auditing them on those topics. Then I go into Asia. So parties which are outside Europe, because this I own for parties outside Europe, I put the BSCI auditing in place. So my suppliers are regularly audited by BSCI and that's an independent auditor, which also takes these things which you mentioned into consideration and if they score lower than A/C in any of these topics, I kick them out. Without any hesitation.

1: Interesting, because for example, a company said when they don't comply with human rights standards, child Labor Standards and we do kick them out, they will remain in the same circumstances. Although when you stop the tendering process because they don't have the funds to invest in better circumstances, then..

2: I believe if the company is doing this, they should not have any business anymore because this takes the place. So I'm stopping business with them. It's not my prerogative to assume things. My prerogative is they are not meeting my standards and based on this prerogative I will not do business with you. There are always people which are saying, yeah, but then you take business and money from there so they will stay in that environment. But what's going to happen if I do business with them and next week next week an NGO notices I'm doing business with a company which has child labor, what do you think is going to happen with my public trust?

#### Q4

1: What are the most important strategies and/or processes that [company name] has implemented or will implement to comply with the EU supply chain law?

2: I think that the most important process in the future will next to be that, that and what we do now in Germany is that there be also suppliers to also provide their security on 3rd party providers. How if you

secured your risk of third parties there? I think what you're gonna have is that you're gonna go for much more products. I'm lucky that my supply base is mainly Europe. I think that 85% of my spend is European based. And then within that European base, there might be a few parties which have Asian sourcing in, but most of my products are locally produced.

#### Q5

1: Did the risk assessment process of [company name] change because of the new law? If so, how?

2: No, because I already have a risk assessment process in place. Well, we do a risk based assessment on all suppliers. We don't have a lot of Asian sourcing and then we go into areas where we have an environmental risk or third party risk like suppliers of (product) and (product) because they use a lot of Asian suppliers, and then we also check to confirm that they've covered this.

#### Q6

1: Have there been preventive actions, such as a grievance mechanism, that [company name] has introduced to meet the requirements of the law? Did the grievance mechanism change because of the law?

2: We've implemented this process. We have internal policies that they can complain, yeah.

#### Q7

1: Did the supplier acquisition process change because of the new EU supply chain law? If so, how?

2: Yeah, because we have installed this product in Germany, the acquisition process is changing. We are going to change it more rigorously, we are going to get much more on boarding process on suppliers but that's, again, administrative workload. We probably will not change the supply base. We will not change the supply base, but it will give an administrative workload. Because if 90% of your suppliers are not talking about spend but suppliers, I think 95% of my suppliers are from Europe.

#### Q8

1: Did the process of external auditing change because of the new EU supply chain law? If so, how?

2: Yeah. And I think that's also what's an external audits and I find it's fair. Let's take the example of loose handling. (Company name), one of the biggest suppliers of (products), is going to have a full list handling by the CEO of the company. Will I not be allowed to buy at (company name) anymore? One of the biggest French companies in the world? Do you think that the French Government will allow that? No. So here is your answer to the strength of the legislation.

#### Q9

1: How does digitalization play a role in your company's approach to manage supply chain risks and to comply with the law?

2: We have implemented a solution to manage that. Or are implementing that solution. The challenge here is; we might have a digital solution, but the suppliers don't have that. And what I forgot to mention, is that the EU is all about having equal rights for smaller companies and big companies. If you look to the EU legislation for their own procurement legislation for the UN, you can you can find it out, but the purpose of the understanding set was that there would be equal rights for small and medium companies, small, medium and large size companies, and that international trade would become bigger between EU countries. The number of cross border deals has decreased and the number of smaller and medium enterprise participating it is an increase, but it all goes to bigger suppliers. This again, what's happening here? The EU legislation is making it so complex for smaller companies to exist. I'm even going to kick out smaller companies because I can't manage that if I'm getting a risk that I deal with smaller companies, then it's going to be a nightmare to manage that. So this is the big issue. The big issue is that EU governments by these processes are also kicking out small and medium enterprises which

cannot meet all the legislations. Let's take the example of wooden handles for a hammer. It only produces that, that is the only thing he produces. How it might be two persons which have a machine where they make this? They have to find geolocation for wooden trees in the world that they have to add that. So for these two persons they have to add one person which is going to manage all these processes. This how you have to think about legislation because the digitalization in the market is not established as a result of this lack of digitalization of the market. This is going to be the impact. I am going to ask the buyer at some point to upload their certificates to upload this to upload that etcetera, etcetera. And then the supplier doesn't have it. So then you automatically got that risk that your suppliers will not do business with you anymore.

1: And if you would have a supplier that is capable and digitally advanced, how would you implement digital tools in your supply chain?

2: Like I mentioned, I have the solution where I ask them to upload all data and that's when I score it. And you have different solutions like EcoVadis or other companies where they use a solution where they do a supply risk analysis based on top down supply risk analysis. Yeah, that's what you can do, yeah. They use country risks and market risk and industry risks to tell which suppliers have a high risk or a low risk. And if I use that, I'm also managing my CS triple D. Because I said I used a solution. A solution tells me in which markets are in high risk, and that's where I can go, and that's what I've audited. So let me get to it, because then you understand. I was talking yesterday to a company, which has a turnover of 1 billion, not a small company anymore. His manager invested for the first time, or the owner invested for the first time in an ESG director. They might be able to have it there because if you want billion you can have it. But what if you are a 10 million company? Or when your margin is let's say 10%. In the end if I have to put two people in the chain to organize this thing. What's gonna happen with the margin? It will decrease. That's constantly what's happening in this case, and having this digitalization in place. The legislation is not thought through and it's like with every legislation like CSRD, which also implemented the government says, yeah, it only applies for big companies, but big companies are dependent on small companies automatically. Small companies are impacted. If you see how many small companies nowadays get a supply code of conduct, they have to sign.

#### Q10

1: Can AI be used or does [company name] currently use AI to comply with the law? If so, how?

2: AI is dependent on data, so I use AI. But AI is dependent on data. If the data is not there because the AI will look at country risk. That's what the AI the solution will do. If that data is not there, AI cannot do it on that specific company because that specific company is not publishing any reports, because if they're publishing reports, it's easy. But in our company, thousands of suppliers and maybe 50 are listed. The rest are not listed. They're privately owned companies. So where does AI get the data from then? We need to have the data to be available. So, the best approach according to this law is a risk-based approach. I'm going to continue as I am and put for certain suppliers and risk-based employees in place which is totally approved by the legislation and only focus on the risk based suppliers. So what you mean is you analyze your value chain, you look at your value chain; where are the spies which might cause a big risk which is also in the LkSG the same. And then you say I've not looked at these suppliers because I see a limited risk because it's coming from Europe, there's not environmental task force in general. So that's why I have and the products they use normally don't come from Far East. So that's why I have looked at these suppliers only full stop. I minimized my scope.

1: You don't think that you will get in trouble if with the CS triple D if this is your approach?

2: No.

1: But then you're not fully aware of the full value chain, right?

2: No but, I see you disagree with me, but it's how the world lives. You cannot manage your risk like this law wants us to, and every company's gonna do this. There's no company that will be able to manage this whole supply chain. I already have my supplier signed supplier code of conduct. I already have all my top suppliers which I response from my biggest spent and external auditing place, I already have for my Asian suppliers an additional analysis in place. I don't only have it for my Tier 2 and Tier 3 because I don't know what my Tier 2 and Tier 3 is.

1: So do you think it will be that the law will change or what do you think?

2: Of course, because nobody can manage his whole supply base. The law has to adjust, or they will kill the whole industry.

### Q15

1: When the French Duty of Vigilance Law became effective, research shows that businesses chose to shift responsibilities within a company from the CSR and human rights department to the legal department. Companies were aware that disclosed information can be used against them. Do you expect that this will happen in your company, or did it happen already?

2: A good question. With us, it is already in the legal department, to be honest. You've got accountability and responsibility. So the accountability for we've got in our company, we've got E, we got S and we got G. This falls under G. And G is already with us in the legal department and only responsible. I think that this is gonna be this legislation, no matter how well you make it, the legislation with penalties, it becomes more and more a legal topic and becomes part of the legal remit.

1: Do you think it should stay in the legal department. Or is there like more a collaboration?

2: It's how we are structured. 'cause it's how we have structured it because of the ESG cause the S is within our HR department. We have taken it within business lines. So we have taken it functional lines as an organization which is OK. It doesn't matter where it falls as long as it's organized. So, there is a legal department. Can be wrong, can be right. Because a legal department often has a better, a better-balanced power in a company than an ESG department. So, we don't have an ESG department. So, we have put it in the functional lines. And my function is operations and with my operations line I'm responsible for all E and G within my operational lines. It's how you're organized. It doesn't matter. The only thing what I mean is, I personally think that having an ESG department on it, I think that it should not be an ESG department. It should always be in the functional line, and that's the mistake that you mentioned a lot. Why is environmental or social governments part of an ESG office? Who the \*\*\*\* is ESG? You understand what I mean? I'm responsible for operations, so I should be responsible that this is implemented in my chain in my responsibility areas and that someone is supporting me through an office that says this should take place. Oh, fine, I do that.

### Q18

1: Do you think the long-term sourcing strategies will change because of the law? For example, withdrawing from doing business with high-risk regions such as China?

2: I don't think that the long-term strategy will change. It might be that you're gonna source less from Asia, but it has more to do because of that. This company, these countries are not willing to comply. I'm not going to play with this legislation. As a result, you cannot source from there.



## A2.7.2 Open and Axial Coding

Text snippets	Open codes	Axial codes
I don't think the EU supply chain law is not something on its own. You should link it with EUDR, CSRD, LkSG, and if I look to that perspective, I think that's the opinion that Europe is diminishing the competitiveness of our business in general.	Not a unique law, extension of the LkSG, EUDR, CSRD, diminishing competitiveness	Not a unique law, extension of the LkSG, EUDR, CSRD, diminishing competitiveness
...civil servants are defending somewhere behind a desk and don't understand what the impact is and what they're developing and how they're acting, they can completely disrupt an economy.	Politicians without procurement knowledge decided, disrupting economy	Politicians without procurement knowledge decided, disrupting economy
Civil servants are always disconnected with real life.	Civil servants disconnected with real life	Civil servants disconnected with real life
They want to change things, but they don't think what the impact of the change is, because they're not impacted by the change themselves. And the CS triple D is going to create a **** load of administrative burden onto the whole chain.	Politicians without procurement knowledge decided, administrative burden	Politicians without procurement knowledge decided, administrative burden
They want us to check the Tier 2 and Tier N suppliers. You can't manage that.	Impossible to comply	Impossible
...your supply chain is fluid.	Fluid supply chain	Fluid supply chain
So the only thing to stop this craziness, is give people responsibility for their own responsibilities. So only responsibility for your Tier 1. Because if I push you to be responsible for your Tier 1 supplier, and I say to the other one, you are responsible for your Tier 1 supplier and you are responsible for their Tier 1 supplier, in the end, what you then organize is that you make the whole supply chain responsible.	Responsibility for Tier 1	Responsibility for Tier 1
...everybody's going to take a risk-based approach and a risk based approach is that you only focus on the products which are of higher risk and the other ones you say, well, I didn't do it because I don't believe it's a high risk.	Risk-based approach	Risk-based approach

You can get a fine, but then I go to court saying, what is the risk? Because the law is unclear on what is a risk.	Law is unclear on what is risk	Law leaves room for interpretation
I have organized my own suppliers and I've asked them to organize, make it a chain where the companies are held accountable how they treat their supply base and not the Tier 2 Tier 3 because it's unworkable, I cannot manage how a Chinese supplier is providing.	Supplier self-accountability, tier 2 and tier 3 unmanageable, focus on direct suppliers	Supplier management constraints
...we will do the minimum to meet the risk appetite and we go for risk appetite.	Risk-based approach	Risk-based approach
...a solution where we collected data from suppliers in a data process and then we can say; look, we have done the analysis of these suppliers.	Collect data from suppliers, analysis of suppliers	Collect data from suppliers, analysis of suppliers
...we already have a clear ESG strategy towards suppliers. So what we do first we ask our suppliers, above a certain spend level to sign a supplier code of conduct.	ESG strategy towards suppliers, code of conduct	ESG strategy towards suppliers, code of conduct
Then for supplies with a certain spend, we ask them to provide us insights in their performance on these areas. And then we ask them to do an EcoVadis rating or B Corp rating.	Ask to provide insights in ESG performance, EcoVadis scorecard with minimum score	Minimum rating score at EcoVadis
So parties which are outside Europe, because this I own for parties outside Europe, I put the BSCI auditing in place. So my suppliers are regularly audited by BSCI and that's an independent auditor, which also takes these things which you mentioned into consideration and if they score lower than A/C in any of these topics, I kick them out. Without any hesitation.	BSCI auditing for suppliers outside Europe, scorecard with minimum score, time to leave	Minimum rating score, straight to termination
It's not my prerogative to assume things. My prerogative is they are not meeting my standards and based on this prerogative I will not do business with you.	Don't assume things, low standards means time to leave	Straight to termination
There are always people which are saying, yeah, but then you take business and money from there so they will stay in that environment. But what's going to happen if I do business with them and next week next week an NGO notices I'm doing business with a company which has child labor, what do you think is going to happen with my public trust?	Reputation risk management, public trust concerns, NGO scrutiny risks	Reputational risk management

No, because I already have a risk assessment process in place. Well, we do a risk-based assessment on all suppliers.	Risk-based assessment on suppliers	Risk-based assessment
We've implemented this process. We have internal policies that they can complain, yeah.	Whistle blowing system	Whistle blowing system
...we are going to get much more on boarding process on suppliers but that's, again, administrative workload.	More extensive on-boarding process, administrative burden	More extensive on-boarding process, administrative burden
We will not change the supply base, but it will give an administrative workload.	No change in supply base, administrative burden	No change in supply base, administrative burden
We have implemented a solution to manage that. Or are implementing that solution. The challenge here is; we might have a digital solution, but the suppliers don't have that.	Implementation of digital solutions, supplier digital gaps, supplier capacity disparity	Digital integration challenges
The EU legislation is making it so complex for smaller companies to exist. I'm even going to kick out smaller companies because I can't manage that if I'm getting a risk that I deal with smaller companies, then it's going to be a nightmare to manage that. So this is the big issue. The big issue is that EU governments by these processes are also kicking out small and medium enterprises which cannot meet all the legislations.	Complex for smaller companies to exist, kick out smaller companies	Complex for smaller companies to exist, kick out smaller companies
...I have the solution where I ask them to upload all data and that's when I score it. And you have different solutions like EcoVadis or other companies where they use a solution where they do a supply risk analysis based on top down supply risk analysis.	Upload all data, EcoVadis for risk analysis	EcoVadis for risk analysis
They use country risks and market risk and industry risks to tell which suppliers have a high risk or a low risk.	Country risks, market risks	Country risks, market risks
...it only applies for big companies, but big companies are dependent on small companies automatically. Small companies are impacted.	Big companies depend on small companies	Buyer depends on supplier, suppliers not capable for digital solutions
AI is dependent on data, so I use AI. But AI is dependent on data. If the data is not there because the AI will look at country risk. That's what the AI the solution will do. If that data is not there, AI	AI is dependent on data, problem is no data from small and local suppliers	Small and local suppliers have

cannot do it on that specific company because that specific company is not publishing any reports...		no data, not suitable for AI
...the best approach according to this law is a risk-based approach. I'm going to continue as I am and put for certain suppliers and risk-based employees in place which is totally approved by the legislation and only focus on the risk-based suppliers.	Risk-based supplier focus, legally supported risk approach, prioritizing high-risk suppliers	Risk-based compliance strategy
...I've not looked at these suppliers because I see a limited risk because it's coming from Europe, there's not environmental task force in general. So that's why I have and the products they use normally don't come from Far East. So that's why I have looked at these suppliers only full stop. I minimized my scope.	Limited risk means less effort, minimizing your scope	Limited risk means less effort, minimizing your scope
You cannot manage your risk like this law wants us to, and every company's gonna do this. There's no company that will be able to manage this whole supply chain. I already have my supplier signed supplier code of conduct. I already have all my top suppliers which I response from my biggest spent and external auditing place, I already have for my Asian suppliers an additional analysis in place.	Impossible to manage the whole supply chain, code of conduct, external auditing for suppliers with biggest spend and highest risks, additional analysis for Asian suppliers	Impossible to manage the whole supply chain, code of conduct, external auditing for suppliers with biggest spend and highest risks, additional analysis for Asian suppliers
Of course, because nobody can manage his whole supply base. The law has to adjust, or they will kill the whole industry.	Unmanageable supply base, law needs adjustment, industry survival concerns	Legislative adaptation needs
With us, it is already in the legal department, to be honest.	Legal department is responsible	Legal department is responsible
...this is gonna be this legislation, no matter how well you make it, the legislation with penalties, it becomes more and more a legal topic and becomes part of the legal remit.	Legal department is responsible	Legal department is responsible
I don't think that the long-term strategy will change.	No change in long-term sourcing strategies	No change in long-term sourcing strategies

### **A2.7.3 Selective Coding**

Multiple insights, strengths and strategies emerged in the interview:

#### **Perceived impact of the new EU supply chain law**

- Not a unique law, extension of the LkSG, EUDR, CSRD
- Diminishing competitiveness
- Politicians without procurement knowledge decided, disrupting economy
- Civil servants disconnected with real life
- Politicians without procurement knowledge decided
- Administrative burden
- Law has to adjust

#### **Challenges when looking at obligations under the law**

- Impossible to manage the whole supply chain
- Fluid supply chain
- Responsibility for Tier 1 as the only solution
- Law leaves room for interpretation
- Responsibility for Tier 1, Tier N is impossible

#### **Assessed importance of compliance with the law**

- Confident that the law will adjust to only direct suppliers

#### **The most important strategies and/or processes to comply with the law**

- Risk-based approach
- Collect data from suppliers, analysis of suppliers
- ESG strategy towards suppliers
- Code of conduct
- Minimum rating score at EcoVadis
- Limited risk means less effort, minimizing your scope

#### **Change of risk assessment process? In what way?**

- No, already a risk-based approach

#### **Change of grievance mechanism? In what way?**

- Whistle blowing system

**Change of supplier acquisition process? In what way?**

- More extensive on-boarding process, administrative burden
- No change in supply base

**Change of external audition process? In what way?**

- Yes, not specifically indicated

**The role of digitalization**

- Suppliers not capable for digital solutions
- Complex for smaller companies to exist, kick out smaller companies
- EcoVadis for risk analysis
- Country risks, market risks
- Buyer depends on supplier, suppliers not capable for digital solutions

**The role of AI**

- Small and local suppliers have no data, not suitable for AI

**How to improve supply chain transparency with digital tools?**

- No knowledge

**The role of blockchain technology**

- No knowledge

**The role of a digital twin**

- No knowledge

**The role of robotic process automation**

- No knowledge

**Shifting responsibilities from the CSR and human rights department to legal department?**

- Legal department is responsible

**Strategies used in the case of non-compliance from suppliers**

- Straight to termination

**Which financial impacts related to the law, and how to balance higher costs while maintaining efficiency?**

- No change, the company already does a lot

**Expected change of long-term sourcing strategies?**

- No change in long-term sourcing strategies

## A2.8 Interview 8

Interviewee 8: Procurement Manager in a Dutch company – Information Technology Industry

### A2.8.1 Transcript

#### Q1

1: How do you perceive the impact of the new EU supply chain law?

2: Just for the record then I say already, then the law, as I know him that you call him something different. I really took it as a policy document that way and also explained it; what do I see from it? Yes. Look, this is a very general question though, you can, what do you mean commercially do you mean? Commercially or philosophically, etc. etc.?

1: Yes, this is indeed a very general question, But I thought, maybe we can start with such a general question, for example the main difference with this law is that you also have to look at the Tier 2 and Tier 3 suppliers, so also at the indirect suppliers and a lot of companies indicate that this is almost impossible, that this is an impossible task, that the law is not practical for them, that it is not feasible. So you can think about that kind of thing with this question.

2: Yes so yes, in that sense I would say like how deep you look into the chain, you end up at in China or in mines in which raw materials are. The control, which we also have as OEM on that, which is virtually zero so the only thing that you can do, there are some things about it, then you have to be very principled. Well, **you can't get around China on principle, that's the factory of the world, so you have to find a way around that.** Well, the way we have found, for example, if someone from engineering really thinks that there is a certain component that needs to be put in, a special component that is not what say developed to our specs. **Our specs then we are willing to go so deep into the chain that you actually travel to China and verify that it is okay. Is this something what is going to fit within that legislation then what we can also explain?** But then it really has to be a very strategic product for us, so for example determining whether or not its really cost driving or whatever huh? Then we as an organization, say we have to go do that and that's one kind of assessment that we then in an expert team do that. With us we work with expert teams here and there so depending on the discipline. Or **you want a quality manager or a purchasing manager or an engineer or whatever to join to actually go to China and they their processes, safety standards, et cetera.**

#### Q2

1: What challenges have you encountered when looking at the obligations under the law?

2: First of all, certain of the scope almost every major manufacturer that has or OEW bucket. Those have a few 1000 I think are suppliers in their chain. Well you know that's actually a good challenge. So how are you going to do that? Yes, then in time you end up as a strategic supplier or choose players or whatever and then you have to start defining that, so the challenge is already of, how do you make sure that you are compliant and then, how could you do that within a supply chain that is also manageable there, because **I don't have the budget to hire 10 more people that you can look over and think about that, so to speak, so that's one of the first ones. What is a good scope?** The second is on the other hand, again, our management wants also that you make an impact too, right? So how do we make sure that you do this, also looking at the future. Yes, that can come from technology and that very often comes from technology. Lucky right? We are also close to that and then we can usually do something about it. But yes, there is also a part in the chain that we can actually have very little influence on, unless we decide to just go away from it. I mean, we also do take care of part in Asia and so on. Well, then it all comes our way in an container on a bout. Yeah, so how sustainable is that, right? So all those discussions come along, so buying your supply chain is now one of it.



1: Yeah, and if you then look at, for example, managing what the CS triple D suggests, is that so in addition to the direct suppliers, you also check indirect suppliers for standards considering Human Rights, Child Labor, Unsafe working conditions. Do you see a challenge in this field? Is this reachable and what is the approach of (company name)?

2: In the end you come, when you look at safety, Human Rights and conditions, everybody is pointing to China. We know that it doesn't really work there. According to our game rules game rules imposed. You actually have two environments, one is within the EU and these EU suppliers are working fine and they also have to comply to all rules or at least a lot of rules. So Europe, Eastern Europe, is covered pretty well. Beyond that, it becomes vague.

### Q3

1: How does [company name] assess the importance of compliance with this law?

2: That is a weird question. The law is of course essential. We cannot say that we can ignore the law and the conditions, so yeah.

1: Yes, but what I meant with the question is that maybe you can give some insights into your thoughts about the law, it is too strict, unpractical, the view of other companies about it, these kinds of things.

2: What I see, is that all companies do take it seriously. We all think about the law and see the challenges, but all companies take it serious. I can definitely say that. I do notice that indeed, yes.

### Q4

1: What are the most important strategies and/or processes that [company name] has implemented or will implement to comply with the EU supply chain law?

2: What do you mean with that, what kind of answer do you expect here?

1: So yes, it is important that the whole value chain will be controlled considering human rights, child labor, unsafe working conditions, etc. etc., and which strategies does (company name) implement to comply with the law.

2: Okay, yes so actually we are in the starting phase. So a couple of people within our organization focus fully on translating the law, and they also look at finance, logistics, and procurement. It is really divers. I am responsible for the procurement part within our organization. I am responsible for the strategy and to decide the scope. We make sure that our general terms for procurement are updated, that specific things are mentioned more explicitly, like human rights, in the code of conduct, these kinds of things, so that we make some steps with the administration. Most oftenly, we are busy with doing audits. We assign a small audit team and they will audit a supplier specifically based on these fields. Sometimes 1, 2 or 3 people that will actually visit the supplier, these are always big and important suppliers. Then we check, okay, what are they actually doing? What is their policy, what did they do, which commitments are they making. These are the strategies in general.

### Q5

1: Did the risk assessment process of [company name] change because of the new law? If so, how?

2: Yes, it is made more specifically. On the points of human rights, code of conduct, we made it more strict. But, the law is still fairly new. We are not yet in the phase where we close doors firmly, it is not that bad still.

1: Okay. Do you also work with a company such as EcoVadis for risk management and identification?

2: Yes, we work with them and also some of our biggest partners also work with them. That is also something that really helps us. They are advanced considering the rules of CSDDD, they see the importance of the law and they are very knowledged. EcoVadis gives us basically an information sheet

where the top priorities are mentioned. Which medal do we receive, so you can have bronze, silver and gold. How to go from bronze to silver? They give us an action plan.

1: Okay, yes, and do you also use EcoVadis for your suppliers? So that you assess a supplier with the help of EcoVadis?

2: No, we don't do this, but this is actually a good point. This is one of the methodologies that you can use, right. We will look at these possibilities in the future, for sure. But we are so far not yet there, but we would like to have that. I don't know if it will be EcoVadis, there will also be alternatives. But yes, such a methodology, that will be the future. When the law will stay like this, customers are looking for such a system.

1: So, why is it not pursued already?

2: It is too soon for that, the law is not active still. Look, a company only moves when it is known that a customer values it or demands it. When the customer is not moving or saying anything, we will also not do anything about it. This is how it works. Until customers say, okay, we stop business with you if you don't do it, then you will see that everyone is starting to run and do it.

#### Q6

1: Have there been preventive actions, such as a grievance mechanism, that [company name] has introduced to meet the requirements of the law? Did the grievance mechanism change because of the law?

2: Yes, for us this is in the code of conduct. We have such a document and we updated this based on the law. The so-called whistle-blower is in there. It is about unsafe working conditions, these kinds of things. But, we are not in a direct line. The thing that we ask, is that within their organization there is a point of contact so that they can approach them this way. And then what we do in an audit is control if this is the case. We monitor this. We don't have to know the details, as long as there is a person that is mainly responsible and he or she takes the role serious.

#### Q7

1: Did the supplier acquisition process change because of the new EU supply chain law? If so, how?

2: Yes, we constantly adjust it. It became a bit of a trend, the term nearshoring. It means that you look for suppliers closer to home. So sometimes we think OK, maybe it is a bit more expensive, the Total Cost of Ownership will increase. We had a contact in Taiwan but there were multiple risks attached to them, so we said well we are just not going to do it. So maybe it costs more to do it with an EU supplier, but the risks compensate it. The extra risk mitigation compensates so we are working on that. Also, we have increased the barrier for new suppliers. So we have stronger and higher standards to take into consideration. So in this sense, we work with a higher barrier. But yeah, China will recognize that they must do more and more to show that they comply with European standards, because otherwise they will lose a lot of clients.

#### Q8

1: Did the process of external auditing change because of the new EU supply chain law? If so, how?

2: So yes, just like I already told, so we have a questionnaire and that became more extensive.

#### Q9

1: How does digitalization play a role in your company's approach to manage supply chain risks and to comply with the law?

2: Yes, so we use digital tools to contact suppliers, Teams, email, these kinds of things.

1: Yes, but I actually mean; if you look specifically to the demands of the law, how can digitalization be used and in what way?

2: I think, we don't do that at the moment. We use tools that we always had, so I don't see the added value here. But I don't also see it work later, because for example a digital protocol where you check suppliers and monitor things, it is also really easy to commit fraud. So I don't really see the added value. So I think the only strategic tool would be to actually visit the location and to check if everything is going well at the supplier. Also, you can have a contract where you demand the Tier 1 supplier to check the Tier 2 supplier based on human rights, child labor and unsafe working conditions, and other things related to the law. Then, you have made your commitments. But then still the enforcement still needs to be done. I think that bigger firms are a bit more creative. They have a bigger legal department and they are more creative to formulate things. And we also had some help with legal compliance. If you have a good legal approach and you build-in escapes, so that you state it in a way that it is legally acceptable, then you will go far. If you look at the law, not everything is clear and a lot of interpretations can be different. You can also have interpretation differences on it. So when it will be checked if our company complies, we can also say that we interpreted it in a different way and we did actions based on this interpretation. So this is hard.

#### Q11

1: How is [company name] planning to improve supply chain transparency? Are there digital tools being used for this purpose?

2: So we only work with suppliers that are transparent in the first place. Otherwise, we don't work with them. We monitor if they work conform our agreements, if there is a code of conduct, and we follow this up by monitoring on-site, so we go there and check everything ourselves. We do this for a select club. So we use the 80-20 rule, so the suppliers that are responsible for 80% of the revenue, we check first and normally these are only a couple suppliers. We audit them first and we make an audit plan, that is the way our cyclus works.

#### Q14

1: Is robotic process automation used in the supply chain and will the use of this technology change because of the new EU supply chain law? If so, how?

2: We currently not use this, but I can imagine you want for example the factor labor to remove from the supply chain. By removing labor, you automatically remove the human rights idea, transport, energy consumption, so in the future this will weigh heavier for sure. But it is not being used so far.

#### Q15

1: When the French Duty of Vigilance Law became effective, research shows that businesses chose to shift responsibilities within a company from the CSR and human rights department to the legal department. Companies were aware that disclosed information can be used against them. Do you expect that this will happen in your company, or did it happen already?

2: No, for us the responsibility is not at Legal. They are mostly just busy for advice. An advisory organ. But they will be involved in everything, because when we read the laws through and you see all the statements, it is really legally complex and there is room for interpretation. So, Legal is involved but in the end I am busy with it and I am responsible for it.

#### Q16

1: What strategies and actions are being used when faced with non-compliance from suppliers? Do these strategies and actions need to be adjusted because of the law?

2: Let me think about how we formulated it. What we do in most cases, yes, it is not a fine or so. There is a supplier relationship. Normally what we do, for example when we see something wrong in an audit,

we discuss it with the management of us and the supplier. When we already committed to a supplier, this usually doesn't happen. So consequences are mostly not necessary. If we check for a new supplier, we look really extensively and we have a pre selection. If something is wrong, we can see it immediately when we check them and see oh god, this is not good. So they will not come through our selection. Luckily we are not under this pressure that we have to work with these kinds of suppliers. So in our selection process, we try to cover all risks. What are the statistics of the supplier, which competencies do they need to have, on what level does the organization needs to be? What is the level of maturity of the supplier?

**Q17**

1: What financial impacts are expected when complying with the EU supply chain law and how is [company name] going to balance higher costs while maintaining efficiency?

2: So, initially processes will become more expensive. You have to put energy in to get results. In the end, the goal of (company name) is the long-term perspective. Short-term, processes will be more expensive. But if long-term it is fine, then that is fine. So what you are actually doing is pre-financing. That sounds really ideological. Some companies I know, they just feel like being pushed out of the EU.

1: Do you think that the cost price will increase?

2: It depends, so if the customer is willing to pay for it and they are explicitly asking for the policy, then they can pay for it as well. Otherwise not.

**Q18**

1: Do you think the long-term sourcing strategies will change because of the law? For example, withdrawing from doing business with high-risk regions such as China?

2: It is 3 o'clock, we are in this interview already for an hour, so I have another meeting. But I will answer quickly. Yes, like I said, I think it will change. Companies will look more at the possibility for nearshoring. Also, the way you think with the supplier. The demands related to renewable energy and other climate demands will change the way the end product is presented. So yes, procurement specialists will source differently in the future.

**A2.8.2 Open and Axial Coding**

Text snippets	Open codes	Axial codes
...you can't get around China on principle, that's the factory of the world, so you have to find a way around that.	Can't get around China	China is important
Our specs then we are willing to go so deep into the chain that you actually travel to China and verify that it is okay. Is this something what is going to fit within that legislation then what we can also explain? But then it really has to be a very strategic product for us...	Strategic product prioritization, limited auditing resources, selective compliance focus	Resource-based compliance strategy
...you want a quality manager or a purchasing manager or an engineer or whatever to join to actually go to China and they their processes, safety standards, et cetera.	Travel to China, audit on-site	Check in the field

...I don't have the budget to hire 10 more people that you can look over and think about that, so to speak, so that's one of the first ones. What is a good scope?	Defining and minimizing your scope	Minimizing your scope
The law is of course essential. We cannot say that we can ignore the law and the conditions...	Law is essential	Law is essential
...all companies do take is seriously. We all think about the law and see the challenges, but all companies take it serious.	Serious efforts	Serious efforts
...a couple of people within our organization focus fully on translating the law, and they also look at finance, logistics, and procurement.	Translate the law considering finance, logistics and procurement	Translate the law, no good understanding yet
We make sure that our general terms for procurement are updated, that specific things are mentioned more explicitly, like human rights, in the code of conduct, these kinds of things, so that we make some steps with the administration.	Updated general terms, mention human rights factors more, code of conduct	Updated general terms, code of conduct
...we are busy with doing audits. We assign a small audit team and they will audit a supplier specifically based on these fields. Sometimes 1, 2 or 3 people that will actually visit the supplier, these are always big and important suppliers. Then we check, okay, what are they actually doing? What is their policy, what did they do, which commitments are they making.	Audits, travel to supplier, audit on-site, only for strategic suppliers	Check in the field
Yes, it is made more specifically. On the points of human rights, code of conduct, we made it more strict.	Risk assessment process made more strict, human rights, code of conduct	Risk assessment process made more strict, code of conduct
Yes, we work with them and also some of our biggest partners also work with them. That is also something that really helps us. They are advanced considering the rules of CSDDD, they see the importance of the law and they are very knowledgeable. EcoVadis gives us basically an information sheet where the top priorities are mentioned.	Work with EcoVadis, EcoVadis really helps	Work with EcoVadis, EcoVadis really helps
...for us this is in the code of conduct. We have such a document and we updated this based on the law. The so-called whistle-blower is in there. It is about unsafe working conditions, these kinds of things. But, we are not in a direct line. The thing that we	Whistleblowing for unsafe conditions, supplier-internal reporting, indirect issue escalation	Internal grievance mechanisms

ask, is that within their organization there is a point of contact so that they can approach them this way.		
...what we do in an audit is control if this is the case. We monitor this. We don't have to know the details, as long as there is a person that is mainly responsible and he or she takes the role serious.	Control whistle blowing system in an audit	Control whistle blowing system in audit
...nearshoring. It means that you look for suppliers closer to home.	Nearshoring, select supplier closer to home	Nearshoring
...we have increased the barrier for new suppliers. So we have stronger and higher standards to take into consideration.	Increased barrier for new suppliers	Increased barrier for new suppliers
...we have a questionnaire and that became more extensive.	Extensive questionnaire	Extensive questionnaire
...a digital protocol where you check suppliers and monitor things, it is also really easy to commit fraud. So I don't really see the added value.	Fraud risks in digital monitoring, limitations of digital tools	Audit and verification strategies
...the only strategic tool would be to actually visit the location and to check if everything is going well at the supplier.	Travel to supplier, preference for on-site audits	Audit and verification strategies
...you can have a contract where you demand the Tier 1 supplier to check the Tier 2 supplier based on human rights, child labor and unsafe working conditions, and other things related to the law.	Add in contract that supplier is responsible for their suppliers, cover yourself by the contract	Add in contract that supplier is responsible for their suppliers
...bigger firms are a bit more creative. They have a bigger legal department and they are more creative to formulate things. And we also had some help with legal compliance. If you have a good legal approach and you build-in escapes, so that you state it in a way that it is legally acceptable, then you will go far. If you look at the law, not everything is clear and a lot of interpretations can be different.	Legal aspect can become creative, law is unclear in some cases, build-in escapes	Law leaves room for interpretation
...we only work with suppliers that are transparent in the first place. Otherwise, we don't work with them. We monitor if they work conform our agreements, if there is a code of conduct, and we follow this up by monitoring on-site, so we go there and check everything ourselves.	Only collaborate with transparent suppliers, travel to supplier, audit on-site	Only collaborate with transparent suppliers, check in the field
So we use the 80-20 rule, so the suppliers that are responsible for 80% of the revenue, we check first and normally these are only a couple suppliers.	80-20 rule	80-20 rule

We currently not use this...	No use of RPAs	No use of RPAs
...for us the responsibility is not at Legal. They are mostly just busy for advice. An advisory organ. But they will be involved in everything...	Legal department as advisory role, separation of compliance responsibilities, cross-departmental involvement in compliance	Integrated compliance governance
Normally what we do, for example when we see something wrong in an audit, we discuss it with the management of us and the supplier. When we already committed to a supplier, this usually doesn't happen.	Discuss with management and supplier, usually no cases	Discuss with management and supplier
...we look really extensively and we have a pre selection. If something is wrong, we can see it immediately when we check them and see oh god, this is not good. So they will not come through our selection.	Extensive supplier pre-selection, proactive risk mitigation, early compliance screening	Preventive supplier screening
So in our selection process, we try to cover all risks. What are the statistics of the supplier, which competencies do they need to have, on what level does the organization needs to be? What is the level of maturity of the supplier?	Extensive pre-selection, statistics of supplier, competencies, level of the organization, maturity	Extensive pre-selection
Short-term, processes will be more expensive. But if long-term it is fine, then that is fine. So what you are actually doing is pre-financing.	Short-term more expensive processes, pre-financing	Pre-financing
Yes, like I said, I think it will change. Companies will look more at the possibility for nearshoring.	Change in long-term sourcing strategies, nearshoring	Change in long-term sourcing strategies, nearshoring

### A2.8.3 Selective Coding

Multiple insights, strengths and strategies emerged in the interview:

#### Perceived impact of the new EU supply chain law

- China is important

#### Challenges when looking at obligations under the law

- Travel to China
- Defining your scope

### **Assessed importance of compliance with the law**

- Law is essential
- Serious efforts

### **The most important strategies and/or processes to comply with the law**

- Check in the field
- Minimizing your scope
- Translate the law, no good understanding yet
- Updated general terms, code of conduct
- Add in contract that supplier is responsible for their suppliers
- Law leaves room for interpretation, build-in escapes by legal department
- 80-20 rule

### **Change of risk assessment process? In what way?**

- Risk assessment process made more strict
- Code of conduct
- Work with EcoVadis, EcoVadis really helps

### **Change of grievance mechanism? In what way?**

- Whistle blowing system in code of conduct
- Control whistle blowing system in audit

### **Change of supplier acquisition process? In what way?**

- Nearshoring
- Increased barrier for new suppliers

### **Change of external audition process? In what way?**

- Extensive questionnaire

### **The role of digitalization**

- No value seen in digitalization, easy to commit fraud

### **The role of AI**

- No knowledge



### **How to improve supply chain transparency with digital tools?**

- No digital tools
- Only collaborate with transparent suppliers
- Check in the field

### **The role of blockchain technology**

- No knowledge

### **The role of a digital twin**

- No knowledge

### **The role of robotic process automation**

- No use of RPAs

### **Shifting responsibilities from the CSR and human rights department to legal department?**

- Legal as consultant

### **Strategies used in the case of non-compliance from suppliers**

- Discuss with management and supplier
- Extensive pre-selection

### **Which financial impacts related to the law, and how to balance higher costs while maintaining efficiency?**

- Pre-financing

### **Expected change of long-term sourcing strategies?**

- Change in long-term sourcing strategies, nearshoring

## A2.9 Interview 9

Interviewee 9: Procurement Officer in a Dutch company – Retail & E-Commerce Industry

### A2.9.1 Transcript

#### Q1

1: How do you perceive the impact of the new EU supply chain law?

2: Well basically, yes of course there are a lot of facets in procurement that you just take into account by default, especially with regard to human rights. We are just a Dutch company, so we buy mainly from Dutch companies, so that makes a difference. I think many Dutch companies already take into account these kinds of important points as a rule. So **I certainly don't think it has much impact for me and not necessarily for (company name)**. Think rather for the goods side what that does have more impact, because there often yes procurement is done outside the Netherlands anyway, so that actually not. Subjects that I am working on, to give an example, (product) or the purchase of (product), **we actually ask the suppliers about the origin of the materials, so that we have insight into that as well**, and we do the same, for example, if we purchase new (product), we ask very specifically about the origin of the materials, so that that at least comes from Europe or at least not much further than that.

#### Q2

1: What challenges have you encountered when looking at the obligations under the law?

2: We've been working on it internally. We just have a sustainability director, I've been working with him to **make a checklist so that we can get the points that in the new legislation are important to get that information from the suppliers**. So requesting that information through that checklist so that we have insight and that yes kind of just did our preliminary work. We want to implement that at least for new suppliers, but obviously we also want to deploy if time permits to go to suppliers that we've been using for say longer.

#### Q3

1: How does [company name] assess the importance of compliance with this law?

2: I guess I mean, I work alone, so it's important for myself, so I think, **it's important for (company name) anyway, because we care very, very much about the environment and about sustainability**. So I think it's definitely important for (company name) that that compliance is there. But yes, I think (company name) is very much trying to professionalize, but that sometimes is still difficult. Actually if yes, **we have grown very fast and not everyone is aware of certain legal things, what it entails**, but yes, I, I am on my own, so I think I personally always do my best for that.

1: Ah okay, so you work alone in procurement?

2: Yes.

1: But how many employees does (company name) have? I thought it was more than 1000 and also a revenue of more than 450 million per year, right?

2: Yes, we have a little less than 1200 employees in the Netherlands. What I actually do, is a lot with the departments together. It's not the case at (company name) that only I am allowed to purchase. Everyone in the department is also responsible for purchasing, but above certain amounts or if it is really contract appointment related, then they have to involve me in the process and I will look at the supplier and at the contract.

1: If you then look at the law what is suggested that you have to look not only at the direct supplier but also at the indirect supplier. Do you see that as feasible or a very difficult task?

2: Well, it depends a little bit on the subject. If you talk about (product), for example, that origin is often very difficult to trace. But yes, in most cases we do indeed ask if we buy something where it actually comes from.

1: And then you can also just contact the Tier N suppliers, or not?

2: Well, no, I don't think so. I rather think that if there really are suppliers and these products are really not traceable, then I rather think that we don't continue with that supplier. Honestly. In our request for proposal, we clearly specify that we want to know where the products come from. And yes, suppose a supplier is not honest about that. Yes, then it becomes difficult for us, I think. But yes, you do assume that the suppliers we work with also take those rules and legislation into account.

1: Yes, and do you also sometimes go to the location itself to look, for example, if you then look at unsafe working conditions, human rights to see for example if they are so indeed not lying or etcetera. That there's just something not wrong?

2: We don't buy much outside of Europe and yes, Dutch suppliers, of course I go there and I have contact with the suppliers we have really big contracts with. But yes, those are just Dutch companies, so they really have their affairs in order indeed. From Asia, well, we say to my date we don't have many, but I think some (product) comes from there. But yes, dare not say that what really is the impact of suppliers we have. I have no contact with suppliers from Asia, so then it would be, for example, my suppliers of (product) in the Netherlands that gets it from there.

1: Yes, exactly, but that is then the thing right of the legislation that you have to, also that says the law in any case, you have to be sure then also where that (product) comes from, from that Dutch supplier.

2: Yes exactly, but at the moment we don't know.

#### Q4

1: What are the most important strategies and/or processes that [company name] has implemented or will implement to comply with the EU supply chain law?

2: I think that we can trace that from that checklist, so the goal is indeed to ask there, from where do the products come from that you supply to suppliers or that we purchase from you and how traceable are they actually so those are questions that will indeed have to come out of those checklists.

1: Yes, and is that in an audit? Is that being done or some kind of periodic check with suppliers?

2: Well, there are just fixed agreements anyway with suppliers, so they won't just supply different (product) or different (product) or from a different origin. Because yes, we just have that agreement so. I did indeed also say to the sustainability manager, if we're going to start with the checklist, what are we actually going to do with it? But yes, the future will have to tell. Is not something I have mapped out right now.

#### Q5

1: Did the risk assessment process of [company name] change because of the new law? If so, how?

2: No, I don't think so.

#### Q6

1: Have there been preventive actions, such as a grievance mechanism, that [company name] has introduced to meet the requirements of the law? Did the grievance mechanism change because of the law?

2: No, but I also don't think this is relevant for us, since we only work with Dutch suppliers. I think we actually didn't do any actions so far related to the law, because we only work with Dutch suppliers so we have the transparency.

1: Okay, and then let's say you do work with an Asian supplier and you want to comply with the law, what comes up to you that would be a good strategy?

2: Yes, so then you would have to look for another supplier. Seems to me if it cannot be a facilitator, then yes either the supplier is too small, or then you have to make other choices in that. If we want to control the supplier, (company name) is too small to check the suppliers on-site ourselves. Then we would ask for a consultancy company for advice and to check the supplier at the location.

*(Interviewee continuously indicated to have no knowledge about the topics Q7-Q15, or no tools/strategies implemented.)*

**Q16**

1: What strategies and actions are being used when faced with non-compliance from suppliers? Do these strategies and actions need to be adjusted because of the law?

2: I think (company name) really stands for good relationships and good contact with suppliers, so I think, in principle we will just try to come out of it together and otherwise, yes, we will indeed go to a lawyer? Or well, we just have clauses in the contract if they do not fulfill an agreement, what are the agreements, so then we will not fail to invoke that.

**Q17**

1: What financial impacts are expected when complying with the EU supply chain law and how is [company name] going to balance higher costs while maintaining efficiency?

2: As I told you before, I think not really financial impacts.

**Q18**

1: Do you think the long-term sourcing strategies will change because of the law? For example, withdrawing from doing business with high-risk regions such as China?

2: Well, I don't think for me personally. I think for other procurement it will remain mainly Dutch companies. And yes, (company name) is just a Dutch company and our working language is just Dutch. So yes, that may be for goods, but nothing related to me.

**A2.9.2 Open and Axial Coding**

Text snippets	Open codes	Axial codes
...I certainly don't think it has much impact for me and not necessarily for (company name).	Not much impact	Not much impact
...we actually ask the suppliers about the origin of the materials, so that we have insight into that as well...	Insights about origin of supplies	Insights about origin
...make a checklist so that we can get the points that in the new legislation are important to get that information from the suppliers.	Make a checklist, update checklist for legislation	Update checklist for legislation

...it's important for (company name) anyway, because we care very, very much about the environment and about sustainability.	Care about environment and sustainability	Environmental and sustainable care
...we have grown very fast and not everyone is aware of certain legal things, what it entails...	Help with an understanding about what it entails	Law is not concrete
...if there really are suppliers and these products are really not traceable, then I rather think that we don't continue with that supplier.	No traceability, time to leave	Straight to termination
In our request for proposal, we clearly specify that we want to know where the products come from.	Extensive pre-selection	Extensive pre-selection
...you do assume that the suppliers we work with also take those rules and legislation into account.	Assume goodwill on the supplier side	Assume goodwill
We don't buy much outside of Europe and yes, Dutch suppliers, of course I go there and I have contact with the suppliers we have really big contracts with. But yes, those are just Dutch companies, so they really have their affairs in order indeed.	Audit on-site at Dutch companies	Check in the field for Dutch companies only
...at the moment we don't know.	No knowledge	No knowledge
...we can trace that from that checklist, so the goal is indeed to ask there, from where do the products come from that you supply to suppliers or that we purchase from you and how traceable are they actually...	Make a checklist, extensive pre-selection	Make a checklist, extensive pre-selection
...there are just fixed agreements anyway with suppliers, so they won't just supply different (product) or different (product) or from a different origin.	Fixed agreements	Fixed agreements
No, but I also don't think this is relevant for us, since we only work with Dutch suppliers.	Only work with Dutch suppliers	Only work with Dutch suppliers
...then you would have to look for another supplier.	Look for alternatives	Look for alternatives
...(company name) is too small to check the suppliers on-site ourselves. Then we would ask for a consultancy company for advice and to check the supplier at the location.	Consultancy for supplier audits, resource outsourcing, expert-led compliance checks	Outsourced compliance assurance
...good relationships and good contact with suppliers, so I think, in principle we will just try to come out of it together and otherwise...	Good relationships, developing suppliers	Good relationships, developing suppliers

...I think not really financial impacts.	No financial impact expected	No financial impact expected
...I don't think for me personally.	No change in long-term sourcing strategies	No change in long-term sourcing strategies

### **A2.9.3 Selective Coding**

Not many, but some insights, strengths and strategies emerged in the interview:

#### **Perceived impact of the new EU supply chain law**

- Not much impact
- Insights about origin

#### **Challenges when looking at obligations under the law**

- Update checklist for legislation

#### **Assessed importance of compliance with the law**

- Environmental and sustainable care
- Law is not concrete

#### **The most important strategies and/or processes to comply with the law**

- Extensive pre-selection
- Don't buy much outside Europe
- Check in the field for Dutch companies only
- Fixed agreements
- Look for alternative suppliers within Europe
- Check in the field by consultancy company

#### **Change of risk assessment process? In what way?**

- No

#### **Change of grievance mechanism? In what way?**

- No, no grievance mechanism in place

**Change of supplier acquisition process? In what way?**

- No knowledge

**Change of external audition process? In what way?**

- No knowledge

**The role of digitalization**

- No knowledge

**The role of AI**

- No knowledge

**How to improve supply chain transparency with digital tools?**

- No knowledge

**The role of blockchain technology**

- No knowledge

**The role of a digital twin**

- No knowledge

**The role of robotic process automation**

- No knowledge

**Shifting responsibilities from the CSR and human rights department to legal department?**

- No knowledge

**Strategies used in the case of non-compliance from suppliers**

- Good relationships
- Developing suppliers
- Straight to termination

**Which financial impacts related to the law, and how to balance higher costs while maintaining efficiency?**

- No financial impact expected

**Expected change of long-term sourcing strategies?**

- No change in long-term sourcing strategies



## **Appendix B – Outreach Email via LinkedIn to Procurement Specialists**

Subject: Interview possibility for master thesis

Dear [full name of the person contacted],

My name is [name of the researcher], I currently study a Master in Purchasing and Supply Management, and for my master thesis I am going to do research about the strategies that companies (are planning to) implement to manage the challenges posed by the new EU supply chain law.

Therefore, I want to conduct some interviews with Procurement Specialists working within big, affected companies. The interview will also be valuable for you, as I did pre-research about interesting strategies, and these will give you valuable insights for [company name].

The interview will be kept confidential and anonymized, this is also good to mention.

Hope to hear from you about the possibilities, I am a highly motivated student that is willing to delve deeper into the topic!

Yours sincerely,

[name of the researcher]