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Fashioning a Just Future

Analysing the Role of Sustainability Due Diligence Reporting
in Enabling a Just Transition in the Fashion Industry

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Abstract

Research problem and aim: The need for a just transition (JT) in the fashion industry is undisputed due to its adverse impacts on the environment and people. Meanwhile, sustainability due diligence (SDD) is considered a viable approach to conduct responsible business. However, academic understanding of how SDD could enable a JT is still underexplored and these fields have rarely been combined before. Therefore, this research examines the dimensions of justice that are being pursued in the European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Directive (CSRD) to enable a JT in the fashion industry. As such, this research aims to define what a JT entails in the fashion industry to provide insights into the role of SDD in JTs.

Theory: This research combined the equity framework from McDermott et al. (2013) and literature on SDD to operationalise four parameters of what a JT entails in relation to SDD.

Methodology: A qualitative embedded research design utilising multiple research methods and units of analysis has been employed. The parameters of a JT have been determined based on interviews with Dutch fashion industry stakeholders, which were supplemented with desk research. An open axial coding strategy was used to analyse the data. The CSRD and ESRS documents were analysed based on a thematic coding strategy.

Results: Findings suggest that meaningful SDD evolves around stakeholder dialogue to identify and manage adverse impacts and therefore largely reflects procedural and recognition justice. This is pursued in the CSRD and ESRS as the core of their SDD. However, the dimensions of contextual and restorative justice are not pursued because the CSRD and ESRS lack reflection on roles, power relationships, and causes of existing disparities. Regarding distributive justice, the results of this research endorse that the integration of social adverse impacts into ambitions on lowering environmental impacts and the discussion regarding trade-offs between impacts are needed to make ESRS a meaningful way to enable a JT in the fashion industry.

Discussion and conclusion: This research contributes a novel perspective to literature on JT, fashion justice, and SDD by taking an interdisciplinary approach and turning attention to the social justice implications of transition strategies that rely on SDD. It provides critical examinations of power relations amongst stakeholders and shines new light on the dimension of distributive justice. Overall, this research recommends that the EU should pin down its meaning of justice because it currently remains too broad and non-explicit to enable a JT through the CSRD and ESRS.

Key words: Just Transition; Sustainability Due Diligence; Fashion Industry; Fashion Justice; Responsible Business Conduct; CSRD

Preface & Acknowledgements

Ever since I travelled to India in November 2019 and visited cotton farmers, ginneries and spinners, a textile dyer and a garment factory, the complexity and scale of the fashion industry have become something I have never been able to fully grasp. Even though I have studied fashion management and textile technologies, the reality of what it takes to make clothing for everyone on this planet to wear still seems somewhat surreal. During that trip, another reality hit as well: the negative impact of this baffling fashion system on people and planet. It is one thing to try and fathom the complexity of the fashion system, but it takes something completely different to try and understand what is needed to change this system and the impacts it has. This research proved to me that the more you know, the less you know. There is now an ever-increasing number of questions that I have regarding sustainability in fashion. What do we need to do? How? For who, with who? And based on what I do know now: what should we do first? I do not think these questions are a bad thing, because I believe they are the critical attitude the fashion system needs to change for good.

This thesis would not have been possible without the guidance and support of many people. First of all, I would like to thank my supervisor Dr. Agni Kalfagianni for providing me with useful feedback during our many sparring sessions. Our conversations helped me to pinpoint my questions and to structure my thoughts, which highly contributed to the quality of my research. I also extend my appreciation to my second reader Dr. Sanne Akerboom.

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Thirdly, I would like to thank everyone who contributed their time and experience to the results of this research. The knowledgeable insights that you have provided me with have been extremely valuable both academically as well as for me personally. Your critical reflections have inspired me to continue my sustainability work in the fashion industry.

Finally, thank you to my friends and family, and especially my roomies and my boyfriend, for their support and encouragement during the past months. Many of you provided me with a cup of coffee and a listening ear while I kept explaining my research to you (and myself) over and over again, it is greatly appreciated.

Dear reader, this research investigates an area that considers normative perspectives regarding a complex problem that does not and cannot have one single solution. Please bear this in mind while emerging yourself into this topic and therefore I encourage you to keep on asking questions while investigating further to become part of the transition that is much needed.

Gemma Bandell

29 September 2023

Utrecht

Executive summary

The Social and Economic Council (Sociaal-Economische Raad, commonly known as SER) is an independent advisory council of the Dutch government and Parliament on social and economic policy (SER, n.d.-c). Between 2016 and 2021, the SER hosted the sector Agreement on Sustainable Garments and Textile as part of their international responsible business conduct approach to enable a coalition between fashion businesses and other organisations that focused on mitigating and preventing issues in the fashion industry (SER, n.d.-b, n.d.-a). The sustainability performance of these fashion businesses was reviewed annually based on the sustainability due diligence (SDD) assessment framework drafted by the sector parties and the secretariat of the AGT, which aligned with the international Due Diligence Guidelines from the Organisation for Economic Cooperation and Development (OECD) (OECD, 2020), to support the Dutch fashion industry in their transition towards sustainability. Recently, the European Union adopted the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS), which provide standards to eligible businesses on how to conduct and report on SDD. Therefore, the SER requires insight into how their SDD reporting approach compares to the one from the EU. This research concludes that the overall approach of SDD as described in ESRS 1 'General requirements' align with how the OECD defines its steps for SDD. Since the SDD approach of SER aligns with the guidelines from the OECD, this means that the SER can continue its work on SDD in line with the expectations of the EU.

However, recent literature and international discourse claim that a sustainability transition by means of SDD and RBC also requires the inclusion of justice concerns to become effective and be completed in time (ILO, n.d.; McCauley & Heffron, 2018; Robins & Rydge, 2019; Williams & Doyon, 2019). Especially the fashion industry, with its global value chain and current existing disparities, requires a just transition to achieve sustainability through SDD. Therefore, the SER has a need for understanding a just transition in (international) sectors and how justice emerges in European legislation related to SDD and responsible business conduct, such as the CSRD and ESRS. This supports them in promoting the SER as a European knowledge centre on international responsible business conduct and taking a stance and giving advice to the Dutch government and the EU regarding how to continue their work on SDD and achieve just transitions. That is why this research focussed on determining which dimensions of justice are currently pursued in the ESRS under the CSRD. To do so, a just transition framework has been utilised to obtain a better understanding of what a just transition entails in the fashion industry and to determine how (reporting on) SDD could enable a just transition in the fashion industry. By interviewing eighteen Dutch fashion industry stakeholders and analysing the CSRD and ESRS based on their input, a number of factors have been identified that require more attention if the European Union wishes to enable a just transition by means of their SDD legislation for businesses. Following from the results of this research, seven recommendations for the European Union, which could be endorsed in the work of the SER, are discussed:

1. Extend the just transition framework and define an explicit goal and target for a just transition.

The findings of this research show that the CSRD does not define what a just transition is or how it is framed, even though the CSRD aims for a just transition as part of its objective. It does not address the just transition framework developed by the globally acknowledged International Labour Organization (ILO) nor follows all the principles of justice that the ILO developed. According to the perspectives of interviewed fashion industry stakeholders, a just transition requires the integration of a social perspective into an environmental transition to create a greener fashion industry that has no negative impact on others. This perspective of integration should therefore be at the core of the extended just transition framework from the European Union. That means that the European Union has to adapt institutional arrangements that ensure participation and international cooperation of all relevant stakeholders on all levels. Currently it is also too difficult for policies such as the CSRD and ESRS to integrate indirect and often very complex social and

inequality impacts into increasing ambitions regarding lowering environmental impacts, and that is why there is a high risk that a just transition cannot be enabled. A just transition as part of the European Union's strategy would therefore benefit from pinning down a clearly defined goal and target group that indicate explicitly how a policy, like the CSRD, contributes to improving a just transition and for who at which scale.

2. Define the intended basis for conducting and reporting on SDD to be impact-based.

Based on the interviews and literature it can be concluded that SDD needs to be impact-based and meant to safeguard affected stakeholders from environmental and social harm to enable a just transition because if it serves as a mechanism for businesses to avoid liability for such adverse impacts it cannot enable a just transition. Therefore, the European Union should define the intended basis for SDD and integrate this in the goal of the CSRD to avoid approaching SDD (reporting) as a compliance mechanism and 'tick the box'-exercise and enhance meaningful impact-based behaviour.

3. Pursue stakeholder inclusion beyond European borders when further developing or adjusting legislation that affects international value chains.

Even though stakeholder dialogue is well integrated in the core of the ESRS, not all relevant stakeholders were represented accurately in the development of the CSRD and ESRS. Analysis shows that main stakeholders who were involved in developing the CSRD and ESRS have a scope within the Global North, whereas many affected upstream value chain stakeholders are located outside of the European Union in the Global South. While there has been an open public consultation in the run up to the CSRD and ESRS, the representation of affected Global South voices is unknown in this process. Since the effects of the CSRD and ESRS are likely to reach beyond European borders and trickle down into Global South supply chains, the European Union should pursue procedural and recognition justice beyond its own borders when developing and adjusting legislation in the future.

4. Acknowledge and address barriers for effective social dialogue.

While this research confirms that it is generally agreed upon that stakeholder dialogue is a key element to meaningful and just SDD, all the interviewees – including trade unions and NGOs – stated that this is also the most difficult and time-consuming part of conducting SDD. In many cases they identified barriers for effective dialogue due to inaccurate representation of affected stakeholders, lack of transparency throughout the value chain, and immeasurable, inaccessible, or unverified data. Moreover, some of the interviewees are afraid that social dialogue and the request for more information regarding the upstream value chain could lead to increased pressure on suppliers from fashion brands and deteriorate their power relationship even further. However, this is not addressed as such in the ESRS. Nonetheless, these crucial elements are something that the European Union should consider especially when further developing their sectoral standards because they can influence the quality of social dialogue and whether that is considered a just process. A few of the interviewed brands consider sectoral initiatives – preferably on an international level – a helpful way to align views based on just social dialogue.

5. Address and redefine roles of powerful stakeholders in SDD.

This research reveals that the role of those in power – namely the triangle of consumers, governments, and brands in the Global North – is central in taking responsibility and facilitating enabling circumstances to conduct meaningful SDD and eventually contribute to a just transition. Firstly, to strengthen the perspective of consumers as active stakeholders and acknowledge that consumers need to be part of a just transition, the role of consumers needs to be more clearly defined in the CSRD and linked more directly to the upcoming and existing European policies on consumer behaviour and sustainable consumption. This would also help to improve coherency as advised by the ILO. Secondly, the European Union needs to facilitate the circumstances for businesses and other stakeholders to conduct meaningful SDD on an international level by engaging with other governments (in the Global South) on sustainability matters. In the CSRD, again this role needs to be more clearly defined and more coherently addressed in relation to other industrial,

environmental, and social sustainability policies that are already in place. Finally, brands should be (made) aware of the trickle-down effects of the combination of standard-setting and purchasing power that they hold in their value chain because in the CSRD the responsibility of facilitating meaningful SDD is at the feet of brands.

6. Acknowledge pre-existing contextual elements like political, economic, and social conditions holistically in relation to social dialogue and impact assessment.

Contextual and restorative justice are found extremely important components of justice in the fashion industry, according to the interviewees of this research, because without a holistic understanding of what is happening and why, nothing can change. Therefore, contextual elements, like pre-existing political, economic, and social conditions and understanding of existing disparities and their connectivity need to be addressed as part of meaningful SDD. However, these elements are not widely considered in the development and content of the CSRD and ESRS. For instance, the power imbalances between countries in the Global North and Global South and how this relates to the (causes of) existing disparities in value chains is not discussed regarding the development of the CSRD and ESRS and businesses also do not have to report on this under the CSRD. Meanwhile, novel literature and the results of this research claim that these power imbalances are the result of colonialism, rapid globalization, the role of demand-led stakeholders and their purchasing-driven powers, and the competitive market, and that they are important contextual justice factors that should be part of conducting and reporting on SDD. Moreover, power relations regarding standard-setting and purchasing practices in the value chain are not identified in the CSRD and ESRS as elements that require caution from governments and businesses, while the interviewees identified this as major factors in the SDD approach to a just transition. Altogether, the lack of the integrative lens of contextual justice in the CSRD and ESRS limits the possibility to assess how the existing power relationships affect the ability of stakeholders to win or lose from the CSRD and ESRS and whether this results in greater or lesser existing disparities. That is why more critical and reflective thinking is required as part of the European Union's SDD approach to understand the effects that the current way of doing business is causing in relation to their origin, especially in terms of justice and a just transition. This will also help to gain a more holistic understanding of the complexity of sustainability. This specifically applies to the process of social dialogue and risk assessment. Therefore, the European Union, for instance in the sector-specific standards, should focus even more on including standards that consider cultural contexts, country-specific conditions, and most importantly causes of contexts and disparities.

7. Open the floor to the discussion on trade-offs between social and environmental impacts.

This research shined a new light on the dimension of distributive justice and how that should be understood in relation to a just transition. This research suggests that the distribution of cost, risks, and benefits of conducting and managing SDD is not the most important question that needs to be answered to determine what fair distribution is. For the interviewed brands, the entire crux of a transition that is not only sustainable but also just comes back to this: what should my business focus on first? When zooming out and considering their perspectives regarding the other dimensions of justice too, distributive justice for them does not only account for how the costs, risks, and benefits of SDD should be distributed amongst stakeholders. Instead, it focuses on how attention, time, money, and effort need to be distributed *within* a business to achieve something that is greener *and* just. While the just transition framework of this research allowed to understand how the dimensions of justice are important to consider in SDD, the framework does not provide an answer to the question: which decisions in SDD are most just in a just transition? Altogether, there are currently no guidelines on what trade-off businesses can make between the two core elements of a just transition: social and environmental sustainability. Thus, to enable a just transition using SDD as a cornerstone, the European Union needs to open the floor to explore how trade-offs in impact prioritisation need to be balanced.

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List of Abbreviations

AGT	Dutch Agreement for Garments and Textile	JT	Just transition
CEE justice	Climate, energy, and environmental justice	GRI	Global Reporting Initiative
CSDDD	Corporate Sustainability Due Diligence Directive	NFRD	Non-Financial Reporting Directive
CSRD	Corporate Sustainability Reporting Directive	NGO	Non-governmental organisation
ESRS	European Sustainability Reporting Standards	OECD	Organisation for Economic Cooperation and Development
EU	European Union	RBC	Responsible Business Conduct
GHG	Greenhouse gas	SER	Social and Economic Council (Sociaal-Economische Raad)
ILO	International Labour Organisation	SDD	Sustainability Due Diligence
		UNGPs	United Nations Guiding Principles (on Business and Human Rights)

1 | Introduction

Looking fashionable has never been easier nor cheaper. It has also never been more harmful and unfair. Today, the global fashion industry enables fast and large-scale production that employs millions of workers (Ellen MacArthur Foundation, 2017; UNECE, 2018) and taps into a wide variety of resources, from freshwater (Aivazidou & Tsolakis, 2019) to crude oil to agricultural land (Niinimäki et al., 2020). It is amongst the biggest manufacturing industries in the world (McKinsey & Company & BoF, 2021). Globalisation of the fashion industry, as well as marketing, investment (Bhardwaj & Fairhurst, 2010) and technological advances (Anguelov, 2015a), have led to a complex system (Peters et al., 2014) in which comparative advantages have become the main reason to move the production part of the industry towards countries in the Global South (MacCarthy & Jayarathne, 2010; McKinsey & Company & BoF, 2021; SER, 2021; Sterlacci & Arbuckle, 2017). By now some of these countries rely heavily on the well-established fashion industry to be able to graduate from being least developed countries to becoming developing countries (Anguelov, 2015b; WTO et al., 2022). In the meantime, the majority of brands and the leading sales markets creating demand for production are still located in the Global North (Niinimäki et al., 2020; Turker & Altuntas, 2014; Zhang et al., 2022). The geographical distance and the related socio-economic gap between countries in the Global North and South have caused power imbalances in the fashion industry (Kamal Uddin, 2017; Noto La Diega, 2019).

These power imbalances in combination with a lack of oversight (Turker & Altuntas, 2014), transparency, and accountability (Brun et al., 2020; Fashion Revolution, 2022) has resulted in a multitude of negative environmental and social impacts as well as concerns of animal ethics and welfare (M. Á. Gardetti, 2017). These widespread adverse impacts affect losses and damages regarding food and water security, physical and mental health of people, economic situations, and livelihoods (IPCC, 2022), but also cause unsafe working conditions, unequal and unpaid wages, (sexual) harassment, and a high risk of child and forced labour (OECD, 2018b; Perry & Wood, 2019). The economic setback of the industry caused by COVID-19 has led to even more severe consequences of social and financial nature for fashion supply chain workers (Anner, 2020; Malik Chua, 2020). The effects of these negative externalities result in global justice issues in the ways garments are produced, consumed, and disposed of in the fashion system (Payne et al., 2022). Since all these impacts concern the unequal distribution of environmental and societal burdens amongst vulnerable groups, especially in the Global South, the problems in the fashion industry result primarily in problems of justice.

The adverse impacts and injustices caused by the system highlight the need for systemic change in the fashion industry. A transition towards a more sustainable system is required to limit the impact of the fashion industry on the environment and contribute to a fair fashion industry that honours human and animal rights (Buchel et al., 2022). Current literature on transitions defines such a sustainability transition as “a radical transformation towards a sustainable society, as a response to a number of persistent problems confronting contemporary modern societies” (Grin et al., 2010, p.1). Novel literature states that sustainability transitions need to consider justice concerns because if a sustainability transition is not just, it will not be as effective (ILO, n.d.; Robins & Rydge, 2019). Some even argue that without justice, accelerating and completing the sustainability transition in time will not be possible (McCauley & Heffron, 2018; Williams & Doyon, 2019).

That is why the fashion industry requires “build back better strategies” (Sharpe et al., 2022, p.3) that transition the industry into becoming a “force for good” (Buchel et al., 2018, p.4). To enable fashion as a force for good, better fashion is envisioned to (i) regenerate ecosystems, (ii) provide safe and just working conditions, (iii) capture full value of materials, (iv) enhance customer wellbeing, and (v) strengthen economies and communities (Buchel et al., 2018). This vision includes elements that contribute to enabling

a transition in the fashion industry that is not only sustainable, but also just. The role of fashion industry stakeholders, especially in the Global North, and more specifically the role of governments and businesses (UNFCCC, 2021), is deemed crucial to achieve that just transition (JT) (Peters et al., 2021). But what should they do?

There is only a scarce amount of academic literature that explains what a JT in the fashion industry entails and what the role of governments and businesses should be in that. As one of few, Buchel et al. (2022) developed six transition pathways that serve as inspiration to move towards system transformation and provide direction towards a JT in the fashion industry. In one of the pathways, fashion industries are held accountable for their actions through governmental regulation and transparency watchdogs, such as NGOs and journalists (Buchel et al., 2022). A similar pathway is currently being explored by the European Union (EU) – a major host of fashion brands (European Commission, 2012; Moore et al., 2000; Niinimäki et al., 2020). In February 2022, the European Commission adopted a proposal for the Corporate Sustainability Due Diligence Directive (CSDDD), which aims to “foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations” (European Commission, 2022b). This is in line with the perspective of the EU that the behaviour of businesses across all sectors of the economy is considered key to succeed in the Union’s sustainability transition (European Commission, 2019).

The CSDDD is meant to be applied in tandem with the Corporate Sustainability Reporting Directive (CSRD). The CSRD is the reporting vehicle by which businesses should report their relevant sustainability performance, risks, and impacts as part of their annual financial statements (Corporate Sustainability Reporting Directive, 2022). It comes with a set of European Sustainability Reporting Standards (ESRS), drafted by the European Financial Reporting Advisory Group (EFRAG) (EFRAG, n.d.-c). The CSRD takes effect for eligible businesses in 2024 and reviews, together with its corresponding ESRS, “the undertaking’s impact on [environmental, social, and governance] matters and how they affect the undertaking’s development, performance and position” (European Parliament, 2022, p.5). The CSDDD and CSRD prescribe that businesses should perform and report on risk-based sustainability due diligence (SDD) to conduct responsible business conduct (RBC). SDD entails the process of identifying and managing a business’ risks and opportunities related to sustainability matters and is the European answer to what businesses should do to contribute to a JT.

However, whether SDD and reporting thereon contributes to ensuring justice in all its aspects in a transitioning industry or whether it is simply the “latest concept to garner attention as a potential regulatory mechanism” (Nolan, 2022, p.3) to address malpractices and injustices in supply chains is debatable. There is a risk of developing a process that prizes box-ticking whereby SDD obligations are fulfilled formally but substantial change in practices is not achieved (Landau, 2019). On top of that, the discussion on SDD (reporting) and the sustainability transition tends to overlook that adverse social impacts – and thus justice concerns – can also arise out of mitigation strategies and activities from governments and businesses as a result of their SDD and out of the inequitable distribution of burdens and benefits of transitioning (Bright & Buhmann, 2021). This applies especially to the discussion on mitigation of environmental impacts. Despite its potential environmental and economic benefits, then, a transition towards low-carbon or other more (environmentally) sustainable options is “not a magic elixir for a more just world” (Wang & Lo, 2021, p.2).

Hence, the question remains whether SDD and reporting thereon could enable a JT towards sustainability. To find out whether the CSRD and its ESRS – and thus the prescribed way of conducting and reporting on SDD in the EU – contribute to that, this research aims to answer the following research question:

Which dimensions of justice are being pursued in the European Sustainability Reporting Standards under the Corporate Sustainability Reporting Directive to enable a just transition in the fashion industry?

This question is answered by focusing on the fashion industry as a case study. Therefore, first a broad investigation of the frame alongside which these particular instruments have been developed has been conducted. Thereafter, desk research and fashion stakeholder interviews have been performed to obtain a better understanding of what a JT entails in the fashion industry and to determine how (reporting on) SDD could enable a JT in the fashion industry. To guide this process, first a framework for the dimensions of justice has been developed based on existing literature. This JT framework was then adapted to the case of the fashion industry in order to analyse the CSRD and ESRS in greater depth and in relation to the fashion industry, and determine how justice is integrated in these policies. All of these steps resulted in contributions both on scientific and societal level.

1.1 Scientific contribution

In current literature on justice, the link between JTs and SDD (reporting) is still underexplored. Although the process of SDD is presented as an internationally approved way of doing business in the future, little is still known on the practical function that reporting on SDD offers to identify concerns of justice and enable a JT (Bright & Buhmann, 2021). Therefore, this research aimed to close this gap in lack of understanding by focusing on defining the dimensions of a JT in the fashion industry to be able to analyse if and how they emerge in the CSRD and ESRS.

Furthermore, the case of the fashion industry contributed to broadening the context in which JTs have been researched so far. JTs have been primarily studied in relation to the energy transition (Baker et al., 2019; McCauley & Heffron, 2018), whereas the fashion industry provides a perspective beyond the effects of emissions targets and encompasses a transition that is more comprehensive. Although the fashion industry is expected to follow a similar pathway to decarbonisation compared to the energy industry (Sharpe et al., 2022), the fashion industry has a value chain that is far more complex. This provided the opportunity for research that is holistic and focuses on societal transformations as a whole, rather than focusing on one industry (Burke, 2022). In addition, this research takes into account the divide between the Global North and South which is an increasingly important aspect in JTs, especially in relation to justice in international environmental law (Kwarteng & Botchway, 2018). Altogether, this thesis contributed to the existing body of literature on JTs (in the fashion industry) and explored the integration of JT and SDD.

1.2 Societal contribution

By analysing the different dimensions of a JT in the fashion industry and evaluating the current approach of conducting and reporting on SDD practices in the EU, this research also has societal relevance for both policy makers and businesses. SDD is a rising mechanism on international scale that aims to enable a sustainability transition (Bright & Buhmann, 2021). Moreover, the EU is an internationally acknowledged frontrunner and standard setter in terms of sustainability (European Commission, n.d.-b). Meanwhile, many issues regarding justice in relation to the sustainability transition have been identified in the fashion industry as well (Bick et al., 2018; Payne et al., 2022) and the fashion industry has a global scope and impact that affects millions of people (Ellen MacArthur Foundation, 2017). Therefore, this research identifies a clear picture for policy makers on how SDD (reporting) and especially the CSRD and ESRS could become fit – in terms of *what* is required – to contribute to a JT according to industry stakeholders. The realistic perspective on a JT in the fashion industry that this research provides also contributes to raising awareness regarding which practical issues still need to be managed before a JT can be enabled. These insights also make a valuable contribution for businesses to better understand their role in this process.

2 | Theory

This chapter starts with a short introduction of the concept of SDD. Then, literature on a JT is explored and the relation between JTs and SDD is discussed as well. This is followed by an explanation and the operationalisation of the theoretical framework used to further define and analyse JTs in the fashion industry and the role that SDD plays in that.

2.1 Sustainability due diligence (SDD)

Over the last decade, SDD has emerged as a key mechanism to address RBC on an international scale. Due diligence originates as a legal term in domestic civil law and applies to individuals who have to take reasonable care to guarantee that their actions do not result in foreseeable harm to others (Monnheimer, 2021b). Today, the application of due diligence duties reaches beyond individuals and also applies to States and businesses through various areas of international law (Monnheimer, 2021a). Business conducted with due diligence should protect businesses from being found liable for non-disclosure of information that was not discovered throughout investigation of business activities (Spedding, 2005). Over time, the process of due diligence established itself as a common practice in transactions, corporate finance, and accounting.

In the early 2010s, the concept of due diligence was introduced to the human rights arena and received a key role in the second pillar of the United Nations Guiding Principles (UNGPs) on Business and Human Rights (Bonnitcha & McCorquodale, 2017). This would assist businesses to “address their responsibilities to individuals and communities that they impact and their responsibilities to shareholders, thereby protecting both values and value” (UNGA, 2010, p.16). As opposed to its traditional predecessor, human rights due diligence focuses on risks to people and society. It was crafted as the iterative method by which businesses are to prevent, mitigate, and where relevant, remediate adverse human rights impacts. Even though the UNGPs on Business and Human Rights are not legally binding, they are considered the key international authoritative standards on RBC and human rights, which also influenced other international standards (McCorquodale & Nolan, 2021). The UNGPs prescribe that governments have the duty to protect human rights and fundamental freedoms, while businesses have the responsibility to comply with all applicable laws and respect human rights (United Nations, 2011).

The main international standards in this area include the Guidelines for Multinational Enterprises from the Organisation for Economic Cooperation and Development (OECD) and the International Labour Organisation’s (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO, 2023b; OECD, 2011). These international standards extended the scope of human rights due diligence to include environmental adverse impacts in their methodology and are now considered internationally acknowledged principles for RBC (Bright & Buhmann, 2021). The EU has defined this all-inclusive process integrating social and environmental impacts as SDD. This is also the terminology that will be used throughout this research to indicate the approach businesses can take to prevent, mitigate, and remediate adverse social and environmental impacts.

Even though SDD is an internationally acknowledged framework, there are also concerns whether SDD – and laws imposing SDD obligations – will lead to businesses actually addressing human rights and environmental concerns, rather than turning SDD into a ‘tick-the-box’ exercise. Mak (2022) states that “the complexity of the matter necessitates a broad, multi-angle approach towards business responsibilities” (p.301) and thus requires SDD and related laws to be embedded in broader visions on economics reform towards sustainable practices. Especially SDD laws should be organised closely with other legal mechanisms to achieve their full potential. Moreover, the way SDD is commonly defined as today, such as described by the UNGPs and OECD, leaves an open end whether SDD is meant to safeguard affected stakeholders from environmental and social harm or whether it serves as a mechanism for businesses to avoid liability for such

adverse impacts whenever they are able to demonstrate that their SDD processes are in place and harm occurred nevertheless (Bonnitcha & McCorquodale, 2017). Therefore, literature on SDD states that the process and purpose of SDD should be entirely clear, especially within laws, to be considered meaningful.

2.2 Just transition (JT)

To date, there is no universally agreed-upon definition of or framework for JTs (Wang & Lo, 2021). The concept combines justice and transitions, terms that are both important aspects of sustainability and sustainable development (ILO, 2015). In their review outlining the historical trajectory of JTs, Stevis & Felli (2020) describe that the concept of JTs stems from the 1970s where it was used for the first time by activists and labour unions to advocate that industries affected by higher environmental standards should not have to cut jobs. Although the unions were in favour of higher environmental standards to protect the environment and safeguard the health and working and living conditions of people, they argued that it is not fair if such changes lead to the loss of livelihood for workers. Throughout the 1980s and 1990s unions in the United States tried to balance occupational, health, and environmental rights and standards and promoted this strategy. From the 2000s onwards global union organisations internalised the strategy as well, balancing just and green transitions. However, the Great Recession in 2008 caused a turning point and JTs became a secondary component to green transitions in proposals around green growth (Stevis & Felli, 2020). Only when the International Labour Organization (ILO) adapted JT guidelines in 2015, the concept gained international momentum again (ILO, 2015).

Today, the concept of JT is adopted in the Paris Agreement (Paris Agreement, 2015) as well as in the Just Transition Mechanism as part of the EU's Green Deal (European Commission, n.d.). Justice has become increasingly more visible in transition frameworks for governments and business action on climate change. The core of a JT in these frameworks considers the wider relationship between climate change and human rights. It acknowledges the need for action to deal with the impact of moving away from greenhouse gas (GHG) emissions for jobs and livelihoods (the transition 'out') and measures to keep or generate new low or zero GHG emissions jobs and livelihoods of a sustainable society (the transition 'in') (IHRB, 2020).

Throughout this timeline, in academic literature several scholarships of justice emerged and developed. The climate, energy and environmental (CEE) justice scholarships are considered the most important ones defining justice in sustainability transitions over time (McCauley & Heffron, 2018; Wang & Lo, 2021). Figure 1 shows how these movements developed over time (Baker et al., 2019). With the introduction of justice by the labour unions in the first transition in the 1970s and 1980s based on environmental standards, the environmental justice scholarship was defined. Then, in the scholarships of climate justice, the focus shifted from not only considering the impacts of transitioning on jobs and livelihoods, but more generally towards the consequences of climate change for vulnerable groups, especially in the Global South. The need for more sustainable energy sources has led to the scholarship of energy justice, which takes into account the effects of achieving an energy transition without compromising societal well-being (Baker et al., 2019).

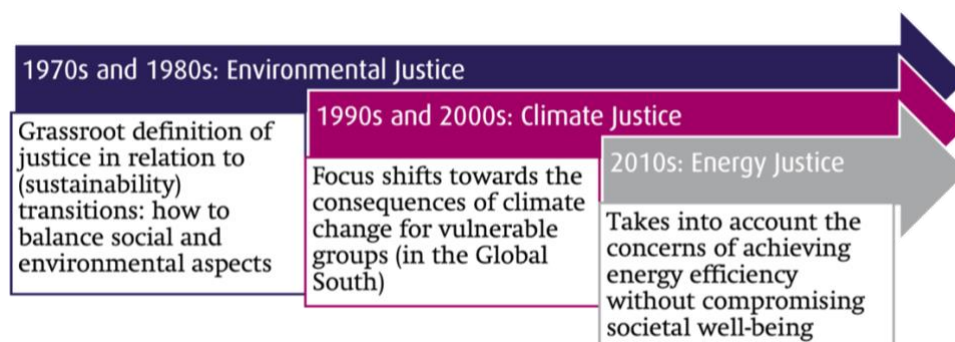


Figure 1 | Development of CEE justice scholarships over time

These main burgeoning scholarships on CEE justice have contributed to the definition of a JT by defining dimensions of justice in transitions, mainly focusing on these principles of justice: distributional justice, procedural justice, justice as recognition, and restorative justice (Wang & Lo, 2021). Nonetheless, the concept is still considered to be dynamic, flexible, and evolving, something that lends itself for implementation on many different levels and in many different areas.

2.3 Just transition in relation to SDD

In relation to JTs, there is a growing consensus on international level that businesses should exercise SDD because it provides a holistic approach that recognises the interdependence between climate change, social issues, and human rights. It could provide a point of departure for businesses to enable a JT. Academic literature also argues that risk-based SDD can play a dual function of identifying and addressing human rights and environmental impacts with which businesses may be involved, whilst considering the human rights implication of strategies mitigating those impacts (Bright & Buhmann, 2021; IHRB, 2020).

Thus, in theory, the idea of balancing social and environmental impacts fairly between stakeholders within a transitioning society seems to be the red thread running through perspectives on JTs, and SDD is considered to be an enabler of that JT regarding the role of businesses. However, to analyse whether the CSRD and ESRS could also contribute to a JT in the fashion industry, first a more specific definition is needed to understand what a JT entails in the fashion industry and what the role of SDD is regarding that. That is why this research operationalises the concept of JT further using a systematic JT framework.

2.4 Just transition framework

To understand more specifically what a JT in the fashion industry entails and examine how justice is integrated in SDD, this research considered the multidimensional framework for assessing equity by McDermott et al. (2013). This formed the foundation to develop a conceptual basis for framing, defining, and analysing JTs, while considering a theoretical and normative perspective that also explores the practicality and challenges of (enabling) a JT in real situations. The framework from McDermott et al. (2013) has been developed to assess initiatives such as policies and programmes which aim to halt environmental degradation. The CSRD and its ESRS could be seen as such an initiative in the EU's approach to a sustainability transition. Therefore, the rather conceptual framework from McDermott et al. (2013) has been operationalised to be able to analyse the CSRD and ESRS alongside the different dimensions of justice. Even though McDermott et al. (2013) make a distinction between equity and justice, the authors draw on literature on justice to define the content of equity. Because of that, and since this framework sets out broad guiding questions, the context-specific parameters have been modified to define the dimensions of justice instead of equity. The original framework defines the content, target, goal, and parameters of equity, and this research will use the same elements to define a JT in the fashion industry.

Adopting and modifying the framework from McDermott et al. (2013) leads to the following outline of the JT framework, see Figure 2. The theoretical input of the framework is outlined in the rest of this chapter considering *what*, *who*, *why* and *how*. McDermott et al. (2013) argue that additional to the substantive content that describes *what* counts as a matter of JTs, the question of *what* also relates to *who* count as a subject of justice, *why* a JT is aimed for (or not), and eventually *how* the dimensions of what, who and why have been determined in the first place. Therefore, in the further operationalisation of the framework that has been used in this research, the questions of who, why and how are first considered on a more general scale to frame what a JT in the fashion industry entails. To define more specifically what this JT considers, the questions of who and why are also connected to the dimensions of justice that define the question of what in this framework.

To connect this framework to the case of the fashion industry, first it is used to define the questions that determine what a JT in the fashion industry entails. To answer these questions, fashion industry

stakeholders have been included to define their perception of a JT in the fashion industry and how SDD (reporting) enables that. The answers to these questions in Chapter 6 reinforced the questions of *what*, *who*, *why* and *how* and informed the final core content of the analysis framework. By using this content as an analytical lens, the CSRD and the ESRS have been analysed to determine how obligatory SDD reporting in the EU pays attention to a JT in Chapter 7.



Figure 2 | Just transition framework, adopted and modified from McDermott et al. (2013)

2.4.1 What counts as a matter of justice in a just transition?

In their framework, McDermott et al. (2013) define three tenets of justice that form the content (the *what*) of justice: procedural, distributive and contextual justice. These dimensions define what counts as justice and in this research, they are considered the dimensions alongside which the conditions for a JT are defined. Another dominant tenet of justice that has been identified in literature regarding JTs considers restorative justice (McCauley & Heffron, 2018). Therefore, this dimension is integrated in the framework in the dimension of contextual justice, because this dimension considers both what is happening now and what has happened in the past that has led up to the situation as it is today.

2.4.1.1 Procedural and recognition justice

Procedural justice focuses on fairness (often specifically the political) processes that distribute resources and remediate disputes. In short, it refers to decision-making. Procedural justice therefore focuses on which stakeholders are recognised, included, represented, and participating in the decision-making regarding a policy initiative (Fraser, 2009; McDermott et al., 2013; Schlosberg, 2007). Consideration and representation of the (needs of) marginalised groups are important aspects in procedural justice (McDermott et al., 2013), and so are procedural approaches that are site specific and based upon awareness of local identity (McCauley & Heffron, 2018). This also includes the consideration of stakeholders in the future as well as non-human species and ecosystems, who cannot (yet) voice their interests and needs.

The consideration and representation is also reflected in the tenet *recognition* justice. Recognition manifests itself as fair representation of stakeholders, including “equal political rights and freedom from denigration or disrespect based on poverty, race, culture, ethnicity, gender, or other characteristics” (Salter et al., 2018, p.2). In stakeholder theory the identification and prioritisation of stakeholders leads to the use of justice to identify who is or is not a stakeholder and define the equality between different stakeholders (Pessoa de Melo et al., 2020).

Therefore, to define the *what* of a JT in the fashion industry this research starts with asking the questions: who are the primary stakeholders in the fashion industry, and which marginalised groups are recognised? To determine the process of decision-making in SDD (reporting), it is also determined how these stakeholders and marginalised groups are addressed, who voices their interests, and finally what their role is in SDD (reporting).

2.4.1.2 Contextual and restorative justice

Contextual justice plays an important role in understanding the (pre-)existing conditions that limit or help to enable a JT. McDermott et al. (2013) define this as a dimension of justice which aims to “understand political processes and distributive outcomes in their social context” (p.419). Thus, this question broadly considers the landscape and (network of) powers. This angle of context first focuses on existing disparities. These are important to define to be able to understand the distributive outcomes of the workings of, in this case, the fashion industry. This helps to uncover what power structures and forms of access, i.e., the ability to derive benefit from things, are present and could influence a JT. Therefore, the questions ‘what are existing disparities in the fashion industry, and for who?’ are answered in this research.

Restorative justice finds its roots in criminal law and has made its way through the energy justice scholarship to the concept of JTs (Hazrati & Heffron, 2021; McCauley & Heffron, 2018). In this scholarship it is defined as the process in which “any injustice caused by the energy sector should be rectified and be part of preventive and forward-looking action” (Hazrati & Heffron, 2021, p.2). Therefore, restoration, and connected to that responsibility and accountability for what happened in the past (Forsyth et al., 2021), are important aspects if goals towards JTs are not met. In this framework, restorative justice as a concept within JTs is interconnected with contextual justice and helps to define what needs to be restored, i.e., what are the causes of injustice regarding the current context. That is why not only the existing disparities in the fashion industry are discussed in this research, but also what has caused these disparities to occur.

2.4.1.3 Distributive justice

Distributive justice represents the allocation of costs, benefits, and risks resulting from political or business decisions amongst stakeholders. It considers how these are distributed and why. Principles of distributive justice are based on theories, which are either consequence-based or rules-based. Consequence-based theories define social welfare to be the maximisation of individual utilities, and therefore benefits and costs are allowed to be unequally distributed in the name of net social gain. Rules-based theories apply a different logic, considering an outcome of distribution of benefits and costs to be just whenever they are the result of the application of fair rules (McDermott et al., 2013). Table 1 summarises the principles, theories and types of distributive justice as identified by McDermott et al (2013).

Table 1 | Principles of distributive justice adapted from McDermott et al. (2013)

Type	Theory	Assumption	Principle
Consequence-based	Utilitarianism	Greatest good for greatest number	Social welfare
	Welfare economics	Individual utility contributes to aggregate welfare	
Rules-based	Libertarianism	Equal rights	Equality
	Egalitarianism	Equal shares	
	Merit-based	Rewards proportional to inputs	Merit
	Need-based	Rewards according to need	Need

An evaluation of the social impact of an intervention that changes the practices within the fashion industry, such as the CSRD and ESRS, must allocate the distribution of costs, risks, and benefits. Accordingly, the allocation is then assessed based on these principles: social welfare, equality, merit, and need. This helps to evaluate how SDD (reporting) has evolved. Therefore, this research answers the following questions: How are the costs, risks, and benefits of SDD (reporting) divided in the fashion industry, amongst who, and based on which principles?

2.4.2 What frames a just transition in the fashion industry?

Until the questions that *frame* the equity problem are addressed too, McDermott et al (2013) state that any analysis of justice remains incomplete. The framework therefore includes three additional parameters of meta-justice: for who, why, and how?

2.4.2.1 Who counts as a subject of justice in a just transition?

If a JT in the fashion industry would be defined based on the above dimensions, the question remains: justice *for who* in this industry? This requires the determination of the social and temporal scale by which a JT should be assessed. McDermott et al. (2013) define these scales to include individuals, households, communities, actors along the value chain, (inter)national-global interests, ecosystems, and intergenerational aspects. The scale at which justice and a JT is being considered, is determined an important starting point when assessing change in issues of justice. Therefore, this framework asks the question ‘who counts?’ and at which scale to frame for who JTs are considered in the fashion industry.

This is also connected to the dimensions of procedural and recognition justice when diving deeper into the matter of how future generations and non-human species or ecosystems are taken into account in SDD. Intergenerational aspects are argued to be fundamental to sustainable development and some also argue that justice is not limited to human society but must embrace other species and ecosystems as well (Brundtland, 1987; McDermott et al., 2013; Schlosberg, 2007). The content of a JT therefore considers this as well.

2.4.2.2 Why a just transition (or not)?

Whether a JT can be enabled in the fashion industry, also depends on whether goals towards a JT have been established. Therefore, this research first aims to understand the goals of a JT in the fashion industry. During the analysis of the CSRD and ESRS, this research considers more specifically the goals regarding a JT that have (not) been defined in the CSRD and ESRS by questioning what these goals are, and whether they align with the views of stakeholders on what a JT in the fashion industry should aim for. Based on the findings of McDermott et al. (2013) explicit goals regarding a JT might seek one of these generalised ends: (a) ignore justice; (b) do no harm, i.e., ensure no one is made worse off; (c) advance justice towards a net more JT. Understanding this helps to evaluate whether policies allow for or thwart achieving those objectives.

2.4.2.3 How are the parameters of a just transition determined?

The parameters of how a JT is defined in the fashion industry are associated with historical and cultural settings. Therefore, understanding how the goal, target, and content of JTs are established is crucial to evaluate a policy initiative such as the CSRD and ESRS. The processes within the fashion industry or those leading up to a policy can result in different parameters of a JT and thus have different impact on how JTs are viewed and should be achieved in the fashion industry. Contextuality and the element of restoration and looking back play an important role in that again. Asking the questions ‘who defines the values at stake, for whom, and how?’ teases out how a JT is defined while tracking how it is affected by its context. In this research, the parameters are set in Chapter 4. Here, the landscape of the fashion industry and the international context of a JT in the fashion industry are delineated. These provided additional input to reinforce the questions of how the parameters of the CSRD and ESRS have been established.

2.5 Operationalisation of the just transition framework

Based on the JT framework adapted from McDermott et al. (2013), the following framework, see Table 2, operationalises the core parameters that are used to frame a JT in the fashion industry and define what a JT in the fashion industry entails and how SDD reflects that.

Table 2 | Operationalisation of the just transition framework

Core questions	Dimensions of a just transition		
What frames a just transition in the fashion industry?	Parameters: How?		
	How are the parameters of a just transition in the fashion industry determined?		
	Goal: Why?		
	Why a just transition in the fashion industry (or not)?		
How are the dimensions of justice taken into account in the fashion industry, and how does SDD reflect that?	Target: For who?		
	Who counts as a subject of a just transition in the fashion industry, and at which scale?		
	Content: What?		
	Procedural and recognition justice	Contextual and restorative justice	Distributive justice
	Who are the primary stakeholders in the fashion industry?	What are existing disparities in the fashion industry, and for who?	How are the costs, risks, and benefits of SDD divided in the fashion industry, and amongst who?
	Who are the primary stakeholders addressed in SDD?	What are the causes of these disparities?	What is the intended basis for the distribution of costs, risks, and benefits of SDD: social welfare, equality, merit, or needs?
	Which marginalised groups are recognised in the fashion industry?	How have the causes of these disparities been identified and addressed in SDD?	How does SDD reflect distributive justice?
	Who voices their interests in SDD?	Which stakeholders influence decision-making around SDD, and why?	
How are the needs of future generations, non-human species and ecosystems taken into account in SDD?	How does SDD reflect contextual and restorative justice?		
What is the role of the primary stakeholders in SDD?			
How does SDD reflect procedural and recognition justice?			

3 | Methodology

This chapter introduces the used research design and explains which methods have been used to collect and analyse data. It outlines the twofold nature of this research and justifies which research steps were needed to collect and analyse results.

3.1 Research design

This thesis aimed to answer the research question ‘Which dimensions of justice are being pursued in the ESRS under the CSRD to enable a just transition in the fashion industry?’ in two phases. In the first phase and as a first step, the parameters of a JT in the fashion industry are defined to better understand how a JT on a global scale is framed. Second, interviews with eighteen fashion industry stakeholders from the Netherlands have been conducted to define the perspective of the fashion industry on what a JT entails in their sector and the use of SDD as an enabler of JTs. The questions that were asked during these stakeholder interviews have been based on the theoretical framework developed in the second chapter. The interviews explored which justice concerns arise in the fashion industry, what JTs could look like, which stakeholders should be involved, and most importantly under what conditions SDD could make a valuable contribution to JTs according to different stakeholder views. The results from the interviews have been supported by desk research using grey and academic literature to further exemplify the perspectives from the interviewees. In the third step, these combined results reinforced the framework for assessing JTs as developed in the first place. In the second phase of this research, this reinforced framework for assessing JTs in relation to SDD has been used to assess the CSRD and ESRS to evaluate the use of SDD standards as an enabler of JTs. See Figure 3 for an overview of the research design including the research question, steps, and methods.

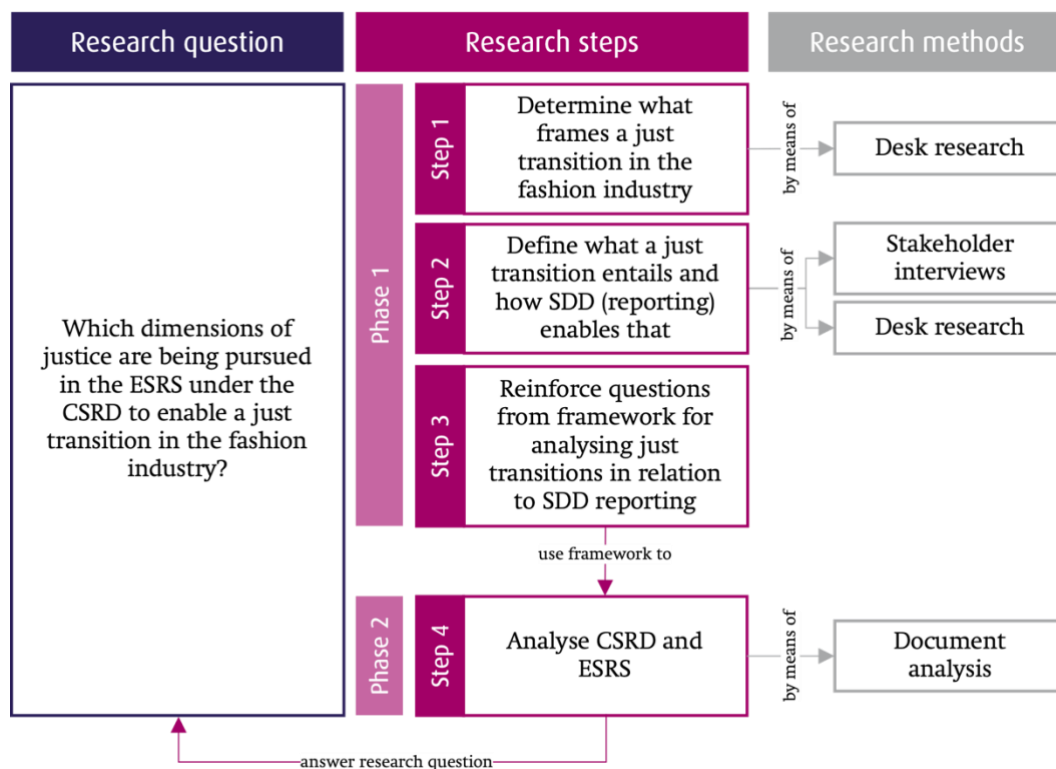


Figure 3 | Research design

The first phase of this research required an exploratory stance, because literature regarding determining how SDD and reporting thereon could enable a JT is scarce. On top of that, views on what a JT entails are rather different amongst stakeholders, let alone views on *how* this JT should be enabled. Nonetheless, these

perspectives are important to take into account to gain understanding of JTs in the fashion industry beyond the generalised concept. The desk research as part of the first phase was more deductive in nature. Even though desk research informed the first step of this research, the results of the stakeholder interviews also provided guidance for additional desk research, which allowed for an interactive approach that informed the reinforced framework. The reinforced framework has been created by means of theory adaption, in which the existing theory on justice and equity – the equity framework from McDermott et al. (2013) – has been altered by integrating it with additional perspectives on JTs and SDD. This helps to better explain the upcoming phenomenon of JTs in the fashion industry in relation to SDD.

The second phase of this research also required a deductive approach by which the reinforced framework provided the foundation for analysing the documents from the EU including the CSRD and ESRS. The specific operationalisation of what a JT in the fashion industry entails in relation to SDD allowed for testing if the CSRD and ESRS pursue dimensions of justice and therefore could play a role in enabling a JT in the fashion industry.

3.2 Data collection and analysis

The data informing the results of this research has been collected through desk research, stakeholder interviews, and a document analysis, which consecutively informed the first, second, third, and fourth step of the research design. The stakeholder interviews acquired primary data, while the desk review and document analysis acquired secondary data. This data has been analysed using an iterative approach.

3.2.1 Desk research

To build upon and further operationalise the analytical framework used to assess which dimensions of justice are being pursued in the CSRD and ESRS, desk research has been conducted. First, to inform the parameters of a JT in the fashion industry, grey literature has been consulted. This literature has been sampled by consultation of search engines Google and Google Scholar for broader initial results. Table 3 shows an overview of the literature that has been used.

Table 3 | Grey literature defining the parameters of a just transition in the fashion industry

Author	Title	Type of document
European Union	EU Strategy for Sustainable and Circular Textiles	Policy document
	EU Communication on decent work worldwide for a global just transition and a sustainable recovery	Policy document
ILO	Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All	Policy guidance document
	The state of the apparel and footwear industry: Employment, automation and their gender dimensions	Background paper
	Opportunities for a Just Transition to environmental sustainability and COVID-19 recovery in the textile and garment sector in Asia	Working paper
OECD	OECD Guidelines for Multinational Enterprises on Responsible Business Conduct	Policy guidance document
	OECD Due Diligence Guidance for Responsible Business Conduct	Policy guidance document
	OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector	Policy guidance document

Second, more specific academic literature has been used in addition to the perspectives of the interviewed stakeholders. This literature has been sampled by consultation of Google Scholar for broader initial results and other bibliographic databases – especially ScienceDirect and ResearchGate – for more specific searches

regarding academic literature on JTs and SDD in the fashion industry. A range of different searching terms were used based on the results from the interviews, e.g., “Just Transition Fashion Industry”, “Just Transition Fashion Workers”, “Marginalised Groups Fashion Industry”, “Fashion Industry Stakeholders”, “Fashion Workers Social Impacts”, and “Fashion Workers Environmental Impacts”. An overview of the relevant sources in academic and grey literature found with these terms can be found in Table 4.

Table 4 | Sources of academic and grey literature

	Author	Title	Type of article / document
Academic literature	Kamal Uddin (2017)	Climate Change and Global Environmental Politics: North-South Divide	Journal article
	Karaosman & Marshall (2023)	Impact pathways: just transition in fashion operations and supply chain management	Journal article
	Touboulic et al. (2020)	Re-imagining supply chain challenges through critical engaged research	Journal article
	Bhardwaj & Fairhurst (2010)	Fast fashion: response to changes in the fashion industry	Journal article
	Caro & Martínez-de-Albéniz (2015)	Fast Fashion: Business Model Overview and Research Opportunities	Book section
	Bamber & Staritz (2016)	The Gender Dimensions of Global Value Chains	Issue paper
	Kucera (2021)	International labor standards and tripartism	Book section
	Fernie & Sparks (2018)	Logistics and Retail Management: Emerging Issues and New Challenges in the Retail Supply Chain	Book
	Bowyer (2021)	Book Review: Daniel K. Finn, Consumer Ethics in a Global Economy: How Buying Here Causes Injustice There	Journal article
	Boström & Hallström (2010)	NGO Power in Global Social and Environmental Standard-Setting	Journal article
	Caniato et al. (2012)	Environmental sustainability in fashion supply chains: An exploratory case based research	Journal article
	Seuring et al. (2008)	Sustainability and supply chain management – An introduction to the special issue	Journal article
	Bick et al. (2018)	The global environmental injustice of fast fashion	Journal article
	Bright & Buhmann (2021)	Risk-Based Due Diligence, Climate Change, Human Rights and the Just Transition	Journal article
	Niinimäki et al. (2020)	The environmental price of fast fashion	Journal article
Grey literature	Malik Chua (2020)	Bangladesh Garment Sector Stares Down ‘Irrecoverable’ \$5 Billion Loss	Newspaper article
	Anner (2020)	Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chains	Research report
	ILO (2019)	The future of work in textiles, clothing, leather and footwear	Working paper

OECD (2018)	OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector	Policy guidance document
Sharpe et al. (2022)	Opportunities for a Just Transition to environmental sustainability and COVID-19 recovery in the textile and garment sector in Asia	Working paper
Bárcia de Mattos et al. (2022)	The state of the apparel and footwear industry: Employment, automation and their gender dimensions	Research report

3.2.2 Stakeholder interviews

To conduct the stakeholder interviews, non-probability sampling has been used. Access to interviewees has been ensured through the network of the Social and Economic Council (SER) from The Hague as well as through personal contacts. Between 2016 and 2021, the SER hosted the sector Agreement on Sustainable Garments and Textile (AGT), a coalition between fashion businesses and other organisations that focused on mitigating and preventing issues in the fashion industry (SER, n.d.-b, n.d.-a). The interviewees, see Table 5 for an anonymised list, have been sampled purposefully and could be considered a convenience sample. That means that a majority of these interviewees is familiar with the concept of (conducting) SDD and in some cases also reported on SDD. For the purpose of this research, their experience with SDD was useful to obtain a more informed answer to how SDD can contribute to a JT. However, it should be noted that these stakeholders do not necessarily represent all actors in the (Dutch) fashion industry and that due to this sampling strategy there are limitations to the generalisability of this study. To collect the views of the stakeholders, a semi-structured interview guide was developed based on the operationalisation of the JT framework from Chapter 2. This guide can be found in Appendix A.

Table 5 | Overview of interviewees and their professions

Interviewees	Profession	Date	
That reported on SDD	Brand-1	Sustainability Manager	8 March 2023
	Brand-2	Sustainability Director	22 March 2023
	Brand-3	Sustainability Manager & CSR advisor	8 March 2023
	Brand-4	Sustainability Manager	15 March 2023
	Brand-5	Sustainability Manager	17 March 2023
	Brand & Retailer-1	Sustainability Officer	8 March 2023
	Brand & Retailer-2	CSR Manager	23 March 2023
	Expert-1	Sustainable Fashion Consultant	20 March 2023
	Sector organisation-1	Sustainability Manager	24 March 2023
That did not report on SDD	Expert-2	Sustainable supply chain consultant	9 March 2023
	Expert-3	Ethics and sustainability consultant	21 February 2023
	NGO-1	Policy Director	14 March 2023
	NGO-2	RBC Specialist	14 March 2023
	Sector organisation-2	Apparel & Textile Specialist	27 March 2023
	Sector organisation-3	Policy Coordinator	6 April 2023
	Sector organisation-4	Due Diligence Consultant	13 March 2023
	Trade union-1	RBC Advisor	27 February 2023
	Trade union-2	CSR Policy Advisor	22 February 2023

This research includes the results of eighteen interviews. To assure a representative mix, interviews have been conducted with fashion brands and retailers, non-governmental organisations (NGOs), trade unions, and other sector organisation in the fashion industry such as trade associations and multi-stakeholder initiatives. The interviewees have been asked to sign an informed consent form before conducting the interviews (see Appendix B) and the interviews have been recorded. To ensure that this research abides by the common ethical principles in social research, the transcriptions resulting from the interviews have been handled confidentially and their results are anonymised and generalised. The identities and records of interviewees maintain as confidential. Their participation is voluntarily, and they are entitled to the withdrawal of data and have been informed of this fact beforehand.

Once conducted, the interview results have been transcribed and then coded digitally using the qualitative data analysis system NVivo. This process started with open coding, during which data was compared, labelled, and classified. The open coding was done per section of the interview as indicated by the interview guide. This provided some structure to the open coding process while still offering the objectivity needed to analyse the results. After the open coding, the results have been coded again, this time using axial coding to indicate the conditions and context associated with the phenomena established during the open coding process. Finally, to establish core categories, the reasoning behind the relation between the phenomena have been described in a process called selective coding (Clark et al., 2021). The results of this process can be found in Appendix C. The selective codes within the structure provided by the interview guide have also been compared to each other to understand similarities and differences between the codes.

3.2.3 Document analysis

With the reinforced assessment framework, which has been updated based on the results from the stakeholder interviews and desk review, a document analysis has been performed. An overview of the thirteen documents from the EU and the EFRAG that have been analysed to answer the research question can be found in Table 6. These documents have been selected because they include the reporting standards from the CSRD and ESRS and are going to be used on a large scale within the EU. In some cases, the analysis has been supported with additional sources.

Table 6 | Overview of documents for analysis

Organisation	Documents	Additional sources
European Union	Corporate Sustainability Reporting Directive	News item 22-06-2022 Commission delegated regulation (EU) supplementing Directive 2013/34/EU
European Financial Reporting Advisory Group (EFRAG)	Cross-cutting standards: <ul style="list-style-type: none"> • Draft ESRS 1 General requirements • Draft ESRS 2 General disclosures Environment: <ul style="list-style-type: none"> • Draft ESRS E1 Climate change • Draft ESRS E2 Pollution • Draft ESRS E3 Water and marine resources • Draft ESRS E4 Biodiversity and ecosystems • Draft ESRS E5 Resources and circular economy Social: <ul style="list-style-type: none"> • Draft ESRS S1 Own workforce • Draft ESRS S2 Workers in the value chain • Draft ESRS S3 Affected communities • Draft ESRS S4 Customers and end-users Governance: <ul style="list-style-type: none"> • Draft ESRS G1 Business conduct 	EFRAG General Assembly governance overview EFRAG Public consultation on the first set of Draft ESRS EFRAG sustainability reporting standards roadmap Cost-benefit analysis of the First Set of draft European Sustainability Reporting Standards

To analyse the documents regarding the CSRD and ESRS, first a selection was made of the reporting standards represented in the documents. This iterative process combined content and thematic analysis. The content analysis included a first-pass document review, in which meaningful and relevant data points have been identified based on their connection to issues of justice as defined in the fashion industry. After that, the reporting standards have been coded thematically with the operationalised reinforced assessment framework containing the dimensions of a JT.

3.3 Reliability and validity

The research standards in this research have been strongly informed by the criteria from Bryman's Social Research Methods for trustworthiness in qualitative research (Clark et al., 2021). The research design allowed for the research problem to be analysed from different angles by using multiple sources of data and data analysis that enabled triangulation, namely stakeholder interviews, desk research, and document analysis. Considering that JTs in relation to SDD have hardly been researched before, especially not in relation to the fashion industry, these different angles enabling triangulation also provide multiple insights that complement one another and therefore helped to improve confirmability and credibility. The use of different methods and data sources while following predefined research steps contributed to the reliability and validity of this research. Especially the use of the assessment framework in both phases of the research provided reliability in terms of structured data collection and analysis. The validity of this framework relies on the use of primarily scientific literature and the inclusion of multiple independent stakeholder views. To ensure reliable data collection of these views, semi-structured interview guides have been used.

4 | How, why, and for who? Framing a just transition in the fashion industry

This chapter is considered part of the outer layers of the JT framework: the parameter-setting of a JT in the fashion industry including how, why, and for who based on the parameters, goals, and target of a JT in the fashion industry.

PARAMETERS: HOW?

4.1 How are the parameters of a just transition in the fashion industry determined?

The parameters that frame a JT in the fashion industry are determined by the structure and the governance of the global fashion value chain, including the Paris Agreement, European strategies and legislation, ILO guidelines, and international principles to conduct RBC.

4.1.1 The structure of the global fashion value chain

The context of an increasingly competitive market as well as the growing customer demand for continuous variety and instant gratification in relation to the increasing speed with which trends change, has led to a system that is now known as fast fashion (Bhardwaj & Fairhurst, 2010). Fast fashion can be described as “the retail strategy of adapting merchandise assortments to current and emerging trends as quickly and effectively as possible” (Sull & Turconi, 2008, p.5). It relies on repetitive and impulsive (over)consumption. Today, fashion and fast fashion are used interchangeably to define an industry that encompasses the following elements: short lifecycles, high volatility, low predictability, and high impulse purchasing (Christopher et al., 2004). The structure of the current global fashion value chain is also characterised by vertical disintegration and global dispersion of successive processes, as the chain spans multiple industries – from agriculture and petrochemicals to manufacturing, retail and distribution – and countries, see Figure 4 (Gardetti & Torres, 2017; Niinimäki et al., 2020).

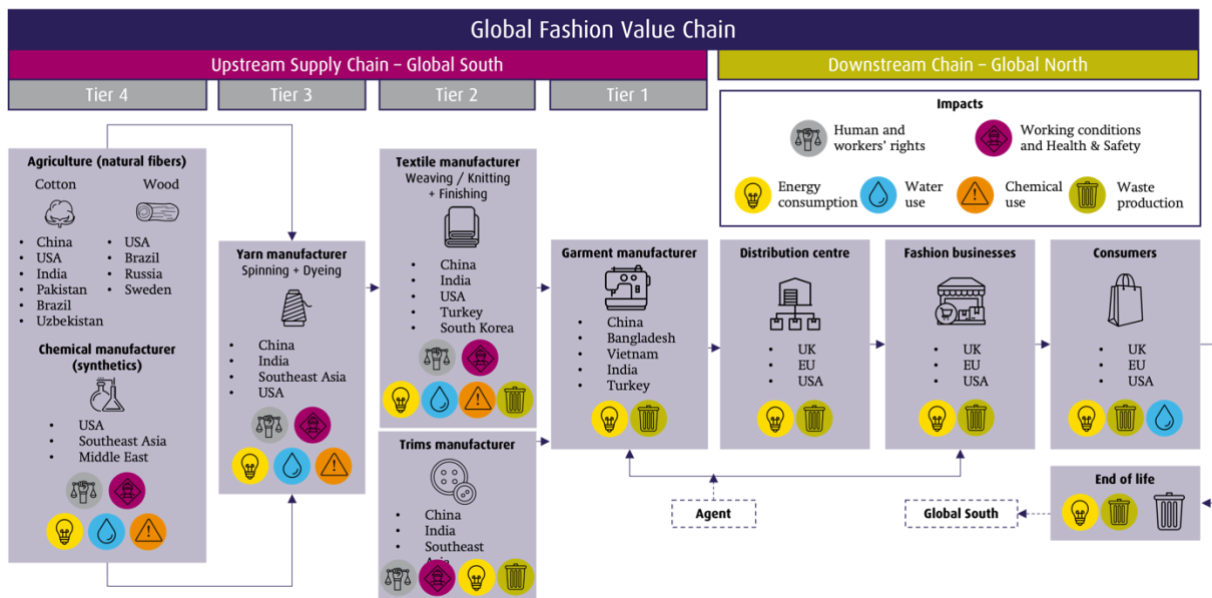


Figure 4 | Fashion value chain, adapted from Gardetti & Torres (2017) and Niinimäki et al. (2020)

The upstream supply chain generally identifies four tiers, all having their own specialised processes and related environmental and social impacts. The majority of the upstream chain is located in the Global South. The manufacturing of garments starts with the cultivation of cotton or trees for wood, or at a chemical

manufacturer where synthetics are produced from derivatives of petroleum. This happens in the fourth tier. These raw materials are used to produce yarns (third tier), which are either woven or knitted into textile fabrics (second tier). These fabrics in combination with trims are used to manufacture garments and other fashion items (first tier). Once the fashion products have been cut, made, trimmed, ironed, washed, and packed, they are shipped and through distribution centres they enter the downstream chain, often situated in the Global North. Here they are sold by brands and retailers to consumers. After being worn, consumers dispose of their garments and the products end up in landfill, are incinerated or in some cases downcycled (Gardetti & Torres, 2017; Niinimäki et al., 2020). The end-of-life phase often takes place in African countries located in the Global South (Bick et al., 2018). This divide between production and disposal of fashion in the Global South and consumption of fashion in the Global North also characterises the structure of the fashion value chain.

4.1.2 Paris Agreement

In 2015, the Paris Agreement was adopted by 196 parties. It addresses the JT in one of their key guiding principles in the implementation of the Agreement. Their principle of JT urges countries to “take into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities” (Paris Agreement, 2015, p.2). The Paris Agreement formed the foundation for many other international and European initiatives that play an important part in the landscape of the fashion industry.

4.1.3 European sustainability strategies and legislation

The Paris Agreement has also been the main framework for a transition in the EU that limits global warming and significantly reduces GHG emissions: the European Green Deal, which was adopted in 2019 (European Commission, n.d.-a). When it comes to the fashion industry, the EU presented its EU Strategy for Sustainable and Circular Textiles in 2022 as part of the European Green Deal. To create the enabling conditions needed for accelerating the green and digital transitions of EU industrial ecosystems, the European Commission also invites stakeholders to co-create the Textiles Ecosystem Transition Pathway, which has not been published yet (European Commission, n.d.-b). The European Strategy and Pathway aim to create a coherent framework and a vision for ‘the transition’ of the textiles sector. This transition is envisioned as such (European Commission, 2022c):

By 2030 textile products placed on the EU market are long-lived and recyclable, to a great extent made of recycled fibres, free of hazardous substances and produced in respect of social rights and the environment. Consumers benefit longer from high quality affordable textiles, fast fashion is out of fashion, and economically profitable re-use and repair services are widely available. In a competitive, resilient and innovative textiles sector, producers take responsibility for their products along the value chain, including when they become waste. The circular textiles ecosystem is thriving, driven by sufficient capacities for innovative fibre-to-fibre recycling, while the incineration and landfilling of textiles is reduced to the minimum. (p.2)

In this strategy, a JT is mentioned once, which is in the paragraph regarding the EU Communication on decent work worldwide for a global JT and a sustainable recovery (European Commission, 2022b), p.12). In this Communication, the textile sector is identified as a key sector where decent work conditions will be promoted through outreach in bilateral relations and multilateral fora, such as the annual meetings of the G7 and G20 members in the context of the Global Alliance for Circular Economy and Resource Efficiency (GACERE) and the United Nations Environmental Assembly (European Commission, 2022b). Promotion of decent work in the EU is also connected to other international commitments and guidance and acknowledges the work of the ILO, UN, and OECD. It is in line with the ILO Global Call to Action and with the UN 2030 Agenda for Sustainable Development, through which the EU aspires to champion decent work

both at home and around the world (European Commission, 2022a; ILO, 2021a). Their comprehensive approach to promoting decent work worldwide therefore includes the following four elements that define the universal concept of decent work in the EU: employment, standards and rights at work, social protection, and social dialogue and tripartism, see Table 7. The EU also identifies and addresses vulnerable and disadvantaged groups as part of their comprehensive approach of decent work, such as children and young people, older workers, migrant workers, persons with disabilities, ethnic minorities, and workers in the informal economy. Gender equality and non-discrimination are cross-cutting elements both in the approach and when considering the vulnerable and disadvantaged groups (European Commission, 2022a).

Table 7 | Elements of the universal concept of decent work (European Commission, 2022a)

		Key elements	Reinforcing objectives
		Cross-cutting elements Gender equality and non-discrimination	Employment
Standards and rights at work	Respecting, promoting and realising, in particular, fundamental rights at work – freedom of association and rights to collective bargaining, elimination of forced labour and child labour and anti-discrimination.		
Social protection	Access to healthcare and income security, for example in cases of unemployment, sickness and work injury; decent working conditions, including safe and healthy working conditions, minimum living wages and adequate working hours.		
Social dialogue and tripartism	Sound industrial relations and effective social dialogue are means to promote better wages and working conditions, as well as peace and social justice; as instruments of good governance, they foster cooperation and economic performance. In addition, there is a need to develop effective labour inspection systems.		

4.1.3.1 CSDDD and CSRD

The legislation that focuses the most on a JT in the fashion industry, as referred to in the EU Strategy for Sustainable and Circular Textiles, is the CSDDD. This Directive has been proposed early 2022 and is gradually moving towards official adoption. It will form the European foundation on how to conduct SDD as a business and intends to be in line with the UNGPs and the OECD Guidelines. The goal is to “foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in companies’ operations and corporate governance” (European Commission, 2022d). The legislation will establish a corporate duty to ensure that businesses address adverse impacts of their actions, including in their value chains inside and outside the EU (European Commission, 2022d).

The CSRD and ESRS have to be applied in tandem with the CSDDD but will come into force before the CSDDD. Because of that, and the fact that the CSDDD has not been officially adopted yet, this research focuses on the effect that the CSRD and ESRS will have on the fashion industry in relation to a JT. The CSRD has been adopted in June 2022 and the first set of draft ESRS were presented in November 2022. These draft ESRS include twelve separate document that define the framework and standards regarding reporting on SDD. ESRS 1 and 2 are the cross-cutting standards which provide the framework and disclosure standards for the sustainability report. These cross-cutting standards include references to the topical Environmental (E), Social (S) and Governance (G) standards. These topical ESG-standards contain standards regarding governance, strategy, implementation, impact management, and metrics and targets. See Figure 5 for an overview of the cross-cutting and topical ESRS.

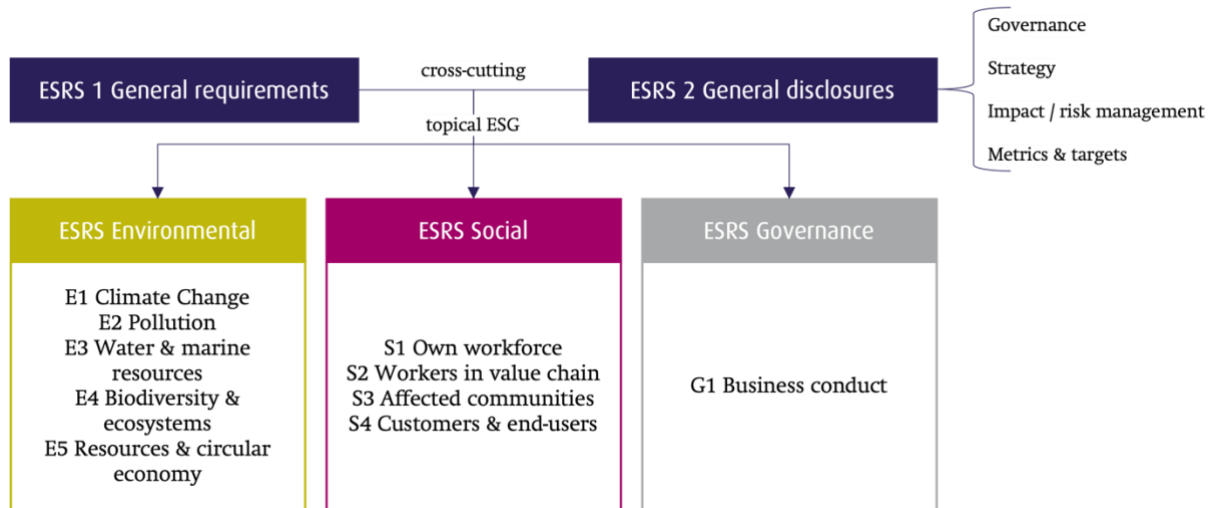


Figure 5 | Overview of cross-cutting and topical ESRS

4.1.4 ILO guidelines for a just transition

On an international level, the ILO Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All describe what a JT entails for governments and businesses alike, see Appendix D. In terms of JTs, the ILO argues that moving towards greener economies should lead to opportunities to achieve both environmental and social objectives. It describes a JT as a way to “green the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind” (ILO, n.d.). The ILO also explains the elements needed to enable a JT. These key elements for a JT include (i) social dialogue with stakeholders, (ii) promotion of fundamental workers’ rights, (iii) integration of gender dimension in environmental aspects, (iv) coherent policies that include a JT framework, (v) consideration of country-specific conditions, and (vi) international cooperation. The vital elements for social dialogue are considered freedom of association and collective bargaining as enabling rights. In reference to private sectors, the ILO describes that JTs require that employment losses, decent work deficits, inequality, and sectoral and educational misalignments are addressed. To ensure the wellbeing of all people and the planetary boundaries, industrial and productive development policies and access to technology should also be a key part of the JT. Employers’ and workers’ organisations should therefore engage in social dialogue and develop and implement sector-specific initiatives and plans on sectoral level to contribute to balanced policymaking. Meanwhile, to facilitate this, governments should “formulate and implement sustainable industrial and/or sectoral policies as well as productive development policies [and] design coherent and integrated strategies [...], paying particular attention to sectors that are highly impacted by environmental and climate change” (ILO, 2023, p.5).

4.1.4.1 ILO Just Transition Toolkit for the fashion industry

The ILO also identifies the process of a JT as a relevant concept in the current situation of the fashion industry and describes it as such: “to achieve sustainability transitions in a way that is “just” to the workers and communities involved, ensuring no one is left behind” (Sharpe et al., 2022, p.4). In the fashion industry, the ILO principles for a JT are brought together in the Just Transition Toolkit for textile and garment supply chains, mainly focusing on countries in Asia. This toolkit provides specific advice on a JT in the fashion industry to social partners and industry stakeholders groups such as governments, businesses, and workers (ILO, 2021).

According to ILO, the process of a JT in the fashion industry involves a policy framework with social dialogue at its core and a focus on inclusive and quality employment, including special attention for (i) women and other marginalised groups, (ii) social protection systems, and (iii) poverty decrease while reducing GHG emissions and protecting and restoring ecosystems (Sharpe et al., 2022; Sharpe & Martinez-Fernandez,

2021). Furthermore, it should identify the workers, enterprises and communities that will be impacted. To include these affected stakeholders, social dialogue processes need to inform analysis of the costs and benefits of the fashion sector in the regions and nations within which these stakeholders are situated. Meanwhile, these stakeholders should also receive the support, information, training, and capacity that they require to transition effectively. The ILO also states that “any direct investment specifically targeting decarbonisation and changes in the textile and garment sector also needs to explicitly consider the employment dimension, including the potential differing impacts on specific groups based on gender, migration status and disability” (Sharpe et al., 2022, p.23). Other specific elements to enable a JT in the fashion industry include the adoption of (i) national environmental and regulatory frameworks, (ii) processes for gender-responsive social dialogue, (iii) multi-stakeholder platforms, (iv) strengthening the role and voice of women, and (v) coproduction of knowledge on governance and sustainability transformation including workers, management, practitioners, scientists, the private sector, civil society, and policymakers (Sharpe et al., 2022).

4.1.5 UNGPs and OECD guidelines

In relation to the other parameters that frame a JT in the fashion industry, the UNGPs on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the OECD Due Diligence Guidance for Responsible Business Conduct determine the international and European expectations regarding SDD steps that businesses need to take to enable RBC and eventually a JT. These define SDD as “the process enterprises should carry out to identify, prevent, mitigate and account for how they address these actual and potential adverse impacts in their own operations, their supply chain and other business relationships” (OECD, 2018a, p.15). According to the OECD, SDD consists of six steps that should be undertaken on an ongoing basis, see Figure 6. A more thorough explanation of the six steps of the OECD SDD cycle and their sub-steps can be found in Appendix D.

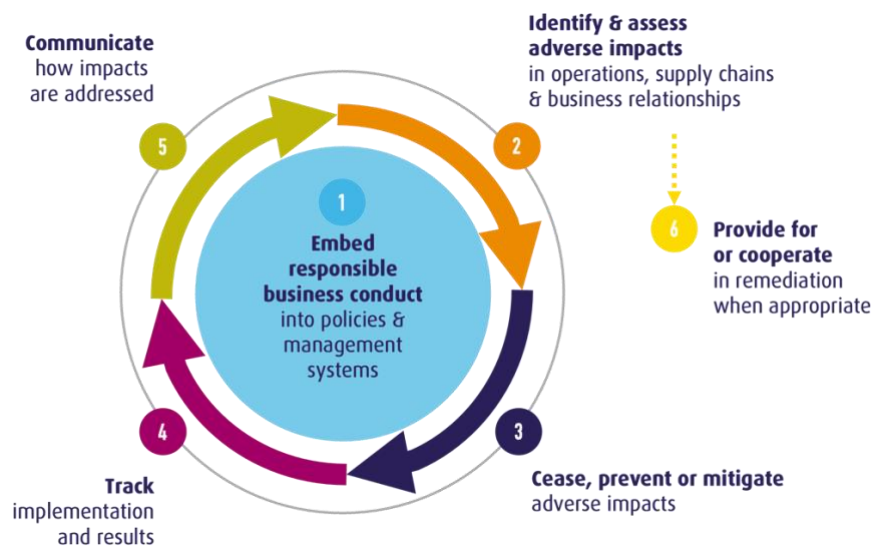


Figure 6 | OECD due diligence cycle

The first step requires businesses to embed policies and management systems that are related to RBC. This is the foundation of the cycle, which seeks to embed the principles of SDD in the businesses’ own operations, supply chain and relationships. The second step instructs to identify and assess adverse impacts, also commonly defined as risks, that (could) occur in the businesses’ operations, supply chains, and relationships. Once assessed, the business needs to determine and explain how it will cease, prevent, or mitigate its (potential) adverse impacts in step three. Step six is also connected to step two and three, requiring businesses to provide for or cooperate in remediation mechanisms through which impacted

stakeholders and rightsholders can raise complaints and seek to have them addressed with the business. Once a complaint is raised, step three follows. Step four requires businesses to track their implementation and results of their strategies to cease, prevent or mitigate adverse impacts. Step five asks businesses to communicate externally how they address their impacts. In other words, it does not only ask businesses to conduct all steps of SDD but also to report on it. Steps two, three, four and five follow each other consecutively and require regular updates. SDD as defined by the OECD is therefore considered an iterative process.

GOALS: WHY?

4.2 Why a just transition in the fashion industry (or not)?

The ILO describes that a JT presents the opportunities to achieve social and environmental sustainability through the greening of economies by managing natural resources sustainably, increasing energy efficiency, and reducing waste, while promoting social justice and addressing poverty, inequality, and gender gaps (ILO, n.d.). Even though climate change is considered the biggest threat to humanity, the social side of environmental transitions, especially regarding communities and people in supply chains, cannot be forgotten (Karaosman & Marshall, 2023). Since the fashion industry has an impact on both the environment and people, a JT in the fashion industry is therefore vital to achieve a green economy. If justice is not taken into account in a transition, accelerating and completing the sustainability transition in time might become impossible (McCauley & Heffron, 2018; Williams & Doyon, 2019).

TARGET: FOR WHO?

4.4 Who counts as a subject of a just transition in the fashion industry, and at which scale?

In their Just Transition Toolkit, the ILO identifies workers, enterprises, and communities to be impacted by (the planning for) a JT because they are affected by the need to decarbonise and adapt to successfully transition out of the old and into the new (Sharpe et al., 2022). These affected stakeholders have also been identified by the OECD in their Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. “Stakeholders are persons or groups who have interests that could be affected by an enterprise’s activities” (OECD, 2018a, p.48). According to the OECD, impacted and potentially affected stakeholders and rightsholders in the fashion industry include: (i) communities at local, regional, or national level, (ii) workers and employees including under informal arrangements within supply chains and trade unions, and (iii) consumers or end-users of products (OECD, 2018b). Relevant stakeholders that are important for conducting SDD include: (i) NGOs and local civil society organisations, (ii) community-based organisations and local human rights defenders, (iii) industry peers, (iv) host governments (local, regional, and national), (v) business partners, and (vi) investors or shareholders (OECD, 2018a). Those subjected to a JT therefore include all stakeholders, and most importantly affected stakeholders, which are considered on an individual level, but also as communities or actors along the value chain.

The ILO emphasises that those affected the most, are the ones most closely related to carbon intensive activities and other negative environmental impacts. In the fashion industry, these stakeholders are concentrated around water and chemicals use and waste discharges during weaving, dyeing, and finishing processes in textile manufacturing and energy use throughout textile manufacturing and garment assembly. These manufacturing hotspots are mainly located in (Southeast)-Asian countries, where communities are heavily dependent on the fashion industry to sustain their livelihood. That means that the workers, enterprises, and communities within textile and garment manufacturing should therefore be considered the main subject of a JT in the fashion industry.

4.5 What frames a just transition in the CSRD and ESRS?

Based on the frame that determines the how, why, and for who of a JT in the fashion industry, the following questions have been formulated to frame the dimensions of a JT in the CSRD and ESRS, see Table 8.

Table 8 | Dimensions of a just transition that frame the CSRD and ESRS

Core question	Application to	Dimensions of a just transition in the fashion industry
What frames the CSRD and ESRS?	Frame	Parameters: How?
		How are the parameters for a just transition considered in the CSRD and ESRS? <ul style="list-style-type: none"> • <i>Including: the universal concept of decent work; ILO guiding principles; ILO Just Transition Toolkit for the fashion industry; and the six steps from the OECD cycle</i>
		Goal: Why?
		What are the goals for a just transition defined in the CSRD and ESRS? <ul style="list-style-type: none"> • <i>Is the goal of the CSRD to: maximise a just transition, improve a just transition, do no harm, or are justice impacts not under consideration?</i>
		Target: Who?
		Who counts as a subject of a just transition in the CSRD and ESRS? <ul style="list-style-type: none"> • <i>Does this include affected value chain workers and communities?</i>

5 | What? Defining a just transition in the fashion industry in relation to SDD

Now that the landscape of a JT in the fashion industry has been framed, this chapter focuses more specifically on what a JT entails in the fashion industry and how SDD plays a role in enabling this JT. This includes the questions on the dimensions of justice from the core parameters in the JT framework that have been answered based on interviews with Dutch fashion stakeholders that are supported with additional literature.

CONTENT: WHAT?

5.1 A just transition according to fashion stakeholders

A vast majority of the eighteen interviewees are familiar with the concept of JT. Most of these interviewees considered the concept to be broad and rather conceptual, sometimes even political. Most of the NGOs and supporting sectoral organisations linked the origin of the concept to the energy transition and considered it the integration of a social perspective into an environmental transition. The word itself tended to be perceived as a sustainability-related “buzzword” (NGO-1) that entails all the complications regarding the current global supply chains and the problems that lie ahead when transitioning towards a new system in these supply chains. Brand-3: “It is the overarching idea, right? [...] It is the process whereby you are moving towards a more socially, fair, and environmentally sustainable future.” One of the interviewees stated that a JT requires a balancing act of three elements: people, animals, and environment. Another put it this way, Expert-1: “All stakeholders should receive their fair share and have their rights respected within the [just] transition, [taking into account that] it is impossible that everyone obtains an optimal output for themselves.” NGO-1 summed it up as such: “Eventually the intention is that the fashion industry becomes more sustainable and greener, while not creating negative impact on others.” Brand-2 and Brand-5 added to that that a JT should go beyond creating no negative impact and contribute to making positive impact instead.

A JT is seen by many of the interviewees as something that needs to happen on multiple and across societal levels and within multiple sectors. Brand & Retailer-1: “[It is something] we as a society need to go through as a whole.” The terms shared responsibility and fair share were mentioned by many in this context. The outcome of a JT should therefore be a fair distribution between stakeholders of what it takes to become more sustainable. When sharing responsibility all stakeholders, their roles, and responsibilities, but also the context in which they operate, are determined important to consider.

5.2 SDD according to fashion stakeholders

Sharing and taking responsibility is also reflected in the process of (reporting on) SDD. Half of the interviewees, mostly brands, conducted and reported on SDD themselves, whereas the other half did not report themselves but often supported other organisations throughout the process of SDD. According to the interviewees, SDD allows for a useful framework that guides users through all the steps that need to be considered to conduct business responsibly. It provides structure and focus areas. Expert-1: “[When I was working at a fashion brand], I really enjoyed the fact that we used and developed a framework, which forced you to think about all the different topics you need to consider and different steps that you might need to take. Risk analysis was at the core of that.” Expert-3 specified: “It is like doing your homework properly. You have to cut it up in small pieces through which you justify that you know where your products are coming from, under which circumstances they are made, and whether your purchasing practices have contributed to a negative or positive impact.” The goal of SDD according to the interviewees is to understand what needs to change and how that could be changed. It involves risk mapping and prioritisation, the

development of goals and strategies, and the evaluation of progress. In this process, the inclusion of (information regarding) – mostly upstream supply chain – stakeholders is considered a central element. Trade union 1: “To be honest and put it bluntly, if you did not consult stakeholders in your due diligence, the process has not been conducted well.” These are very similar descriptions to what the OECD defines in their SDD guidance.

Reporting on SDD is seen by more than half of the interviewees as a way to externally communicate about internal SDD processes. The main goal of reporting, as defined by the interviewees, is to raise awareness and contribute to and increase transparency, responsibility, and accountability. According to the interviewees, reporting helps to give insight to external parties by sharing that the reporting organisation understands where it is currently standing at, what progress has been made so far, and what challenges it is still facing. By sharing insights externally, it helps to verify information, achieve comparability, and create leverage for common problems. Moreover, reporting externally also leads to more internal attention towards SDD on (top) management level and inclusion of SDD practices throughout the entire business. However, SDD and reporting thereon is not without challenges or downsides. The interviewees consider it an administrative burden and a complex process in which the availability, reliability, quantification, and comparability of data is often of concern. They also identified challenges related to the big differences between what and how businesses conduct and report on SDD, and the lack of clear international objectives regarding SDD (reporting).

In general, the perception of (reporting on) SDD differs between the interviewed stakeholders but meets one of these two ends: some define it as a necessary evil, while others believe it is an investment in the future. Nevertheless, its usefulness regarding RBC is largely undisputed by the interviewees. Still, these first insights do not yet specify what a JT in the fashion industry entails precisely and which role SDD reporting plays in that. Therefore, the rest of this chapter investigates the content of a JT in relation to SDD reporting alongside the dimensions of justice defined in the theoretical framework.

5.3 Procedural and recognition justice

To analyse the procedural justice dimension those who are involved in the fashion industry in general and who are involved during SDD are defined. The stakeholders that encounter most of the injustices in this system are defined too to determine whether and how they are addressed in SDD. To understand the dimension of justice as recognition, the representation of all these stakeholders in SDD is examined as well. Finally, the roles of these stakeholders in SDD are described to better understand how SDD reflects procedural and recognition justice. These dimensions of procedural and recognition justice take into account a more specific component of the who-question presented in the JT framework. They do not only consider a JT *for* who but aim to understand a JT *with* who.

5.3.1 Who are the primary stakeholders in the fashion industry?

The interviewees identified similar stakeholders as the OECD describe in their SDD guidance, mainly considering the stakeholders which are either directly or indirectly affected by the actions of **brands**. However, according to the interviewees there are additional stakeholders to consider that play a role in what the fashion industry looks like and while conducting SDD.

Within brands, **top management** needs to be considered according to the interviewees. Top management is determined an important influence on decision-making processes within a company, especially regarding the implementation of processes that could contribute to a JT. Additional to brands, the interviewees consider **consumers** and **competitors** to be important stakeholders in understanding the role of brands. The upstream supply chain stakeholders manufacturing apparel from start to finish are often looked at from two different angles by the interviewees: **suppliers** in general and **supply chain workers**. Suppliers in the fashion industry are often considered on four tier levels. Some interviewed brands also identify **agents** or

other local intermediaries to be part of the fashion chain stakeholders. Like the OECD, some of the interviewees also consider **governments** and especially local laws and regulations regarding social and environmental standards to play an important role in defining the fashion landscape. Besides that, affected **community members, animals, and ‘the environment’** in a more general sense are also considered important affected stakeholders according to the interviewees. Only one of the interviewees mentioned **end-of-life actors**, who are considered the ones dealing with waste as a result from the consuming of clothing, to be an important stakeholder in the fashion industry too. The interviewee explained that in some cases, these stakeholders are able to make a business out of the clothing that becomes waste by reselling, recycling, or incinerating them. However, in most cases clothing is landfilled, often in African countries, where clothing disrupts local markets and becomes solid waste that creates environmental and health hazards for communities there (Bick et al., 2018). Therefore, end-of-life actors in the fashion industry are often affected stakeholders as well, the interviewee argued. Finally, **investors, consultants, assurance providers, research institutes**, but also collaborative **sector initiatives** like sector agreements or working groups have been identified as stakeholders that could play a role in a JT.

5.3.2 Who are the primary stakeholders addressed in SDD?

When the interviewees were asked which stakeholders are usually addressed in SDD, their answer is clear: most of the time the primary stakeholders are **the ones affected** by the actions of the brands. In most cases, the focus in SDD is therefore on workers in the supply chain and the impact on the environment. However, these stakeholders are often not directly consulted and included within SDD. Stakeholder inclusion in SDD seems to happen in a more general way that involves information on aggregated level, usually collected by **stakeholder representatives**, such as NGOs or trade unions. They generally represent or consider issues on a more individual or group level, but the individual or group itself is hard to reach, especially for brands, the interviewees explained. Table 9 summarises and categorises all stakeholders that have been identified in the fashion industry and in relation to SDD (reporting).

Table 9 | Stakeholders identified in the fashion industry in relation to SDD (reporting)

Fashion chain stakeholders	Affected stakeholders	Stakeholder representatives	Governance stakeholders	Other stakeholders
Brands and retailers, including top management	Supply chain workers in tier 1, 2, 3, 4	(Local) trade unions or other form of workers' representation representing enterprise's own employees or supply chain workers	Governments of the jurisdictions that the business operates in or sources from	Investors
Competitors	Local communities			Assurance providers
Suppliers	Animals			Consultants
Agents (intermediaries)	Environment	NGOs		Research institutes
Consumers				Sector initiatives:
End-of-life actors				<ul style="list-style-type: none"> • Agreements • Working groups

5.3.3 Which marginalised groups are recognised in the fashion industry?

According to all interviewees, **upstream supply chain workers** have the weakest position in the fashion system and are identified to be the marginalised group that is most vulnerable to social and environmental impacts. More specifically, **workers within the lower tiers** of the industry as well as the informal industry are deemed to face even greater negative effects, because they remain invisible due to lack of transparency in the upstream supply chain, both in representation as well as in the process of SDD.

Throughout all tiers, and again especially in lower tiers, **women** have been identified by more than half of the interviewees to be a major marginalised group within the fashion industry. Around 80% of the millions of workers in the fashion industry are women (ILO, 2019). Although many of the issues that women face affect all workers, including both women and men, it is women who face additional challenges related to social norms and power dynamics that disadvantage them (Bárcia de Mattos et al., 2022). The position of women when transitioning is also at stake, NGO-2 claimed, because “they find themselves in a weak position already”.

In relation to women, a third of the interviewees identified **children** and **youth** to be marginalised groups within the fashion industry. Expert-2: “Within the fashion industry, but also within most other sectors, the ones that are hit the hardest are women. Likewise, children are affected too because women are usually the ones taking care of the children.” Besides being vulnerable to social and environmental issues of the fashion industry indirectly through their mother or other female family members working in the fashion industry, children and youth are also vulnerable directly if they are working in the industry. Child labour is still considered a risk in the fashion supply chain, especially in lower tiers (OECD, 2018b).

Besides women and children, **migrant workers** in the fashion industry have been identified as a vulnerable group. An increasing part of the fashion workers is an immigrant or has migrated from more rural areas to industrial parts within their own country. They are often subjected to similar abuses that local workers encounter, but on top of that they are more likely to have debts to recruitment agencies, labour brokers, and traffickers, have to live on-site which makes it difficult for them to leave, or they cannot work legally due to asylum and immigration policies (Bárcia de Mattos et al., 2022).

Some fashion workers belong to **minority groups due to their race, religion, sexuality, age, or disability**. Depending on country, region, and culture, all these factors have an effect on the circumstances fashion workers have to face. Discrimination based on any of these grounds – from gender to disability – is therefore considered a major problem of injustice in the fashion industry. Closely linked to that is the issue of violence and harassment, which can be verbally, physically, or sexually. Association with labour unions or other collective forms of bargaining agreements can also lead to discrimination (Bárcia de Mattos et al., 2022). In terms of marginalisation within the fashion industry, many of the interviewees therefore identified these minority groups within the upstream supply chain that require special focus when conducting SDD.

Besides the vulnerabilities related to where the workers come from and what their personal background is, one of the interviewees also pointed out the importance of considering under what circumstances a worker is hired and paid as a factor for marginalisation. For instance, the **hiring and payment conditions**, and therefore, the rights and vulnerability of the worker, differ greatly between workers who are paid per piece and workers who are paid per hour. Some workers are paid monthly, some daily. Trade union 1: “Day laborers get paid per day. If they get pregnant, they do not get paid. If they fall ill, they do not get paid.” Related to that, NGO-1 noted that cotton farmers often depend on the quality of their harvest and the international cotton price to get paid. A social safety net surrounding these workers is often lacking, which makes them even more vulnerable.

Aside from the supply chain workers, **local communities** were identified as marginalised groups by some of the interviewees. Local communities represent the people who live in the area where a business is located. Even though the fashion industry can increase working opportunities in such areas, local communities are also subjected to what businesses in the upstream supply chain do and whether they uphold standards and whether these standards are high enough to assure healthy and safe living conditions. Local communities can be affected by the negative environmental and social impacts of the fashion industry without contributing to these impacts themselves. For example, water pollution of rivers due to unfiltered effluents

containing dyeing chemicals from dyehouse factories could affect a local community dependent on the river for drinking water.

5.3.4 Who voices their interests in SDD?

In many cases the interviewees identified **trade unions** or other forms of workers' representation and **NGOs** to be the voice of affected stakeholders and marginalised groups. However, the complexity of the system, cultural differences, local context, and the literal distance between brands and representatives in the Global North and supply chain workers in the Global South are noted by several as issues regarding stakeholder involvement and representation in SDD. On top of that, the complexity and distance also result in the fact that many stakeholders beyond the first tier are often not involved nor represented in SDD. Nevertheless, almost all interviewees consider the involvement of upstream supply chain stakeholders, preferably on an individual or group level through accurate representation, to be a crucial element to conduct meaningful SDD because they deem the affected and marginalised stakeholders one of the main reasons for conducting SDD. Another important source for information to represent stakeholders in SDD (reporting) for brands is by using **supply chain data**, which often includes data from (social) audits, supplier visits, and grievance mechanisms results. This information provides a more detailed insight into what is happening in the direct upstream supply chain of a brand. However, all the interviewees noted that addressing upstream supply chain stakeholders only by means of audit or visit data is not enough to gain a complete picture of what is happening. Issues regarding lack of transparency, verified data, and the risk of corrupt audit systems were raised here.

When it comes to the representation of local communities in SDD (reporting), many interviewees did not identify representatives that voice the interests of this group. In some cases, an interviewee explained, local communities are included in the scope of NGOs and are represented through their seat at the table. However, this is no guarantee of accurate representation.

5.3.5 How are the needs of future generations, non-human species, and ecosystems taken into account?

Future generations do not have a voice (yet), but they are likely to have to deal with the effects of the current fashion industry. The interviewees differ in perspectives regarding whether and how the needs of current and future generations are taken into account in SDD. A few argued that the reason to conduct SDD is to have a right and the ability to exist in the future. The needs of future generations are therefore the outcome of effective SDD according to them. This perspective translates the needs of future generations indirectly to topics related to climate change. Brand-1: "Regarding water for example, where will the water stress be the highest? So, we are indirectly also looking into future generations. With climate change, of course, that is an indirect thing. I'm trying to include biodiversity too into our sustainability strategy and that is also more future-related. It has an impact now, but I think the risk will be even bigger in the future." In their point of view, climate change topics therefore reflect the needs of future generations.

Other interviewees do not necessarily share this view. They consider the inclusion of the needs of current generations to be complicated enough. Moreover, they question whether it is fair to prioritise the future over disparities occurring today. Expert-2: "Who will define what should be prioritised compared to other stakeholder interests?" The same question is asked regarding the representation of non-human species and ecosystems. All the interviewees acknowledged that balancing the needs of non-human species and ecosystems with the needs of current marginalised groups is an extremely difficult act. In general, the interviewees wondered whether SDD provides the possibility to identify how trade-offs between these options – current versus future, non-human versus human – should be balanced.

Nevertheless, topics regarding biodiversity and animal welfare are receiving more attention than before, according to some interviewees, because the needs of ecosystems are increasingly considered in relation

to their impact on humans as environmental exploitation has consequences for the environment, which can then influence the life of humans as well. Expert-2: “The bottom line is: there is no work on a dead planet”. Brand & Retailer-1 considered the involvement of non-human species and ecosystems in SDD (reporting) a self-interest to avoid “paying the price later”.

Furthermore, future stakeholders, non-human species and ecosystems are considered vague and difficult to represent, because their needs are based on expectations defined by others. For instance, the rights of animals differ greatly per country and continent, one of the interviewees explained, which makes it hard to justify everywhere that non-human species have needs that require representation. Regarding difficulties in representation, the differences in needs between the future generations in the Global North and Global South are highlighted here as well. As one of the interviewed brands explained, future generations from the Global North might want less consumption in order to lower negative impacts on the environment, whereas future generations from the Global South might want more consumption to increase their social welfare.

5.3.6 What is the role of the primary stakeholders in SDD?

The roles of all the fashion stakeholders and their mutual relations are visible in Figure 7. Their roles and relations are the foundation to understand which roles these stakeholders play when it comes to SDD. The interviewees consider SDD a process that is conducted by brands in the Global North, therefore taking the perspective that the brand is at the core of facilitating SDD. Their stakeholders include those who are or could be directly or indirectly affected by the actions of the brand, but also those who are directly or indirectly affecting the brand, e.g., through demand or legislation.

5.3.6.1 Consumers

According to the interviewees, consumers do not play a central role in SDD right now. Brand 1: “But maybe that is something to include in the future?” Nonetheless, the interviewees deem the origin of demand in the fashion industry to be coming from the consumers of fashion, mainly located in the Global North. Demand for fashion production starts there and therefore consumers do play a role in enabling a JT in the fashion industry. According to the interviewed brands and NGOs alike, consumers need to better understand their role in the system of fast fashion because it relies on their repetitive and impulsive (over)consumption. This continuous demand for something new has influenced both the production and the lifecycle of clothing. One of the interviewed trade unions explained that the main reason for many negative environmental and social impacts during production is because of the never-ending demand. Throughout the rest of the lifecycle of clothing, consumers also play an important role when it comes to wearing, laundering, and disposing of clothing. One of the interviewees stated that clothing lifespans have rapidly decreased over time due to the behaviour of consumers, leaving behind increasingly more waste. Awareness regarding the impact of their behaviour on a JT can therefore not go unnoticed if SDD is to enable that JT. Especially the interviewed brands, but also NGOs and multiple experts, pledged for more attention regarding the extension of the consuming-phase.

The OECD and the EU on the other hand also identify consumers of fashion as *affected* stakeholders when it comes to transitioning towards more sustainability. To protect and benefit consumers, the EU argues, a sustainable and just fashion system should offer them durable, high quality, and affordable textiles, and the possibility to make well-informed conscious choices (European Commission, 2022c). This perspective on the (future) role of consumers was mentioned by only a few of the interviewees. In opposition to that, some interviewees argued that if the fashion system is to change, costs will increase, and consumers must face those consequences too. In their opinion, consumers are not necessarily to be protected from increasing costs of sustainable practices, instead they should contribute (financially) to those practices as well.

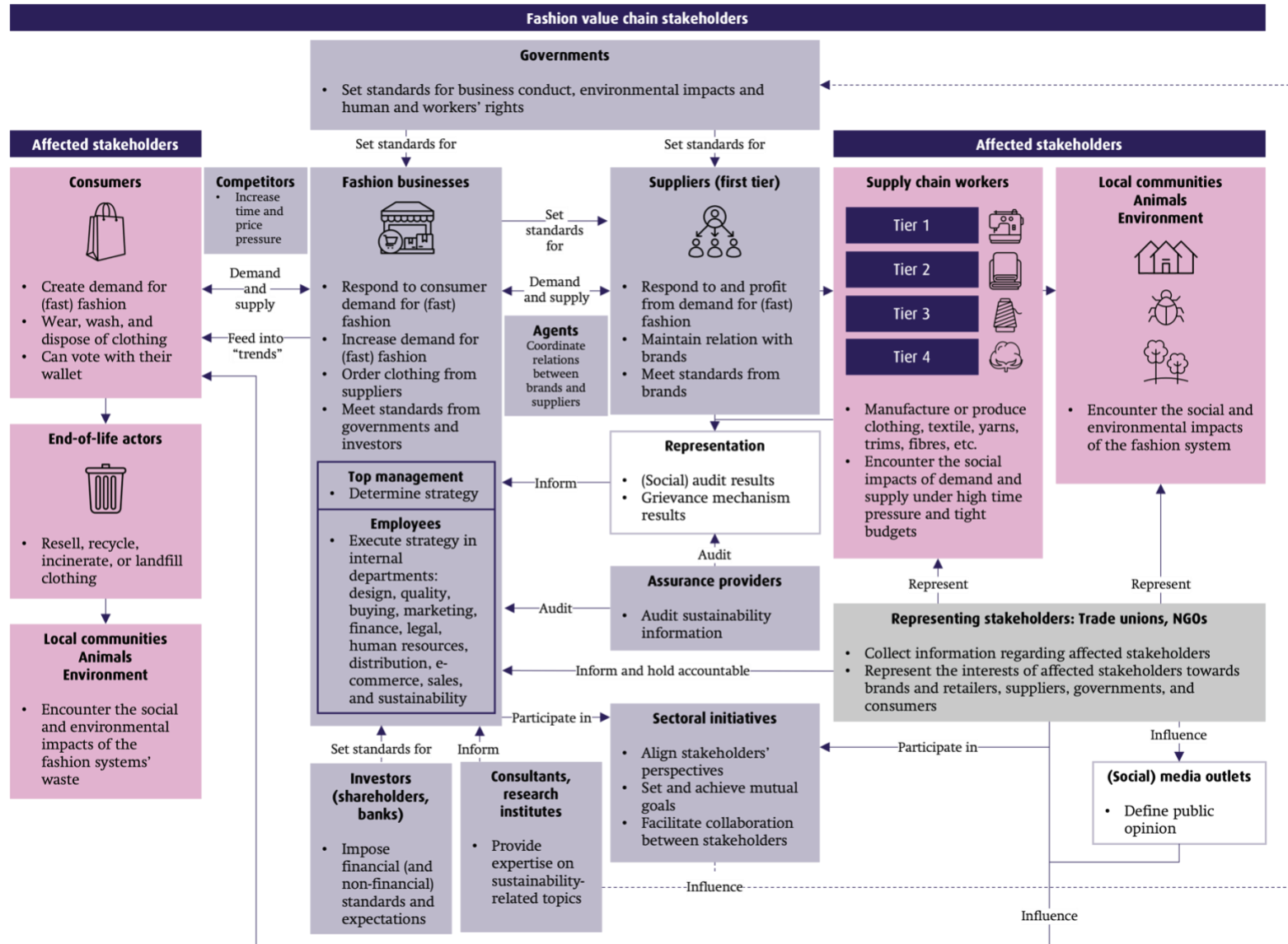


Figure 7 | Stakeholders in the fashion industry: their roles and relations

5.3.6.2 Brands and retailers

Brands and retailers are determined at the core of the fashion industry, SDD (reporting), and a JT according to the interviewees. All the interviewees stated that brands have to take their responsibility to enable a JT in the fashion industry by conducting responsible business. Whether that is the case right now remains disputed. As of now, brands respond to the rising demand of (fast) fashion fuelled by consumers. However, as one of the interviewees noted, brands also *drive* the demand for (fast) fashion. It can be argued that brands benefit from the principles of fast fashion because it allows them to optimise fashion precision in relation to operational agility and time-based variety (Caro & Martínez-de-Albéniz, 2015), and therefore create and respond to trend-led consumer demand. With this two-way-street approach they can capitalise on fashion continuously (Bhardwaj & Fairhurst, 2010). In the relationship between brands and consumers this has led to a synergy that has rapidly increased production over time. The interviewed stakeholders, especially the NGOs, trade unions, and experts, determined that when it comes to SDD and a JT, brands need to be aware of how they respond to *and* drive demand in the fashion industry.

In these roles brands span production and demand. As explained by the interviewees, brands are usually in direct contact with first-tier suppliers. In some cases, brands also have a direct relationship with textile and trims manufacturers in the second tier. Further down the upstream chain, there is often no direct relation between brands and third-tier and fourth-tier suppliers. The role of brands in this relationship between them and their suppliers is to translate the trend-led demand into designs and place orders at their suppliers. These orders need to meet the requirements of the brands. Meanwhile, brands are subject to the standards set by the jurisdictions that the business operates in or sources from or the investors that take a share in the business. These standards can be of financial nature, including lead times and bargaining, or include sustainability-related topics. Since pressures to adopt greener and fairer business practices tend to be particularly strong for those organisations whose names are closest to the public consciousness, i.e., brands, the introduction of standards that suppliers need to live up to have also become common practice in the relation between fashion businesses and (first-tier) suppliers (Caniato et al., 2012; Seuring et al., 2008). Thus, the role of brands between them and suppliers does not only include demand and supply, but also involves the setting and meeting of standards. Regarding standards for SDD, the interviewees determined that brands are also the stakeholder initiating, facilitating, and coordinating SDD within their supply chain. Some of the interviewees noticed, that brands are often not able to meet standards established by their governments or other external stakeholders on their own. They need their upstream supply chain stakeholders to comply as well or to provide them with information.

Within brands, top management as well as employees in other internal departments are also mentioned by more than half of the interviewees to play an important role regarding SDD and reporting thereon, and thus a JT. B4: “Many parties are involved, because [SDD] considers many aspects. First of all, you already have to take into account various departments in your own organisation.” The most important department in this process is considered the sustainability department. Their job is to guide the SDD process internally and therefore, in regard to sustainability topics, collect supply chain data, manage supplier and brand expectations and relations, conduct research, prioritise risks, and build a knowledge and internal support base. Their role and activities are deemed to be the foundation of SDD that should feed into the policies from top management and the activities of other internal departments. However, the presence of sustainability topics in the board room, represented by, e.g., a sustainability director, or within key performance indicators defined for other departments are not common practice yet, as one of the interviewed brands explained. Moreover, when asked about the capacity to influence decision-making based on SDD, the top management itself, and not the sustainability department, is considered by many interviewees to remain in charge. Some interviewees argued that financial factors still epitomise the core that drives the decision-making of top management, also regarding SDD. Whether there are investors that

require certain decisions or whether SDD is connected to the prevention of potential financial risks in the form of reputational damage, decision-making regarding SDD within brands oftentimes considers – and usually also prioritises – financial factors. Thus, to enable a JT according to the interviewees, the sustainability department requires decision-making mandate from top management to define a sustainability strategy based on SDD that balances financial and sustainability factors.

5.3.6.3 Competitors

The actions of brands are also influenced by what competitors of brands do. Sector organisation-1 pointed out that what competitors do, especially in relation to pricing and timing, but also considering sustainability, can contribute to the decisions of brands regarding SDD and reporting thereon. Thus, the role of competitors is embodied in the relationship between brands and influences decision-making regarding SDD (reporting). Some interviewed brands mentioned that their suppliers also consider competition to be an important factor that can influence their business, which leads to less transparency regarding who exactly are involved in every step of manufacturing. This can affect SDD as well in terms of accuracy and availability of data. The effects of mutual competition can therefore not be excluded when conducting SDD, but need to be acknowledged as a problem that can prevent SDD from enabling a JT.

5.3.6.4 Suppliers

Suppliers are often referred to by the interviewees as the first-tier suppliers that brands are in contact with to place orders. First-tier suppliers supply the demand from brands and have their own (sub-)suppliers as well. This myriad of suppliers and sub-suppliers within different tiers consider similar roles for each supplier in terms of meeting demand and production standards and play their part in driving down prices. In many developing countries, these suppliers play an important role as the provider of (formal) employment, especially for women (Bárcia de Mattos et al., 2022). Meanwhile, since most adverse impacts in the supply chain consider the area of textile and garment manufacturing, the role of suppliers is also considered key in terms of adopting changes that benefit the environment and people affected by the fashion industry, and therefore enable a JT (Sharpe et al., 2022). In terms of SDD (reporting), suppliers should therefore eventually change their practices, but the interviewees noted that it is not fair nor realistic if suppliers have to take on this role alone.

To share the burden and to allow for a more specific understanding of what is happening in the brands' supply chain and what needs to be done to transition, suppliers are key to inform brands and meet requirements from governments, the interviewees stated. To conduct effective SDD and eventually enable a JT, suppliers must therefore share information to collaborate with brands and other stakeholders on making changes and meeting standards. The interviewees identified this to be one of the most difficult aspects of effective SDD. In response to that, some of the interviewees mentioned that the many requests for information can also lead to high pressure on suppliers, especially in terms of money, time, and capacity. That is why the relationship between suppliers and brand, and the standards they need to uphold, are deemed very important in their role in SDD (reporting) according to the interviewed stakeholders. Brands in particular need to be cautious to not shear the burden of SDD onto their suppliers.

5.3.6.5 Affected stakeholders and their representatives

Accurate representation of affected stakeholders is at the core of meaningful SDD, Brand-1 exemplified: “[When including affected stakeholder], the conversation would not stop. [...] If we become aware of an issue, then we could find a common solution to actually try to solve it.” The stakeholders interviewed for this research agree that, first and foremost, the position of supply chain workers and their needs need to be considered while doing SDD. Sector organisation-2: “For me, good due diligence is about the workers deeper down the supply chain, who often still remain a ‘black box’. [Nonetheless], they are what due diligence is about”. When it comes to other affected stakeholders, such as local communities, animals, the

environment, and end-of-life actors, they are often completely dependent on the parties that represent them as well, because within the fashion industry itself, they do not have a direct influence.

This emphasises the importance of the role of stakeholder representatives, such as NGOs and trade unions, in relation to affected stakeholders. Brand-3: “We work with different NGOs and trade unions on different topics.” The role of these stakeholder representatives focuses mostly on collecting information regarding affected stakeholders and representing, and in some cases actively addressing, the interests of these affected stakeholders. They contribute to creating and sharing knowledge regarding sustainability topics, many of the interviewees agreed. Sector organisation-3: “Regarding due diligence (reporting) they provide input on certain topics and themes and define the status quo”. However, in many cases, the NGOs and trade unions that are consulted in the SDD process of brands are organisations located in the Global North. Sector organisation-3: “I think that the stakeholders who are involved in the due diligence process are often closer to home than the impacts that they address.” The NGOs and trade unions acknowledged that as well: the collection of data regarding affected stakeholders and their accurate representation is not always easy. As explained by one of the interviewed trade unions, their organisation tries to engage with supply chain workers on different levels within the supply chain to be able to represent them but encounters many challenges while doing so. Trade union-2: “We encounter similar limitations [as fashion brands when it comes to collecting information], because we are not always allowed into all factories. There is an increase of economic processing zones which are exempted from regular legislation and sometimes even international workers’ rights or environmental standards. That makes it very difficult for us to collect and verify information.” These issues are important to keep in mind to understand to what extent stakeholder representatives can accurately provide representation and contribute to SDD (reporting), because to enable a JT, the position of affected stakeholders, the way they can interact with their representatives, and the relationship between the representatives and brands are key in SDD (reporting).

Besides this representative role, the interviewees agreed that NGOs and trade unions also have the ability to influence decisions made by brands regarding SDD (reporting). NGOs and trade unions can hold brands accountable for what is happening in the supply chain by using (social) media outlets to influence the public opinion and – possibly – the behaviour of consumers. This role is considered to define a substantial part of the relationship between stakeholder representatives and brands: the representative stakeholder does not only provide information, but it also monitors whether this information is acted upon by the brand. The interviewees, also the brands, consider this a crucial element of SDD.

5.3.6.6 Governance stakeholders

Other stakeholders within the fashion industry defined by the interviewees include governments on international, intranational, national, and regional level. Governments define legislation that applies to upstream and downstream stakeholders, and that sets the standards these parties need to uphold. Increasingly, especially in the Global North, such legislation includes environmental and social requirements to be able to conduct business and focuses on SDD (reporting). However, most interviewees did not define governments to take a frontrunning position yet. NGO-2: “I believe that governments have the responsibility to be a booster [of sustainability] and not only to define legislation. They need to facilitate the process as well.” Brand-1 added to that: “They are involved in the whole process too, so, I do see quite a big role for governance as well. If I take the situation in China as an example, the forced labour situation, then the EU is currently also accepting the fact that [that is happening]. As a small brand, I cannot have that conversation with the Chinese government, it needs to be done on a different level as well. Certain risks that we have in our supply chain, we [as brands] will not be able to solve on our own, we need governments too. If they put a forced labour legislation in place [for us brands], they also have a role in making sure that we will be able to actually follow that legislation too.” Thus, to enable a JT by means of SDD, governments hold a crucial position and one that is currently not always utilised to its full extent.

Besides that, the interviewees also noted the substantial difference in strictness between what governments in the Global North versus what governments in the Global South demand from businesses. In general, the requirements from the Global North are higher, but since brands in the Global North need to meet these requirements, (the effect of) these requirements usually also apply to supply chain stakeholders in the Global South. NGO-2 mentioned the risk of facilitating a “white saviour complex” in these roles and relations through which the Global North defines the moral grounds for the Global South. On the other hand, the same interviewee asked: “What if no one defines environmental and social standards?” This standard-setting role and, more importantly, the difference in strictness of governments, could affect effectiveness of SDD and requires consideration when defining a JT in the fashion industry.

5.3.6.7 Other stakeholders

Investors, such as shareholders or banks, have also been identified as an important stakeholder by one of the brands that was interviewed. In particular, they play a part in decision-making for brands since they can request certain standards from brands in exchange for financial support. Nowadays, many public investors must abide by national and European legislation, which requires them to invest more sustainably (European Commission, 2022b). This trickle-down effect could therefore impact brands and their choices regarding SDD (reporting) eventually as well.

Considering this and other upcoming European legislation, the increasing role of consultants is also addressed by some interviewees. The increase of requirements and expectations regarding sustainability and the complexity of many of the issues that need to be dealt with, rise the demand for more specialised knowledge that is not always sought after internally by brands but can also be outsourced to consultants. Their role as providers of expertise is similar to the role of NGOs and trade unions in terms of gaining and sharing knowledge regarding sustainability topics and supporting brands to conduct SDD (reporting) effectively or help define agendas for governments. However, one of the interviewees argued that consultants have a more biased position considering support in sustainability matters because they are hired to answer specific questions, whereas NGOs and trade unions can also provide information that is not necessarily asked for by brands or governments.

A similar role regarding knowledge-providing has been defined for research institutes, such as universities. Through its research, this stakeholder provides information on the status of the fashion industry and is therefore able to contribute to setting the agenda for sustainability-related topics. This can contribute to decisions that governments are taking regarding the fashion industry, e.g., in relation to SDD (reporting). Within this role, one of the interviewees remarked that the location of these institutes should be considered when it comes to a JT. Oftentimes, such research institutes are situated in the Global North which could increase the risk of taking a Western perspective on the fashion industry and what it needs to transition.

In terms of reporting on SDD, the role of assurance providers is increasing in the fashion industry as well, sector organisation-4 explained. The CSRD itself requires SDD reports to be published accompanied by an assurance opinion expressed by a person or firm authorised to give an opinion on the assurance of sustainability reporting. Similar forms of verification, e.g., by means of using the Global Reporting Initiative (GRI), have become custom practice in the fashion industry over the past years (Gokten et al., 2020). These assurance providers could therefore play an important role in determining what is honest and good SDD based on reporting. Expert-2: “With that, we can see that due diligence shifts towards a focus on legal requirements. I do not think that is a good thing per se, because those actors will view risks from a business perspective and might lack motivation intrinsically to improve. A different dynamic [around SDD] will arise compared to the past years. However, I do believe that it is needed to enable the transition on a greater scale.” The role of assurance providers to enable a JT is crucial and requires a clear definition in terms of the perspective that they take: what is best for business or what is best for ensuring a liveable future.

Finally, a few of the interviewed brands also identified sectoral initiatives to play an important facilitating role in the fashion industry considering SDD (reporting) as well as JT, especially on a more international level to address issues industry-wide. Sectoral initiatives advocate for collaboration between fashion stakeholders and aim for more alignment of different stakeholders’ perspectives. In many cases, sectoral initiatives bring together stakeholders from the Global North, such as brands, NGOs, and trade unions. Their role is considered helpful in aligning views on JT and defining how SDD should be conducted effectively.

5.3.7 How does SDD reflect procedural and recognition justice?

Considering the involvement of stakeholders and marginalised groups and the acknowledgement of their roles as a prerequisite of SDD to allow for a JT in the fashion industry, leads to the following questions based on procedural and recognition justice regarding the involvement of stakeholders throughout the development and implementation of the CSRD and ESRS, see Table 10.

Table 10 | Dimensions of procedural and recognition justice in the CSRD and ESRS

Content: What?		
Core question	Application to	Procedural and recognition justice
Which dimensions of justice are being pursued in the ESRS under the CSRD to enable a just transition in the fashion industry?	Governance: development	<p>Who established the CSRD and ESRS, and for who?</p> <p>How are the interests of the marginalised groups reflected in the development?</p> <ul style="list-style-type: none"> Who is voicing their interests?
	Content: implementation	<p>How is social dialogue embedded?</p> <p>Which marginalised groups are addressed?</p> <ul style="list-style-type: none"> Is there a special focus on supply chain workers including: Women; Children and Youth; Workers beyond Tier 1; Migrant workers; Minority groups such as disabled, religious, and LHBTI+ people; Members of trade unions or other forms of collective agreement? Is there a special focus on the hiring conditions of supply chain workers, including: recruitment processes; housing for migrant workers; piece-rate workers; day-laborers? Is there a special focus on affected communities? <p>Who voices the interest of affected stakeholders?</p> <ul style="list-style-type: none"> How are difficulties, e.g., no access for NGOs and trade unions, regarding accurate stakeholder representation addressed? <p>How are the needs of future generations, non-human species, and ecosystems taken into account?</p> <ul style="list-style-type: none"> Is there a special focus on: young workers; climate topics in relation to the future; current and future in the Global North vs. Global South; animal welfare; circularity; biodiversity; non-human species and ecosystems in relation to humans? <p>How are rights of stakeholders addressed?</p> <ul style="list-style-type: none"> Including legal rights related to: freedom of association; discrimination and gender; local environmental standards; bribery and corruption <p>What is the role of the fashion stakeholders in the implementation</p>

5.4 Contextual and restorative justice

To better understand (political) processes and the social context in relation to the fashion industry, this contextual justice dimension first focuses on the existing disparities in the fashion industry, what they are and for who, what caused them and how they have been identified and addressed in SDD (reporting). This

expands the why of a JT and includes the retrospective element that relates to restorative justice as well. In relation to that, the stakeholders that drive decisions around SDD (reporting) and why are determined.

5.4.1 What are existing disparities in the fashion industry, and for who?

According to the interviewees, existing disparities in the fashion industry are mainly related to the working conditions of (marginalised) supply chain workers. Sector organisation-4: “As soon as manual labour occurs, the risk of issues regarding marginalised groups increases.” Working conditions in the upstream fashion supply chain generally result in long working hours, no guarantee of occupational health and safety, lack of payment of minimum and living wages, and risk of forced and child labour (Fernie & Sparks, 2018; OECD, 2018b). As described in relation to the marginalised groups, discrimination and harassment are also common existing issues that cause injustice regarding working conditions in the fashion industry. Considering working conditions, many of the interviewees also emphasised the impact of COVID-19. The economic set-back caused by COVID-19 increased the pressure on focusing on price, resulting in even worse working conditions (Anner, 2020; Malik Chua, 2020). These issues could be major points of attention for trade unions or other forms of collective bargaining, but in many production countries in the Global South, effective systems for association, and sometimes even the freedom to associate, are not in place, explained interviewee Expert-2.

On top of that, the current textile and garment manufacturing processes in the fashion industry – especially related to the use of dyes, chemicals, and water – have an impact that leads to environmental damage, and eventually social injustice. Not only workers, but also the environment is paying a price to sustain the current fashion system. Land degradation due to pesticide-intensive agriculture and water use, untreated wastewaters from textile dyeing which are discharged into local water systems, and textile waste being burned or landfilled all lead to – potentially irreversible – effects on the environment, including ecosystems and biodiversity (Niinimäki et al., 2020). This is not only bad for the environment itself but also, once again, has an effect on people, and most of all communities with vulnerable economic situations and livelihoods. Fundamental workers’ rights, but also rights for affected communities and rights related to freedom of association, discrimination and gender, local environmental standards, and bribery and corruption therefore need to be included in meaningful SDD. In their Due Diligence Guidance for the Garment and Footwear Sector, the OECD summarises which disparities, or risks, prevail in the industry, see Table 11.

Table 11 | Sector risks in the garment and footwear sector according to the OECD (OECD, 2018b)

Type of risk	Risk
Human rights and labour risks	Child labour
	Discrimination
	Forced labour
	Occupational health and safety (e.g., work-related injury and ill health)
	Violations of workers’ rights to establish or join a trade union and bargain collectively
	Non-compliance with minimum wage laws
	Wages do not meet basic needs of workers and their families
Environmental risks	Hazardous chemicals
	Water consumption
	Water pollution
	Greenhouse gas (GHG) emissions
Integrity risks	Bribery and corruption

5.4.2 What are the causes of these disparities?

Those affected by the working conditions and environmental impact of the fashion industry mostly face these disparities due to their lack of power and resources to change the situation. Brand-3 and sector organisation-1 determined the difference and distance between the Global North and Global South to be at the core of the existing disparities. The fact that the Global North has the power and means to dictate what is happening in the Global South, leaves a major group of people without a voice but with the consequences. That is why not only the disparities themselves need to be considered in SDD to enable a JT, but also the causes of disparities in the fashion industry.

According to one of the interviewees, the causes of all these existing disparities can be found in the effects of colonialism, which has shaped the deep-rooted patterns that determine the relationships within the fashion industry. It could be considered the origin of power asymmetries between buying businesses and faraway suppliers that has resulted in the rapid globalisation of the fashion industry, the role of demand-led stakeholders in that process, and their purchasing-driven powers (Karaosman & Marshall, 2023; Touboulic et al., 2020). Altogether it forms a complex causal matrix where consumers and supply chain workers are linked through layers and layers of intermediaries (Bowyer, 2021). Existing disparities in the fashion industry and their causes are thus widespread and integrated on many levels and in many aspects of the textile supply chain, as can be seen in Figure 9. The fact that everything is integrated in the fashion industry is therefore an important part of conducting SDD (reporting) to enable a JT.

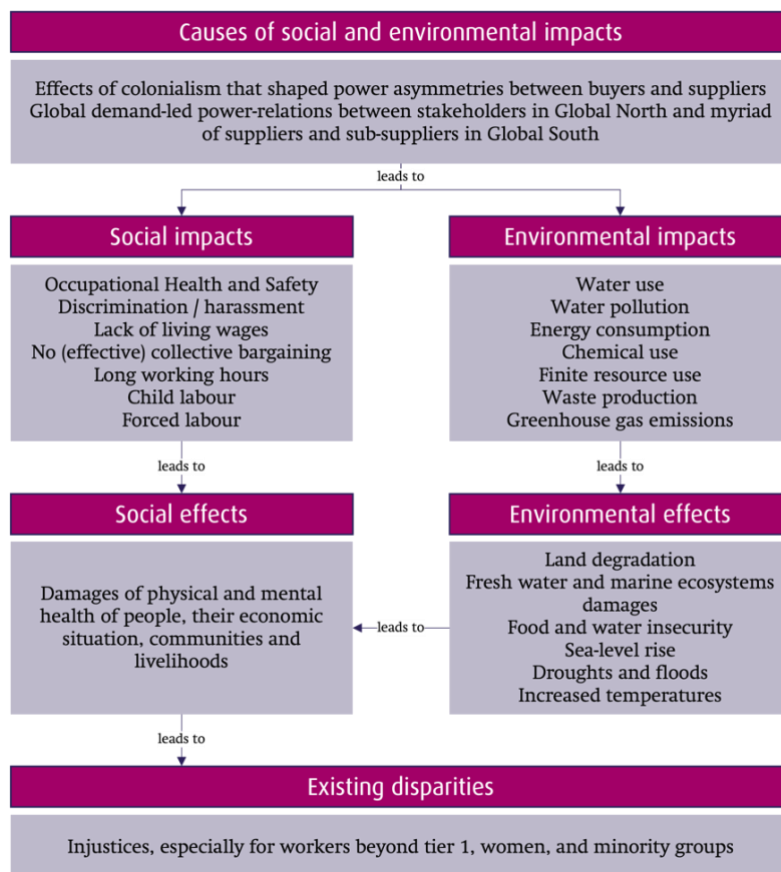


Figure 8 | (Causes of) existing disparities in the fashion system

5.4.3 How have (the causes of) the existing disparities been identified and addressed in SDD?

Trade union 2 identified the catastrophic event of Rana Plaza in Bangladesh in 2013 to be the key turning point for the fashion industry to gain international acknowledgement of the negative social and environmental impacts that the fashion industry has: "I believe that the fashion industry, if I consider the

discussion in the Netherlands, is quite far regarding social dialogue [and SDD]. Unfortunately, we needed a disaster such as Rana Plaza to enable that.” This moment identified the need for change in the fashion industry.

5.4.3.1 Risk or impact assessment and prioritisation

After Rana Plaza, SDD and risk or impact assessments have been embedded as common practices in sustainability approaches over the years to better identify and address the existing disparities and their causes, according to the interviewed stakeholders. The goal of identification through such an assessment as a point of departure in SDD is determined multipurpose by the interviewees. First of all, it helps to identify what is going on and what possible risks and impacts there are. It contributes to achieving a holistic picture of the fashion system. This raises awareness regarding the consequences that a risk or impact might lead to. Meanwhile, the process of risk or impact assessment opens up dialogue with different stakeholders and can contribute to collaboration between those stakeholders. Finally, the foundation of the risk or impact assessment informs strategies, action plans, and policy frameworks that aim at lowering risks or even turning risks into opportunities. Some interviewees argued that in SDD risk assessments should focus on addressing the risks that have been commonly identified in the industry instead of identifying risks individually, because the core of SDD requires action to enable change.

The risk or impact identification methods the interviewees described include desk research, collection of supply chain data, and input from NGOs and trade unions. Oftentimes, audit results are used to collect supply chain data. However, almost all interviewees noted that within supply chains the lack of transparency complicates verification of audit results, while audits themselves are believed to fall short in gathering honest and relevant information to identify risks and disparities. NGO-2: “Audits are nice, but we all know that audits fall short because nine out of ten times they are announced and what they measure is limited.” Trade union 2 added: “We see that audits are inadequate throughout the entire system. The auditing itself, the capacity of the auditor, but also the access to workplaces and production locations [are limited]. Besides that, local legislation, for example in China, can also complicate the process.” Finding the right sources for the risk assessment is therefore a crucial element of identifying and addressing the appropriate and most salient risks and disparities.

After risk identification, to address existing disparities and find ways to prevent or mitigate them, risk or impact assessment should result in prioritisation, through which the most severe risks and impacts are addressed first. However, in this process, many of the interviewees, especially brands and retailers, identify difficulties regarding prioritisation. Sector organisation-2: “Of course, it is difficult to say, I believe that child labour is worse than forced labour.” Finding the balance between what is most urgent and impactful to address is deemed extremely complicated by the interviewees, especially when a normative component like justice also plays a role. It considers an element of distributive justice in which time and effort require fair distribution between the many disparities that the fashion industry is facing that has not been integrated in the lens of distributive justice used in this research.

Moreover, within prioritisation, there is also the risk of losing the holistic perspective of the fashion industry and its linkage to global sustainability issues in general, one of the interviewees indicated. Brand-1: “The only way to solve our problems is to adopt a holistic view.” The integration and cross-linking of social and environmental issues and the consequences of solutions for environmental issues on social impact are mentioned multiple times as an important factor to effectively address disparities in SDD.

5.4.3.2 Social dialogue

Social dialogue as a means to identify and address risks is considered an appropriate way to conduct SDD but is also considered extremely difficult to facilitate, almost all different stakeholder groups that were interviewed stated. Due to the current structure of and the cultural differences in the fashion system, it is

hard to engage with (individual) supply chain workers down the chain, some of the interviewees stated. Supply chain workers are often not in direct relations with the other stakeholders in the fashion value chain, and especially not directly with brands in the Global North who often facilitate SDD and social dialogue. Moreover, forcing this relationship is also a sensitive issue because these workers are not contracted by the brand, but by the supplier, and could be facing consequences when engaging with external parties. Brand-5: “The deeper down the chain you go, the less the workers are directly involved. Instead, they are included indirectly [through stakeholder representation].” Collaboration within the sector to facilitate social dialogue was proposed by one of the interviewees to address this. The role of governments was also linked to that as they can provide the framework to enable this.

5.4.3.3 Existing disparities in the future as an effect of SDD

In relation to the existing disparities in the fashion system there are also worries from the interviewed stakeholders regarding an increase of these disparities as an effect of SDD, and especially regarding SDD as part of the pursuit of the circular economy as proposed by the EU. Circularity and a circular fashion system are deemed the future according to the EU. However, both NGOs and brands contemplated the negative effects of a circular economy – in which, for example, recycling and (re)production need to happen closer to where the product is worn – on societies in the Global South that are now reliable on outsourced manufacturing by the Global North. This perspective, as well as the major focus on environmental impact that lies at the base of circular thinking, is heavily criticised by some. The western attitude is not only considered the commencement of the current faulty fashion system, with the effects of colonialism and capitalism (still) playing a role, but also determined a possible reason why a JT is simply impossible. The “white saviour complex”, as described by NGO-2, is again constructing a system in which the Global North dictates what is best for all through green legislation. However, the input from production countries in the Global South is not or barely considered. This increases concerns regarding the actual effects of JT policy driven by the Global North. NGO-2: “The Global North is very busy taking moral high ground, while the transition actually has to take place in developing countries, or what we call the Global South.” If most of the changes need to happen in the production countries in the Global South, whether it is moving away from non-renewable energy sources or improving health and safety conditions in factories, the question of responsibility and accountability rises again. JT requirements from the Global North could be pushed upstream. These elements, especially in the broader context of how to enable a JT through SDD (reporting), play an important role in the future of the existing disparities according to the interviewed fashion industry stakeholders. To enable a JT, SDD (reporting) therefore requires a critical perspective to the effects of (western) solutions.

5.4.4 Which stakeholders influence decision-making around SDD, and why?

Since the existence of (power) relations between stakeholders can determine the capacity of stakeholders to be part of or influence decision-making in the fashion industry, this is also considered when defining a JT and understanding the role that SDD (reporting) plays in that. According to the interviewed stakeholders, the stakeholders with the most decision-driving power when it comes to SDD and a JT in the industry include governments, consumers, brands, and stakeholder representatives. But why? These stakeholders hold standard-setting power, purchasing power, and monitoring power. Figure 9 shows in summary which (power) relations occur on a high level within the global fashion supply chain.

5.4.4.1 Standard-setting power

Multiple stakeholders in the fashion industry, including governments, brands, and investors hold standard-setting power, which means that through standards, legislation, or rules they determine what other actors should do or aim for. According to the interviewees, governments have the most standard-setting power, also commonly defined as legislative power, that influences decision-making of others. Mostly, they frame

the playing field in which brands, but also investors, need to operate. They define legislation on national and regional level, which can be influenced by international legislation, standards, and guidelines, such as the UNGPs, ILO principles, and OECD guidelines.

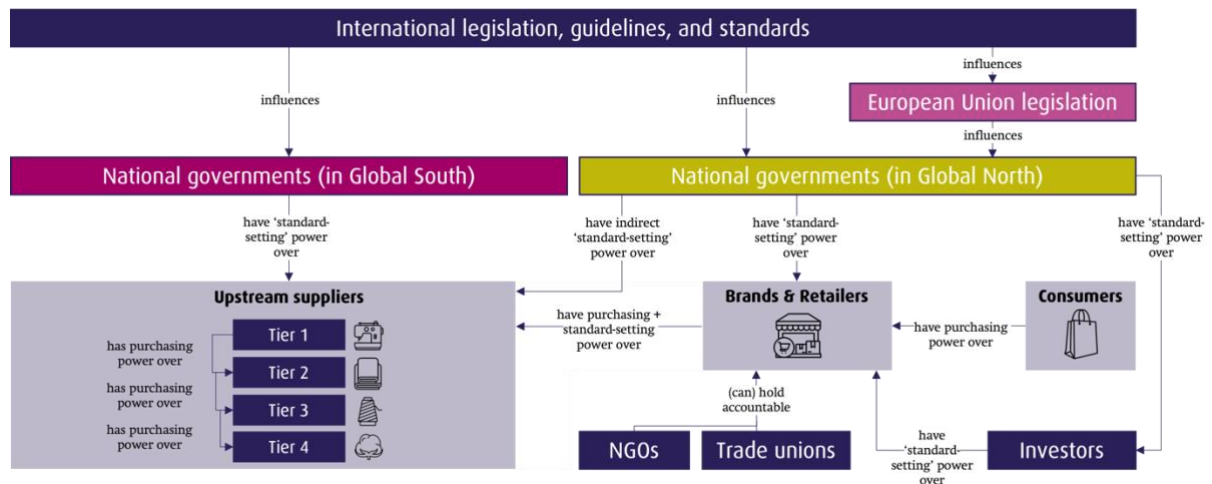


Figure 9 | Decision-driving power-relations in the global fashion supply chain

Legislative procedures differ per country. In the EU, the European Commission can initiate legislation, which can be amended by the European Parliament. Once the Parliament has adopted its position and agreement is reached with the European Council, European laws are adopted (European Parliament, n.d.). Such a legislative procedure, in which powers are separated, is the foundation of decision-making for many democratic countries, especially in the Global North. In relation to a JT, in principle this should allow for balanced decisions. However, as noted by one of the interviewees, there is a risk of not hearing underrepresented voices, such as the ones from marginalised groups who are often further away from the legislative body. Moreover, such institutional structures of democratic reforms are generally less embedded in countries in the Global South, meaning that fair representation of stakeholders' needs in the Global South is often lacking, especially on an international level (Kamal Uddin, 2017). Therefore, some of the interviewees argued that standard-setting power is an important driver of decisions in the fashion industry and regarding SDD but does not always consider the needs of everyone involved in that industry.

Besides the fact that governments hold standard-setting power over the industry, some of the interviewees also mentioned that governments in the Global North can also hold standard-setting power over governments and businesses in the Global South. Regarding sustainability topics, and especially environmental politics and climate change, the interviewees recognised that countries in the Global North are mainly liable for the present sustainability issues, which raises the debate of who must take responsibility regarding sustainability politics: the instigators of the issues or everyone who is involved? In other words, is it only the Global North that has to take action, or does the Global South need to step in as well? In terms of who is driving the decision-making power here, the interviewees determined that the Global North is promoting the view that the South is not allowed to repeat the earlier mistakes the North made and should therefore uphold similar, high sustainability standards. According to one of the interviewees, this becomes visible in the EU's legislation that concerns SDD and global supply chains. Setting the standards for what are considered sustainable or responsible practices within these supply chains, gives the EU some indirect decision-making power over what should happen in countries in the Global South, especially in relation to the fashion industry, which spans a wide range of countries. It needs to be acknowledged that this standard-setting power, with governments – mostly from the Global North – at the top of setting standards and driving decisions, works its way throughout the entire fashion system and influence what a JT in the fashion industry entails.

5.4.4.2 Purchasing and bargaining power

Most interviewees concluded that consumers, brands, and supply chain manufacturers all hold purchasing and bargaining power. This has also been illustrated in the role of these stakeholders when it comes to SDD and a JT. The interviewed NGOs and trade unions specifically expressed their concerns regarding the purchasing and bargaining power of brands and retailers over their suppliers. This power dynamic in the buyer-driven chain that characterises the fashion industry has been a subject of debate for a long time to the extent that it is now considered that it shapes working conditions and labour standards for fashion workers extensively (Bamber & Staritz, 2016; Bárcia de Mattos et al., 2022; Kucera, 2021). Some of the interviewees, including brands, pointed out that what drives the decisions of brands still remain choices regarding financial factors, even though social and environmental standards are rising due to increased political and societal influence. Low prices and short lead times prevail to be dominant factors within purchasing practices, continuing to pressure suppliers lower in the supply chain. Almost half of the interviewees explained that the role of top management of brands in these decisions regarding purchasing is crucial because they define the business' targets. The interviewees therefore considered purchasing and bargaining practices and targets an important element that needs to be included in SDD (reporting) to address this power.

5.4.4.3 Monitoring power

Often, decisions of brands are also driven by the involvement of NGOs, trade unions, or other monitoring stakeholders, a few of the interviewees explained. By means of their monitoring power, these stakeholders have "the ability to assess performance against promises and to expose the distance between rhetoric and practice" (Boström & Hallström, 2010, p.47). They can hold others accountable to improve by monitoring their performance. The use of (social) media outlets has become an important mechanism to exert this power on a global scale. Some of the interviewed brands emphasised the importance of this power in relation to SDD and top management decisions within brands. Public commitment to certain targets, initiatives, or agreements can drive the balancing of decisions from top management, because naming and shaming is something almost all brands fear as they rely (partly) on their reputation for sales. The interviewees considered monitoring power in regard to SDD (reporting) as the means to push for improvement over time, to compare performance between businesses, and to evaluate what else needs to be done in the future.

The interviewed NGOs and trade unions stressed that they hope that monitoring power provides enough pressure for brands to improve their practices regarding SDD (reporting), since other consequences of not conducting SDD (reporting) are still vague or undefined. They claim that the current legislation does not have teeth that could enable a JT. Meanwhile, some of the interviewed brands found it very important that monitoring power is not misused whenever brands are conducting and reporting on SDD honestly. In their opinion, SDD (reporting), and especially rules regarding that, requires a level playing field and room for mistakes and improvement over time.

5.4.5 How does SDD reflect contextual and restorative justice?

Based on the contextual and restorative dimensions of what a JT in the fashion industry entails, the following questions need to be answered to understand to what extent the CSRD and ESRS can enable a JT in the fashion industry, see Table 12.

Table 12 | Updated framework questions regarding contextual justice

Content: What?		
Core questions	Application to	Contextual
Which dimensions of justice are being pursued in the ESRS under the CSRD to enable a just transition in the fashion industry?	Governance: development	<p>Which stakeholders influenced decision-making in the development?</p> <p>How have existing and possible future disparities been taken into account in the development?</p> <ul style="list-style-type: none"> How are power imbalances between the Global North and Global South addressed?
	Content: implementation	<p>How are (the causes of) existing disparities identified and addressed?</p> <ul style="list-style-type: none"> Namely: Effects of colonialism; Global demand-led power-relations between stakeholders in the Global North and Global South; Water use; Water pollution; Energy consumption; Chemical use; Finite resource use; Waste production; Greenhouse gas emissions; Bribery and corruption; Occupational Health and Safety; Discrimination and (sexual) harassment; Non-compliance with minimum wage laws; Lack of living wages; No (effective) collective bargaining and/or freedom of association; Long working hours; Child labour; Forced labour? How are the effects of a circular economy considered? How are changes for affected stakeholders as a result from transitioning considered? <p>How are the complexity of existing disparities and their connectivity addressed?</p> <p>How is the context in which social dialogue and risk assessments are conducted addressed?</p> <ul style="list-style-type: none"> Do the ESRS provide predefined risks or impact areas to focus on? How is availability, quality, and (third-party) verification of data addressed? How are contextual elements, e.g., causes of disparities, cultural contexts, and country-specific conditions, included? <p>How are power relations regarding standard-setting, purchasing, and monitoring addressed?</p>

5.5 Distributive justice

Now that the fashion industry stakeholders and the disparities of the fashion industry have been defined, the following question arises: who is responsible for what to change this system? If SDD and reporting thereon is determined a step forward to enable a JT, then how should the costs, risks, and benefits of conducting and reporting on SDD be distributed amongst the stakeholders?

5.5.1 How are costs, risks, and benefits of SDD (reporting) divided in the fashion industry, and amongst who?

Before that question can be answered, the costs, risks, and benefits of (reporting on) SDD in relation to a JT need to be understood. These perspectives have been discussed based on the process of (reporting on) SDD in general and more specifically regarding the introduction of European legislation regarding SDD reporting. Based on the interviews there is a clear distinction between the position of brands versus other stakeholders who are part of the SDD cycle in terms of the costs, risks, and benefits that they face when conducting and reporting on SDD.

5.5.1.1 Potential costs and risks for brands

Almost all interviewees mainly identified the first and foremost costs and risks of reporting on SDD to be for brands. The costs they identified are of financial nature as the result from an increase in hiring capable and knowledgeable personnel and spending more time on SDD-related work that results from identifying, prioritising, and mitigating risks. Brand & Retailer-1: “I think that the highest costs are related to everything [resulting from your SDD] that is eventually reported on, because based on that, areas of improvement can be determined, and actions should be taken. That requires quite some investment, especially financially.” In addition, the process of reporting itself and having data third-party verified is considered by most to be an increasing cost.

Opposed to that, one interviewee had a different perspective on whether costs arise and increase based on SDD. Brand-2 stated that proper SDD can also prevent mitigation costs: “Without noticing it, you are moving from a rental flat to investing in your own property. [...] Before you are able to determine whether costs increase, you need to understand your current mitigation costs, which all businesses currently have, and whether changing your own practices is really going to increase costs in total.” The ongoing solution of “putting band-aids on supply chain issues” (Brand-2) is not without a price-tag either. NGO-2 linked this to the need of taking into account the perspective of time when doing SDD: “The value of long-term investment and the return on that investment has to be considered as well.” Meanwhile, (setting up) SDD is likely to first increase costs before a return on investment might become visible, the interviewees agreed.

Related to the (potential) costs that SDD (reporting) ensue are also the risks for brands. Most interviewees concluded that all the risks for brands, regardless of their origin, eventually results in potential loss of customers and therefore revenue and profit. Costs as well as risks for brands are therefore mostly of financial nature. For instance, if costs increase due to SDD and brands are forced to increase the costs of their products, there is a risk of losing customers. This risk surges especially when many consumers of fashion remain price-focused and if a level playing field for *all* brands regarding sustainability standards is not sought after, some of the experts and brands argued.

On the other hand, not taking responsibility as a brand and only remaining price-focused could also lead to risks of financial nature, namely reputational damage. In general, reputational damage is considered the main risk of SDD reporting for brands that has been identified by the interviewed brands, NGOs, experts, and sector organisations alike. However, the origin of reputational damage is more often linked to being transparent, not to *not* taking responsibility. Transparency can highlight issues happening in supply chains, which – if taking out of context – can start to “live their own life” (Expert-1) and influence the public opinion on a brand’s image. Once again, this can lead to loss of consumers, and therefore revenue and profit. Expert-1: “As long as you are ‘cancelled’ based on anything you do or not do, because it is never considered to be enough, [...] than by definition you are facing risks of reputational damage.”

Besides that, transparency could result in the ability to compare practices of different brands. Based on that, consumers can make more informed decisions on whether and where they want to buy. In addition, investors could also use these comparisons to decide where they want to invest or no longer invest. Brands that do not perform well compared to other brands could therefore again face the risk of losing consumers or investors.

5.5.1.2 Potential costs and risks for other stakeholders

There are also costs and risks that arise from SDD for consumers and supply chain stakeholders. Consumers could face higher prices of clothing in the future if the costs of SDD are passed on to them. Expert-2: “Who pays the bill? Of course, it is the consumer who eventually pays the bill.” Yet, this remains disputable according to two other interviewees. Trade union 2 identified higher costs for supply chain manufacturers as a result from SDD than for consumers: “I think that the costs for marginalised groups [in the upstream

supply chain] are now disproportionately high. The system is not working.” This interviewee identified the risk that the costs for SDD are not fairly shared but end up as the responsibility for garment manufacturers. According to this interviewee, SDD requires more audits and data verification processes, which have a financial impact on these manufacturers. Meanwhile, the processes – auditing and verification of, but also reporting on supply chain data – do not necessarily have a proven effects on lowering adverse impacts, several other interviewees argued.

These doubts regarding the effects of SDD reporting and the possible costs and risks for workers in the supply chain, other marginalised groups, and the environment, are raised by many of the interviewees. They are especially concerned that reporting might become a ‘tick the box’-exercise. The introduction of European legislation in terms of reporting might contribute to this, as the involvement of assurance providers and legal departments increases the chances of overruling the work of sustainability departments within brands, some of the interviewees explained. SDD and reporting thereon could face the risk of becoming a compliance exercise, in which minimal transparency and maximum compliancy are the outcome, because some interviewees mentioned that they fear that SDD will become more related to financially and risk-based informed decision. Such risk-based behaviour related to SDD could then have a negative effect on meaningful RBC because the focus moves away from making positive impact towards managing risks. In relation to this, some interviewees also expressed their concern regarding the amount of time and money reporting will costs opposed to the actual impact that will result from reporting. NGO-1: “I am afraid that this is going to become another enormous ‘paper tiger’, which does not have the mandate to do something useful. It could become a paper exercise that will not necessarily lead to impact in the fashion chain.”

As a result, SDD (reporting) could lead to increased power imbalances between buyers (brands and retailers) and suppliers. Brand-1: “[SDD] requires quite a lot of things that need to be implemented somewhere else, but those stakeholders [from somewhere else] are never at the table. We are looking into due diligence legislation in Europe, but then it needs to be applied by someone else, somewhere else, without them actually being involved. I feel like that is a risk because in the end we come up with requirements that tell them what to do so that we are able to sell products. Then we have created that disproportional level where we [as brands] are above a lot of our suppliers and I think that leads to the risk of ending up in that power imbalance.” Therefore, there is a risk that once again supply chain stakeholders, and especially supply chain workers, are facing the consequences of what it takes to conduct and report on SDD. Instead, for a JT the costs and risks of SDD and eventually making changes in the manufacturing processes need to be shared between the consumers and brands and the upstream supply chain stakeholders, the interviewees agreed.

5.5.1.3 Potential benefits for all stakeholders

If the mechanisms of SDD (reporting) work properly eventually this could lead to better and cleaner production processes with better circumstances for workers and the environment. Some interviewees argued that, in the end, this would lead to benefits for all stakeholders in the fashion industry, because a fair and harmless industry provides the right to exist, manufacture, sell, buy, and wear. Proper SDD then leads to more equal relationships between fashion buyers and suppliers, creating a level playing field for all. Reporting on SDD specifically could lead to more transparency, increased awareness and attention on a global scale, and greater connection between stakeholders to enable transition. Even though the potential benefits of (reporting on) SDD for all stakeholders are defined as the outcome of a JT, many of the interviewees doubted whether this is possible through SDD and reporting thereon alone. According to them, a JT comprises more than the ability to be transparent and hold each other accountable. A JT requires actual change, and SDD (reporting) has not proven itself to enable that yet.

5.5.1.4 Potential benefits for brands

Besides the potentially high costs that brands face, SDD (reporting) also provides potential benefits for brands. SDD (reporting) allows brands to, first of all, organise their SDD process and attain insights on impacts in their supply chain. This helps to understand the complexity and relations of the system they work in, to define target and visions, to improve activities and processes and to prevent reputational damage in the future. On top of that, almost half of the interviewees considered it to be the main guarantee to continue to be having a business in the future. It provides the opportunity to meet the expectations of stakeholders, such as investors and governments, explore new markets, attract new customers and (young) employees, and on the long term to have a business model that is resistant to whatever the future brings.

SDD (reporting) also allows for external communication to stakeholders in the fashion industry, which means that brands are able to share “their side of the story” (Supporting organisation 2). It allows them to show that they understand the problems their industry is facing, how they are considering these problems in their strategy, and whether they are making progress towards improvements. Reporting can also help brands to verify information through the involvement of external stakeholders and create leverage for common problems. This could lead to more alignment and collaboration between stakeholders within the fashion industry as well.

According to the interviewees, besides the general benefits of SDD (reporting), legislation on SDD (reporting) also has benefits for brands. It helps to create a level playing field for all brands, meaning that competition is less of a concern if everyone must abide by the same rules. Legislation also puts SDD on top of the agenda for brands. That means that managements are forced to prioritise topics related to SDD, and sustainability strategies possibly acquire more mandate. Whether this is a benefit for the brand itself cannot be fully determined because mostly employees from sustainability departments have been interviewed and they argued this is a benefit for them. However, in relation to the futureproofing of business, this is considered a benefit for brands themselves, as well as for other (marginalised) stakeholders.

In spite of that, according to some of the interviewees, these benefits would only arise if brands started to use SDD internally as an informer of decisions, not as a ‘tick the box’-exercise. Brand-2: “The benefits are definitely for the business itself in the end. If you are taking this seriously and not as something that needs to be done just to be compliant with legislation about reporting, if you are using the content [of your due diligence process], it can help you. It can provide you a steering mechanism to show businesses cases, to increase total cost of ownership, to show how an investment on the long term can be beneficial financially and have positive impact, to teach people in the organisation, and to create more level playing field in the sector. I think that then it can only have a positive effect on people and planet.”

5.5.1.5 Potential benefits for other stakeholders

If brands effectively conduct their SDD with support of their stakeholders and are transparent about their approach, all other stakeholders become part of the benefits of SDD, because it is assumed that it would lead to positive change within the system. The role of accountability is therefore considered crucial here. Sector organisation-2: “The most important thing is that due diligence reporting sets things in motion [...] by enabling useful risk assessments and focusing on what really needs to be done. Transparency leads to actions because it is hard to be transparent while not doing anything as time passes. If you have to report a year later [and nothing has changed], people can start asking questions. [...] That is the benefit of [reporting on SDD].” Trade unions and NGOs could also benefit from more transparent SDD (reporting) by being able to (more) easily collect data from brands’ supply chains and deepen their knowledge of the industry. That also contributes to understanding which issues they need to focus on or prioritise. Moreover, transparency allows for comparison between brands, which is beneficial for consumers because it provides them with the opportunity to make better informed decisions. Furthermore, transparency could lead to more collaboration between different stakeholders to share the burden of improvement and contribute to

change collectively. Thus, transparency as a result from SDD reporting should eventually benefit supply chain workers and the environment to mitigate and limit the adverse impacts they are facing.

5.5.2 What is the intended basis for the distribution of costs, risks, and benefits of SDD (reporting): social welfare, equality, merit, or needs?

The potential costs, risks, and benefits of SDD (reporting) in the fashion industry diverge between stakeholders. Considering the principles of distributive justice – equality, social welfare, merit, and need – the interviewed stakeholders also identified divergent perspectives on how these are divided and amongst who. Almost all interviewees found it difficult to pinpoint exactly how risks, costs, and benefits are currently distributed, and whether that is fair. Some argued that in the end every stakeholder plays a role to make SDD (reporting) useful and worthwhile. However, most of the interviewees take into account a consequence-based perspective of distributive justice and plead that it should be the ones with power to take responsibility first in order to achieve net social gain. Sector organisation-1 defined those with power as the triangle of governments, consumers, and brands in the Global North. They should face the risks and costs of SDD (reporting) in order for all other stakeholders to benefit.

Within this triangle, in general, a large proportion of the financial costs and risks of SDD (reporting) are believed to be for brands and consumers, and this is considered fair under certain conditions. In relation to their supply chain, brands are expected to take on more responsibility, while consumers are expected to also make a financial contribution to increasing costs. Not only NGOs and trade unions state this, but most of the brands themselves also mention the importance of their own role in this transition. However, as one of the interviewees said, taking responsibility and being transparent to do that cannot be without industry-wide obligation. The costs from brands should therefore be distributed between brands based on equality or merit. Interference of governments is needed because without a level playing field, “[brands] believe they are cutting themselves short” (Expert-3). According to the interviewees, similar rules should apply for similar stakeholders, and if certain brands invest more in their SDD they should be rewarded proportionally. Thus, taking responsibility and being held accountable as a brand is only considered fair when everyone has to live up to the same standards or when a reward-system is in place.

That is why the role of governments is deemed to be a crucial factor by the interviewees when it comes to the fair distribution of risks, costs, and benefits. The conditions of SDD (reporting) should allow everyone to benefit from conducting and reporting on SDD eventually. To distribute risks, costs, and benefits fairly, governments should therefore combine social welfare outcomes, equality, and merit-based principles to create a level playing field. The involvement of governments in production countries is also identified as an important element in fair distribution. The relationship between governments in the Global North and South could influence the conditions that brands face when conducting and reporting on SDD.

Even if the playing field in the fashion industry would be based on social welfare, equality and merit, the interviewees still identify the risk that costs for supply chain manufacturers could become disproportionately higher than for the ones in power. This is deemed to be unfair by the interviewees, even if social net gain, e.g., through accomplishing environmental sustainability goals, is achieved. In the end, the supply chain stakeholders, including the marginalised groups, are the ones that should benefit the most from SDD, without contributing disproportionately. In relation to upstream supply chain stakeholders and marginalised groups, the interviewees therefore took a more needs-based approach regarding SDD (reporting). Nonetheless, the interviewees also acknowledged that these stakeholders cannot be completely passive within the transition. Collaboration is considered key. Especially the burden for collecting information regarding what is happening in the supply chain is something that needs to be shared. Thereafter, brands and consumers are the ones that should contribute financially to make the changes needed. Altogether, based on the interviews, the intended basis for the distribution of costs, risks, and benefits of SDD

(reporting) combines elements of social welfare, equality, merit, and needs to construct a system of SDD (reporting) that is considered fair.

5.5.3 How does SDD reflect distributive justice?

The interviewees perspective regarding the distribution of costs, risks and benefits show that the following questions need to be asked to analyse to what extent the CSRD and ESRS can enable a distributionally fair JT, see Table 13.

Table 13 | Updated framework questions regarding distributive justice

Content: What?		
Core questions	Application to	Contextual
Which dimensions of justice are being pursued in the ESRS under the CSRD to enable a just transition in the fashion industry?	Governance: development	<p>Who are the primary intended beneficiaries?</p> <p>How is the governance of the implementation divided amongst stakeholders?</p> <ul style="list-style-type: none"> • <i>What is the role of governments in enabling the conditions for a just transition?</i> • <i>What is the role of supply chain stakeholders in enabling the conditions for accurate reporting?</i> • <i>What is the role defined for consumers in enabling a just transition?</i> • <i>How is international cooperation between stakeholders fostered?</i> • <i>Does this allow for a level-playing field including all stakeholders?</i>
	Content: implementation	<p>How is the distribution of costs, risks, and benefits of SDD (reporting) addressed?</p> <ul style="list-style-type: none"> • <i>Do the CSRD and ESRS combine elements of social welfare, equality, merit, and need?</i> • <i>Do the CSRD and ESRS allow for a level-playing field for all stakeholders?</i> • <i>How are power imbalances between the Global North and Global South addressed?</i> <p>How is risk prioritisation addressed?</p>

6 | Reinforcing the questions from the just transition framework

Based on the parameters defined by the EU, OECD and ILO as described in Chapter 4, and the input from the interviewed stakeholders in Chapter 5, the questions from the framework to analyse JTs have been reinforced to be able to review the CSRD and ESRS, see Table 14.

Table 14 | Reinforced questions in the just transition framework

Core questions	Application to	Dimensions of a just transition in the fashion industry		
What frames the CSRD and ESRS?	Frame	Parameters: How?		
		How are the parameters for a just transition considered in the CSRD and ESRS, including (i) the universal concept of decent work; (ii) the ILO guiding principles; (iii) the ILO Just Transition Toolkit for the fashion industry; (iv) the six steps from the OECD cycle?		
		Goal: Why?		
		What are the goals for a just transition defined in the CSRD and ESRS?		
		<ul style="list-style-type: none"> Is the goal of the CSRD to: maximise a just transition, improve a just transition, do no harm, or are justice impacts not under consideration? 		
Target: For who?				
Who counts as a subject of a just transition in the fashion industry in the CSRD and ESRS, and at which scale?				
<ul style="list-style-type: none"> Does this include affected value chain workers and communities? 				
Which dimensions of justice are being pursued in the ESRS under the CSRD to enable a just transition in the fashion industry?	Governance: development	Content: What?		
		Procedural and recognition justice	Contextual and restorative justice	Distributive justice
		Who established the CSRD and ESRS, and for who?	Which stakeholders influenced decision-making in the development?	Who are the primary intended beneficiaries?
		How are the interests of the marginalised groups reflected in the development?	How have existing and possible future disparities been taken into account in the development?	How is the governance of the implementation divided amongst stakeholders?
		<ul style="list-style-type: none"> Who voices their interests? 	<ul style="list-style-type: none"> How are power imbalances between the Global North and Global South addressed? 	<ul style="list-style-type: none"> What is the role of governments in enabling the conditions for a just transition? What is the role of supply chain stakeholders in enabling the conditions for accurate reporting? What is the role defined for consumers in enabling a just transition? How is international cooperation between stakeholders fostered? Does this allow for a level-playing field including all stakeholders?

	Content: implementation	Procedural and recognition justice	Contextual and restorative justice	Distributive justice
		<p>How is social dialogue embedded?</p> <p>Which marginalised groups are addressed?</p> <ul style="list-style-type: none"> • <i>Is there a special focus on supply chain workers including: Women; Children and Youth; Workers beyond Tier 1; Migrant workers; Minority groups such as disabled, religious, and LHBTI+ people; Members of trade unions or other forms of collective agreement?</i> • <i>Is there a special focus on the hiring conditions of supply chain workers, including: recruitment processes; housing for migrant workers; piece-rate workers; day-laborers?</i> • <i>Is there a special focus on affected communities?</i> <p>Who voices the interest of affected stakeholders?</p> <ul style="list-style-type: none"> • <i>How are difficulties, e.g., no access for NGOs and trade unions, regarding accurate stakeholder representation addressed?</i> <p>How are the needs of future generations, non-human species, and ecosystems taken into account?</p> <ul style="list-style-type: none"> • <i>Is there a special focus on: young workers; climate topics in relation to the future; current and future in the Global North vs. Global South; animal welfare; circularity; biodiversity; non-human species and ecosystems in relation to humans?</i> <p>How are rights of stakeholders addressed?</p> <ul style="list-style-type: none"> • <i>Including legal rights related to: freedom of association; discrimination and gender; local environmental standards; bribery and corruption</i> <p>What is the role of the fashion stakeholders in the implementation?</p>	<p>How are (the causes of) existing disparities identified and addressed?</p> <ul style="list-style-type: none"> • <i>Namely: Effects of colonialism; Global demand-led power-relations between stakeholders in the Global North and Global South; Water use; Water pollution; Energy consumption; Chemical use; Finite resource use; Waste production; Greenhouse gas emissions; Bribery and corruption; Occupational Health and Safety; Discrimination and (sexual) harassment; Non-compliance with minimum wage laws; Lack of living wages; No (effective) collective bargaining and/or freedom of association; Long working hours; Child labour; Forced labour?</i> • <i>How are the effects of a circular economy considered?</i> • <i>How are changes for affected stakeholders as a result from transitioning considered?</i> <p>How are the complexity of existing disparities and their connectivity addressed?</p> <p>How is the context in which social dialogue and risk assessments are conducted addressed?</p> <ul style="list-style-type: none"> • <i>Do the ESRS provide predefined risks or impact areas to focus on?</i> • <i>How is availability, quality, and (third-party) verification of data addressed?</i> • <i>How are contextual elements, e.g., causes of disparities, cultural contexts, and country-specific conditions, included?</i> <p>How are power relations regarding standard-setting, purchasing, and monitoring addressed?</p>	<p>How is the distribution of costs, risks, and benefits of SDD (reporting) addressed?</p> <ul style="list-style-type: none"> • <i>Do the CSRD and ESRS combine elements of social welfare, equality, merit, and need?</i> • <i>Do the CSRD and ESRS allow for a level-playing field for all stakeholders?</i> • <i>How are power imbalances between the Global North and Global South addressed?</i> <p>How is risk prioritisation addressed?</p>

7 | Analysing a just transition in the governance and content of the CSRD and ESRS

This chapter answers the questions from the JT framework that have been reinforced based on the parameters of a JT in the fashion industry and the input of the interviewed stakeholders and provide the results to answer the main research question.

PARAMETERS: HOW?

7.1 How are the parameters that frame a just transition considered in the CSRD and ESRS?

As can be seen in Table 15, see Appendix E for an extended version, the EU concept of decent work and the OECD steps for conducting SDD are embedded and addressed in the CSRD and ESRS. The ILO guiding principles and Just Transition Toolkit are only reflected to some extent. In summary, even though the CSRD and ESRS aim to contribute to generating decent jobs, the institutional arrangements that have to be adapted to ensure the participation and international cooperation of all relevant stakeholders on all levels cannot be clearly identified. Furthermore, the key policy areas to address environmental, economic, and social sustainability simultaneously according to the ILO are not all addressed in the CSRD and ESRS.

Table 15 | Parameters for a just transition considered in the CSRD and ESRS

Parameter	How it is considered in the CSRD and ESRS
EU concept of decent work	Embedded in the aim of the CSRD as the ESRS provide reporting requirements that include “secure employment, working time, adequate wages, social dialogue, and freedom of association, existence of works councils, and collective bargaining, [...] the information, consultation and participation rights of workers, work-life balance, and health and safety” (CSRD, p.52).
ILO guiding principles	Reflected to some extent in the CSRD and ESRS but they lack a coherent approach on social dialogue facilitation (by governments), international cooperation, and country- and sector-specific conditions.
ILO Just Transition Toolkit	Reflected to some extent in the CSRD and ESRS but they do not specify costs and benefits for affected stakeholders, impact of investments targeting transitions on specific groups, exercise of rights as social protection system, the use of multi-stakeholder platforms.
Six steps from OECD cycle	Addressed as instruments that describe the SDD process, and which inform the materiality assessment of negative impacts in CSRD and ESRS 1. Steps to define SDD in CSRD and ESRS are similar to the six steps from the OECD cycle.

GOALS: WHY?

7.2 What are the goals for a just transition defined in the CSRD and ESRS?

The goal of the CSRD and ESRS is to “decouple economic growth from resource use, and ensure that all regions and Union citizens participate in a socially just transition to a sustainable economic system whereby no person and no place is left behind” (CSRD, p.15). To achieve that, the European Commission determined the following objectives: “reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth, manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues, and foster transparency and long-termism in financial and economic activity” (CSRD, p.16). The CSRD and ESRS therefore contribute to the disclosure of

relevant, comparable, and reliable sustainability information and thus – indirectly – also aim for improving a JT to ensure a sustainable economic system in the EU.

TARGET: FOR WHO?

7.3 Who counts as a subject of a just transition in the CSRD and ESRS, and at which scale?

Those subjected to a JT are not explicitly defined in the CSRD and ESRS. The CSRD does define those subjected to the ESRS, which are also the ones that should foster transparency in financial and economic activity to participate in a JT. These subjects are large public-interest companies with more than 500 employees, including listed companies, banks, insurance companies, and other companies designated by national authorities as public-interest entities (European Parliament, 2022). Even though these subjected entities require the input from their affected stakeholders to inform their SDD, these affected stakeholders are not the ones that are defined explicitly as a subject of a JT in the CSRD and ESRS. The scale of those subjected to a JT therefore remains vague as well.

CONTENT: WHAT?

7.4 Procedural justice in the CSRD and ESRS

This section analyses who have been involved in the development of the CSRD and ESRS to evaluate the procedural justice parameters of the CSRD and ESRS. The inclusion of stakeholder dialogue and marginalised groups in the requirements of the content of the CSRD and ESRS are discussed here as well. Lastly, the role of stakeholders regarding the CSRD is examined.

Governance of CSRD and ESRS

7.4.1 Who established the CSRD and ESRS, and for who?

In 2021, the European Commission proposed the CSRD to the European Parliament and Council who reached an agreement on the Commission's CSRD proposal in June 2022 (European Commission, 2022d), after which the CSRD was published in the Official Journal in December 2022 (European Parliament, 2022). The CSRD is an amendment of the Non-Financial Reporting Directive (NFRD) and based on a roadmap on development of EU sustainability reporting standards from EFRAG. EFRAG is a "non-profit association [...] that serves the European public interest in both financial reporting and sustainability reporting by developing and promoting European views in the field of financial and sustainability reporting" (European Commission, 2023, p.2). These reports were established by a multistakeholder project task force which included representatives from financial market participants, auditors, assurance providers and/or accountants, NGOs, trade unions, and academics specialising in the field of corporate reporting, but also from European public institutions.

Under the CSRD, EFRAG was appointed technical advisor to the European Commission to develop draft ESRS in 2022. To meet the requirements of the CSRD, EFRAG modified its governance to reflect its new role in the development of ESRS and revised its membership to reflect a balance between stakeholders. EFRAG's members under their Sustainability Reporting Pillar then included European stakeholder organisations, national organisations (countries), civil society organisations and NGOs, consumer organisations, trade unions, and academics (EFRAG, n.d.-a). Before the draft ESRS were submitted to the European Commission, EFRAG set up several outreach events including these different stakeholder groups and ran a public consultation and feedback period on the ESRS drafts. Following the feedback period, the European Commission evaluated the feedback and then finalised the ESRS as delegated acts and submitted them to the European Parliament and Council for scrutiny in 2023. See Figure 10 for an overview of this process.



Figure 10 | Timeline of the development of the CSRD and ESRS

Under the CSRD, the scope of the NFRD – and therefore the eligible group to which the ESRS apply – has been extended. As described in Article 1(1) and Article 1(14), the CSRD applies to (i) large undertakings and public interest entities, (ii) listed medium-sized and small enterprises, and (iii) certain non-EU undertakings. Businesses that do not fall within the scope of the CSRD could still be expected to encounter the consequences of the CSRD indirectly due to the fact that businesses required to report have to include sustainability indicators across their value chain. This means that suppliers of reporting businesses may be asked to share information.

7.4.2 How are the interests of marginalised groups reflected in developing the CSRD and ESRS?

When it comes to framing the CSRD and ESRS, the stakeholders that were directly involved in the development process are the members of EFRAG's Sustainability Reporting Pillar as defined in Table 16, see Appendix F for an extended version. Appendix G provides a more in-depth analysis of the profiles of the civil society organisations and NGOs. Based on this, it can be seen that these organisations do not represent affected supply chain workers nor local communities. Thus, in the direct process of developing the CSRD and ESRS the interests of marginalised groups as described in the fashion industry are not reflected and no specific organisation is voicing their interests. However, EFRAG did provide (representatives of) marginalised groups the possibility to voice their interests during the public consultation period by means of two surveys of which the results have been analysed and publicly shared (EFRAG, n.d.-b).

Table 16 | EFRAG members

Members	Representation of	Focus area
European and national stakeholder organisations	(Economic) interest of businesses in the EU, banks, investors, insurance providers, accountants, and auditors	EU
Civil society organisations and NGOs	Civil society as a whole, as well as the natural environment more specifically, see Appendix G	Beyond EU
European consumer organisations	Economic interests of consumers	EU
European Trade Union Confederation (ETUC)	European workers to defend social values such as solidarity, equality, democracy, social justice, and cohesion (ETUC, n.d.)	EU
Academics	Accounting academics and society	EU

Content of CSRD and ESRS

7.4.3 How is social dialogue embedded?

Appendix H shows how stakeholder participation is addressed in the CSRD and ESRS. In the CSRD, it is highlighted that SDD can improve constructive dialogue between businesses and their stakeholders. General requirement 28 from ESRS 1 ‘General requirements’ states the following:

Engagement with affected stakeholders is central to the undertaking’s on-going due diligence process [...] and sustainability materiality assessment. This includes its processes to identify and assess actual and potential negative impacts, which then inform the assessment process to identify the material impacts for the purposes of sustainability reporting. (p.9)

According to the ESRS on social matters, stakeholder engagement processes include dialogue with (representatives of) affected stakeholders and users of sustainability information, such as investors. The goal of reporting on this process is that businesses disclose how the interests and views of their stakeholders have been taken into account by the business’ strategy and how their processes to identify, assess, and prioritise impacts, and develop policies and targets towards the future have been informed by consultation with affected stakeholders. Therefore, businesses must describe their stakeholders and engagement processes with stakeholders, including the type and frequency of the engagement, relations between business’ strategy and stakeholder interests, strategy amendment procedures to address stakeholder interests, and involvement of management regarding stakeholder interests. In this process, businesses are also required to provide an explanation of whether engagement occurs with the affected stakeholders or their legitimate representatives directly, or with credible proxies that have insight into their situation. Furthermore, it should be clear who has the operational responsibility for ensuring that this stakeholder engagement takes place and is embedded in the business’ SDD approach. Finally, the business has to assess the effectiveness of its engagement with affected stakeholders.

This approach regarding engagement differs from the ESRS on environmental matters, such as climate change, pollution, water resources, and biodiversity. Instead of engaging with stakeholder (representatives) when identifying and assessing material environmental-related impacts, risks, and opportunities, businesses have to provide information on the methodologies, assumptions, and tools they used to screen their activities and impacts. They also have to describe the interconnection between risks and opportunities arising from impacts and dependencies. When it comes to affected communities in relation to environmental impacts, businesses do have to be more specific regarding the process for conducting consultations with them. In relation to pollution, biodiversity, and ecosystems, businesses also need to consider risks to society as a whole when conducting SDD and describing stakeholder involvement.

7.4.4 How are marginalised groups addressed?

The marginalised groups in the ESRS have been analysed in Appendix I. Supply chain workers are discussed in ESRS S2 ‘Workers in the value chain’, see Table 17. In these requirements, women, migrant workers, trade unionist, young workers and workers with disabilities are mentioned separately as “workers that may be particularly vulnerable to impacts and/or marginalised” (ESRS S2, p.8). However, there is no separate mentioning of workers beyond the first tier of supply chains and minority groups such as religious and LHBTI+ people. Even though there are also no specific reporting standards regarding the hiring conditions of supply chain workers, including recruitment processes, housing for migrant workers, or piece-rate or day-labourers, ESRS S2 do define that “the inherent nature of the activity that [workers] are required to undertake may put them at risk (e.g., [...] low paid workers who are on “zero hours” contracts” (ESRS S2, p.14). Local communities are addressed in ESRS S3 ‘Affected communities’.

Table 17 | Marginalised groups addressed in the ESRS

Marginalised group	ESRS	Goal	Disclosure requirements
Downstream supply chain workers, including vulnerable groups	ESRS S2 'Workers in the value chain'	Determine which material impacts on value chain workers are caused or contributed to by the business through their activities and actions taken to prevent, mitigate, or remediate negative impacts.	<p>Provide insight into the nature, type, and extent of the business' material risks and opportunities and the financial effects on the business over the short-, medium- and long-term time horizons of material risks and opportunities arising from the business' impacts and dependencies on workers in the value chain.</p> <p>Reflect interests of supply chain stakeholders in the process of identification and management of material impacts in relation to working conditions, equal treatment and opportunities for all, and other work-related rights.</p> <p>Provide a description of the types of workers that are subject to impacts throughout its entire value chain and the steps it takes to gain insight into the perspectives of possibly marginalised workers.</p>
Local communities	ESRS S3 'Affected communities'	Determine which material impacts on affected communities are caused or contributed to by the business through their activities and actions taken to prevent, mitigate, or remediate negative impacts.	<p>Determine whether and how local communities are affected, what the material impacts on these communities are, which actions they are taking to prevent, mitigate, or remediate impacts, and the financial effects of the impacts on the business itself.</p> <p>Consider interests of affected communities in relation to communities' economic, social, cultural, civil, and political rights, and particular rights of indigenous communities.</p>

7.4.5 How are the needs of future generations, non-human species, and ecosystems taken into account?

Table 18 displays how the needs of future generations, non-human species, ecosystems are considered in the CSRD and ESRS. Overall, it can be seen that future generations are not considered, while topics on non-human species and ecosystems are integrated.

Table 18 | Considerations of future generations, non-human species, and ecosystems in ESRS

Needs of	Reflection in CSRD and ESRS
Future generations:	<p>Since the CSRD and ESRS are part of the European Green Deal, this policy aims "to ensure that [its economy] is ready for the future" (CSRD, p.1).</p> <p>ESRS 1 'General requirements' requires that businesses link the past, present, and future in their sustainability statements "to foster a clear understanding of how historical information relates to future-oriented information" (ESRS 1, p.17).</p>
• Global North vs Global South	<p>Even though the views and interests of current stakeholders, as described in ESRS 2 'General disclosures', may affect a business' decisions regarding the future direction of its strategy or business model(s), the CSRD and ESRS do not consider future generations – whether located in the Global North or Global South – to be taken into account as part of such views.</p>

Needs of	Reflection in CSRD and ESRS
<ul style="list-style-type: none"> • Young workers • Climate topics as part of the future 	<p>Consideration of young workers in relation to the future is not addressed. Instead, young workers are considered in relation to child labour and as a particularly vulnerable group due to inherent characteristics and the particular context in which they work right now, not in the future. Youngsters and future generations are also not addressed in ESRS S3 'Affected communities'.</p> <p>Regarding climate topics, the future is addressed in the disclosure requirements of ESRS E1 'Climate change' which aim to enable an understanding of the undertaking's past, current, and future mitigation efforts for climate change. Targets for reduction of GHG emissions are considered key in these efforts, and as part of the assumptions for setting GHG emission reduction targets, the business has to explain how it considers future developments along the way. The other ESRS on environmental topics do not address the future as such.</p>
<p>Non-human species and ecosystems</p>	<p>The CSRD and ESRS cover the needs of non-human species and ecosystems in ESRS G1 'Business conduct', ESRS E4 'Biodiversity and ecosystems', and ESRS E5 'Resource use and circular economy'. The disclosure requirements from ESRS G1 'Business conduct' cover whether the business has policies with respect to animal welfare in place. However, it does not define what animal welfare is. ESRS E4 aims to specify how businesses affect biodiversity and ecosystems and which actions are being taken to prevent or mitigate material negative impacts and to protect and restore biodiversity and ecosystems. The reporting businesses also have to explain their plans and capacity to adapt their strategy and business model(s) in line with:</p> <p>(i) respecting the planetary boundaries of the biosphere integrity and land-system change, (ii) targets outlined in the Post-2020 Global Biodiversity Framework of no net loss by 2030, net gain from 2030 and full recovery by 2050, and (iii) the EU Biodiversity Strategy for 2030 with the targets set under the EU Nature Restoration Plan and Enabling Transformative Change. (p.4)</p> <p>ESRS E5 does not take into account the needs of non-human species and ecosystems directly but aims to specify how businesses affect resource use. Resource use, especially when it comes to use of forests or land, can affect non-human species, ecosystems, and biodiversity. Therefore, businesses have to explain the actions they are taking to prevent or mitigate material negative impacts arising from resource use and the circular economy. This includes their approaches to decouple economic growth from the use of materials and their plans and capacity to adapt their strategy and business model(s) in line with circular economy principles.</p>

7.4.6 Who voices the interests of affected stakeholders?

Affected stakeholder are "individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking's activities and its direct and indirect business relationships across its value chain" (ESRS 1, p.9). The ESRS determine that the interests of these affected stakeholder, namely value chain workers and communities, can be voiced through legitimate representatives, such as elected trade union representatives or other freely chosen representatives of affected stakeholders, credible proxies, like expert organisations working on specific issues, development and human rights NGOs, international trade unions, and local civil society, or channels similar to grievance mechanisms. Nature can be considered as a silent stakeholder in which ecological data and data on the conservation of species can be used. Table 19 shows which disclosure requirements are related to that. However, the ESRS do not define any cautions that need to be considered regarding stakeholder representation.

Table 19 | Affected stakeholders and their representatives

ESRS	Disclosure requirements
<p>ESRS 2 'General disclosures'</p>	<p>Reporting businesses have to disclose a description of their affected stakeholders, whether engagement with them occurs, and how it is organised.</p>

ESRS	Disclosure requirements
ESRS S2 'Workers in the value chain' & ESRS S3 'Affected communities'	<p>Value chain workers and affected communities are considered key groups of affected stakeholders and businesses are required to disclose:</p> <ul style="list-style-type: none"> the processes for engaging with them about impacts and their legitimate representatives or credible proxies that have insight into their situation about actual and potential material impacts on them; the stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement; how the undertaking assesses the effectiveness of its engagement with them, including, where relevant, any agreements or outcomes that result; the steps it takes to gain insight into the perspectives of groups that may be particularly vulnerable to impacts and/or marginalised (for example, women workers, migrant workers, workers with disabilities, indigenous people); the channels it has available to them to raise concerns and have those addressed.

7.4.7 How are rights of stakeholders addressed?

The human and work-related rights that are addressed in the ESRS regarding the business' stakeholders include working conditions, equal treatment and opportunities for all, and other fundamental work-related rights, see Table 20. These capacities are addressed for both the business' own workforce (ESRS S1) and workers in the value chain (ESRS S2). Communities' rights are addressed in ESRS S3 'Affected communities'. The rights are addressed in relation to the objective of the ESRS which requires an explanation of the general approach the business takes to identify and manage any material actual and potential impacts. Specific stakeholder capacities including environmental rights, for example related to local environmental standards, are not addressed in the ESRS.

Table 20 | Human, work-related and communities' rights addressed in the ESRS

Rights related to	Content of ESRS
Working conditions	Secure employment
	Working time
	Adequate wages
	Social dialogue
	Freedom of association, the existence of workers councils and the information, consultation, and participation rights of workers
	Collective bargaining, including the rate of workers covered by collective agreements
	Work-life balance
Equal treatment and opportunities	Gender equality and equal pay for work of equal value
	Training and skills development
	Employment and inclusion of persons with disabilities
	Measures against violence and harassment in the workplace
	Diversity
Other work-related issues	Child labour
	Forced labour
	Adequate housing
	Privacy

Affected communities	<p>Economics, social, and cultural rights, e.g.:</p> <ul style="list-style-type: none"> • Adequate housing • Adequate food, water, and sanitation • Land-related and security-related impacts <p>Civil and political rights, e.g.:</p> <ul style="list-style-type: none"> • Freedom of expression • Freedom of assembly • Impacts on human rights defenders <p>Rights of indigenous communities, e.g.:</p> <ul style="list-style-type: none"> • Free, prior, and informed consent • Self-determination • Cultural rights
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7.4.8 What is the role of the stakeholders defined in the fashion industry in implementing the CSRD and ESRS?

Table 21, see Appendix J for an extended version, provides an overview of the roles of the fashion industry stakeholders defined in the CSRD and ESRS.

Table 21 | Roles of stakeholders in SDD defined in the CSRD and ESRS

Stakeholders	Role defined in CSRD and ESRS
Business in EU (e.g., fashion brands)	Embody an administrative, management, and supervisory role with regard to sustainability matters by facilitating and conducting SDD
Top management bodies	Address who takes on which responsibilities in assessing and managing impacts, risks and opportunities, and overseeing of targets related to this, including whether that role is delegated to a specific management position and how that role is being monitored and also how these topics are overseen on top management-level
Stakeholders affected by the business	Inform SDD of businesses by providing interests and views on (i) business' strategy and business model(s), and goals in relation to stakeholder relationships, (ii) impacts, risks, and opportunities to assess which ones are material, and (iii) business' target-setting regarding sustainability matters
Third parties, such as NGOs, universities, or other experts	Provide information and estimates to inform SDD
Investors	Invest sustainably based on sustainability information from businesses
Civil society actors and NGOs	Hold businesses accountable based on sustainability information by comparing and monitoring performance
Consumers	Use sustainability information to compare practices and make informed decisions
Governments	Use sustainability information to monitor environmental and social trends, and to inform public policy
Assurance providers	Provide assurance of sustainability reporting, ensure reliable sustainability information, take part in supervising sustainability reporting

7.5 Contextual justice in the CSRD and ESRS

To evaluate the contextual justice parameters of the CSRD and ESRS, this section first analyses which stakeholders influenced decision-making in the development of the CSRD and ESRS. Second, it addresses how the existing disparities in the fashion industry and their causes and complexity are addressed in the framing and content of the standards. Finally, this section discusses how power relations and the context of social dialogue and risk assessments are addressed.

Governance of CSRD and ESRS

7.5.1 Which stakeholders influenced decision-making in the development?

The stakeholders that influenced decision-making in the development of the CSRD and ESRS are the stakeholders that have been involved in the EFRAG Sustainability Reporting Board and the EFRAG Sustainability Reporting Technical Expert Group, see Appendix E. In the end, the Board has the final say when it comes to decision-making. However, they make their decision based on the input from the technical expert group. Alongside that, other factors in the landscape regarding sustainability influenced the development of the CSRD and ESRS as well. This includes the goals from the European Green Deal through which the objective of climate neutrality by 2050 has become binding in the EU and the 2030 Agenda for Sustainable Development including the UN Sustainable Development Goals (SDGs). Furthermore, the UNGPs on Business and Human Rights and the OECD Guidelines on SDD have influenced how the SDD disclosure requirements have been specified in greater detail. On top of that, plans related to climate and the environment have been based on the latest science, including Intergovernmental Panel on Climate Change (IPCC) reports and reports by the European Scientific Advisory Board on Climate Change. Therefore, there is a range of stakeholders, all located in the Global North, that have influenced the decision-making around the development of the CSRD and ESRS.

7.5.2 How have (causes of) existing and possible future disparities been taken into account in the development?

As mentioned in the CSRD, the European Commission set out measures in their Action Plan on Financing Sustainable Growth to reorient capital flows towards sustainable investment to manage financial risks stemming from climate change, resource depletion, environmental degradation, and social issues. In relation to that, the CSRD acknowledges the socio-economic damage caused by COVID-19 and the need for a sustainable, inclusive, and fair recovery from the pandemic, as it has exposed the vulnerabilities of workers and businesses' value chains. These issues and the risks they cause – whether now or in the future – frame the development of the CSRD and ESRS. Other, more specific, existing disparities that define the need for a JT have not been mentioned in relation to the development of the CSRD and ESRS. Moreover, the current power imbalances between countries in the Global North and South that have been identified by the interviewees as a major cause of existing disparities are not addressed at all in the CSRD and ESRS.

Content of CSRD and ESRS

7.5.3 How are the (causes of) existing and possible future disparities addressed?

The causes of social and environmental disparities in the fashion industry, namely the effects of colonialism, the existence of global demand-led power-relations between stakeholders in the Global North, a myriad of suppliers and sub-suppliers in the Global South, and a competitive market are not addressed in the CSRD nor in the ESRS. Opposed to that, the ESRS do discuss all of the existing social and environmental impacts, such as discrimination, health and safety, energy consumption and pollution, that lead to injustices as identified in the fashion industry. Appendix K provides an overview of how the ESRS address these existing disparities in their Disclosure Requirements. In general, the standards require businesses to disclose how they have identified the impact, who were involved in the process, which policies and targets are related to that, and what the approaches and effectiveness of taking action are.

According to the perspectives of the interviewees, circularity could cause possible future disparities and increase current existing disparities. The circular economy is addressed in the CSRD and ESRS E5 'Resource use and circular economy', in which it is described as:

“an economic system whereby the value of products, materials and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use, minimising waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy.” (p.11)

The effects of this type of economy on workers in the (upstream) value chain is not discussed in ESRS E5. However, businesses are also obliged to address whether their materiality assessment encompasses situations “where its actions to address certain impacts or risks, or to benefit from certain opportunities in relation to a sustainability matter, might have material negative impacts or cause material risks in relation to one or several other sustainability matters” (ESRS 1, p.13). The ESRS provide certain examples: “an action plan to decarbonise production that involves abandoning certain products might have material negative impacts on the undertaking’s own workforce and result in material risks due to redundancy payments” (ESRS 1, p.13). Therefore, businesses have to mention the material negative impacts or risks together with the actions that generate them and how they affect stakeholders, including a cross-reference to the topic to which the impacts or risks relate. While this includes the consideration of changes for affected stakeholders as a result from transitioning, it remains unclear whether and how this accounts for the implementation of a circular economy.

7.5.4 How are the complexity of existing disparities and their connectivity addressed?

The interviewees identified that mainly the balancing of all the complex social and environmental issues make SDD a difficult task that could lead to ineffective or unjust results. However, acknowledgment or addressing of such complexity of existing disparities, such as defined in the fashion industry, and its relation to global challenges regarding sustainability are not referred to in the CSRD nor in the ESRS. Regarding the connectivity between existing disparities, businesses are required to “provide information that enables users of its sustainability statements to assess the connections between various information about impacts, risks and opportunities in these statements and related information in other parts of its corporate reporting”, according to ESRS 1 ‘General requirements’ (p.22). This means that the reporting business has to describe the relationships between different pieces of information by making the connection between narrative information on governance, strategy, and risk management and related metrics and targets. By means of that, all of the topical ESRS on ESG should be read in conjunction with ESRS 1 and ESRS 2 ‘General disclosures’.

Besides that, every topical ESRS addresses how it interacts with other topical ESRS, Appendix L provides an overview of that. In general, all environmental ESRS interact with each other and all social ESRS interact with each other as well. ESRS E1 ‘Climate change’ also connects the impacts on people that may arise from the transition to a climate-neutral economy to ESRS S1 ‘Own workforce’, ESRS S2 ‘Workers in the value chain’, ESRS S3 ‘Affected communities’ and ESRS S4 ‘Consumers and end-users’. ESRS E2 ‘Pollution’, ESRS E3 ‘Water and marine resources’, ESRS E4 ‘Biodiversity and ecosystems’, and ESRS E5 ‘Resource use and circular economy’ also acknowledge that a business’ impacts on the environment may affect communities as well. Thus, all of these environmental ESRS are connected to ESRS S3 ‘Affected communities’.

7.5.5 How is the context in social dialogue and risk assessment are conducted addressed?

The goal of the ESRS is that businesses disclose all their material information regarding impacts, risks, and opportunities in relation to environmental, social, and governance matters. These matters have to be based on the double materiality principle and identified by means of a materiality assessment and the input of social dialogue. A sustainability matter is considered material when it meets the criteria defined for impact materiality or financial materiality, or both. To determine that, businesses have to focus on areas where

these impacts are deemed likely to arise, based on the nature of the activities, business relationships, geographies, or other risk factors concerned. The context of what a business doing is therefore considered an important part of the ESRS. The ESRS also consider predefined risks and impact areas that are likely to arise from such materiality assessments but if businesses conclude that a topic is not material for them, they can omit the Disclosure Requirements in the topical ESRS.

Materiality assessments also depend on the availability, quality, and verification of data. ESRS 1 'General requirements' acknowledges that for businesses obtaining value chain information to inform the materiality assessment may be challenging. Therefore, businesses are allowed to use estimates by providing all reasonable and supportable information, such as sector-average data and other proxies. However, the business has to apply the fundamental qualitative characteristics of information, namely relevance, faithful presentation, comparability, verifiability, and understandability, as described in Appendix C of ESRS 1. Even though this requires a complete depiction of an impact, risk, or opportunity, the ESRS do not define more specifically whether contextual elements, such as causes of these impacts, are included in that depiction as well.

In the process of social dialogue and risk assessment regarding both social and environmental matters, the consideration of cultural context and sector- and country-specific conditions is briefly touched upon in the CSRD and ESRS. ESRS 1 requires that the reporting business shall disaggregate the reported information of its material impacts, risks, and opportunities by country and by significant site or by significant asset. Besides that, the Application Requirements from ESRS 1 state that while assessing impact materiality the business should show its understanding of "the context in relation to its impacts including its activities, business relationships, sustainability contexts and stakeholders" (ESRS 1, p.28). Regarding ESRS S2 'Workers in the value chain', businesses also need to provide information on whether negative impacts, in case they occur, are widespread or systemic in the context in which the business is operating. In addition to that, businesses are also required to disclose how they have developed an understanding of the particular contexts in which value chain workers work. While cultural contexts and country-specific conditions are included, the ESRS do not specify whether and how causes of certain contexts and related disparities are to be reported on.

7.5.6 How are power relations regarding standard-setting, purchasing, and monitoring addressed?

Standard-setting power and the possible effects it has are not addressed for governments in the CSRD and ESRS. For businesses, ESRS 1 'General requirements' states that they "can demonstrate reasonable effort in collecting data [...] by using or increasing leverage over [actors in their value chain], e.g., through collaboration with stakeholders" (ESRS 1, p.16). Leverage is not deemed a factor to be cautious around as a brand in this case, which opposes the statements from the interviewees. Purchasing and bargaining power are also not addressed as such a factor, because buying power is mentioned in relation to the business' ability to obtain the necessary value chain information to conduct SDD. However, businesses must provide an understanding of "if and how [they] consider whether [their] strategy and business model(s) contribute to play a role in creating, exacerbating or (conversely) mitigating significant material impacts" (ESRS S2, p.13), including any actions in relation to their own purchasing or other internal practices. Thus, whether standard-setting and purchasing power is something that could hinder a JT or merely advance SDD remains unclear.

In the CSRD, monitoring of compliance is attributed to assurance providers, while Member States are required to ensure that statutory auditors with a high level of technical and specialised expertise in the field of sustainability check whether the nonfinancial statement or the separate report has been provided. These checks only consider compliance to the standards and do not evaluate the performance of businesses. For

that, civil society actors are indirectly described as actors that, based on the results of the CSRD, should hold businesses accountable for their impacts on people and the environment.

7.6 Distributive justice in the CSRD and ESRS

This final section discusses the intended beneficiaries of the CSRD and ESRS and how the governance of implementing the CSRD and ESRS is divided. In addition, the distribution of costs, risks, and benefits of SDD in the ESRS are analysed, and it is determined how the ESRS consider risk prioritisation as a balancing act.

Governance of CSRD and ESRS

7.6.1 Who are the primary intended beneficiaries of the CSRD and ESRS?

The intended beneficiaries of the CSRD are reporting businesses and savers and citizens by means of reaching investor and civil society actors, see Table 21 for an explanation of how these stakeholders are believed to benefit from the CSRD. While the effect of these benefits might also benefit other actors, such as affected stakeholders, this is not explicitly mentioned in the CSRD.

Table 22 | Beneficiaries of the CSRD

Beneficiary	Statement in CSRD
Reporting businesses	The commission highlighted the benefits for companies of reporting on climate-related information particularly by increasing awareness and understanding of climate-related risks and opportunities within the company, diversifying the investor base, creating a lower cost of capital, and improving constructive dialogue with all stakeholders (CSRD, p.17)
Savers and citizens, by means of reaching investors and civil society actors	<p>Savers who want to invest sustainably will have the opportunity to do so, while all citizens would benefit from a stable, sustainable and inclusive economic system (CSRD, p.4).</p> <p>To realise such benefits, the sustainability information disclosed in the annual reports of undertakings first has to reach two primary groups of users (CSRD, p.18):</p> <ul style="list-style-type: none"> • The first group of users consists of investors, including asset managers, who want to better understand the risks and opportunities that sustainability issues pose for their investments and the impacts of those investments on people and the environment. • The second group of users consists of civil society actors, including non-governmental organisations and social partners, which wish to better hold undertakings to account for their impacts on people and the environment. • Other stakeholders might also make use of sustainability information disclosed in annual reports, in particular to foster comparability across and within market sectors.

7.6.2 How is the governance of implementing the CSRD and ESRS divided amongst stakeholders?

The implementation of the CSRD and ESRS starts by businesses which have to conduct SDD based on social dialogue with value chain stakeholders and inform the content of the ESRS. This is then verified and supervised by auditors and monitored by governments and social partners. The role of governments in enabling the conditions for conducting SDD is not addressed in the CSRD. The role of value chain stakeholders, such as upstream suppliers or NGOs and trade unions, in enabling the conditions for accurate reporting and the implementation of the CSRD and ESRS is also not specifically elaborated on. It is considered the responsibility of businesses to include these stakeholders, or their representatives, in their social dialogue in an accurate manner. Consumers are not considered as contributors to allow for SDD either in the CSRD. They are merely addressed as users of sustainability information. Besides that, the CSRD and ESRS do not prescribe anything regarding fostering (international) cooperation between stakeholders by means of SDD (reporting). Businesses require collaboration with their affected stakeholders, and likely organisation such as trade unions, NGOs, and other experts, to support their SDD process and materiality assessment. However, the ESRS do not explain how this cooperation has to take place, nor does it provide structures or initiatives through which such cooperation can be facilitated. All things considered, it remains

unclear whether and how exactly the governance of the CSRD and ESRS would allow for a level-playing field that includes all stakeholders that are part of the SDD process, since the legislation only requires businesses to conduct SDD.

Content of CSRD and ESRS

7.6.3 How is distribution of costs, risks, and benefits of SDD addressed?

The costs, risks, and benefits arising from SDD (reporting) are not extensively addressed in the CSRD and ESRS themselves. However, they have been analysed in the report of the Cost-benefit analysis of the First Set of draft ESRS. This report addresses the following direct and indirect costs and benefits, see Figure 11. Overall, the costs are more evident in the short term and mainly consider businesses that have to start reporting on SDD, while the benefits will only become visible in the medium to long term and include a wider range of stakeholders. However, as the report explains, benefits from sustainability reporting as proposed in the CSRD and ESRS are hard to reliably estimate (CEPS & Milieu, 2022).

	Costs	Benefits
Direct	Administrative costs and assurance costs for businesses	Cost savings for all relevant stakeholder groups Possible synergies and efficiencies for reporting standards for businesses
Indirect	Trickle-down effects in value chain Litigation costs for larger listed businesses Impact on international competitiveness* Innovation decrease	Behavioural changes and improved sustainability of businesses

Note: *Can be considered both a cost and a benefit

Figure 11 | Overview of key costs and benefits of the ESRS adapted from CEPS & Milieu (2022)

Based on this report, the intended basis for the distribution of costs, risks, and benefits of the CSRD and ESRS seems to be focused on net social welfare by allocating businesses with the responsibility to make the biggest changes. This report also determines that the impact of competitiveness, and related costs, on an international level, is expected to be limited because most of the large-scale businesses, which are also each other's competitors, will have to start reporting. Therefore, it considers the distribution of efforts on SDD between businesses to be based on principles of equality. Moreover, legislation for currently non-eligible businesses, such as small and medium-sized enterprises, is currently being developed by the EU, allowing for equality between all EU businesses (European Commission, 2022d). A reward system based on merit is not included in the approach of the CSRD, except that there could be (financial) consequences if eligible businesses do not report on the ESRS. Consideration of the needs of affected stakeholders is central in the ESRS and therefore the foundation for a needs-based approach is included. However, the report identifies that the application of the CSRD and reporting according to the ESRS could lead to trickle-down effects throughout the value chain of the reporting business and therefore to indirect costs for, for example, suppliers. Caution regarding this perspective is not addressed as such in the ESRS. Thus, whether the CSRD and ESRS lead to distribution of risks, costs, and benefits based on needs remains debatable.

7.6.4 How is risk prioritisation addressed?

ESRS 1 'General requirements' states that "where the undertaking cannot address all impacts at once, the due diligence process allows for action to be prioritised based on the severity and likelihood of the impacts" (ESRS 1, p.14). It is this aspect of SDD that actually informs the material assessment, and it aligns with the guidelines from the OECD regarding assessing materiality of impacts and risks based on severity and likelihood of the impact. Severity is assessed based on scale, scope, and irremediable character. The scale

determines how grave the impact is, the scope how widespread, and its irremediable character considers whether and to what extent the negative impacts can be remediated. In the case of a potential negative impact on human rights, the severity of the impact takes precedence over its likelihood. While the results of this approach of prioritising risks could lead to insight into which adverse impacts and risks are most severe and likely, the ESRS do not prescribe how multiple adverse impacts that are all severe and likely need to be balanced. They also do not consider elements such as limited time and capacity for businesses to be included in the considerations of prioritisation.

8 | Discussion

This chapter first delves into the theoretical implications of this research and defines avenues for follow-up research. Then, the limitations of this research are examined. Finally, it discusses the policy implications and recommendations that can be derived from the results.

8.1 Theoretical implications and avenues for future research

To define and analyse the dimensions of justice that enable a just transition (JT) in the fashion industry, this research aimed to better understand justice approaches and sustainability due diligence (SDD), and the connection between those two, from an academic perspective. Based on the results this research makes five main contributions to theory on JTs, SDD, and distributive justice.

8.1.1 Interdisciplinary approach combining theory and practice

First of all, frameworks regarding justice and JTs often lack an interdisciplinary approach that combines normative and theoretical elements with the practicality to assess real situations (Wang & Lo, 2021). The adjusted framework from McDermott et al. (2013) however allowed for a comprehensive understanding of what a JT entails more specifically in practice and which dimensions of justice could play an important role in SDD. This research was also novel in that it tried to combine different perspectives of justice rather than pick one particular perspective. The findings of this research show that using such a framework teases out how competing ideas of JT are handled in real-world settings and governance strategies and the difficulties that are related to the integration of justice elements both within SDD and a transition. Nonetheless, the framework does not provide an explicit answer to how these difficulties need to be overcome but rather pinpoints elements of justice that are important to address when aiming for a JT. Whether this is actually effective enough to enable a JT remains to be seen. In relation to that, also the question whether SDD and reporting thereon in general is effective to enable change and decrease adverse impacts remains disputed (Christensen et al., 2021; Luo & Tang, 2022; Pucker, 2021). Future research concerning JTs and SDD should therefore focus on the perception of justice as a result from SDD and consider the effect that SDD has in terms of transitioning in general. This should be based on measurable indicators and in that case the reports from businesses reporting on the ESRS could be a useful starting point for collecting comparable data. This would allow for even better understanding of how theory applies to practice.

8.1.2 Broader scope of examining just transitions

Secondly, previous studies examining issues of justice and the meaning of a JT within the fashion industry remain scarce (Payne et al., 2022). Moreover, to this date, JTs have mainly been researched in relation to the energy transition, whereas there is also a need for JTs in other industries (McCauley & Heffron, 2018). This study combined these research fields and therefore contributed new insights both to literature on JTs as well as on fashion justice. The results highlight that within such a complex system as the fashion industry the perception of integrating social justice as a core element when making decision to achieve a low-carbon economy is not enough but also requires an evaluation of the situation as it is today and whether there are existing disparities within that situation that need to be addressed as well. This perspective seems less integrated in CEE justice scholarships and the understanding of justice in the energy transition (Baker et al., 2019; McCauley & Heffron, 2018; Wang & Lo, 2021) and should therefore be explored further to expand the meaning of a JT in other industries too. The further development of what a JT entails and aims for exactly should also be connected to that.

Furthermore, in this research, as well as in current literature on JTs, the perspective on and scope of transitioning mainly considers a 'do no harm'-approach. However, a couple of the interviewees, and also recent policy reports on sustainability transitions in the fashion industry (Buchel et al., 2018; Sharpe et al., 2022b), suggest that the fashion industry needs to become a force for good to enable a JT. Instead of only

considering minimisation of negative impacts and sharing the burden fairly between stakeholders, the more normative perspective on making positive impact, and for who, deserves a more thorough investigation in future research.

8.1.3 Definition of contextual elements in a just transition

Thirdly, this research contributed to defining the reasons for a JT in relation to contextual elements, e.g., causes of disparities and power structures. Literature on JTs benefits from this because critical examinations of the power relations amongst stakeholders are largely missing and the question of a JT with and for whom is still under debate (Wang & Lo, 2021). Findings suggest that the current effects of colonialism, rapid globalization, the role of demand-led stakeholders and their purchasing-driven powers, and the competitive market, as well as standard-setting and monitoring power of governments are especially important in the broader context of how to enable a JT through SDD (reporting) and should therefore be included in policies regarding a JT. Novel literature supports these results (Elhichou, 2021; Eviota, 2023; Nolan, 2022). In terms of the evaluation of policies aiming to enable a transition, such as the CSRD, future research on JT should therefore consider these elements as part of contextual justice.

Regarding stakeholder power as a contextual element in a JT, monitoring power needs to be discussed more elaborately as well, and also how it links to the dimension of distributive justice. Although the CSRD and ESRS aim to allow for comparable monitoring, their current structure does not have the teeth to change businesses' behaviour as it only requires them to report on their performance, not improve it over time. Only once the CSDDD is adopted and in place Member State authorities can start to apply fines and compliance orders to businesses that fail to meet sustainability risk management and disclosure standards (European Commission, 2022b). Therefore, the CSDDD might change the effect of monitoring power for governments. However, based on the results from this research, it cannot be determined whether monitoring power – as determined in the hands of civil society actors such as NGOs – allows for enough pressure for brands to enable a JT in the fashion industry. Future research should therefore explore the relationship between the CSRD and CSDDD and the effects on a JT that they might enable in unison. The interviewees also related the effects of monitoring power to distributive outcomes based on merit that would allow for a level playing field in the fashion industry. This connection between contextual – in terms of power – and distributive justice – in terms of outcomes – could therefore also provide a future research avenue for theory on justice integration.

8.1.4 Definition of meaningful SDD in a just transition

Fourthly, considering literature on SDD, this research contributes to examining how SDD needs to be designed and implemented – and by who – to be meaningful and contribute to prevention and remediation of current and possible future disparities. Examination of SDD in literature is not new, but developments and laws regarding SDD, and especially SDD in relation to (just) transitions, are underexplored (Bright & Buhmann, 2021; Patz, 2022). That is why this research contributes to turn attention to the social justice implications of mitigation and transition strategies that rely on SDD. While this research allowed for an in-depth understanding of meaningful SDD in relation to a JT, future avenues of research should integrate more perspectives on this definition, especially from the Global South.

8.1.5 New light on dimension of distributive justice

Finally, this research shined a new light on the dimension of distributive justice and how that should be understood in relation to a just transition. This research suggests that the distribution of conducting and managing SDD is mostly considered just under the CSRD if different elements of social welfare, equality, merit, and needs are used to construct a system of SDD and reporting thereon. However, this needs to be put into perspective. First of all, such a distribution is only considered just from the perspective of the interviewed stakeholders and depends on who is asked too. In this research, the results tend to steer

distributive justice towards the perception of brands in the Global North because many of the interviewed brands, experts, and sector organisations determined them to be the ones facing the highest costs and risk of SDD at first. Opposed to that, the interviewed trade unions and NGOs deem the potential costs and risks as a result from SDD higher for suppliers. These contradicting views on expectations regarding distribution require more attention in future research whereby the focus should be on real-world effects of existing SDD mechanisms within businesses to reach beyond an understanding of perspectives alone.

Furthermore, a comment from one of the interviewees flips the entire perspective towards the distribution of costs and risks of SDD for brands: what if all current costs and risks are actually investments that allow everyone, brands included, to benefit in the future? In literature this perspective on long-termism at the temporal scale is currently often addressed in relation to intergenerational justice – such as described in this JT framework in the meta-question ‘for who?’ – but does not explore which benefits long-termism might bring businesses and the economy as a whole (Islar, 2021). Therefore, this could be an important avenue to investigate for future research in relation to policy evaluation when it comes to a JT.

Most importantly, the affected stakeholders that should be the core of SDD likely have different considerations which need to be balanced in a trade-off to prioritize actions based on SDD. For the interviewed brands, the entire crux of a transition that is not only sustainable but also just comes back to this: what should my business focus on first? When zooming out and considering their perspectives regarding the other dimensions of justice too, distributive justice for them does not only account for how the costs, risks, and benefits of SDD should be distributed amongst stakeholders. Instead, it focuses on how attention, time, money, and effort need to be distributed *within* a business to achieve something that is greener *and* just. While the JT framework of this research allowed to understand how the dimensions of justice are important to consider in SDD, the framework does not provide an answer to the question: which decisions in SDD are most just in a JT? There are currently no guiding principles or legislative frameworks that provide an answer to that question, they only provide the guidelines that aim to provide businesses with the tools to make their own decisions regarding what is just in their own eyes. Making informed decisions and involving stakeholders in that are key in relation to justice but in the CSRD and ESRS it is still unclear how exactly the social dimension of justice needs to be integrated in the environmental objectives that need to be reached. Moreover, the CSRD and ESRS do not define who the JT they want to reach is for, even though that is a key element within the framework of a JT. Altogether, there are currently no guidelines on what trade-off businesses can make between the two core elements of a JT: social and environmental sustainability. To complicate things further, current JT literature also takes account of future generations to consider in a JT. Balancing their needs in trade-offs is something that some of the interviewees deem impossible if the current trade-off is already complicated enough. Thus, to enable a JT using SDD as a cornerstone, future research needs to explore the avenue of balancing trade-offs in risk prioritisation by means of a normative distributive perspective further.

8.2 Limitations

Despite the contribution of this research to theory on JTs, SDD, and distributive justice, this research also faced several limitations that need to be kept in mind, especially when considering the policy implications and recommendations proposed. First of all, since this research discusses such a normative subject, observer bias needs to be taken into account. While triangulation and standardised procedures during data collection and analysis have been used to minimise this bias, it cannot be ruled out completely.

Secondly, the generalisability of this research remains limited due to its sample size and sampling strategy. The sample size was limited because only Dutch stakeholders have been interviewed. Even though they could provide well-informed insights regarding SDD due to their familiarity with the topic, their perspectives cannot be generalized throughout the entire fashion industry nor towards other industries due to the

complexity under study. The sampling strategy was generally based on the existing network that the SER has built throughout the time they hosted their AGT in the Dutch fashion industry and therefore limits the inclusion of perspectives of stakeholders that have no previous experience with SDD. Furthermore, the data collection process has been heavily informed by the perspectives of the interviewed stakeholders. Since these stakeholders have been asked to reflect upon their own experiences with SDD and justice in the fashion industry, there may have been a source of (cultural) bias in the results and conclusions of this research (Clark et al., 2021). Especially the fact that this research only includes the perspectives of fashion stakeholders in the Global North limits the discussion on justice in such a global system that is the fashion industry. To minimise these limitations in the future, research should include a broader range of qualitative perspectives, most importantly those from fashion stakeholders located outside the EU. Union. To determine even more generally how dimensions of justice are to be integrated in SDD, future research also needs to look beyond the fashion industry and focus on global supply chains as a whole.

Finally, the analysis of the governance of the CSRD and ESRS could have been performed in greater depth to understand even better how and why certain processes have or have not been part of the development of the CSRD and ESRS. To do so, in-depth interviews with stakeholders that informed the CSRD and ESRS could have been conducted. However, due to time constraints and lack of access to these stakeholders this has not been a part of this research and could therefore limit a more precise conclusion on what the EU could improve to pursue a JT based on their governance processes.

8.3 Policy implications and recommendations

This research showed that SDD and reporting thereon could be a meaningful way for businesses in the fashion industry to conduct more responsible business and therefore contribute to a JT. The analysis reveals that the meta-level aspects of what a JT entails (in relation to SDD) are currently not clearly defined in the CSRD and ESRS. It also shows that the main principle of the procedural and recognition dimensions of justice is being largely pursued in the ESRS under the CSRD, while there is still room for improvement regarding the definition and expansion of roles in SDD (reporting). The contextual, restorative, and distributive dimensions of justice are not as widely considered yet and require a more holistic integration of reflective thinking and more explicit clarification of how a level playing field within SDD is ensured. In this final section, these findings are more thoroughly discussed and multiple recommendations for the EU on how to integrate all dimensions of justice from this JT framework are presented.

8.3.1 Meta-level: a just transition in relation to SDD

Even though the CSRD aims for a JT as part of its objective, it does not define what a JT is or how it is framed. It does not address the JT framework developed by the ILO nor follows all the principles of justice that the ILO developed. Moreover, the underdeveloped social dimension within the Green Deal as a whole, but also in the CSRD more specifically, has been highlighted by researchers who criticise that a policy platform focusing solely on climate mitigation actions and which lacks cohesion and the integration of social justice is likely to exacerbate social inequalities instead of enable a JT (Akgüç et al., 2022; Armeni, 2023). Although the concept of decent work provides a point of departure to understand what the EU aims for as part of the JT, the EU should extend its JT framework and align it with the principles of the ILO to create more cohesion. According to the perspectives of interviewed fashion industry stakeholders, a JT requires the integration of a social perspective into an environmental transition to create a greener fashion industry that has no negative impact on others. This perspective of integration could be at the core of the extended JT framework from the EU. That means that the EU has to adapt institutional arrangements that ensure participation and international cooperation of all relevant stakeholders on all levels. A JT as part of the EU strategy would also benefit from a clearly defined goal and target group that indicate explicitly how a policy, such as the CSRD, contributes to improving a JT and for who at which scale.

One of the findings that needs to be addressed in relation to this, is the concern of some of the interviewees – both brands and NGOs and trade unions – that the application of an SDD approach as defined by the EU in their legislation can possibly lead to business' decisions that are risk-based informed instead of impact-based. This could result in approaching SDD reporting as a compliance mechanism and 'tick the box'-exercise, especially when assurance providers are the ones to supervise the process as determined in the CSRD. Previous literature warned against this as well (Bonnitcha & McCorquodale, 2017; Landau, 2019). Therefore, the EU should also define the intended basis for SDD and integrate this in the goal of the CSRD. To enable a JT, this means that SDD needs to be impact-based and meant to safeguard affected stakeholders from environmental and social harm.

8.3.2 Procedural and recognition justice

While there is no definition of a JT in the CSRD, the core of the CSRD and ESRS does reflect the main principle of the dimensions of procedural and recognition justice: stakeholder recognition and inclusion. Stakeholder dialogue is a central element both within the development and the content of the CSRD and ESRS. The interviewees affirmed that the key to meaningful SDD to achieve a JT is the integration of stakeholder dialogue at the core of risk identification and assessment as well as within the management of adverse impacts. According to them, stakeholder dialogue should revolve around the accurate representation of affected stakeholders and marginalized groups. These findings align with international guidelines on a JT and academic perspectives regarding the definition of a JT (ILO, 2015; Wang & Lo, 2021).

Even though stakeholder dialogue has been well integrated in the CSRD and ESRS at first sight, the question remains whether all relevant stakeholders were represented accurately in the development of the CSRD and ESRS. The main stakeholders who were involved in developing the CSRD and ESRS have a scope within the EU, whereas many affected upstream value chain stakeholders are located outside of the EU in the Global South. While there has been an open public consultation in the run up to the CSRD and ESRS, the representation of affected Global South voices is unknown in this process. Similar caution has been identified for the development and impact of the CSDDD (Lichuma, 2023). The effects of the CSRD and ESRS are likely to reach beyond European borders and trickle down into Global South supply chains and therefore the EU should pursue procedural justice beyond its own borders when developing and adjusting such legislation in the future.

Furthermore, while it is generally agreed upon that stakeholder dialogue is a key element to meaningful and just SDD, all the interviewees – including trade unions and NGOs – stated that this is also the most difficult and time-consuming part of conducting SDD. In many cases they identified barriers for effective dialogue due to inaccurate representation of affected stakeholders, lack of transparency throughout the value chain, and immeasurable, inaccessible, or unverified data. Moreover, some of the interviewees are afraid that social dialogue and the request for more information regarding the upstream value chain could lead to increased pressure on suppliers from fashion brands and deteriorate their power relationship even further. However, this is not addressed as such in the ESRS. Nonetheless, these crucial elements are something that the EU should consider especially when further developing their sectoral standards because they can influence the quality of social dialogue and whether that is considered a just process. A few of the interviewed brands consider sectoral initiatives – preferably on an international level – a helpful way to align views based on just social dialogue.

Nonetheless, procedural and recognition justice are largely reflected in the process of SDD that the ESRS prescribe, including the engagement with and representation of marginalised groups and other affected stakeholders that were identified for the fashion industry. Accordingly, also workers' and communities' rights are addressed in the ESRS. The representation of the needs of non-human species and ecosystems and their environmental rights are not considered on a dialogue level, but instead businesses must disclose

their activities to protect and restore animal welfare, biodiversity, and ecosystems. Whether this approach can enable a JT can be debated, because in the end, a JT requires the integration of social needs into climate mitigation actions and therefore requires a dialogue on all sustainability matters and rights. The EU should therefore define more clearly how they require this integration of elements in social dialogue.

Considering procedural justice, the role of primary stakeholders also needs to be discussed in regard to the CSRD and ESRS. This research reveals that the role of those in power, namely the triangle of consumers, governments, and brands in the Global North, is central in taking responsibility and facilitating enabling circumstances to conduct meaningful SDD and eventually contribute to a JT. The role of consumers is currently not reflected as such in international guidelines such as the ones defined by the OECD. According to those, consumers remain affected stakeholders that should not face the consequences of SDD. Meanwhile, literature on the topic of consumer responsibility is divided, but in general it is acknowledged that the fashion system is so commercially, culturally, and industrially complex that consumers cannot only be identified as affected stakeholders (Horton et al., 2022). In the CSRD consumers are defined as the ones to use sustainability information to compare practices and make informed decisions. While this leaves room for interpretation, it does lean towards a more active role of consumers. To strengthen this and acknowledge that consumers are part of a JT, the role of consumers needs to be more clearly defined in the CSRD and linked more directly to the upcoming and existing EU policies on consumer behaviour and sustainable consumption. This would also help to improve coherency as advised by the ILO.

Criticism also applies to the current role of governments in SDD and a JT, according to this research. Interviewees deemed that governments hold a crucial position in enabling a JT that is not yet utilized to its full extent. Their current role of monitoring environmental and social trends based on sustainability information is not considered enough in meaningful SDD. Therefore, the EU needs to facilitate the circumstances for businesses and other stakeholders to conduct meaningful SDD on an international level by engaging with other governments (in the Global South) on sustainability matters. In the CSRD, again this role needs to be more clearly defined and more coherently addressed in relation to other industrial, environmental, and social sustainability policies that are already in place. Moreover, to enable and contribute to a JT, the EU also needs to be aware of their ability to develop a ‘white saviour complex’ and should more openly address and discuss the effects of (western) solutions and their standard-setting power on a global scale.

The results of this research also confirm the perspective of the EU that brands hold a very important key to a JT by means of SDD. According to the interviewees enabling a JT starts by raising awareness regarding how brands respond to and drive demand in the fashion industry. This element is not explicitly addressed in the CSRD and ESRS but should be something that businesses, and especially their top management, should reflect on. On the other hand, the ESRS require businesses to report on how their activities that result from SDD provide more decision-making mandate to sustainability matters on top management level. Therefore, some awareness on this perspective is embedded in the CSRD and ESRS. However, most importantly, the interviewees argued that brands need to be cautious to not shear the burden of SDD onto their suppliers by means of their purchasing power and practices. The responsibility of facilitating meaningful SDD is now put at the feet of brands through the CSRD, but the brands and the EU – as well as the assurance providers assessing brands – should be aware of the trickle-down effects of the combination of standard-setting and purchasing power that brands hold in their value chain. Since this is currently not addressed in the CSRD, EU governments implementing the CSRD should consider this when transposing the legislation in their national law.

8.3.3 Contextual and restorative justice

The dimensions of contextual and restorative justice are also found important to consider when conducting SDD, but the CSRD and ESRS do not directly address the context in which they have been developed nor in which they have to be applied by businesses. The stakeholders that were involved in the decision-making around the CSRD and ESRS have been influenced based on external, international factors such as the Paris Agreement, SDGs, and scientific reports on climate change, but other contextual elements, like pre-existing political, economic, and social conditions are not defined to be considered. For instance, the power imbalances between countries in the Global North and Global South and how this relates to the (causes of) existing disparities in value chains is not discussed regarding the development of the CSRD and ESRS and businesses also do not have to report on this under the CSRD. Nonetheless, the results of this research claim that these power imbalances are the result of colonialism, rapid globalization, the role of demand-led stakeholders and their purchasing-driven powers, and the competitive market, and that they are important contextual justice factors. Novel literature supports these results (Elhichou, 2021; Eviota, 2023; Nolan, 2022). Moreover, power relations regarding standard-setting and purchasing practices in the value chain are not identified in the CSRD and ESRS as elements that require caution from governments and businesses, while the interviewees identified this as major factors in the SDD approach to a JT. Altogether, the lack of the integrative lens of contextual justice in the CSRD and ESRS limits the possibility to assess how the existing power relationships affect the ability of stakeholders to win or lose from the CSRD and ESRS and whether this results in greater or lesser existing disparities.

Furthermore, the interviews showed that without a holistic understanding of what is happening and why, nothing can change. The complexity of existing disparities and their connectivity therefore need to be addressed, which is partly the case in the ESRS. While the complexity of sustainability matters on a holistic level is not addressed, businesses are to make connections between the different sustainability matters they have to address based on their materiality assessment. That is why more critical and reflective thinking is required as part of the EU's SDD approach to understand the effects that the current way of doing business is causing in relation to their origin, especially in terms of justice and a JT. This will also help to gain a more holistic understanding of the complexity of sustainability. This specifically applies to the process of social dialogue and risk assessment. Therefore, the EU, for instance in the sector-specific standards, should focus even more on including standards that consider cultural contexts, country-specific conditions, and most importantly causes of contexts and disparities.

8.3.4 Distributive justice

The distribution of costs, risks, and benefits could be considered the ultimate outcome of a policy and therefore plays an important role in JTs. Procedural and contextual changes can improve distributive outcomes, but the way in which allocation is determined remains an important factor of justice too. In the CSRD and ESRS, this dimension of distributive justice should receive more attention. This is showcased for instance in how the beneficiaries of the CSRD are phrased. While the CSRD aims for the inclusion of affected stakeholders in SDD, they are not explicitly linked to the benefits of the CSRD. The role of all stakeholders, and especially those in power, is also considered an important dimension of distributional justice according to the interviewees. This research demonstrated that the distribution of costs, risks, and benefits of SDD between these stakeholders is not easy and also not elaborately reflected upon in the CSRD. Even though there is a separate EU report that delves into the matter, this research recommends that the EU provides clarification on how it aims for achieving a level playing field that includes a role for all stakeholders that enhances making impact.

In summary, if distributive justice is seen through the new insights that resulted from this research, it can be concluded that in reality – and that is why the connection between normative and theoretical elements and practicality are so important in research regarding justice – the SDD approach of the EU remains too

broad and non-explicit to enable a JT. The exclusion of an explicit goal, target, and link to beneficiaries, but also the lack of acknowledgement of limited time and capacity in prioritising adverse impacts could make it very difficult to make the outcome of distribution of costs, risks, and benefits considered fair. Therefore, the EU needs to pin down their definition of justice, because currently it is too difficult for policies such as the CSRD and ESRS to integrate indirect and often very complex social and inequality impacts into increasing ambitions regarding lowering environmental impacts, and therefore there is a high risk that a JT cannot be enabled.

9 | Conclusion

This research aimed to answer the research question ‘Which dimensions of justice are being pursued in the European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Directive (CSRD) to enable a just transition (JT) in the fashion industry?’. This question has been answered by first exploring what a JT in the fashion industry entails and then focussing on how different dimensions of justice – procedural, recognition, contextual, restorative, and distributive justice – define a JT in the fashion industry in relation to sustainability due diligence (SDD) and reporting thereon. To do so, multiple research methods were used including desk research and qualitative interviews with Dutch fashion stakeholders. Based on their perspective regarding a JT in the fashion industry and the role of SDD (reporting) regarding that, an analysis of the documents of the CSRD and ESRS has been performed. The analysis showed that the main principle of the procedural and recognition dimensions of justice is being largely pursued in the ESRS under the CSRD, while the contextual, restorative, and distributive dimensions of justice are not widely considered.

Procedural justice expresses itself through the representation of stakeholders in processes such as policy development or defining a business’ strategy. In the fashion industry this mainly includes the representation of stakeholders affected by the operations of stakeholders in power – namely consumers, (top management of) brands, and governments –, considering marginalised groups, such as women, migrant workers, minority groups, and affected communities, to be the most important to include. This dimension of justice is reflected in the CSRD and ESRS at the core of the SDD approach that eligible businesses must adopt to report on their sustainability performance: stakeholder dialogue. Based on stakeholder dialogue businesses have to define, prioritise, and manage actual and potential adverse impacts in their supply chain. However, to conduct meaningful SDD, the roles of consumers and governments in a JT need to be expanded and the trickle-down effects of standard-setting power and purchasing practices need to be openly addressed.

To do so, contextual and restorative justice prescribe that the local context, as well as historical developments that led up to the situation as it is today, need to be understood as well. In the fashion industry, that means that current existing adverse impacts related to upstream working conditions, the lack of effective systems for association, and harmful production processes, as well as the causes of these impacts need to be understood and addressed in SDD. This includes defining the role of fashion industry stakeholders, as well as their powers, both within the industry itself as well as within SDD, and acknowledging the causes of existing disparities: colonialism, rapid globalisation, the role of demand-led stakeholders and their purchasing-driven powers, and the competitive market. While the ESRS address all social and environmental adverse impacts that businesses might come across in their supply chain, they do not delve deeper into the power relations and causes regarding these impacts. Dimensions of contextual and restorative justice are therefore not pursued to their full potential, which currently hinders the CSRD and ESRS to enable a JT.

That is also the case for dimensions of distributive justice. Distributive justice is usually defined as the distribution of costs, risks, and benefits of a certain approach, in this case SDD (reporting) as required by the ESRS. According to the interviewees, the burden of SDD should be shared by all stakeholders, putting the responsibility of managing and financing the process on the shoulders of brands, while upstream and affected stakeholders and their representatives should take responsibility in offering transparency and support. Consumers are expected to make a financial contribution to increasing costs connected to the investments brands have to make to conduct SDD. Meanwhile, governments need to facilitate a level playing field for all and the right circumstances to conduct SDD on an international level. In the CSRD and ESRS the role of consumers and governments as such is not addressed, leaving behind another gap in the European Union’s approach to enable a JT.

The most important conclusion that can be drawn from this research by applying the reinforced JT framework, is that even if all dimensions of justice are considered in the CSRD and ESRS, without defining the framework, goals, target, and scale of a JT in policies and the intended basis of SDD, it is very difficult to eventually enable a JT. Especially, the integration of complex social adverse impacts into increasing ambitions regarding lowering environmental impacts and the discussion regarding trade-offs between social and environmental impacts are needed to make SDD, and therefore the CSRD and ESRS, a meaningful way to enable a JT in the fashion industry. Only with such a critical and holistic approach can SDD become an ingredient of the elixir for a more just world.

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Appendices

Appendix A – Interview guide

Research ‘Fashioning a Just Transition’ – Sociaal-Economische Raad

Interview guide

This research is conducted on behalf of the Social and Economic Council (SER) to understand how reporting on due diligence – and more specifically the standards from the Corporate Sustainability Reporting Directive (CSRD) – can contribute to achieving a fair sustainability transition (‘just transition’) in the fashion industry.

Goal of this interview: Understand how due diligence reporting could enable a just transition in the fashion industry.

Table 23 | Interview guide

Topic	Question
Introduction	<ul style="list-style-type: none"> • Name • Organisation • Role
Just transition	<p>The current fashion industry is facing many challenges to limit its impact on the environment and contribute to a fair fashion industry that honours human and animal rights. To overcome these challenges, a just transition is encouraged on an international, European and national level.</p> <ul style="list-style-type: none"> • Are you familiar with the concept ‘just transition’? <ul style="list-style-type: none"> ○ Could you give me an example of where or how you have encountered the concept? • What does a just transition in the fashion industry entail according to you?
Due diligence process and reporting	<p>The process of due diligence, and more specifically reporting on due diligence, is considered an important approach to achieve a just transition in the fashion industry.</p> <ul style="list-style-type: none"> • Are you familiar with the process of due diligence and reporting on due diligence? • Did you ever report on due diligence? What did you experience? <ul style="list-style-type: none"> ○ Could you give an example of impact that was made based on reporting on or conducting due diligence? • According to you, what is the goal of reporting on due diligence? • Who are involved with reporting on due diligence? What is their role? • Who or what holds the greatest capacity to influence decision-making based on the due diligence process?
Identifying negative impacts and stakeholders	<p>To enable a just transition in the fashion industry it is important to understand which disparities the industry is facing.</p> <ul style="list-style-type: none"> • Based on your professional experience, how are the causes of disparity in the fashion industry identified? <ul style="list-style-type: none"> ○ Could you give me an example? ○ Does due diligence reporting help to identify these causes? How? • In your experience with reporting, which stakeholders in the global fashion supply chain are usually considered when reporting on due diligence? • And which stakeholders in the global fashion supply chain are usually involved in the process of due diligence? <ul style="list-style-type: none"> ○ At which scale are these stakeholders considered? And at which scale are they involved? ○ Should the needs of current and future generations be considered when reporting on due diligence? Why? <ul style="list-style-type: none"> ▪ How?

- Should the needs of non-human species or ecosystems be taken into account when reporting on due diligence? Why?
 - How?

Marginalised groups	<p>The consequences of disparities in the fashion industry – and also the risk thereof during a transition – often affect marginalised groups.</p> <ul style="list-style-type: none"> • Which marginalized groups do you identify? • In your experience with reporting, to what extent are marginalized groups taken into account when reporting? • Who voices their interests? <p>To enable a just transition in the fashion industry it is important to include marginalised groups when conducting due diligence.</p> <ul style="list-style-type: none"> • How should due diligence reporting reflect the interests of marginalised groups according to you? • Based on you experience, how does due diligence reporting affect the choices that are made regarding marginalised groups? • How could marginalised groups secure benefits of due diligence reporting?
Benefits and costs of due diligence reporting	<p>Due diligence reporting is considered a complicated process that could result in both benefits (opportunities) and costs (risks).</p> <ul style="list-style-type: none"> • What are the benefits of due diligence reporting? For whom? • What are the costs of due diligence reporting? For whom? • From your professional point of view, how should the benefits (opportunities) and costs (risks) of reporting on due diligence be divided?
CSRD	<p>The Corporate Sustainability Due Diligence Directive (CSDDD) proposed by the European Commission in 2022 aims to set out a framework to foster corporate due diligence ‘by <i>identifying, preventing, mitigating</i> and <i>accounting for</i> [businesses’] adverse human rights, and environmental impacts’. According to the European Commission, the Corporate Sustainability Reporting Directive could be considered the first and last step of performing due diligence, namely step two and step five of the OECD due diligence cycle: identification of and reporting on activities that could have an impact on the environment or society.</p> <ul style="list-style-type: none"> • Are you familiar with the CSRD? • What do expect from the CSRD? <ul style="list-style-type: none"> ○ What kind of impact will the CSRD have according to your expectations? • Do you think that the CSRD can contribute to enable a just transition in the fashion industry? Why? <ul style="list-style-type: none"> ○ How?
Wrapping up	<p>Based on everything that has been discussed before:</p> <ul style="list-style-type: none"> • What are the most important prerequisites of reporting on due diligence to enable a just transition in the fashion industry? <ul style="list-style-type: none"> ○ Who should be involved? ○ What should be the role of reporting on due diligence?

Appendix B – Informed Consent Form



INFORMED CONSENT FORM

for participation in:

Fashioning a Just Future: Analysing the Role of Sustainability Due Diligence Reporting
in Enabling a Just Transition in the Fashion Industry

To be completed by the participant:

I confirm that:

- I am satisfied with the received information about the research;
- I have been given opportunity to ask questions about the research and that any questions that have been risen have been answered satisfactorily;
- I had the opportunity to think carefully about participating in the study;
- I will give an honest answer to the questions asked.

I agree that:

- the data to be collected will be obtained and stored for scientific purposes;
- the collected, completely anonymous, research data can be shared and re-used by scientists to answer other research questions;
- video and/or audio recordings may also be used for scientific purposes.

I understand that:

- I have the right to withdraw my consent to use the data;
- I have the right to see the research report afterwards.

Name of participant: ____

Signature: _____ Date, place: ____/____/____, ____

To be completed by the investigator:

I declare that I have explained the above mentioned participant what participation means and the reasons for data collection.

I guarantee the privacy of the data.

Name: Gemma Bandell

Date: .../.../2023
(dd/mm/yyyy)

Signature: _____

Appendix C – Codebooks from interviews

Table 24 | Codebook: What a just transition in the fashion industry entails

Main codes and subcodes	Files	References
Circularity	3	7
Circular economy	2	3
Linear to circular	1	1
Production closer to home	1	1
Definition	17	104
Decent work	1	1
Development	1	1
ILO context	1	1
Just transition definition	16	95
Overarching idea of moving towards a sustainable future	1	1
Severity and likelihood	1	1
Technocratic approach	1	1
Unknown definition	3	3
Due diligence	2	6
Aim, vision and mission	1	1
Due diligence proces	2	3
Importance of board alignment	1	1
Strategy is an important part	1	1
Environmental aspects	6	7
Biodiversity	1	1
Decarbonization	1	1
Impact on environment	4	4
More green and effective	1	1
Familiarity with just transition concept	18	18
Familiar with concept of just transition	15	15
Not familiar with concept of just transition	3	3
Impact of transition	6	7
Impact of decision-making in Europe	1	1
Job loss	1	1
No negative impact of change	1	1
Positive impact	2	3
Pressure on producers	1	1
Integration of social and environmental aspects	2	4
Integration of environmental and social aspects	1	1
Just transition in climate topics	1	1
Not only focus on 'greening'	1	1
Social aspects in climate topic	1	1
Legislation	5	8

Main codes and subcodes	Files	References
Enforcement	1	1
EU strategy	1	1
Green Deal	1	1
Justice in existing policies	1	1
Lack of legislation	2	2
Stick and carrot	1	1
Upcoming legislation	1	1
Multi- and cross-sector	4	7
Capitalism	1	2
Holistic perspective	1	2
Multi-sectoral transition	3	3
Origin of just transition concept	0	0
Critique on colonial perspective	1	1
EU transition pathway towards resilient and sustainable textile industry	1	1
ILO context regarding decent work agenda	1	1
Just energy transition	1	1
Mining industry	2	2
Renewable energy	2	2
Transition from an environmental perspective	1	1
Outcome of transition	7	9
Fair share	3	3
Goal and means	1	1
Impact of influence	1	1
Productivity	1	1
Proportional system	1	2
Transition is fair	1	1
Perceivance of the concept of just transition	4	5
Buzzword	1	1
Conceptual definition	1	1
No obvious definition	1	1
Philosophy of justice in existing work	1	1
Political concept	1	1
Problems considering a just transition	12	44
Colonialism	1	1
Competition	1	3
Complexity and coherence	1	1
Consequences of alternatives	1	1
Different norms and standards	2	2
Do not leave the problem, solve it together	1	1
Do not move out of production countries	1	1
Feasibility	1	1

Main codes and subcodes	Files	References
Focus on compliance	1	1
Impact in different countries	1	1
Independent verification	1	2
Lack of accountability	1	2
Lack of communication	1	1
Lack of control	1	1
Lack of integration	1	2
Lack of justice component	1	1
Long supply chains	1	1
Long-term relationships	1	1
Problem of prioritization	1	3
Production in low-income countries	1	1
Resistance	2	4
Resistance to change	1	1
Resistance to legislation	2	3
Technology in fashion	2	2
Transparency	1	1
Unskilled labour	2	5
Workers are not seen as individuals	1	2
Working conditions in supply chains	2	2
Responsibility	7	16
Everybody is a part of it	1	1
Financial perspective	1	1
More responsibility for us	1	1
Power perspective	1	1
Responsible and fair business	1	1
Shared responsibility	3	5
Taking responsibility	3	4
Social aspects in just transition	8	23
Human rights	1	3
Impact on people in production countries	5	6
Labour retention	1	1
Lack of focus on underprivileged groups	1	1
Lack of inclusive pricing	1	1
Retraining workers	1	1
Social dialogue	2	3
Social elements are preconditional	1	2
Social environment aspects	1	1
Social justice for workers in transition	1	1
Temporary workers	1	1
Trade union	1	2

Main codes and subcodes	Files	References
Stakeholders	10	18
Animal rights	1	1
Consumption behaviour	1	1
Inclusion of communities	1	1
Inclusion of stakeholders	4	7
Inclusion of workers	1	1
Missing stakeholders	1	1
Representation of workers	1	1
Respect for stakeholders	1	1
Respected rights	1	1
Role of businesses	1	1
Role of governments	1	1
Stakeholder perspective	1	1

Table 25 | Codebook: The goal of SDD (reporting)

Main codes and subcodes	Files	References
Role in due diligence reporting	18	25
Did not report on due diligence	6	6
Did report on due diligence	11	11
Supported others to report on due diligence	8	8
Goals of due diligence reporting	18	91
Accountability	4	6
To take accountability	4	6
For companies	14	56
Externally	13	29
To communicate to stakeholders externally	13	25
To give insights to external parties	3	3
To report on ambitions regarding human rights and environmental due diligence	1	1
To share (externally) where you are standing at	3	3
To share progress	4	4
To share struggles	1	1
To share the honest story	2	2
To show that you understand the risks related to your product	1	1
To show that you understand what you are doing	3	3
To create leverage for common problems	3	3
To share information that can be used by other stakeholders	2	2
Stakeholder sharing	1	1
To verify information	1	1
Internally	11	27
To continue the process of improvement	1	1

Main codes and subcodes	Files	References
To create and be able to enforce a 'stick'	1	1
To create awareness in terms of risks, actions and goals	1	1
To determine and evaluate roadmaps and goals	1	1
To determine, map and prioritize challenges and risks	1	1
To enhance learning capacity within an organisation	1	1
To evaluate and reflect on what has been done	2	2
To evaluate progress internally	2	2
To get insights from content	1	1
To give status to due diligence process	1	1
To increase knowledge about the supply chain	1	1
To inform marketing department	1	1
To introduce due diligence within an organisation	1	1
To make everyone understand due diligence internally	1	3
To map risks (to be able to prevent them)	1	1
To share responsibility for due diligence internally	1	2
To understand how things could be changed	2	2
To understand what is important for your organisation	1	1
To update buying department	1	1
To update other departments	1	1
To use reporting as steering information	1	1
For external stakeholders	7	10
To achieve comparable data	2	4
To be able to act based on data as an external party	1	1
To benchmark companies and supply chains	3	3
To share information with 'watchdogs'	1	1
To understand status on human rights and environment	1	1
Responsibility	4	5
To take internal and external responsibility as management	1	1
To take responsibility	3	4
To create a level playing field	1	1
Transparency	8	13
Meaning of due diligence reporting	17	132
Challenges and downsides of due diligence (reporting)	15	68
Administrative hassle	1	1
Availability of data	4	7
(Lack of) available data	1	2
Data beyond Tier 1	3	5
Companies here are responsible for involving companies in their supply chain	1	1
Due diligence requires involvement of entire supply chain	1	1
Looking beyond Tier 1 is difficult	2	2

Main codes and subcodes	Files	References
Reporting happens mostly on Tier 1 level	1	1
Complexity	4	7
Big challenge for SMEs to register all information	1	1
Everything needs to be done at once	1	1
Introduction of many categories to report on	1	1
Language barriers	1	1
Large supply chain in different countries	2	3
Current practices in supply chain	3	4
Big differences between companies regarding (reporting on) due diligence	1	1
Good human rights due diligence is currently not guaranteed	1	1
No clear goals and objectives yet	1	1
Pushing of low prices does not enhance due diligence	1	1
Difficulties in supply chain	1	2
Lack of leverage can cause problem when conducting due diligence	1	1
Lack of trust can cause problems when doing due diligence	1	1
Due diligence (reporting) is not a guarantee for good practices in the supply chain	1	1
Due diligence reports are a tough read	1	1
Goals are not intrinsically connected to human rights due diligence cycle	1	1
Goals are usually on environmental issues, not social	1	1
Lack of sense of urgency	1	3
Future-proofing business has not landed yet	1	1
Lack of sense of urgency regarding climate problems	1	2
No trust in the effects of due diligence	4	8
Fear of lobbying impact (from business on legislation)	1	1
No direct impact from due diligence reporting	1	1
No trust in the effects on investment choices	1	2
No trust that reporting will lead to responsible business conduct	1	1
Reporting and controlling can lead to high costs without actual change or impact	1	1
Reporting does not lead to fast enough change	1	1
Unclarity regarding actual actions based on due diligence (reporting)	1	1
Perspective of companies	5	10
'Not my responsibility' attitude	1	1
A focus on reporting feels like the wrong structure	1	1
Balancing reporting and actions is difficult	1	1
Different expectations from different stakeholders	1	1
Difficult to report without framework	1	1
Due diligence requirements can feel like 'audit fatigue'	1	1
Reporting standards could be challenging	1	1
Sharing too much is not considered 'Dutch'	1	1
Sustainability costs money before it makes money	1	1

Main codes and subcodes	Files	References
Uncomfortable route	1	1
Perspective of supply chain	3	6
Due diligence process is European-centred	1	1
Due diligence is 'bullying' suppliers	1	1
No understanding of new 'rules' in production countries	1	1
Reporting can feel as something that is being imposed upon you	1	1
Stakeholders need to understand the purpose of due diligence	1	1
Their responsibility versus shared responsibility	1	1
Quantification of data	3	5
Difficult to quantify effects of climate change	1	1
Measuring the effects of preventative measures is difficult and hard to quantify	1	1
No (data) tracking systems in place	1	1
Social impact based on due diligence is hard to measure	1	1
Supply chain data is hard to quantify and measure	1	1
Reliability of data	5	9
Audits do not reveal the true situation	1	1
Audits should inform due diligence and show progress, reality is different	1	1
Cultural contexts make it difficult to guarantee good due diligence	1	2
Reliable data	1	2
Reporting used to allow for own frameworks	1	1
Supply chain agents can cause difficulties in transparency	1	1
The more links within tiers in the supply chain, the more complex to have transparency	1	1
Reporting includes less CSR-people, more financial or risk people	1	1
Risk prioritization is difficult and subjective	1	1
Due diligence (reporting) process	10	16
B Corp reporting	1	1
Conducted risk assessments	1	1
Conducting due diligence is doing your homework	1	1
Doing due diligence is more important than reporting	1	1
Due diligence is an investment in the future	1	1
Due diligence also includes reacting to adhoc situations	1	1
Explanation and justification to stakeholders	1	1
Framework or standards to report on is good	1	1
Good framework to follow steps	2	2
Implicit reporting until now	1	1
Obligation to analyse what you are doing	1	1
Performance indicators help to measure	1	1
Reporting is a repetitive process like due diligence cycle	1	1
Risk analysis is important in due diligence	1	1
Useful as a professional	1	1

Main codes and subcodes	Files	References
Effects of due diligence (reporting)	14	48
Awareness	9	9
Due diligence (reporting) is useful to keep you on edge	1	1
Due diligence (reporting) leads to realisation regarding the extent of responsibility	1	1
Due diligence (reporting) leads to the activation of other departments	1	1
Due diligence (reporting) raises awareness	5	5
Due diligence (reporting) shifts focus from only price and quality to including due diligence aspects	1	1
Comparability	3	4
CSRD provides an 'umbrella' that streamlines stakeholder expectations	1	1
Due diligence (reporting) creates a standpoint for everyone	1	1
Due diligence (reporting) forces to consider all ESG aspects	1	1
Due diligence (reporting) leads to comparing 'apples with apples'	1	1
Different practices	5	7
Due diligence (reporting) can lead to more management involvement	1	1
Due diligence (reporting) helps to make investments for people and environment	1	1
Due diligence (reporting) leads to different buying practices	1	1
Due diligence (reporting) leads to including due diligence in the system	1	1
Due diligence (reporting) leads to more attention and time	1	1
Due diligence legislation leads to more responsibility	1	1
Example of due diligence impact	1	1
Due diligence (reporting) effects depend on the involvement of external parties	1	1
Evaluation	2	2
Due diligence (reporting) forces to evaluate business' strategy and activities	2	2
New insight	1	2
Due diligence (reporting) leads to financial insights and displays hidden costs	1	1
Due diligence (reporting) leads to new insights	1	1
Prioritization	2	2
Due diligence (reporting) leads to different decisions and prioritization internally	1	1
Due diligence (reporting) leads to risk prioritization	1	1
Risk-based behaviour	5	14
Current focus is on risk management	1	1
Due diligence (reporting) focuses on feasibility and risk aversing behaviour	2	2
Due diligence (reporting) leads to the inclusion of financial and risk management, accountants	2	2
Due diligence is seen as risk management	2	3
Due diligence is sometimes seen as branding	1	1
Due diligence requires an investment but also allows for return on investment	1	2

Main codes and subcodes	Files	References
Risk-averse behaviour	1	1
Role of financial departments (CFOs)	1	1
Shift in focus to more 'basic' sustainability topics	1	1
Structure	4	7
Due diligence (legislation) is a good first step to structure	1	1
Due diligence (reporting) helps to define themes	1	1
Due diligence (reporting) helps to pinpoint and give focus to what needs to be done	1	1
Due diligence (reporting) helps to structure	1	2
Reporting as a way to structure information and lead the way	1	1
Visualising where the product comes from beyond Tier 1	1	1
Key requirements for effective due diligence (reporting)	10	20
Awareness is key for change	2	4
(Dutch) society should understand what due diligence means to enhance transparency	1	2
(Dutch) society should understand why there is a need for due diligence	1	1
Commitment to OECD due diligence steps	1	1
Content should be leading	1	2
Due diligence requires courage, (local) networks, time and money	1	1
Intrinsic and ethical motivation	2	2
Goal should be an ambition, not adhering to minimal standards	1	1
Measuring means knowing	1	1
Reporting on due diligence requires acting on gut feeling and insights	1	1
Requires systematic change	1	2
Change is needed on national and European legislation level	1	1
Role of due diligence in (business) contracts	1	2
Link it to purchasing practices	1	1
Starting point should be a healthier production process for people and environment	1	1
Transparency is a means not the cure	2	2
Verification of data is needed to be able to report	1	1

Table 26 | Codebook: Actors involved in SDD (reporting)

Main codes and subcodes	Files	References
Actors involved in due diligence (reporting)	15	72
Accountants	1	1
Brands	12	46
Board member(s)	6	8
CEO	3	4
Management	3	3
Different internal departments	10	37
Buying department	4	4

Main codes and subcodes	Files	References
Design department	1	1
E-commerce	1	1
Finance	3	4
Accounting	1	1
HR	2	2
Legal departments	2	2
Logistics	2	4
Distribution centre	1	1
Transport	1	1
Marketing department	3	4
Communication department	1	1
Quality department	1	1
Sales	2	2
Stores	1	1
Sustainability Department	8	8
Sustainability Manager	5	5
Consultants	1	1
Customers	1	1
Often customers are not involved	1	1
Depends on company size	1	1
Depends on materiality analysis	1	1
Experts from local regions	1	1
External parties	1	1
Government	3	3
Legislators	1	1
Key stakeholders in the supply chain	1	1
NGOs	4	5
Sector initiatives	1	1
Suppliers	4	4
Audit reports	1	1
Supply chain workers	1	1
Workers should be included more	1	1
Trade unions	3	4
Role of actors	8	21
Brands	5	11
CEO	1	1
To support and improve policies and activities	1	1
Communication department	1	1
To translate reporting results into external communication to enhance reputation	1	1
Sustainability Department	4	9

Main codes and subcodes	Files	References
To build a knowledge base	1	1
To collect data	1	1
To collect data to be able to assess risk	1	1
To conduct research	1	1
To create a support base	1	1
To determine what can be expected from suppliers	1	1
To determine what suppliers can expect from the brand	1	1
To guide due diligence process internally	1	2
External stakeholders	4	8
To confirm data or statements	1	1
To define the status quo	1	1
To develop the reporting structure	1	1
To discuss policies	1	1
To provide data	4	4
Government	1	2
To boost and set the example for businesses	1	1
To define legal frameworks	1	1
Issues regarding actors involved in due diligence (reporting)	8	23
Regarding auditors and consultants	2	3
Educating auditors to assess due diligence reports is going to cost a lot of money	1	1
Fear of large consultants conducting due diligence and therefore lack of stakeholder engagement	1	1
How to determine who is 'doing a good job' regarding sustainability	1	1
Regarding governments	2	5
A lot of money and time is spend on developing structures that do no have the wished for and fast effect that is needed right now	1	1
National (Dutch) government tends to 'weaken' sustainability policies	1	1
Strict regulations on a national level could also 'scare away' companies that could play an important role in the transition	1	1
The EU is slow regarding decision-making	1	1
Withdrawal of (Dutch) government within defining legal frameworks for due diligence	1	1
Regarding supply chain (data)	2	5
Availability of data beyond Tier 1	1	1
Difficulties to discuss issues in supply chain based on due diligence outcomes	1	1
Reliability of supplier data	1	2
Verification of supplier data	1	1
Regarding top management	4	6
If management does not endorse the sustainability strategy conflicting, unsustainable choices are likely to be the result	1	1
Management can be torn between business model and sustainability goals	1	1

Main codes and subcodes	Files	References
Not everyone sees the relevance and importance of due diligence, so it remains a 'pushing exercise' for sustainability department	1	1
Sustainability first requires an investment that is not immediately visible but will be in the long run	1	1
Too few companies have a CSO that takes sustainability topics into the boardroom	1	1
Where to spend your money to achieve the effects need for sustainability	1	1
Room for improvement regarding stakeholders involved in reporting process	1	2
Stakeholders are often not consulted in the reporting phase but before that	1	2
Who or what has capacity to influence based on due diligence	13	35
Brands	10	19
Financial department has capacity because lack of good due diligence can be a risk	1	1
Sustainability department	3	4
Creating thresholds that inform decision-making on whether or not organisations can work together	1	1
Sustainability team has the greatest capacity to influence decision-making	2	3
The due diligence process itself including risk prioritization	2	2
Top management	8	12
Investors are equally important as management when making decisions	1	1
Management (systems) play an (or even the most) important role to influence decision-making based on due diligence	8	11
Capacity to influence depends on size and power within the supply chain	1	2
Depends on the size and power of an organisation	1	1
Capacity to influence depends on to who the sustainability team reports to, CEO (management), marketing, buying	1	1
Customers	1	1
Customers influence decisions	1	1
External stakeholders (NGOs, public opinion, etc.)	3	4
Collaboration with NGOs or sectoral initiatives	1	1
Commitment to external initiatives influences decision-making in management	1	1
NGOs can influence decision-making	1	1
Public opinions can influence companies decision-making	1	1
Governments	5	6
Financial stimulance to support sustainable choices	1	1
Governments should play a more important role	1	1
Laws and regulations define what it means to be 'compliant' and thus influence decision-making	4	4
Suppliers	2	2
Suppliers influence decisions	2	2
Other notes regarding actors involved in due diligence (reporting)	4	4
Shift in dynamic towards risks (and accountants) is necessary for large scale transition	1	1

Main codes and subcodes	Files	References
Stakeholders are involved in due diligence process, not reporting process	1	1
Sustainable performance should be awarded (financially) by governments	2	2

Table 27 | Codebook: Identification of the cause of injustices and the role of reporting

Main codes and subcodes	Files	References
Identification methods	15	65
Compiling existing information	2	2
Country studies	4	4
Desk research	4	5
Evaluation of national and ratified international standards	1	1
Grievance mechanisms	1	1
Input (data) from (social) auditing systems	8	8
Input from consumers	1	1
Input from developments in society	1	1
Input from governments or governmental organisation	1	1
Input from local stakeholders	3	3
Input from multi-stakeholder initiatives	3	3
Input from NGOs	5	7
Input from other brands	1	1
Input from sector representative organisations	3	3
Input from supply chain	1	1
Input from trade unions	5	6
Involvement and conversations with stakeholders	2	2
No structural mechanism, but internal mentality instead	1	1
Open source supply chain data	2	2
Revealing the core of where the issue or risk comes from together with stakeholders	1	1
Risk assessment	4	4
Risk prioritization based on severity and likelihood	1	1
Supplier visits	1	1
Suppliers' interviews	2	2
Workers' interviews	2	3
Goal of identification	5	15
To 'translate' the consequences of risks into business language (numbers, turnover, profit loss, EBITDA)	1	1
To achieve a holistic and integrated picture of what is happening the fashion system	1	1
To build up strategy and policy frameworks	1	2
To identify both specific supply chain information and a 'broad picture'	1	1
To identify opportunities	1	1
To identify risks in your supply chain on national, regional and factory level	1	1
To inform action plans and long-term goals	1	1

Main codes and subcodes	Files	References
To know what is going on in the supply chain to be able to act on it	1	1
To lower risks	1	1
To open up dialogue with suppliers and redefine collaboration	1	2
To plan for the long-term and finally receive return on investment	1	1
To raise awareness within the entire supply chain why certain issues are worth investing in	1	1
To reveal all consequences an issue or risk may lead to	1	1
Issues regarding risk identification	8	22
'White saviour complex'	1	1
A big disaster (Rana Plaza) was needed to give attention to the importance of risk identification	1	1
As a downstream partner the connection with upstream issues are lost sometimes	1	1
Auditing does not deliver the required and honest information about the supply chain	1	1
Auditing only leads to desired results and 'compliance' from suppliers	1	1
Audits fall short in gathering true and relevant information and are often announced	1	1
Brands are not taking responsibility to help suppliers make their required investments	1	1
Due diligence is a top-down approach from brand in the Global North to suppliers in the Global South	1	1
Due diligence regulations could increase disparities in the Global South if responsibility is not shared	1	1
Finding a balance between the pressure of 'naming and shaming' and the need for open and constructive dialogue between stakeholders and brands	1	1
Lack of transparency in supply chains	1	1
New, different systems are needed to achieve a honest picture of what is happening, workers' interviews could help	1	1
Prioritization is difficult in a holistic and intergrated system	1	1
Reporting leads to risk of 'checking boxes' similar to auditing, which forgets including the complete overview of what is happening	1	1
Risk identification leads to more pressure on suppliers to comply with western criteria	1	3
Risk of 'stakeholder involvement fatigue'	1	1
Risk of not finding the right sources	1	1
To be 'all inclusive' regarding risks is almost impossible due to balancing costs (time) and wanting to take action	1	1
Topics are being framed whereas they should be a holistic and integrated system	1	1
Trade unions face barriers of gathering data (especially in special economic processing zones)	1	1
Role of reporting in identification	16	34
(To increase) accountability	7	7
(To increase) transparency	4	4

Main codes and subcodes	Files	References
Reporting can play a role in identification depending on the extent of transparency	1	1
Reporting has no explicit role in identification, only in communication	1	1
Reporting in combination with due diligence can lead to possible impact	1	1
Reporting is inferior to the due diligence process itself	2	2
Reporting only has value when it is verified by a third party	1	1
To benchmark and be able to compare companies and their practices	2	3
To define informed policies	1	1
To force companies to follow the due diligence steps on stakeholder engagement	1	1
To give decision-making power to due diligence results	1	1
To give structure	1	1
To involve external stakeholders in reviewing your risk analysis and bring in expertise from outside	1	1
To make the risk identification process auditable and thus reliable	1	1
To notice hotspots	1	1
To open up dialogue from a trade union perspective	1	1
To prioritize the due diligence process	1	1
To prioritize what needs to be done	1	1
To send a signal to the sector that you are taking due diligence seriously	1	1
To share information with others	1	1
To structure information for risk analysis	1	1
To use reporting as a checklist of conducting effective due diligence	1	1
Other notes regarding risk identification in due diligence	7	9
A major cause of disparity is the fact that fashion is sourced from the Global South	1	1
Brands are 'pushing' suppliers to comply to and invest in more and more requirements	1	1
Focussing on fair (living) wages would solve most causes of disparities	1	1
Importance of validation of sources by thrid-party organisations	1	1
It is debatable whether e.g. plastic clothing should still represent a value on an outlet market	1	1
Lack of involvement of SMEs in due diligence reporting standards from EU	1	1
No stakeholder consultation equals bad due diligence	1	1
Not everyone needs to find all the risks by themselves, many risks in many countries are generalizable	1	1
The complexity of supply chains and involvement of investors causes injustice issues	1	1

Table 28 | Codebook: Stakeholders considered and involved in reporting

Main codes and subcodes	Files	References
Stakeholders considered during due diligence (reporting)	17	59
Governance stakeholders (laws, regulations, etc.)	4	5
Legislation	1	1

Main codes and subcodes	Files	References
Local regulations (considering the environment)	1	1
Local regulations (on social aspects)	1	1
Market stakeholders	4	7
Brands and their purchasing practices	1	1
Competitors	1	1
Consumers	2	3
Own brand	1	2
Other stakeholders	4	6
Animal welfare	1	1
Environment	2	2
Journalists	1	1
Local communities	1	1
Universities	1	1
Representative stakeholders	11	20
(Local) trade unions	7	8
(Social) audit systems	2	2
Human rights organisations	1	1
NGOs	7	7
Workers' representation	2	2
Stakeholders are first considered on a high level	1	1
Stakeholders closeby with easy access	1	1
Supply chain stakeholders	10	19
Agents, intermediaries	1	1
All tier levels	1	1
Farmers	1	1
Stakeholders are also considered on supplier-level	1	2
Suppliers	5	6
Supply chain workers	6	8
Stakeholders consulted and involved during due diligence (reporting)	13	35
(Local) NGOs	4	6
(Social) audit results	1	1
Agents	1	1
Consulted and involved stakeholders play a role in the application of due diligence	1	1
Factory management to contact lower tiers	1	1
Grievance mechanism	1	2
Internal departments	2	2
Other brands (active in same factory or region)	3	4
Own brand	1	1
Sector initiatives	4	5
Some NGOs do not want to be consulted or involved	1	1

Main codes and subcodes	Files	References
Stakeholders who are involved are usually closer to home than the stakeholders considered	1	1
Suppliers (on factory level, tier 1)	4	4
Trade unions	3	4
Working groups	1	1
Stakeholders and other things that should be considered and involved	5	6
Due to an overload of information companies should focus on a representative sample of stakeholders that can help them picture risks	1	1
Linked network systems with shared (audit) data could help to improve due diligence	1	1
Local communities	2	2
Local contexts, e.g. training, availability of renewable energy	1	1
Workers upstream in the supply chain (beyond Tier 1)	1	1
Issues regarding considering or involving stakeholders in due diligence (reporting)	14	36
(Previous) experience with due diligence	3	4
An overload of (supply chain) information is expensive and unnecessary to understand what is happening in the supply chain	1	1
Consideration and consultation or involvement can address the same stakeholders depending on where the company is at in its due diligence journey	1	1
Stakeholder consultation depends on the phase of due diligence, own expertise grows along	1	1
There is a big difference in perspective towards stakeholders inclusion between companies that did and did not yet integrate due diligence principles	1	1
Audits are not enough	1	2
Auditors have too little time to ask the right questions	1	1
Due diligence is often done based on audits whereas additional information is needed	1	1
Complexity of the system	4	7
Inclusion of workers upstream in the supply chain is often lacking (black box)	1	1
Involving all stakeholders in due diligence (as described by OECD) is impossible due to the complexity of the system	1	1
Lack of knowledge in supply chain and capacity of brands to collect more information	1	1
More upstream stakeholders are involved less and considered indirectly	1	1
Supply chain insight often do not reach beyond Tier 1 due to (literal) distance and complexity	1	1
The complexity of the fashion system makes it almost impossible to involve all stakeholders	1	2
Culture and context	4	5
Actual workers' representation is really difficult in some countries due to culture	1	1
Anonymity makes it difficult to have conversations with individuals	1	1
Honesty from supply chain workers is difficult due to culture and local context	1	1

Main codes and subcodes	Files	References
There is high pressure on workers and workers' representatives to share their perspective, which is often difficult due to power imbalances	1	1
Very difficult to involve supply chain workers due to culture and sensitivity of topics	1	1
Not the right level of stakeholder representation	8	15
Ability of local trade unions to support supply chain workers in sharing their perspective	1	1
Active involvement of stakeholders on all levels is difficult yet necessary to address the 'white elephant'	1	2
Although almost all relevant stakeholders are usually considered, the question remains whether they are involved correctly	1	1
Although often talked about, many supply chain stakeholders are not involved	1	1
Elephant in the room - injustice comes from the fact that supply chain workers are not accurately involved in due diligence	1	1
Not always the right or relevant stakeholders are involved	1	1
Only limited involvement of OECD stakeholder groups on aggregated level	1	1
Stakeholders are involved too little and too short	1	1
Stakeholders such as unions or NGOs often do not represent workers well enough due to their western perspective	1	1
Suppliers are not involved or consulted but only a post-colonial approach is taken	1	1
Supply chain workers are often not involved nor consulted due to lack of communication channels	1	1
The question remains whether stakeholders are really involved when writing (reporting) about them	1	1
Usually western stakeholders are considered and consulted	1	2
Other issues	2	3
Companies underestimate their impact on local communities and families	1	1
Due diligence (reporting) can also lead to exclusion of factories and workers that have good working conditions but lack measurable requirements (such as policies, management systems, etc.)	1	1
Lack of local regulations (on social or environmental level) could lead to higher risks	1	1
Current and future generations as stakeholders	18	65
'Young workers' are often involved as stakeholders	2	2
'Young workers' should be involved to ensure investment in future workforce	1	1
(Future) human welfare will become inferior to having a 'liveable' planet	1	1
Climate change is a high risk concerning future generations	1	1
Climate change is forcing the Global North to consider circularity and thus the future	1	1
Dialogues with youths are often not evaluation points in audit systems	1	1
Double materiality principle shows that future generations should also be involved for our stake in the Global North	1	1
Future as a stakeholder is 'vague'	1	1
Future generations are considered in reporting on climate change and environmental topics	1	1

Main codes and subcodes	Files	References
Future generations are not taken into account enough as stakeholders	1	1
Future generations are often considered indirectly in climate related topics (e.g., biodiversity, water)	2	2
Future generations should be defined and identified for people 'here' and 'there'	1	1
How could future generations not be included in due diligence	2	2
How to involve current and future generations	12	25
'Young worker' programs should be adopted to fill the gap between less education and more child labour	1	1
By aiming for circularity, not exhausting natural resources, and avoiding more impact of climate change	1	1
By being aware of the fact that older and future generation want different things	1	1
By conducting risk-based due diligence potential impacts should be identified and prioritized and therefore consider the future	2	2
By considering the right to exist in 50 years	1	1
By creating a level playing field that can help companies to focus on the right topics	1	1
By focusing on consuming less (consuminderen)	1	1
By identifying how far the responsibilities of brands regarding livelihood of workers reach	1	1
By identifying impact on the environment	3	3
By institutionalizing a new, fair and clean way of working now, so that future generations can profit from that	1	1
By integrating a holistic perspective	1	1
By involving new generations opposed to only letting conservative management make the decision	1	1
By involving young workers in committees on factory level	1	1
By involving youths in dialogues (in the Global North)	2	2
By obliging reporting that forces to identify the roots of a product and therefore raise awareness	1	1
By raising awareness of own consumption behaviour	1	1
By taking responsibility of what is happening in your supply chain	1	1
Current (western) stakeholders should broaden their vision on what is needed for a liveable future	1	1
Future generations are integrated in the process of due diligence	2	2
Stakeholders should adapt a more holistic vision on the future	1	1
If business as usual is continued, current and future generations do not have a 'liveable' planet	1	1
Involvement of current and future generations could also depend on the target group products are made for	1	2
Involving current and future generations in due diligence is difficult, instead they should be included on aggregated, (inter)national political levels	1	1
Issues with involvement of current and future generations as stakeholders	6	12
Future generations are undefined	1	1
Involvement of future generations is difficult because it is based on (science-based) expectations	1	1

Main codes and subcodes	Files	References
Is it fair to prioritize future generations over other (current) stakeholders	1	2
Representation of current stakeholders is already difficult, let alone future stakeholders	1	1
So much change is needed that companies do not have direct influence over	1	1
Social aspects are often hard to measure and only beneficial on the long term	1	1
The future of the Global North versus the current situation of the Global South	1	1
The western perspective is that future generations should be included, but we are not having the dialogue with what other supply chain members think	1	1
There is a fear to change conventional consumption behaviour	1	1
There is no defined representative of future generations	1	1
Trade unions do not necessarily reflect the voices of the current and future generations	1	1
It feels like sustainability needs to become the central focus point and businesses need to adjust to that	1	1
Long-term goals are unfair to the people that are yet to come	1	1
Long-term goals have the value of giving you a horizon, but should stay internal rather than communicated externally	1	1
Policy and agreements on higher levels are needed to involve current and future generations in due diligence	1	1
The complexity of the current system makes it very difficult to think of how the future should be integrated	1	1
The current definition of sustainability has become too broad to focus on future generations (alone)	1	1
The future holds a risks of lack of workers, thus innovation is required to exist in the long run	1	1
Unsure about how the voices of future generations could actually be heard	1	1
Non-human species and ecosystems as stakeholders	12	20
'No work on a dead planet'	1	1
Affected ecosystems also influence the lives of humans	1	1
Animal welfare is important	1	1
Animals do not have the ability to voice their own needs and therefore have little to no rights	1	1
Environmental aspects are not yet integrated in international law which makes them hard to measure and compare	1	1
Environmental aspects are usually considered less when (OECD) due diligence is considered	1	1
Environmental aspects are usually easier to consider because they can be linked to measures (savings, profit, etc.)	1	1
Environmental aspects should be connected to social aspects to create a holistic form of due diligence	1	1
Environmental exploitation has consequences for both humans and the environment	1	1
Everything that is vital for humans to stay alive should be considered in due diligence	1	1
How to involve non-human species and eco-systems	0	0

Main codes and subcodes	Files	References
By embedding the principle of circularity	4	4
By focusing on consuming less	1	2
By forcing businesses to identify the roots of their products and linked risks to raise awareness	1	1
By identifying who is going to manage and verify such involvement	1	1
By including indigenous people, local communities, etc. to not only represent science but also open up dialogue	1	1
By including measurability (e.g., KPIs) to involve non-human species or eco-systems	3	3
By including Mother Nature as a stakeholder	1	1
By integrating choices based on effects on non-human species and ecosystems in purchasing practices	1	1
By integrating the results of measurement into business models	1	1
By involving and consulting specialized parties that represent animals, environment, livelihoods, etc.	4	4
By moving towards regenerative agriculture	1	1
By obliging reporting on topics related to involvement of non-human species and eco-systems	2	2
By redefining sustainability and including the natural environment as resource that requires protection for our own good	1	1
To include non-human species or ecosystems the OECD guidelines should be followed	1	1
Humans are considered the most important, but our conservative lifestyle could get us killed by 'nature'	1	1
Humans are part of an ecosystem, not on top of that ecosystem	1	1
Involving non-human species and ecosystems is a self-interest to avoid higher costs later	1	1
Non-human species and eco-systems are usually already involved by the inclusion of environmental indicators (e.g., CO2 emissions)	1	1
Protection of ecosystems and future generations are connected	1	1
Representation of Mother Nature is extremely difficult because it is not a person with rights and cannot be organised	1	1
Representation of non-human species and eco-systems should be included on all different industrial levels	1	1
Textile production has a large impact on (Southern) eco-systems and biodiversity	1	1
Third-party verification is difficult in measuring environmental topics	1	1
With time awareness and better possibilities will arise for businesses	1	1
Other notes regarding stakeholder consideration, consultation and involvement	8	12
Governance and governments (national, EU) should also address their own role in the transition (e.g., policies in China regarding forced labour)	1	1
Stakeholder consultation in the reporting phase is possible but unusual	1	1
Stakeholder definition	3	5
Definition of stakeholder involvement has been altered by the EU, now stakeholders only need to be consulted once topics are prioritized	1	1
OECD definition of stakeholders	3	4

Main codes and subcodes	Files	References
(Local) trade unions	1	1
Brands	1	1
Governments and local governments	1	1
Local communities (in relation to environment)	2	2
NGOs	1	1
Suppliers	1	1
Workers and workers' representation	2	2
Stakeholders are often consulted in the due diligence process not during reporting	1	1
Stakeholders considered and consulted and involved are the same	1	1
Stakeholders could be involved through a (translated) Code of Conduct	1	1
Stakeholders involved through questionnaires	1	1
The industry has the most lobbying power and also represents everyone else working in the industry (not fair)	1	1

Table 29 | Codebook: Marginalized groups in the fashion industry

Main codes and subcodes	Files	References
Marginalized groups	18	77
Brands	1	1
Children	6	7
Depends on culture, region, country	5	7
Downstream communities (after wearing phase)	1	1
Elderly (age)	1	1
Families of supply chain workers	1	1
Future generations in production countries	1	1
Local communities	5	7
Hosting communities	1	3
Migrant workers	4	6
Minority groups	5	7
Disabled	2	2
People with higher vulnerability levels	1	1
Religious minorities	1	1
People with low income jobs	1	1
Suppliers	2	2
Smaller sized factories	1	1
Trade union members	1	1
Upstream supply chain workers	11	17
Small farmers	2	2
Women	9	13
Female day laborers	1	2
Workers under dictatorship	1	1
Youths, teenagers	3	3

Main codes and subcodes	Files	References
Issues considering marginalized groups	17	43
'Trickle down effects' of sustainable developments do not work and will disadvance marginalized groups further	1	1
Amount of themes and risks related to marginalized groups are hard to identify all	1	1
As soon as manual labour is involved risk of issues considering marginalized groups increases	1	1
Brands are facing cost-increasing events (Covid-19, energy crisis) and requirements on sustainability	1	1
Circularity could lead to changes in production processes and locations and thus affect supply chain workers	1	1
Consideration and especially involvement of stakeholders beyond Tier 1 is difficult	1	1
Continuous research regarding marginalised groups is going to increase knowledge but not creating more time to take action	1	1
Cultural differences in norms and values	2	2
Educational levels and capacity to learn in current upstream supply chains are a risk in new technological developments	1	2
European-centred perspective of what marginalized groups need	1	1
Evaluation of 'good' consideration of marginalized groups depends on accountants who do not have a 'gut feeling' regarding supply chain issues but focus on checklists instead	1	1
Gender discrimination	2	2
Gender	1	1
Global North only wears clothing, the production and end-of-life problems are outsourced	1	1
If marginalized groups are not specifically considered during a transition, they will be forgotten, disadvantaged and losers of this transition	1	1
Impact of lack of living wage, health and safety and working condition requirements	1	1
Lack of education	1	2
Lack of political (voting) power	1	2
Language barriers	2	2
Literal distance can be a barrier to involve marginalized groups in due diligence	1	1
Living wage and minimum wage discussions	1	1
Marginalized groups will face the most consequences during a transition because of their current position	1	1
Power imbalance	2	2
Power imbalance between brands (Global North) and factory workers	1	1
There is a power imbalance between factory management and brands	1	1
Prioritization of which marginalized group or issue should come first	2	5
Racial discrimination	1	1
Representation	0	0
Marginalized groups are not part of the stakeholder dialogues (in the Global North)	1	1
No capacity to express themselves and be represented in dialogues	1	2

Main codes and subcodes	Files	References
Outsourced workers are often not included in trade unions and therefore dialogues	1	1
Requirements from brands to suppliers are high (regarding e.g. marginalized groups), but it is not a two-way street in which the brand also (financially) supports suppliers to solve issues of injustice	1	1
Some marginalized groups (e.g., local communities) are not a brand's direct responsibility but are also affected because of local politics, context, etc.	1	1
Supply chain workers often do unskilled labor	1	1
Taking into account all marginalized groups in a global supply chain is almost impossible due to the amount of work	1	1
Technological developments that lead to less or more specialized work	1	1
Unsafe working conditions	1	1
Western perspective versus local perspective towards marginalized groups	1	1
Workers' rights are barely or non-existent and therefore workers are easily replaceable	1	1
Extent to which marginalized groups are considered in due diligence	15	20
Data regarding marginalized groups is shared in reports	1	1
Depends on whether the marginalized group is part of a public debate, political agenda, etc.	1	1
Directly affected marginalized groups in the supply chain are considered in terms of awareness	2	2
Marginalized groups are considered in risk assessments with predefined risk topics	2	2
Marginalized groups are not considered during the actual reporting phase	1	1
Marginalized groups in Tier 1 are considered	3	3
Minorities (beyond Tier 1) are often not considered	1	1
Too little consideration of marginalized groups in due diligence	7	7
Women are more and more considered	2	2
Representatives of marginalized groups	13	38
Implicit representation	1	1
Individual	4	7
Grievance mechanism	3	3
Worker interviews	2	4
Often no representation	2	2
Representation of minority groups through data divided by mostly affected groups	1	1
Sectoral level	10	17
Local organisations	1	1
Local representatives in collaboration with Dutch representatives	1	1
NGOs	5	6
NGOs and trade unions need to 'feed' brands input that represents the perspective of marginalized groups	1	2
Sectoral initiatives	1	1
Trade unions	5	6
Supplier level	5	9

Main codes and subcodes	Files	References
Audit reports	4	4
Factory visits	1	1
Suppliers	1	1
Workers' representation	2	3
Sustainability Department	1	1
How due diligence (reporting) should include the needs of marginalized groups	16	32
By auditing on outsourced workers	1	1
By being transparent	1	1
By focusing on long-term change implementations	1	1
By integrating the impact of environmental issues on social issues	1	1
By introducing international legislation prohibiting certain activities	1	1
By reversing power structures and holding brand in the Global North accountable	1	1
Collaboration	2	2
By being involved in international sectoral initiatives	1	1
By conducting due diligence in collaboration with other stakeholders	1	1
Representation	8	14
By actively including representation of all minority groups	1	1
By arranging a democratic system (like the SER) that includes all voices	1	1
By conducting worker interviews	2	2
By considering marginalized groups on an aggregated level	1	1
By consulting specialists on the ground	1	1
By implementing grievance mechanisms	1	1
By including the role of worker interviews in the OECD guidelines	1	1
By involving supply chain stakeholders in the materiality assessment	1	1
By legally obliging the inclusion of worker perspectives	1	2
By looking through the eyes of the workers and giving them a voice	1	1
By organising outsourced workers through trade unions	1	1
By organizing factory-specific worker committees	1	1
Risk assessment	8	10
By conducting a risk assessment that goes beyond general sources and includes local information	1	1
By focusing on the content of supply chain data that is reported on and the actions that are related to that	1	1
By identifying how impact is affecting different (minority) groups	1	1
By integrating audit and third-party information to inform due diligence risk assessment	1	1
By looking at specific risks related to marginalized groups	1	2
By mapping the risks marginalized groups face and linking them to actions and goals	1	1
By risk prioritization based on likelihood and severity	1	1
By taking careful consideration of all risks	1	1

Main codes and subcodes	Files	References
By unveiling the core of all possible risks and related marginalized groups	1	1
Influence of due diligence (reporting) on choices regarding marginalized groups	14	25
Annual update and improvement of due diligence cycle	1	1
Choices regarding marginalized groups should not be made based on audit reports but based on supply chain stakeholder involvement	1	1
Decisions based on due diligence outcomes can feel like 'putting a band-aid on something' instead of enabling structural change	1	1
Depends on the accuracy and verification of data	1	1
Depends on the investment that is required to involve these marginalized groups in a trustworthy and grounded way	1	1
Due diligence leads to prioritization of decisions made regarding marginalized groups	2	2
Due diligence reporting can influence choices based on capacity and access to improvement on the ground with help of local parties	1	1
Due diligence should not be the driver of choices regarding marginalized groups but only a way to support intrinsically motivated choices	2	3
Identification of risks and problems should lead to action	3	3
Identification of risks that should be looked out for in the supply chain	1	1
If due diligence results do not align with RBC-policies, this will influence choices	1	1
Inclusion of impartial reflection of all sides of the story	1	1
Increasing insight into impacts on marginalized groups based on which decisions to change this impact could be made	1	1
Influence is based on how due diligence reports will be evaluated by authorities and accountants	1	1
Marginalized groups are often not involved in due diligence processes, thus do not become part of decision-making results	1	1
Reveals the perspective of how impacts for marginalized groups could also become an impact for others	1	1
Showing progress on impact findings	1	1
Structuring what is happening in the supply chain	1	1
Transparency leads to accountability and therefore better choices regarding marginalized groups	2	2
Advantages of due diligence (reporting) for marginalized groups	6	9
Awareness regarding the situation of marginalized groups	2	2
By getting the voice of marginalized groups heard in due diligence, issues they face get an audience	1	1
Higher salaries	1	1
Improvement of infrastructure for local communities	1	1
Improved health and safety	1	1
Less overtime	1	1
Points of action that require actual improvement over time	1	1
Reporting based on standards could avoid greenwashing and therefore lead to choices which are considering marginalized groups	1	1

Table 30 | Codebook: Benefits and costs of SDD (reporting)

Main codes and subcodes	Files	References
Benefits	18	73
For all stakeholders	7	10
Better and cleaner production process with better circumstances for workers and environment	1	1
Equal relations between brands and suppliers	1	1
Higher priority and more attention to due diligence	1	1
To connect information on a European scale and create a broader understanding of what is happening and what needs to be done	1	1
To inform consumers and raise awareness	1	1
To share insight so that NGOs understand problems better and can support in that	1	1
To understand what a company is doing and how collaboration could benefit them	1	1
Transparency	1	1
Transparency towards all stakeholders which helps to create a common approach	1	1
For all stakeholders (other than brands)	10	17
For (supply chain) workers	3	4
Benefits should in the mid-term end up with workers with help of brand accountability and responsibility	1	1
Collaboration between trade unions, workers, and brands	1	1
Progress for supply chain workers	1	1
To know that they are working for a responsible company	1	1
For the environment	2	2
Benefits should in the mid-term end up with the environment with help of brand accountability and responsibility	1	1
Progress for environmental objectives	1	1
For trade unions	1	1
Easily being able to collect data from brands' supply chains	1	1
Once brands conduct their due diligence and are transparent, all other stakeholders become part of the benefits of improvement and understand 'what's in it for them'	1	1
To compare	2	2
Ability to compare company A to company B	1	1
Due diligence could provide a benchmark for consumers to 'vote with their money' based on an informed decision	1	1
To hold brands accountable for their (promised) actions	5	6
For brands	15	46
Depend on whether the brand is using due diligence reporting based on its own content and not just reporting standards	1	1
To collaborate	5	6
Collaboration towards more efficient production processes and improvement of social, environmental and animal issues	3	4
Collaboration with all stakeholders	1	1

Main codes and subcodes	Files	References
To continue having a business (in the future)	6	8
To be able to (continue to) make money, be taken seriously, be respected and retain the trust of their consumers	1	1
To be able to retain your workers and attract new workers	1	1
To be able to use it as a steering mechanism to show business cases (of long-term investments), improve total cost of ownership, educate people within the organisation, and create a level playing field in the sector	1	1
To improve (the sustainable) position of the brand towards consumers	2	2
To remain access to markets on the long-term (if legislation obliges due diligence reporting)	2	2
To retain customers or get new customers	1	1
To create a level playing field in terms of what is reported on and how	2	3
To enable companies to achieve their visions	4	4
To define targets and long-term visions	1	1
To identify the position of the brand, its goals and the capacity required to reach those goals	2	2
To get insights in impacts	9	13
To better identify 'hotspots' (risks) based on science and link that to goals	1	1
To find the correlation between policies and activities and aligning them	1	1
To get comprehensive insight in the complexity of the system	1	1
To identify and prioritize risks	1	1
To identify costs and bringing them forward to ensure that risks are less likely in the future	1	1
To identify risks and improvements	1	1
To organize the due diligence process	1	1
To retake control over what is happening in the outsourced supply chain	1	1
To understand the link between purchasing practices and situations in the supply chain	1	1
To understand what is happening in your supply chain can help determine what needs to be done	2	2
To get the management (board) on board	2	2
To improve processes	3	4
'To move from a rental house to your own property', meaning that investments to prevent are more durable than solving issues once risks occur	1	2
To involve suppliers by explaining what is in it for them (financially) to improve	1	1
To meet the expectations of investors or governments providing subsidies	2	2
To prevent reputation damage if risks do occur	2	3
To prevent escalation by precautionary risk mapping	2	2
Costs	13	39
For brands	13	36
Capacity	2	2
Financial	13	32

Main codes and subcodes	Files	References
Actual due diligence, including taking actions, costs money	2	2
Hiring consultants	2	2
Personnel	8	8
Reputational costs	1	1
Third-party verification	1	1
Time	6	7
No extra costs for due diligence reporting	2	2
New costs might not arise from due diligence (reporting) due to the fact that there are also current costs involved in managing and solving risks that could be prevented	1	1
For consumers	1	1
Consumers will pay more for their clothing	1	1
For supply chain stakeholders	2	2
Audit costs (could be part of purchasing price for brands)	1	1
High and disproportional financial and non-financial costs	1	1
Risks	13	25
For all stakeholders (other than brands)	7	9
For supply chain stakeholders	3	3
Creating additional power imbalances due to due diligence legislation	1	1
Reputational damage due to transparency can also lead to risks for supply chain workers because it may limit transparency eventually	1	1
Smaller suppliers could be left out due to not have the capacity to adhere to reporting requirements	1	1
Reporting alone is not enough, a broad transition needs to take place, challenging current business model strategies	1	1
Reporting becoming a 'tick the box'-exercise	2	4
Reporting could lead to more workload but not more impact in the supply chain	1	1
Reporting requires auditing which requires (tax) money that could also be used to invest in relations with production countries	1	1
Sustainability becoming a business in itself (and not part of the business)	1	1
Setting long-term ambitious goals could lead to not achieving those goals	1	1
For brands	11	16
Loss of consumers	2	2
Consumers still focus on price, which could disadvantage responsible companies financially if their due diligence makes their products more expensive	1	1
Reputational damage due to transparency	8	10
Ability to compare company A to company B	1	1
NGOs can hold brands accountable and cause reputational damage	2	2
Sharing sensitive information could lead to negative reactions from stakeholders	1	1
There are no risks	1	1
To encounter issues in the supply chain	2	2

Main codes and subcodes	Files	References
Identification of risks or issues that require remediation (and thus capacity, money, etc.)	1	1
Transparency regarding production locations could lead to loss of production capacity due to competitors	1	1
Distribution of benefits and costs between stakeholders	13	27
All stakeholders should become part of the transition and understand what it takes to change, instead of renouncing transparent companies that do not yet have a perfect system	1	2
Balancing accountability and promoting transparency is important to equally divide costs and benefits for brands	1	1
Brands should take all responsibility because they purchase from their supply chain	1	1
Collaboration and support to conduct risk assessments	1	1
Companies conducting their due diligence should receive benefits over companies who do not	2	2
Costs of investment for improvement are likely to come before seeing benefits	1	1
Costs should be for the brand, but result in benefits for both the brand and the rest of the supply chain	1	1
Financial costs can remain with brands, but workload of due diligence should be shared	1	1
Governments should play a bigger role in dividing the costs between 'good' and 'bad' companies	1	1
In a circular business model all stakeholders should 'pay their part'	1	3
Consumers	1	1
Recyclers	1	1
Investments should become visible in price increases for consumers, making them part of the transition	1	1
Level playing field requires an investment from everyone which is 'fair'	1	1
Long-term return on investment should be taken into account when considering divisions	1	1
Many costs (of reporting) are charged on suppliers, while many brands still rake in the highest profits	1	1
Offering support from governments on material topics for everyone	1	1
Other (production) countries should also implement due diligence requirements	1	1
Reporting companies will delegate their suppliers to deliver information	1	1
Sector agreements and collective working should play a bigger role in dividing the costs and benefits more equally	2	4
The ones with power should take responsibility	1	1
Triangle of consumers, governments and companies should balance costs to enable benefits	1	1

Table 31 | Codebook: Expectations regarding CSRD

Main codes and subcodes	Files	References
CSRD expectations	18	73
In general	8	14
Companies will need time to adjust to a new way of thinking about impact	1	1

Main codes and subcodes	Files	References
CSRD also provides room for learning improvements	1	1
CSRD is going to make a difference in how companies report	1	1
CSRD will not necessarily change decision-making	1	1
Effectiveness depends on the feasibility of reporting indicators	1	1
Eligible companies will share the reporting 'burden' with smaller companies who deliver to them, widening the scope of the CSRD	1	1
First accountants will face the load of (new) sustainability information, then the media and public will interact with it as well	1	1
Important role for 'watchdogs' to question materiality analysis of companies	1	1
Large companies have to pave the way, which is useful for smaller companies that have to report for the first time	1	1
Non-compliance from companies (in the beginning)	1	1
Profit increases for consultancy firms	1	1
Questionable whether CSRD and CSDDD (and process of due diligence in general) are aligned	1	1
Questionable why smaller companies do not have to comply immediately because their share is also significant	1	1
Reporting does not have to be perfect at once, which is considered 'fair'	1	1
Opportunities	12	24
Certain things will become a minimum requirement and prioritize due diligence internally	1	1
Comparability and transparency	1	1
CSRD encourages companies to start thinking about their impact and business culture	1	1
CSRD leads to awareness	1	1
CSRD leads to internal dynamics and conversations about the meaning of reporting for the company	1	1
CSRD provides a good first step towards a broader perspective of impact of the own company	1	2
CSRD will force companies to think about the future and create a future-proof approach	1	1
CSRD will introduce due diligence on large scale which leads to action	1	1
CSRD will offer guidance (on what to report on and thus do)	1	2
CSRD will steer companies towards focussing on ESG topics more specifically	1	1
Due diligence (reporting) will no longer be optional and therefore becomes a higher priority within companies and thus an advantage for CSR departments	1	1
Equal and comparable way of reporting	1	2
Good introduction for OECD due diligence steps	1	1
Lobby chances for NGOs and trade unions	1	2
More focus on and demand for sustainable improvements and thus more supply eventually	1	1
Over time companies will understand the usefulness of reporting and collecting information	1	1
Reporting allows for explaining practices in an understandable way so that consumers and media can form their opinion	1	1
Setting up a level playing field	2	2

Main codes and subcodes	Files	References
Transparency could lead to more stakeholder involvement and therefore more actions	1	1
Risks and difficulties	15	35
Authorities will face difficulties regulating and evaluating the requirements	1	1
Companies in Global North can push the responsibility for transition to suppliers in Global South	1	1
Companies now need to become a 'compliance organisation' but also require room to innovate and 'move'	1	1
Competition with non-European companies increases	1	2
Consumers do not change their behaviour instantly	1	2
CSRD can 'scare away' (smaller) companies because of the high expectations	1	1
CSRD is going to bring costs to SMEs	1	1
CSRD will bring an additional and big workload	6	7
Defining explicit and SMART KPIs, no broad interpretation possible, so that everyone knows what to expect and do	1	1
Delays in expected results due to different approaches in different countries	1	1
Difficulties in time and workload management for smaller brands, suppliers, private labels, etc.	1	1
Focus on reporting itself and not on improvement of supply chain issues	1	1
It might become a 'reporting-tiger', paper-exercise without actual impact	2	2
Legislation is too broad, ambivalent and non-explicit	1	1
Low expectations due to major influence of company lobbying in regulation limiting responsibility for companies	1	1
More burnouts within sustainability teams due to increased workload	1	1
More comparable information will not necessarily lead to consumers that make better choices	1	1
Questions regarding the process of materiality and prioritization	1	1
Remains questionable whether real (measurable) social impact can be made based on CSRD	1	1
Reporting could lead to focussing on targets, not focussing on actions	1	1
Reporting does not really put a value on what you are actually doing, it remains 'telling a story'	1	1
Reporting requires time and people, which could also be spend on making impact in terms of actions	1	1
Results of reporting depend on how reporting is approached, either as a 'means' to collect data and prioritize activities on top of normal due diligence work, or as a way to 'simply comply'	1	1
Risk of becoming a 'check-the-box exercise'	1	1
Role of accountants	1	1
Shift from opportunity to risk perspective in sustainability work	1	1
(On the ground) impact of CSRD	4	5
CSRD provides leverage on group level within EU to conduct more RBC (in case of group owner)	1	1
Depends on whether companies report based on audit data or whether they conduct more in-depth due diligence	1	1

Main codes and subcodes	Files	References
If steps of due diligence cycle are followed, (positive) impact will follow	1	1
More dialogue between companies and their (supply chain) stakeholders	1	1
Reporting will not make impact, actual due diligence should	1	1
Could the CSRD contribute to enable a just transition	16	21
I don't know	4	9
Why	3	5
Circularity goals are going to force production back to Global North which is not fair to workers in Global South	1	1
Only a small number of companies is going to report, whereas a just transition requires everyone to be involved	1	1
The current system of production and consumption habits should change itself to be able to enable a just transition	1	1
There is still a major lack of awareness (at smaller brands)	1	1
What is the meaning of contribution (enabling) to a just transition and in which context	1	1
No	1	1
Why	1	1
The foundation of the CSRD remains within upholding business as usual, growth, conservative economic models, etc.	1	1
Yes it could	11	11
Only if audited properly by accountants	1	1
Only if benchmarks, explicit KPIs, and global impact are considered	1	1
When considering human rights and environment, but not when considering equal playing field for global competition	1	1
Why	8	13
Accountability	2	2
By including a certain commitment to impact that needs to be made	1	1
By allowing for comparability and benchmarking that leads to consequences for laggards	2	3
By allowing for comparable metrics that result in the choice for 'most sustainable' by stakeholders in the Global North	1	1
By creating insight and therefore broader understanding of what is happening	6	7
By bringing focus back to companies' own impact	1	1
By forcing companies to 'dig deeper' than before	1	1
By gaining insight in what is happening and what needs to be done to improve	2	2
By giving guidance to what to prioritize	1	1
Monitoring of issues	1	1
Transparency	1	1
Issues regarding CSRD	8	9
All stakeholders need to become part of the just transition	1	1
Companies are not the only ones that need to change, consumer behaviour needs to change along (consuminderen)	1	1

Main codes and subcodes	Files	References
CSRD and other sustainability regulations from EU should be pushed faster and on the same level for all countries	1	1
CSRD as a standalone will not radically change business, more 'hardcore' governmental regulation is required for that	1	1
CSRD is not going to change anything if the EU is not moving away from conservative economic models	1	1
If legislation in production countries does not change, CSRD will not make much difference	1	1
Political landscape in EU, including the end of the 'Green Deal-term'	1	1
Reporting and transparency on company-level is one thing, but EU still supports a capitalist system, so who is responsible for what	1	1
Requirements and expectations regarding CSRD remain a bit 'vague' within the sector	1	1

Table 32 | Codebook: Prerequisites of reporting to enable a just transition

Main codes and subcodes	Files	References
Prerequisites in due diligence (reporting) process	6	9
(Reporting on) due diligence should become a shared responsibility between brands and supply chain, the responsibility cannot be pushed down the supply chain	1	1
A functioning grievance mechanism	1	1
Benchmarking and comparing other companies	1	1
Reliable and verified data to report on	2	2
Reporting should not become a goal in itself	1	1
Sharing information with other countries	1	1
There needs to be an intrinsic motivation to take responsibility because it requires a long-term investment	1	1
Time spend on reporting should be proportional compared to time spend on taking action	1	1
Prerequisites in governance of reporting standards	8	14
Acknowledgement of the same 'game rules' throughout countries	1	1
Active involvement of governments to define rules and verify whether companies comply (based on reporting)	3	3
Reporting results should not only be verified but also validated to understand what is actually happening	1	1
Role of the accountant	1	1
Proper validation of plans and actions	1	1
Adherence between legislation and goals	2	3
All legislation needs to become an understandable vision for companies so that the use of due diligence also becomes clear	1	1
CSRD should also be linked to other legislation to create an understanding of how everything contributes to one another	1	1
CSRD standards need to make it understandable how reporting contributes to becoming circular	1	1
Affected stakeholders should have been consulted when the requirements were drafted	1	1

Main codes and subcodes	Files	References
All companies - no matter their size - should report	1	1
Clear communication so that 'watchdog'-stakeholders can intervene and support	1	1
Conformity regarding which data providers are reliable	1	1
Governments also need to take part in taking actions by explaining their approach towards critical political issues	1	1
Governments and NGOs also need to clarify their choices and be transparent	1	1
Transparency so that other stakeholders can step in to support	1	1
Prerequisites in reporting standards	12	17
'Checking the box' in reporting standards should also mean that something more structurally is changing within the company regarding ESG topics	1	1
A clear reporting framework that aligns measurement methods	1	1
All ESG topics should be considered when reporting	1	1
Clarity	1	2
Clarity on how materiality is determined and evaluated	1	2
Complexity of the due diligence system	1	1
Explicitly and clearly explain what information needs to be delivered regarding human rights and environmental aspects, including KPIs	1	1
Including niche, minority, marginalized groups and topics in reporting requirements	1	1
Inclusion of stakeholders affected by the transition	3	3
Link reporting as an input to the due diligence cycle	1	1
More focus on social issues (such as living wage) in reporting standards	1	1
Standards should clearly state how independent stakeholder engagement should be included	1	1
To actively involve stakeholders affected by the transition in (making) the plans for the future	1	1

Appendix D – Overview of OECD due diligence steps and sub-steps and ILO guiding principles

Table 33 | OECD due diligence steps extended

OECD due diligence step	Sub-steps
Step 1: Embed responsible business conduct into policies and management systems	1.1 Devise, adopt and disseminate a combination of policies on RBC issues that articulate the enterprise's commitments to the principles and standards contained in the OECD Guidelines for multi-national entities (MNEs) and its plans for implementing due diligence, which will be relevant for the enterprise's own operations, its supply chain and other business relationships.
	1.2 Seek to embed the enterprise's policies on RBC issues into the enterprise's oversight bodies. Embed the enterprise's policies on RBC issues into management systems so that they are implemented as part of the regular business processes, taking into account the potential independence, autonomy and legal structure of these bodies that may be foreseen in domestic law and regulations.
	1.3 Incorporate RBC expectations and policies into engagement with suppliers and other business relationships.

Step 2: Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services.

2.1 Carry out a broad scoping exercise to identify all areas of the business, across its operations and relationships, including in its supply chains, where RBC risks are most likely to be present and most significant. Relevant elements include, among others, information about sectoral, geographic, product and enterprise risk factors, including known risks the enterprise has faced or is likely to face. The scoping exercise should enable the enterprise to carry out an initial prioritisation of the most significant risk areas for further assessment. For enterprises with less diverse operations, in particular smaller enterprises, a scoping exercise may not be necessary before moving to the stage of identifying and prioritising specific impacts.

2.2 Starting with the significant areas of risk identified above, carry out iterative and increasingly in-depth assessments of prioritised operations, suppliers and other business relationships in order to identify and assess specific actual and potential adverse RBC impacts.

2.3 Assess the enterprise's involvement with the actual or potential adverse impacts identified in order to determine the appropriate responses (see 3.1 and 3.3). Specifically, assess whether the enterprise: caused (or would cause) the adverse impact; or contributed (or would contribute) to the adverse impact; or whether the adverse impact is (or would be) directly linked to its operations, products or services by a business relationship.

2.4 Drawing from the information obtained on actual and potential adverse impacts, where necessary, prioritise the most significant RBC risks and impacts for action, based on severity and likelihood. Prioritisation will be relevant where it is not possible to address all potential and actual adverse impacts immediately. Once the most significant impacts are identified and dealt with, the enterprise should move on to address less significant impacts.

Step 3: Cease, prevent and mitigate adverse impacts

3.1 Stop activities that are causing or contributing to adverse impacts on RBC issues, based on the enterprise's assessment of its involvement with adverse impacts as per 2.3. Develop and implement plans that are fit-for-purpose to prevent and mitigate potential (future) adverse impacts.

3.2 Based on the enterprise's prioritisation (see Section 2.4), develop and implement plans to seek to prevent or mitigate actual or potential adverse impacts on RBC issues which are directly linked to the enterprise's operations, products or services by business relationships. Appropriate responses to risks associated with business relationships may at times include: continuation of the relationship throughout the course of risk mitigation efforts; temporary suspension of the relationship while pursuing ongoing risk mitigation; or, disengagement with the business relationship either after failed attempts at mitigation, or where the enterprise deems mitigation not feasible, or because of the severity of the adverse impact. A decision to disengage should take into account potential social and economic adverse impacts. These plans should detail the actions the enterprise will take, as well as its expectations of its suppliers, buyers and other business relationships.

Step 4: Track implementation and results

4.1 Track the implementation and effectiveness of the enterprise's due diligence activities, i.e. its measures to identify, prevent, mitigate and, where appropriate, support remediation of impacts, including with business relationships. In turn, use the lessons learned from tracking to improve these processes in the future.

Step 5: Communicate how impacts are addressed

5.1 Communicate externally relevant information on due diligence policies, processes, activities conducted to identify and address actual or potential adverse impacts, including the findings and outcomes of those activities.

Step 6: Provide for or cooperate in remediation when appropriate

6.1 When the enterprise identifies that it has caused or contributed to actual adverse impacts, address such impacts by providing for or cooperating in their remediation.

6.2 When appropriate, provide for or cooperate with legitimate remediation mechanisms through which impacted stakeholders and rightsholders can raise complaints and seek to have them addressed with the enterprise. Referral of an alleged impact to a legitimate remediation mechanism may be particularly helpful in situations where there are disagreements on whether the enterprise caused or contributed to adverse impacts, or on the nature and extent of remediation to be provided.

Table 34 | ILO guiding principles extended

Key elements	ILO guiding principles
Social dialogue with stakeholders	Strong social consensus on the goal and pathways to sustainability is fundamental. Social dialogue has to be an integral part of the institutional framework for policymaking and implementation at all levels. Adequate, informed and ongoing consultation should take place with all relevant stakeholders.
Promotion of fundamental workers' rights	Policies must respect, promote and realize fundamental principles and rights at work.
Gender dimension of environmental aspects	Policies and programmes need to take into account the strong gender dimension of many environmental challenges and opportunities. Specific gender policies should be considered in order to promote equitable outcomes.
Coherent policies including a just transition framework	Coherent policies across the economic, environmental, social, education/training and labour portfolios need to provide an enabling environment for enterprises, workers, investors and consumers to embrace and drive the transition towards environmentally sustainable and inclusive economies and societies. These coherent policies also need to provide a just transition framework for all to promote the creation of more decent jobs, including as appropriate: anticipating impacts on employment, adequate and sustainable social protection for job losses and displacement, skills development and social dialogue, including the effective exercise of the right to organize and bargain collectively.
Country-specific conditions	There is no "one size fits all". Policies and programmes need to be designed in line with the specific conditions of countries, including their stage of development, economic sectors and types and sizes of enterprises.
International cooperation	In implementing sustainable development strategies, it is important to foster international cooperation among countries. In this context, we recall the outcome document of the United Nations Conference on Sustainable Development (Rio +20), including section VI on means of implementation.

Table 35 | Elements framing the parameters of a just transition in the fashion industry

Parameter	Elements that could enable a just transition (from an international level)
OECD due diligence guidance (OECD, 2011, 2018a, 2018b)	<ul style="list-style-type: none"> Embedment of responsible business conduct policies and management systems Risk identification, assessment and prioritisation Actions regarding ceasing, preventing or mitigating impacts Tracking of implementation and results Communication of addressed impacts Provision for or cooperation in (access to) remediation

Parameter	Elements that could enable a just transition (from an international level)
	Consideration of sectoral risks
Universal concept of decent work (European Commission, 2022a)	<ul style="list-style-type: none"> Gender equality and non-discrimination Employment Standards and rights at work Social protection Social dialogue and tripartism
ILO guiding principles (ILO, 2015)	<ul style="list-style-type: none"> Social dialogue with stakeholders Promotion of fundamental workers' rights Gender dimension of environmental aspects Coherent policies including a just transition framework Country-specific conditions International cooperation
Role of private sectors and governments (ILO, 2023)	<ul style="list-style-type: none"> Addressing employment losses, decent work deficits, inequality, and sectoral and educational misalignments Including industrial and productive development policies and access to technology Engaging in social dialogue Developing and implementing sector-specific initiatives and policies
ILO process of just transition in fashion industry	<ul style="list-style-type: none"> Social dialogue Inclusive and quality employment with special attention for women/other marginalized groups, social protection systems, poverty decrease linked to greenhouse gas emissions reduction and protecting/restoring ecosystems Identification of affected stakeholders Support, information, training, and capacity building for affected stakeholders Explicit consideration of the employment dimension for every aspect of transitioning, including impacts on specific groups based on gender, migration status, and disability Consideration of national environmental and regulatory frameworks, processes for gender-responsive social dialogue, multi-stakeholder platforms, strengthening the role and voice of women, and coproduction of knowledge on governance and sustainability transformation

Appendix E – Parameters for a just transition considered in CSRD and ESRS

Table 36 | Parameters for a just transition considered in the CSRD and ESRS extended

Parameter	How it is considered in CSRD and ESRS
EU concept of decent work	The universal concept of decent work in the EU focuses on employment, standards and rights at work, social protection, and social dialogue and tripartism. The CSRD and ESRS are in line with the objectives of the European Green Deal, which aims to “ensure that [the economy] is ready for the future and that it delivers stability, jobs, growth, and sustainable investment” (CSRD, p.1). Regarding this objective, the CSRD and ESRS could be considered the foundation for transparency that support the creation of a sustainable institutional and economic environment that promotes employment. The other elements of decent work are addressed in the reporting requirements regarding social and human rights factors in relation to working conditions. These include “secure employment, working time, adequate wages, social dialogue, and freedom of association, existence of works councils, and collective bargaining, [...] the information, consultation and participation rights of workers, work-life balance, and health and safety” (CSRD, p.52). The CSRD and ESRS also include the cross-cutting element of gender equality and non-discrimination, focusing on reporting about the gender pay gap, gender diversity at top management, policies with regard to gender, and other aspects such as, age, disabilities, or educational and professional background, and information regarding equal treatment and opportunities for all. The universal concept of decent work is thus embedded in the aim of the CSRD and ESRS.
ILO guiding principles	<p>The ILO guiding principles for policymaking regarding a JT are reflected in the CSRD and ESRS to some extent but lack a coherent approach towards enabling a JT. Social dialogue is the cornerstone of a JT according to the ILO. The CSRD and ESRS have been developed based on social consensus by means of social dialogue amongst stakeholders, and also require businesses to conduct SDD including stakeholder dialogue. However, the role of governments and private actors in facilitating strong social dialogue are not deeply embedded in the ESRS, even though this a crucial element for a JT according to the ILO. There is also no mentioning of how international cooperation is integrated in the CSRD and ESRS and they do not provide country-specific conditions because they are developed to be applied throughout the entire EU. Moreover, in the CSRD and general ESRS, sector-specific initiatives and plans have not been developed yet.</p> <p>On the other hand, the CSRD and ESRS do take account of the principles and frameworks of the ILO including the ILO Declaration on Fundamental Principles and Rights at Work and the fundamental conventions of the ILO. They consider the gender dimension in terms of gender equality and equal pay for work of equal value, but do not specify this dimension in relation to environmental challenges and opportunities. The CSRD and ESRS also address requirements on decent work deficits, inequality, sectoral and educational misalignments, and on employment losses. In ESRS 1 the anticipation of impacts on employment and protection for job losses and displacement are addressed. There are also ESRS on skills development and social dialogue, mentioning the right to organize and bargain collectively as something to relate to when identifying and managing any material actual and potential impacts. Whether this promotes the effective exercise of the right to organize and bargain collectively remains vague.</p>
ILO Just Transition Toolkit	Many elements that could enable a JT in the fashion industry are not considered in the CSRD and ESRS. A JT in the fashion industry according to ILO entails the same elements as described in their guiding principles but emphasizes special attention for women and other marginalized groups, social protection systems, and poverty decrease while reducing GHG emissions and protecting and restoring ecosystems. Women and marginalized groups are addressed in the reporting standards from the CSRD, and other workers, enterprises, and communities that will be impacted by the actions of the business have to be identified too following the steps of the materiality assessment. However, the materiality assessment does not require businesses to assess what costs and benefits of the fashion industry are for these affected stakeholders, and how these might be impacted based on investment

targeting transitions. Also, in relation to environmental topics, the ESRS only prescribe that businesses shall disclose their potential financial effects from material physical and transition risks on the business’ own cash flows, performance, position, development, cost of capital or access to finance.

Furthermore, social protection systems are addressed in the reporting standards ESRS S1 and S2 in the form of information and training, but do not address exercise of (workers’) rights. The connection between decarbonization and changes for the workforce in the fashion industry is mentioned in the CSRD nor ESRS. Other specific elements of a JT in the fashion industry, such as multi-stakeholder platforms, that have been identified by the ILO are not specifically addressed.

Six steps from OECD SDD cycle

The OECD due diligence cycle is not directly addressed in the CSRD and ESRS, but the CSRD and ESRS 1 do refer to UNGPs on Business and Human Rights and the OECD Guidelines for Multinational Enterprises as instruments that describe the SDD process, and which inform the materiality assessment of negative impacts. The SDD process that is described in ESRS 1 follows the steps from the OECD cycle closely. The embedment of RBC policies and managements systems is addressed under ESRS 2 GOV-2, GOV-3, and SBM-3. Additionally, ESRS 1 also defines requirements regarding the engagement with affected stakeholders, which is considered central to the on-going SDD process and sustainability materiality assessment. Requirements regarding stakeholder engagement is addressed under ESRS 2 GOV-2, SBM-2, IRO-1, DC-P and the topical ESRS reflecting the different stages and purposes of stakeholder engagement throughout SDD. This also reflects the approach of the OECD. The process of risk identification, assessment and prioritisation is addressed in ESRS 1 itself, explaining that SDD allows for action to be prioritised based on the severity and likelihood of impacts. This is similar to how the OECD prescribes this process. Actions regarding ceasing, preventing or mitigating impacts are considered in the requirements regarding identification and assessment of negative impacts on people and the environment. This is addressed under ESRS 2 IRO-1 and SBM-3. The tracking of implementation and results is addressed in the requirements tracking the effectiveness of the efforts regarding negative impacts under ESRS 2 DC-M, DC-T and the topical ESRS regarding performance metrics and targets. The communication of addressed impacts as described by the OECD in step five could be considered the essence of the CSRD and ESRS: reporting on SDD. The final step of the OECD cycle, the provision for or cooperation in (access to) remediation, is not addressed in the CSRD but the ESRS on social matters, such as ESRS S3 ‘Affected communities’, do require businesses to describe processes to remediate negative impacts and channels for affected stakeholders to raise concerns.

Appendix F – EFRAG’s members

Table 37 | EFRAG’s members, what they do, who they represent and which area they focus on

EFRAG’s members	Stakeholder organisations	About stakeholder organisations	Representation of interests	Focus area
European stakeholder organisations	Accountancy Europe	Accountancy Europe unites 50 professional organisations from 35 countries that represent 1 million qualified accountants, auditors and advisors. They translate the daily experience of professional accountant from across Europe to inform the European policy debate in the following areas: Sustainable Finance, SMEs, Tax, Reporting and Audit (Accountancy Europe, n.d.).	EU accountants, auditors and advisors	European Union

EFRAG's members	Stakeholder organisations	About stakeholder organisations	Representation of interests	Focus area
	European Business Federation (BusinessEurope)	BusinessEurope advocates for growth and competitiveness at European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. They speak for enterprises of all sizes in 35 European countries whose national business federations are their direct members (BusinessEurope, 2019).	EU businesses	European Union
	European Issuers	A pan-European organisation representing the interests of publicly quoted companies from all sectors. They serve their members from 15 countries from across Europe, and aim to ensure that EU policy creates an environment in which companies of all sizes can easily raise capital through the public markets and deliver growth over the longer term (EuropeanIssuers, n.d.).	EU businesses	European Union
	European Association of Co-operative Banks (EACB)	The EACB represents, promotes and defends the common interests of its 27 member institutions and of cooperative banks, with regard to banking as well as to cooperative legislation (EACB, n.d.).	Cooperative banks, their members and consumers	European Union
	European Banking Federation (EBF)	The EBF is the voice of the European banking sector, uniting 33 national banking associations in Europe that together represent some 3,500 banks – large and small, wholesale and retail, local and international – employing about 2,7 million people (EBF, n.d.).	Banking sector	European Union
	European Savings and Retail Banking Group (ESBG)	The voice of savings and retail banks that united at EU level some 871 savings and retail banks and advocates for a proportionate approach to banking rules (ESBG, n.d.).	Saving and retail banks	European Union
	European Federation of Accountants and Auditors for SMEs (EFAA)	An umbrella organisation for national accountants and auditors' organisations whose individual members provide professional services primarily to SMEs within the European Union and Europe as a whole (EFAA, n.d.).	National accountants and auditors' organisations	European Union
	European Federation of Financial Analysts Societies (EFFAS)	Federation of analysts associations in Europe and the umbrella organisation of 14 national, local societies of investment professionals in Europe (EFFAS, n.d.).	Investment professionals	European Union

EFRAG's members	Stakeholder organisations	About stakeholder organisations	Representation of interests	Focus area
	European Fund and Asset Management Association (EFAMA)	Trade association representing the voice of the EUR 28.5tn European investment management industry (EFAMA, n.d.).	Investment management industry	European Union
	European Sustainable Investment Forum (EUROSIF)	Pan-European association promoting Sustainable Finance at European level including asset managers, institutional investors, index providers and ESG research and analytics providers (Eurosif, n.d.).	Investors	European Union
	European Insurance Federation (Insurance Europe)	Through its 37 member associations, Insurance Europe represents 4900 insurance and reinsurance undertakings of all types and sizes (InsuranceEurope, n.d.).	Insurance and reinsurance undertakings	European Union
National organisations	Austrian Group of Standard Setters; Commission des Normes Comptables/ Commissie voor boekhoudkundige normen (Belgium); Grouping of five Danish organisations; Autorité des Normes comptables (France); Accounting Standards Committee of Germany; Organism Italiano di Contabilità; Commission des Normes comptables (Luxembourg); Dutch Accounting Standards Board; Instituto de Contabilidad y Auditoria de Cuentas (Spain); The Association for Generally Accepted Principles in the Securities Market (Sweden)	National organisations giving advice on annual reporting based on the input of national experts regarding standards for reporting and auditing.	Reporting institutes and businesses, accountants, auditors	European Union

EFRAG's members	Stakeholder organisations	About stakeholder organisations	Representation of interests	Focus area
Civil society organisation and NGOs	The Climate Finance Fund of European Climate Foundation	A philanthropic platform that helps to mobilize capital for climate solutions by focusing on capital allocators across the supply chain: consumers, small and medium sized enterprises, large non-financial corporations, and banks and asset managers (Climate Finance Fund, n.d.).	"Capital allocators" (consumers)	China, European Union, United States
	Economy for the Common Good	The International Federation is the umbrella organisation of the international Economy for the Common Good movement, which provides a comprehensive economic models based on a holistic worldview and grassroots democracy. At the heart of this concept lies the idea that values-driven businesses are mindful of and committed to Human Dignity, Solidarity and Social Justice, Environmental Sustainability, and Transparency and Co-Determination (ECG, n.d.).	"Good life for all"	European Union
	Environmental Defense Fund Europe	Global nonprofit environmental organisation that aims to stabilize the climate, strengthen the ability of people and nature to thrive and support people's health (EDF, n.d.).	"Vital Earth for everyone"	>30 countries globally, mainly European Union, United States
	Frank Bold Society	Public interest law organisation using the power of business and non-profit approaches to solve social and environmental problems, advocating the legal resolution of social problems that help people to exercise their rights (Frank Bold, n.d.).	"Serving individuals, municipalities and businesses"	European countries
	Publish What You Pay	A global movement advocating to ensure that benefits from oil, gas and mining translate into improvements in people's lives. With over 1000 member organisations and more than 50 national coalitions, It campaigns for an open and accountable extractive sector through pressing governments to regulate natural resource extraction openly and responsibly, so that companies operate within effective governance frameworks and civil society has the capacity and freedom to make natural resource extraction work for the benefit of all (PWYP, n.d.).	Companies and civil society	Africa, Asia-Pacific, Central Asia and Caucasus, Europe, Latin America, Middle-East and North Africa, and North America
	Transport & Environment (T&E)	Clean transport campaign group that envisions an affordable zero-emission mobility system and that promotes a policy of transport and accessibility, based on the principles of sustainable development,	All in mobility systems	European Union (Belgium, France, Germany, Italy,

EFRAG's members	Stakeholder organisations	About stakeholder organisations	Representation of interests	Focus area
		which minimises negative impact on the environment and health, use of energy and land and all economic and social costs, maximises safety, and guarantees sufficient access for all (T&E, n.d.).		Poland, Spain and the UK)
	World Wild Fund for Nature (WWF)	A global NGO that aims to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature by (i) conserving the world's biological diversity, (ii) ensuring that the use of renewable natural resources is sustainable, and (iii) promoting the reduction of pollution and wasteful consumption (WWF, n.d.).	Planet's natural environment	Mainly European Union
Consumer organisations	The European Federation of Investors and Financial Services Users (BETTER FINANCE)	Public interest non-governmental organisation advocating and defending the interests of European citizens as financial services users at European level to lawmakers and the public in order to promote research, information and training on investments, savings and personal finances, representing individual investors, savers and other financial services users. Those include individual and small shareholders, fund and other retail investors, savers, pension fund participants, life insurance policyholders, borrowers, and other stakeholders who are independent from the financial industry (Better Finance, n.d.).	"Interests of European citizens as financial services users at European level"	European Union
	Finance Watch	An organisation of non-profit members from Europe and beyond including organisations and expert individuals who meet regularly to coordinate actions on financial reform to represent the public interest in a number of the stakeholder groups that policymakers and supervisors set up for technical advice. Their demands include stabilization, democratization, redirection and preparation of reform proposals to the financial system (Finance Watch, n.d.).	Consumers	European countries
Trade unions	European Trade Union Confederation (ETUC)	ETUC comprises 93 national trade union confederations in 41 countries, plus 10 European trade union federations and speaks with a single voice on behalf of European workers to have a stronger say in EU decision-making. It defends fundamental social values such as solidarity, equality, democracy, social justice, and cohesion (ETUC, n.d.).	"European workers"	European Union

EFRAG's members	Stakeholder organisations	About stakeholder organisations	Representation of interests	Focus area
Academics	European Accounting Association (EAA)	An academic association that supports high-quality accounting research, teaching and knowledge exchange with practice by providing a platform that enables accounting academics to develop themselves and benefit society through their activities (EAA, n.d.).	Accounting academics and society	European Union

Appendix G – Representative stakeholders framing the CSRD and ESRS

Table 38 | Civil society organisations and NGOs framing the CSRD and ESRS

Organisation	About organisation	Representation of interests	Focus area
The Climate Finance Fund of European Climate Foundation	A philanthropic platform that helps to mobilize capital for climate solutions by focusing on capital allocators across the supply chain: consumers, small and medium sized enterprises, large non-financial corporations, and banks and asset managers (Climate Finance Fund, n.d.).	“Capital allocators” (consumers)	China, EU, United States
Economy for the Common Good	The International Federation is the umbrella organisation of the international Economy for the Common Good movement, which provides a comprehensive economic models based on a holistic worldview and grassroots democracy. At the heart of this concept lies the idea that values-driven businesses are mindful of and committed to Human Dignity, Solidarity and Social Justice, Environmental Sustainability, and Transparency and Co-Determination (ECG, n.d.).	“Good life for all”	EU
Environmental Defense Fund Europe	Global nonprofit environmental organisation that aims to stabilize the climate, strengthen the ability of people and nature to thrive and support people's health (EDF, n.d.).	“Vital Earth for everyone”	>30 countries globally, mainly EU, United States
Frank Bold Society	Public interest law organisation using the power of business and non-profit approaches to solve social and environmental problems, advocating the legal resolution of social problems that help people to exercise their rights (Frank Bold, n.d.).	“Serving individuals, municipalities and businesses”	European countries
Publish What You Pay	A global movement advocating to ensure that benefits from oil, gas and mining translate into improvements in people’s lives. With over 1000 member organisations and more than 50 national coalitions, it campaigns for an open and accountable extractive sector through pressing governments to regulate natural resource extraction openly and responsibly, so that companies operate within effective governance frameworks and civil society has the capacity and freedom to make natural resource extraction work for the benefit of all (T&E, n.d.).	Companies and civil society	Africa, Asia-Pacific, Central Asia and Caucasus, Europe, Latin America, Middle-East and North Africa, and North America
Transport & Environment	Clean transport campaign group that envisions an affordable zero-emission mobility system and that promotes a policy of transport and accessibility, based on the principles of sustainable development, which minimises negative impact on the environment and health, use of energy and land and all economic and social costs, maximises safety, and guarantees sufficient access for all (T&E, n.d.).	All in mobility systems	EU (Belgium, France, Germany, Italy, Poland, Spain and the UK)

Organisation	About organisation	Representation of interests	Focus area
World Wild Fund for Nature (WWF)	A global NGO that aims to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature by (i) conserving the world's biological diversity, (ii) ensuring that the use of renewable natural resources is sustainable, and (iii) promoting the reduction of pollution and wasteful consumption (WWF, n.d.).	Planet's natural environment	Mainly EU
European Trade Union Confederation (ETUC)	ETUC comprises 93 national trade union confederations in 41 countries, plus 10 European trade union federations and speaks with a single voice on behalf of European workers to have a stronger say in EU decision-making. It defends fundamental social values such as solidarity, equality, democracy, social justice, and cohesion (ETUC, n.d.).	European workers	EU

Appendix H – Stakeholder participation and social dialogue in the CSRD and ESRS

Table 39 | Stakeholder participation in the CSRD and ESRS

File	Statements and requirements	Summary
CSRD	<p>3. In its Communication of 17 June 2019 entitled 'Guidelines on non-financial reporting: Supplement on reporting climate-related information' ('Guidelines on reporting climate-related information'), the Commission highlighted the benefits for companies of reporting on climate-related information particularly by increasing awareness and understanding of climate-related risks and opportunities within the company, diversifying the investor base, creating a lower cost of capital and improving constructive dialogue with all stakeholders.</p> <p>9. If undertakings carried out better sustainability reporting, the ultimate beneficiaries would be individual citizens and savers, including trade unions and workers' representatives who would be adequately informed and therefore able to better engage in social dialogue.</p> <p>12. Sustainability reporting can help undertakings to identify and manage their own risks and opportunities related to sustainability matters. It can provide a basis for better dialogue and communication between undertakings and their stakeholders, and can help undertakings to improve their reputation</p> <p>14. The lack of sustainability information provided by undertakings also limits the ability of stakeholders, including civil society actors, trade unions and workers' representatives, to enter into dialogue with undertakings on sustainability matters.</p> <p>30. Undertakings should also be required to disclose whether and how their business model and strategy take account of the interests of stakeholders; any opportunities for the undertaking arising from sustainability matters; the implementation of the aspects of the business strategy which affect, or are affected by, sustainability matters; any sustainability targets set by the undertaking and the progress made towards achieving them; the role of the board and management with regard to sustainability matters; the principal actual and potential adverse impacts connected with the undertaking's activities; and how the undertaking has identified the information that it reports on.</p>	<p>Sustainability reporting provides a basis for improving constructive dialogue communication between undertakings and their stakeholders</p> <p>In sustainability reporting standards businesses need to disclose the interests of stakeholders and how these are</p>

File	Statements and requirements	Summary
	<p>32. Likewise, information about the quality of the relationships between the undertaking and its stakeholders, including customers, suppliers and communities affected by the activities of the undertaking, is sustainability information relevant to social or governance matters that could also be considered as information on intangible resources.</p> <p>Article 19(a) Sustainability reporting</p> <p>1. Large undertakings, and small and medium-sized undertakings, except micro undertakings, which are public interest entities as defined in point (a) of point (1) of Article 2 shall include in the management report information necessary to understand the undertaking’s impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking’s development, performance and position.</p> <p>2. The information referred to in paragraph 1 shall contain:</p> <ul style="list-style-type: none"> (a) a brief description of the undertaking’s business model and strategy, including: <ul style="list-style-type: none"> (iv) how the undertaking’s business model and strategy take account of the interests of the undertaking’s stakeholders and of the impacts of the undertaking on sustainability matters. 	<p>affected by the business’ strategy and actions</p>
<p>ESRS 1 General requirements</p>	<p>3.1 Stakeholders and their relevance to the materiality assessment process</p> <p>26. Stakeholders are those who can affect or be affected by the undertaking. There are two main groups of stakeholders:</p> <ul style="list-style-type: none"> (a) affected stakeholders: individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking’s activities and its direct and indirect business relationships across its value chain; and (b) users of sustainability statements: primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors, including asset managers, credit institutions, insurance undertakings), as well as other users, including the undertaking’s business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics. <p>27. Some, but not all, stakeholders may belong to both groups defined in paragraph 26.</p> <p>28. Engagement with affected stakeholders is central to the undertaking’s on-going due diligence process (see chapter 4 Sustainability due diligence) and sustainability materiality assessment. This includes its processes to identify and assess actual and potential negative impacts, which then inform the assessment process to identify the material impacts for the purposes of sustainability reporting (see section 3.4 of this [draft] Standard).</p> <p>3.2 Material matters and materiality of information</p> <p>36. The applicable information prescribed within a Disclosure Requirement (including its datapoints) or within an entity-specific disclosure shall be included when the undertaking assesses it to be relevant from one or more of the following perspectives in the sustainability statements:</p> <ul style="list-style-type: none"> (a) the significance of the information in relation to the matter it purports to depict or explain; (b) the capacity of such information to meet the users’ decision-making needs (including the needs of primary users of general-purpose financial reporting described in paragraph 51); or (c) the need for transparency towards stakeholders. <p>3.5 Financial materiality</p>	<p>Two groups of stakeholders: affected stakeholders and users of sustainability due diligence statements</p> <p>Engagement with affected stakeholders is central in due diligence and materiality assessment</p>

File	Statements and requirements	Summary
	<p>The financial materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking but includes information on material risks and opportunities attributable to business relationships with other undertakings/stakeholders beyond the scope of consolidation used in the preparation of financial statements.</p> <p>4. Sustainability due diligence</p> <p>65. The core elements of due diligence are reflected directly in Disclosure Requirements set out in [draft] ESRS 2 and in the [draft] topical ESRS, as illustrated below: [...]</p> <p>(b) engaging with affected stakeholders. This is addressed under:</p> <ol style="list-style-type: none"> i. [draft] ESRS 2 GOV-2; ii. [draft] ESRS 2 SBM-2: Interests and views of stakeholders; iii. [draft] ESRS 2 IRO-1; iv. [draft] ESRS 2 DC-P; and v. Topical ESRS: reflecting the different stages and purposes of stakeholder engagement throughout the sustainability due diligence process. 	<p>Core element of sustainability due diligence includes engaging with affected stakeholders</p>
	<p><u>Application Requirements</u></p> <p>3.3 Application requirements – Double materiality</p> <p><i>Stakeholders and their relevance to the materiality process</i></p> <p>AR 1. In addition to the categories of stakeholder listed in paragraph 26, common categories of stakeholders are: employees and other workers, suppliers, consumers, customers, end-users, local communities and vulnerable groups, authorities (including regulators, supervisors and central banks).</p> <p>AR 2. Nature may be considered as a silent stakeholder. In this case, ecological data and data on the conservation of species may support the undertaking's materiality assessment.</p> <p>AR 3. Materiality assessment is informed by the dialogue with affected stakeholders. The undertaking may engage with affected stakeholders or their representatives (such as employees or trade unions), along with users of sustainability reporting and other experts, to provide inputs or feedback on its conclusions regarding its material impacts, risks and opportunities.</p> <p>Assessment of impact materiality</p> <p>AR 4. In assessing impact materiality and determining the material matters to be reported, the undertaking shall consider the following four steps:</p> <ol style="list-style-type: none"> (a) understanding of the context in relation to its impacts including its activities, business relationships, sustainability context and stakeholders; (b) identification of actual and potential impacts (both negative and positive), through engaging with relevant stakeholders and experts. In this step, the undertaking may rely on scientific and analytical research on impacts on sustainability matters; (c) assessment of the materiality of its actual and potential impacts; and (d) determination of the material matters. In this step, the undertaking shall adopt thresholds to determine which of the impacts will be covered in its sustainability statements. 	<p>Other stakeholders acknowledged:</p> <ul style="list-style-type: none"> • employees and other workers • suppliers, • consumers, customers, and end-users • local communities • vulnerable groups • authorities • nature (silent) <p>Stakeholder engagement process includes dialogue with representatives, users, and other experts</p> <p>Stakeholder engagement is used to identify actual or potential impacts (negative and positive)</p> <p>To assess materiality of impacts, severity needs to</p>

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	<p>Characteristics of severity</p> <p>AR 5. The severity is determined by the following factors:</p> <ul style="list-style-type: none"> (a) scale: how grave the negative impact is or how beneficial the positive impact is for people or the environment; (b) scope: how widespread the negative or positive impacts are. In the case of environmental impacts, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the scope may be understood as the number of people adversely affected; and (c) irremediable character: whether and to what extent the negative impacts could be remediated, i.e., restoring the environment or affected people to their prior state. <p>AR 6. Any of the three characteristics (scale, scope, and irremediable character) can make a negative impact severe. In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.</p>	<p>be determined based on scale, scope and irremediable character of the effects on affected stakeholders</p>
<p>ESRS 2 General disclosures</p>	<p>3. Strategy</p> <p>35. The objective of this chapter is to set Disclosure Requirements for reporting on:</p> <ul style="list-style-type: none"> (a) the elements of its strategy that relate to or affect sustainability matters, its business model(s) and its value chain; (b) how the interests and views of its stakeholders are taken into account by the undertaking’s strategy and business model(s); and (c) the outcome of its assessment of material impacts, risks and opportunities, including how they inform its strategy and business model(s). <p>Disclosure Requirement SBM-1 – Market position, strategy, business model(s) and value chain</p> <p>38. The undertaking shall disclose the following information about the undertaking’s market position and the key elements of its general strategy that relate to or affect sustainability matters: [...]</p> <ul style="list-style-type: none"> (e) its sustainability-related goals in terms of groups of products and services, customer categories, geographical areas and relationships with stakeholders <p>39. The undertaking shall disclose a description of its business model(s) and value chain, including:</p> <ul style="list-style-type: none"> (b) its outputs and outcomes in terms of current and expected benefits for customers, investors and other stakeholders <p>Disclosure Requirement SBM-2 – Interests and views of stakeholders</p> <p>41. The undertaking shall disclose how the interests and views of its stakeholders are taken into account by the undertaking’s strategy and business model(s).</p> <p>42. The objective of this Disclosure Requirement is to provide an understanding of how stakeholders’ interests and views inform the undertaking’s strategy and business model(s).</p> <p>43. The undertaking shall disclose a summarised description of:</p> <ul style="list-style-type: none"> (a) the undertaking’s stakeholders, whether engagement with them occurs and for which categories of stakeholders, how it is organised, its purpose and how its outcome is taken into account by the undertaking; (b) the undertaking’s understanding of the interests and views of stakeholders as they relate to the undertaking’s strategy and business model(s), to the extent that these were analysed during the undertaking’s sustainability due diligence process(es) and/or materiality assessment process (see Disclosure Requirement IRO-1 of this [draft] Standard); 	<p>The goal of reporting is that businesses disclose how the interests and views of its stakeholders have been taken into account by the business’ strategy and business model(s)</p> <p>Businesses have to disclose a description of their business model(s) and value chain including the outputs and outcomes in terms of benefits for stakeholders</p> <p>Businesses must disclose how the interests and views of its stakeholders have been taken into account by the business’ strategy and business model(s), by describing (1) their stakeholders and engagement processes with stakeholders, (2) relation between</p>

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	<p>(c) where applicable, how the undertaking has amended or expects to amend its strategy and/or business model(s) to address the interests and views of its stakeholders, including any further steps that are being planned and in what timeline and whether these steps are likely to modify the relationship with and views of stakeholders; and</p> <p>(d) whether and how the administrative, management and supervisory bodies are informed about the views and interests of affected stakeholders with regard to the undertaking's sustainability related impacts</p>	<p>business' strategy and stakeholder interests, (3) amendment procedures to address stakeholder interests, and (4) involvement of management regarding stakeholder interests</p>
	<p>Disclosure Requirement IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities</p> <p>51. The undertaking shall disclose the following information:</p> <p>(b) an overview of the process(es) to identify, assess and prioritise the undertaking's potential and actual impacts on people and the environment, informed by the undertaking's sustainability due diligence process(es), including explanation of whether and how the process(es):</p> <p>iii. include(s) consultation with affected stakeholders to understand how they may be impacted and with external experts</p>	<p>Businesses must disclose how their processes to identify, assess and prioritise impacts are informed by consultation with affected stakeholders</p>
	<p>Disclosure Content - Policies DC-P – Policies adopted to manage material sustainability matters</p> <p>63. The undertaking shall disclose a policy adopted to manage a material sustainability matter. The disclosure shall include the following information:</p> <p>(b) a description of the scope of the policy in terms of activities, value chain, geographies and if relevant, affected stakeholder groups; [...]</p> <p>(e) if relevant, a description of the consideration given to the interests of key stakeholders in setting the policy;</p> <p>(f) if relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it.</p>	<p>Businesses must disclose how key stakeholders have been considered in setting their policy and whether these stakeholders are needed to help implement the policy</p>
	<p>Disclosure Content - Actions DC-A – Actions and resources in relation to material sustainability matters</p> <p>66. Where the implementation of a policy requires actions, or a comprehensive action plan, to achieve its objectives, as well as when actions are implemented without a specific policy, the undertaking shall disclose the following information: [...]</p> <p>(b) the scope of the key actions (i.e., coverage in terms of activities, value chain geographies and, where applicable, affected stakeholder groups);</p>	<p>Businesses must disclose the scope of their key actions in relation to material matters affecting stakeholders</p>
	<p>Disclosure Content – Targets DC-T – Tracking effectiveness of policies and actions through targets</p> <p>77. The objective of this Disclosure Content is to provide an understanding of:</p> <p>(e) whether and how stakeholders have been involved in target setting for each material sustainability matter.</p> <p>78. The undertaking shall disclose any measurable, outcome-oriented targets it has set to assess progress. For each measurable outcome-oriented target, the disclosure shall include the following information:</p> <p>(h) whether and how stakeholders have been involved in target setting for each material sustainability matter</p>	<p>Businesses must disclose how stakeholders have been involved in target-setting</p>

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	<p>Disclosure Requirement SBM-2 – Interests and views of stakeholders AR 15. The views and interests of stakeholders that are expressed as part of the undertaking’s engagement with stakeholders through its sustainability due diligence process(es) may be relevant to one or more aspects of its strategy or business model. As such, they may affect the undertaking’s decisions regarding the future direction of the strategy or business model(s).</p> <p>5. Metrics and targets</p> <p>Disclosure Content - Targets DC-T – Tracking effectiveness of policies and actions through targets AR 25. When setting targets related to the prevention or mitigation of environmental impacts, the undertaking shall prioritise targets related to the reduction of the impacts in absolute terms rather than in relative terms. When targets address the prevention or mitigation of social impacts, they may be specified in terms of the effects on human rights, welfare or positive outcomes for affected stakeholders.</p>	<p>Businesses must disclose how the views and interests of stakeholders are considered regarding future directions</p> <p>Businesses must prioritise targets related to reduction of absolute impacts</p>
ESRS S1 ‘Own workforce’	<p>Disclosure Requirement S1-2 – Processes for engaging with own workers and workers’ representatives about impacts 26. The undertaking shall disclose its general processes for engaging with its own workers and workers’ representatives about actual and potential material impacts on its own workforce.</p> <p>27. The objective of this Disclosure Requirement is to enable an understanding of how the undertaking engages, as part of its ongoing sustainability due diligence process, with its own workers and workers’ representatives about material, actual and potential, positive and/or negative impacts that do, or may, affect them, and whether and how perspectives of own workers are taken into account in the decision-making processes of the undertaking.</p> <p>28. The undertaking shall disclose whether and how the perspectives of its own workforce inform its decisions or activities aimed at managing the actual and potential material impacts on its own workforce. This shall include, where relevant, an explanation of:</p> <ul style="list-style-type: none"> (a) whether engagement occurs directly with the undertaking’s own workers or workers’ representatives; (b) the stage(s) at which engagement occurs, the type of engagement and frequency of the engagement; (c) the function and the most senior role within the undertaking that has operational responsibility for ensuring that this engagement happens and that the results inform the undertaking’s approach; (d) where applicable, a Global Framework Agreement or other agreements that the undertaking has with workers’ representatives related to the respect of human rights of its own workforce, including an explanation of how the agreement enables the undertaking to gain insight into those own workers’ perspectives, where applicable; (e) where applicable, how the undertaking assesses the effectiveness of its engagement with the own workers, including, where relevant, any agreements or outcomes that result; and <p>29. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of own workers that may be particularly vulnerable to impacts and/or marginalised (for example, women workers, migrant workers, workers with disabilities).</p> <p>30. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with the own workers, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process to be in place.</p> <p>Appendix A: Defined terms Social dialogue: All types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers, their organisations and workers’ representatives, on issues of common interest relating to economic and</p>	<p>Engagement with own workers and workers’ representatives to inform decisions and activities, special focus on marginalised groups</p>

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ESRS S2 'Workers in the value chain'	<p>social policy. It can exist as a tripartite process, with the government as an official party to the dialogue or it may consist of bipartite relations only between workers' representatives and management (or trade unions and employers' organisations).</p> <p>Appendix B.2: Application Requirements for ESRS S1-1 Policies related to own workforce Social dialogue / existence of work councils / information, consultation and participation rights of workers: Policy to encourage institutions for social dialogue, regular information and consultation with worker representatives, consultation before final decisions on employment-related issues are reached.</p> <p>Disclosure Requirement related to ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)</p> <p>10. When responding to ESRS 2 SBM-3, the undertaking shall disclose:</p> <p>(a) whether and how actual and potential impacts on value chain workers, as identified in ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities:</p> <p>(i) originate from or are connected to the undertaking's strategy and business models, and</p> <p>(ii) inform and contribute to adapting the undertaking's strategy and business model(s); and</p> <p>(b) the relationship between its material risks and opportunities arising from impacts and dependencies on value chain workers and its strategy and business model(s).</p> <p>11. When fulfilling the requirements of paragraph 46 (a) and (c), the undertaking shall disclose whether all value chain workers who can be materially impacted by the undertaking, including impacts that are caused or contributed by the undertaking or directly linked to its own operations, products or services through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall provide the following information:</p> <p>(a) a brief description of the types of workers subject to material impacts by its own operations or through its upstream and downstream value chain, and specify whether they are:</p> <p>i. workers working on the undertaking site but who are not part of own workforce, i.e., self-employed workers, or workers provided by third party undertakings primarily engaged in employment activities (covered through S1);</p> <p>ii. workers working for entities in the undertaking's upstream value chain (e.g., those involved in the extraction of metals or minerals or harvesting of commodities, in refining, manufacturing or other forms of processing);</p> <p>iii. workers working for entities in the undertaking's downstream value chain (e.g., those involved in the activities of logistics or distribution providers, franchisees, retailers);</p> <p>iv. workers working in the operations of a joint venture or special purpose vehicle involving the reporting undertaking;</p> <p>v. workers who (within the prior categories or additionally) are particularly vulnerable to negative impacts whether due to inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers.</p> <p>(b) any geographies (at country level or other levels) or commodities for which there is a significant risk of child labour, or of forced or compulsory labour, among workers in the undertaking's value chain;</p> <p>(c) in the case of material negative impacts, whether they are widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (e.g., child labour or forced labour in particular commodity supply chains in specific countries or regions), or whether they are related to individual incidents (e.g., an industrial accident or an oil spill) or to specific business relationships. This includes consideration of impacts on workers in the value chain that may</p>	<p>Brief description of:</p> <ul style="list-style-type: none"> • supply chain workers • material impacts they are related to • where they work • whether they face particular vulnerability • geographical commodities influencing risks • context of negative impacts (widespread or systemic) • risk of dependencies on value chain workers • risks of particular characteristics of workers • impacts on specific groups <p>Engagement with value chain workers:</p> <ul style="list-style-type: none"> • direct or through representatives / proxies • stages, type, frequency

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	<p>arise from the transition to greener and climate-neutral operations. Potential impacts include impacts associated with innovation and restructuring, closure of mines, increased transition mineral mining and solar panel production;</p> <p>(d) in the case of material positive impacts, a brief description of the activities that result in the positive impacts (e.g., updated purchasing practices, capacity-building to supply chain workers), including providing opportunities for the workforce such as job creation and upskilling in the context of a ‘just transition’, and the types of value chain workers that are positively affected or could be positively affected, including their geographic location; and</p> <p>(e) any material risks and opportunities for the undertaking arising from impacts and dependencies on value chain workers.</p> <p>12. In describing the main types of value chain workers who are or may be negatively affected, based on the materiality assessment set out in ESRS 2 IRO-1, the undertaking shall disclose how it has developed an understanding of how workers with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.</p> <p>13. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on value chain workers, are impacts on specific groups (for example, particular age groups, workers in a particular factory or country) rather than impacts that affect all of the value chain workers. Such circumstances arise when a material impact on value chain workers could lead to financial effects for the undertaking.</p> <p>Disclosure Requirement S2-2 – Processes for engaging with value chain workers about impacts</p> <p>20. The undertaking shall disclose its general processes for engaging with value chain workers and their representatives about actual and potential material impacts on them.</p> <p>21. The objective of this Disclosure Requirement is to enable an understanding of whether and how the undertaking engages, as part of its ongoing sustainability due diligence process, with value chain workers and their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or may affect them, and whether and how perspectives of value chain workers are taken into account in the decision-making processes of the undertaking.</p> <p>22. The undertaking shall disclose whether and how the perspectives of value chain workers inform its decisions or activities aimed at managing the actual and potential material impacts on value chain workers. This shall include, where relevant, an explanation of:</p> <ul style="list-style-type: none"> (a) whether engagement occurs with value chain workers or their legitimate representatives directly, or with credible proxies that have insight into their situation; (b) the stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement; (c) the function and the most senior role within the undertaking that has operational responsibility for ensuring that this engagement happens, and that the results inform the undertaking’s approach; (d) where applicable, Global Framework Agreements or for agreements that the undertaking has with global union federations related to respect of human rights of workers in the value chain, including their right to bargain collectively, and including an explanation of how the agreement enables the undertaking to gain insight into those workers’ perspectives, where applicable; and (e) where applicable, how the undertaking assesses the effectiveness of its engagement with workers in the value chain, including, where relevant, any agreements or outcomes that result. <p>23. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of workers that may be particularly vulnerable to impacts and/or marginalised (for example, women workers, migrant workers, workers with disabilities).</p>	<ul style="list-style-type: none"> • operational responsibility of engagement • effectiveness of engagement • steps to engage with marginalised groups

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ESRS S3 'Affected communities'	<p>24. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with workers in the value chain, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process in place.</p> <p>AR 8. Examples of particular characteristics of workers in the value chain that may be considered by the undertaking when responding to paragraph 12 relate to young workers that may be more susceptible to impacts on their physical and mental development, or women workers in a context where women are routinely discriminated against in the terms and conditions of work, or migrant workers in a context where the market for the supply of labour is poorly regulated and workers are routinely charged recruitment fees. For some workers, the inherent nature of the activity that they are required to undertake may put them at risk (e.g., workers required to handle chemicals or operate certain equipment or low paid workers who are on “zero hours” contracts).</p> <p>Disclosure Requirement related to ESRS 2 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model(s)</p> <p>8. When responding to ESRS 2 SBM-3, the undertaking shall disclose:</p> <ul style="list-style-type: none"> (a) whether and how actual and potential impacts on affected communities as identified in ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities: <ul style="list-style-type: none"> (i) originate from or are connected to the undertaking’s strategy and business models, and (ii) inform and contribute to adapting the undertaking’s strategy and business model(s); and (b) the relationship between its material risks and opportunities arising from impacts and dependencies on affected communities and its strategy and business model(s). <p>9. When fulfilling the requirements of paragraph 46 (a) and (c), the undertaking shall disclose whether all affected communities who can be materially impacted by the undertaking, including impacts that are caused or contributed by the undertaking or directly linked to its own operations, products or services through its business relationship, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall provide the following information:</p> <ul style="list-style-type: none"> (a) a brief description of the types of communities subject to material impacts by its own operations or through its upstream and downstream value chain, and specify whether they are: <ul style="list-style-type: none"> i. communities directly living or working around the undertaking’s operating sites, factories, facilities or other physical operations, or more remote communities affected by activities at those sites (for example by downstream water pollution); ii. communities along the undertaking’s value chain (for example, those affected by the operations of suppliers’ facilities or by the activities of logistics or distribution providers); iii. communities at one or both endpoints of the value chain (for example, at the point of extraction of metals or minerals or harvesting of commodities, or communities around waste or recycling sites); iv. communities of indigenous peoples. (b) in the case of material negative impacts, whether they are widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (for example, marginalised populations suffering impacts on their health and quality of life in a highly industrialised area), or whether they are related to individual incidents (e.g., a toxic waste spill affecting a community’s access to clean drinking water) or to specific business relationships (e.g., a peaceful protest by communities against business operations that was met with a violent response from the undertaking’s security services). This includes consideration of impacts on affected communities that may arise from the transition to greener and 	

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	<p>climate neutral operations. Potential impacts include impacts associated with innovation and restructuring, closure of mines, increased transition mineral mining and solar panel production;</p> <p>(c) in the case of material positive impacts, a brief description of the activities that result in the positive impacts (for example, capacity-building to support more and new forms of local livelihoods) and the types of communities that are positively affected or could be positively affected, including their geographic location; and</p> <p>(d) any material risks and opportunities for the business arising from impacts and dependencies on affected communities.</p> <p>10. In describing the main types of communities who are or may be negatively affected, based on the materiality assessment set out in Disclosure Requirement ESR5 2 IRO-1, the undertaking shall disclose how it has developed an understanding of how affected communities with particular characteristics or those living in particular contexts, or those undertaking particular activities may be at greater risk of harm.</p> <p>11. The undertaking shall disclose which, if any, of its material risks and opportunities arising from impacts and dependencies on affected communities, are impacts on specific groups rather than impacts on all affected communities. Such circumstances arise when a material impact on affected communities could lead to financial effects for the undertaking.</p> <p>Disclosure Requirement S3-2 – Processes for engaging with affected communities about impacts</p> <p>18. The undertaking shall disclose its general processes for engaging with affected communities and their representatives about actual and potential material impacts on them.</p> <p>19. The objective of this Disclosure Requirement is to enable an understanding of whether and how the undertaking engages, as part of its ongoing sustainability due diligence process, with affected communities, their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or may affect them, and whether and how perspectives of affected communities are taken into account in the decision-making processes of the undertaking.</p> <p>20. The undertaking shall disclose whether and how the perspectives of affected communities inform its decisions or activities aimed at managing actual and potential material impacts on communities. This shall include, where relevant, an explanation of:</p> <ul style="list-style-type: none"> (a) whether engagement occurs with affected communities or their legitimate representatives directly, or with credible proxies that have insight into their situation; (b) the stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement; (c) the function and the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens, and that the results inform the undertaking’s approach; (d) where applicable, how the undertaking assesses the effectiveness of its engagement with affected communities, including, where relevant, any agreements or outcomes that result. <p>21. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of affected communities that may be particularly vulnerable to impacts and/or marginalised, and into the perspective of specific groups within the affected communities, such as women and girls.</p> <p>22. Where affected communities are indigenous peoples, the undertaking shall also disclose how it takes into account and ensures respect of their particular rights in its stakeholder engagement approach, including their right to free, prior and informed consent with regard to their cultural, intellectual, religious and spiritual property; activities affecting their lands and territories; and legislative or administrative measures that affect them. In particular, where engagement occurs with indigenous peoples, the undertaking shall also</p>	

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ESRS S4 'Consumers and end-users'	<p>disclose whether and how indigenous peoples have been consulted on the mode and parameters of the engagement (for example, in designing the agenda, nature, and timeliness of the engagement).</p> <p>23. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with affected communities, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process in place.</p> <p>Disclosure Requirement S4-2 – Processes for engaging with consumers and end-users about impacts</p> <p>17. The undertaking shall disclose its general processes for engaging with consumers and end-users and their representatives about actual and potential material impacts on them.</p> <p>18. The objective of this Disclosure Requirement is to enable an understanding of whether and how the undertaking engages, as part of its ongoing sustainability due diligence process, with consumers and/or end-users, their legitimate representatives, or with credible proxies, about material actual and potential positive and/or negative impacts that do or may affect them, and whether and how perspectives of consumers and/or end-users are taken into account in the decision-making processes of the undertaking.</p> <p>19. The undertaking shall disclose whether and how the perspectives of consumers and/or end-users inform its decisions or activities aimed at managing actual and potential material impacts on consumers and/or end-users. This shall include, where relevant, an explanation of:</p> <ul style="list-style-type: none"> (a) whether engagement occurs with affected consumers and/or end-users or their legitimate representatives directly, or with credible proxies that have insight into their situation; (b) the stage(s) at which engagement occurs, the type of engagement, and the frequency of the engagement; (c) the function and the most senior role within the undertaking that has operational responsibility for ensuring this engagement happens, and that the results inform the undertaking's approach; and (d) where applicable, how the undertaking assesses the effectiveness of its engagement with consumers and/or end-users, and, where relevant, any agreements or outcomes that result. <p>20. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of consumers and/or end-users that may be particularly vulnerable to impacts and/or marginalised (for example, people with disabilities, children, etc.).</p> <p>21. If the undertaking cannot disclose the above required information because it has not adopted a general process to engage with consumers and/or end-users, it shall disclose this to be the case. It may disclose a timeframe in which it aims to have such a process in place.</p>	
ESRS E1 'Climate change'	<p>Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities</p> <p>18. The undertaking shall describe the process to identify and assess climate-related impacts, risks and opportunities. This description shall include:</p> <ul style="list-style-type: none"> (a) impacts on climate change, in particular, the undertaking's GHG emissions (as required by Disclosure Requirement ESRS E1-6); (b) climate-related physical risks in own operations and along the value chain, in particular: <ul style="list-style-type: none"> i. the identification of climate-related hazards, considering at least high emission climate scenarios; and ii. the assessment of how its assets and business activities may be exposed and are sensitive to these climate-related hazards, creating gross physical risks for the undertaking. 	

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ESRS E2 'Pollution'	<p>(c) climate-related transition risks and opportunities in own operations and along the value chain, in particular:</p> <ul style="list-style-type: none"> i. the identification of climate-related transition events, considering at least a climate scenario in line with limiting global warming to 1.5°C with no or limited overshoot; and ii. the assessment of how its assets and business activities may be exposed to these climate-related transition events, creating gross transition risks or opportunities for the undertaking. <p>19. When disclosing the information required under paragraphs 18(b) and 18(c), the undertaking shall explain how it has used climate-related scenario analysis to inform the identification and assessment of physical and transition risks and opportunities over the short-, medium- and long-term time horizons.</p> <p>Disclosure Requirement related to [draft] ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities</p> <p>10. The undertaking shall describe the process to identify material impacts, risks and opportunities and shall provide information on:</p> <ul style="list-style-type: none"> (a) the methodologies, assumptions and tools used to screen its site locations and business activities in order to identify its actual and potential pollution-related physical and transition risks in its own operations and value chain; (b) the interconnection between risks and opportunities arising from impacts and dependencies; and (c) the process for conducting consultations and in particular with affected communities. 	
ESRS E3 'Water and marine resources'	<p>Disclosure Requirement related to [draft] ESRS 2 IRO-1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities</p> <p>7. The undertaking shall describe the process to identify material impacts, risks and opportunities and shall provide information on:</p> <ul style="list-style-type: none"> (a) the methodologies, assumptions and tools used to screen its assets and activities in order to identify its actual and potential water and marine resources-related physical and transition risks in its own operations and value chain; (b) the interconnection between risks and opportunities arising from impacts and dependencies; and (c) the process for conducting consultations and, in particular, with affected communities . 	
ESRS E4 'Biodiversity and ecosystems'	<p>Disclosure Requirement related to ESRS 2 IRO-1 Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities</p> <p>20. The undertaking shall describe the process to identify material impacts, risks and opportunities. The description of the process shall include whether and how the undertaking:</p> <ul style="list-style-type: none"> (a) identified and assessed actual and potential impacts on biodiversity and ecosystems at own site locations and in the value chain, including assessment criteria applied; (b) identified and assessed dependencies on biodiversity and ecosystems and their services at own site locations and in the value chain, including assessment criteria applied, and, if this assessment includes ecosystem services that are disrupted or likely to be; (c) identified and assessed transition and physical risks and opportunities related to biodiversity and ecosystems, including assessment criteria applied based on its impacts and dependencies (d) considered systemic risks to: <ul style="list-style-type: none"> i. its own business model; and ii. society as a whole in its assessment of biodiversity and ecosystems-related risks. 	

File	Statements and requirements	Summary
	<p>(e) conducted consultations with affected communities on sustainability assessments of shared biological resources and ecosystems and, in particular:</p> <ul style="list-style-type: none"> i. when a site, a raw material production or sourcing is likely to negatively impact biodiversity and ecosystems, the identification of the specific sites, raw materials production or sourcing with negative or potential negative impacts on affected communities; ii. when affected communities are likely to be impacted, the undertaking, shall disclose how these communities were involved in the materiality assessment; and iii. with respect to impacts on priority ecosystem services of relevance to affected communities in its own operations, the undertaking shall indicate how negative impacts may be avoided. If these impacts are unavoidable, the undertaking may indicate its plans to minimise them and implement mitigation measures that aim to maintain the value and functionality of priority services. <p>21. The undertaking shall disclose whether the business model(s) has been verified using a range of biodiversity and ecosystems scenarios – or other scenarios with a modelling of biodiversity and ecosystems related consequences – with different possible pathways; and it shall also disclose the following information on the scenarios:</p> <ul style="list-style-type: none"> (a) why the considered scenarios were taken into consideration; (b) how the considered scenarios are updated according to evolving conditions and emerging trends; or (c) whether the scenarios are informed by expectations in authoritative intergovernmental instruments such as the Convention for Biological Diversity and, where relevant, by scientific consensus, that is, in the case of biodiversity and ecosystem services, IPBES. <p>22. The undertaking shall specifically disclose:</p> <ul style="list-style-type: none"> (a) the definition of the time horizons used for the analysis; (b) whether and how it has used scenario analysis in the assessment process; (c) whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas: <ul style="list-style-type: none"> i. by leading to the deterioration of natural habitats and the habitats of species and to the disturbance of the species for which a protected area has been designated; and ii. where conclusions or necessary mitigation measures identified by any of the following assessments have not been implemented or are ongoing accordingly (Directive 2009/147/EC of the European Parliament and of the Council on the conservation of wild birds; Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora; an Environmental Impact Assessment (EIA) as defined in Article 1(2), point (g), of Directive 2011/92/EU of the European Parliament and of the Council on the assessment of the effects of certain public and private projects on the environment; and for activities located in third countries, in accordance with equivalent national provisions or international standards, such as the International Finance Corporation (IFC) Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources. (d) a list of material sites based on the results of paragraph 22 (c). The undertaking shall disclose these locations by: <ul style="list-style-type: none"> i. specifying the activities negatively affecting these areas; ii. providing a breakdown of sites according to the impacts and dependencies identified, and to the ecological status of the areas (with reference to the specific ecosystem baseline level) where they are located; and 	

File	Statements and requirements	Summary
ESRS E5 'Resource use and circular economy'	<p>iii. specifying the biodiversity-sensitive areas impacted, as defined in paragraph 22 c ii for users to be able to determine the location and the responsible competent authority with regards to the activities specified in paragraph 22(d) i.</p> <p>(e) whether it has identified material negative impacts with regards to land degradation, desertification or soil sealing; and</p> <p>(f) whether it has its operations affect threatened species.</p> <p>Disclosure Requirement related to [draft] ESRS 2 IRO-1 – Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities</p> <p>11. The undertaking shall describe the process to identify material impacts, risks and opportunities related to resource use and circular economy and shall provide information on:</p> <p>(a) the methodologies, assumptions and tools used to screen its assets and activities in order to identify its actual and potential risks in its own operations and value chain;</p> <p>(b) the interconnection between risks and opportunities arising from impacts and dependencies;</p> <p>(c) the process for conducting consultations and, in particular, with affected communities.</p>	

Appendix I – Marginalised groups in ESRS

Table 40 | Marginalised groups mentioned in the ESRS

Marginalized group	ESRS	Disclosure and application requirements (DR & AR)
Women	<p>ESRS S2 Workers in the value chain:</p> <p>Equal treatment and opportunities for all – Gender equality and equal pay for work of equal value</p>	<p>Disclosure Requirement related to ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)</p> <p>11. When fulfilling the requirements of paragraph 46 (a) and (c), the undertaking shall disclose whether all value chain workers who can be materially impacted by the undertaking, including impacts that are caused or contributed by the undertaking or directly linked to its own operations, products or services through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall provide the following information:</p> <p>(a) a brief description of the types of workers subject to material impacts by its own operations or through its upstream and downstream value chain, and specify whether they are:</p> <p>v. workers who (within the prior categories or additionally) are particularly vulnerable to negative impacts whether due to inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers.</p> <p>AR 8. Examples of particular characteristics of workers in the value chain that may be considered by the undertaking when responding to paragraph 12 relate to young workers that may be more susceptible to impacts on their physical and mental development, or women workers in a context where women are routinely discriminated against in the terms and conditions of work, or migrant workers in a context where the market for the supply of labour is poorly regulated and workers are routinely charged recruitment fees. For some workers, the inherent nature of the activity that they are required to undertake may put them at risk (e.g., workers required to handle chemicals or operate certain equipment or low paid workers who are on “zero hours” contracts).</p> <p>Disclosure Requirement S2-2 – Processes for engaging with value chain workers about impacts</p>

Marginalized group	ESRS	Disclosure and application requirements (DR & AR)
		<p>23. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of workers that may be particularly vulnerable to impacts and/or marginalised (for example, women workers, migrant workers, workers with disabilities).</p> <p>Disclosure Requirement S2-4 – Taking Action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions and approaches.</p> <p>AR 39. The undertaking may disclose whether any initiatives or processes whose primary aim is to deliver positive impacts for value chain workers are designed also to support the achievement of one or more of the UN Sustainable Development Goals (SDGs). For example, through a commitment to advance UN SDG 8 to “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all” the undertaking may be providing capacity-building to smallholders in its supply chain, resulting in increases in their income; or it may be supporting training to increase the proportion of women able to take delivery jobs in its downstream value chain.</p> <p>AR 41. When disclosing whether initiatives or processes also play a role in mitigating material negative impacts, the undertaking may e.g., consider programmes that aim to advance women workers’ financial literacy that have resulted in more women being promoted as well as in reports of reduced sexual harassment in the workplace.</p>
Children & Young workers	ESRS S2 Workers in the value chain: Other work-related rights – Child labour	<p>Disclosure Requirement related to ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)</p> <p>11. When fulfilling the requirements of paragraph 46 (a) and (c), the undertaking shall disclose whether all value chain workers who can be materially impacted by the undertaking, including impacts that are caused or contributed by the undertaking or directly linked to its own operations, products or services through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall provide the following information:</p> <p>(a) a brief description of the types of workers subject to material impacts by its own operations or through its upstream and downstream value chain, and specify whether they are:</p> <ul style="list-style-type: none"> v. workers who (within the prior categories or additionally) are particularly vulnerable to negative impacts whether due to inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers. <p>(b) any geographies (at country level or other levels) or commodities for which there is a significant risk of child labour, or of forced or compulsory labour, among workers in the undertaking’s value chain.</p> <p>(c) in the case of material negative impacts, whether they are widespread or systemic in contexts where the undertaking operates or has sourcing or other business relationships (e.g., child labour or forced labour in particular commodity supply chains in specific countries or regions), or whether they are related to individual incidents (e.g., an industrial accident or an oil spill) or to specific business relationships. This includes consideration of impacts on workers in the value chain that may arise from the transition to greener and climate-neutral operations. Potential impacts include impacts associated with innovation and restructuring, closure of mines, increased transition mineral mining and solar panel production.</p> <p>AR 8. Examples of particular characteristics of workers in the value chain that may be considered by the undertaking when responding to paragraph 12 relate to young workers that may be more susceptible to impacts on their physical and mental</p>

Marginalized group	ESRS	<p data-bbox="775 194 1460 225">Disclosure and application requirements (DR & AR)</p> <p data-bbox="775 228 2011 368">development, or women workers in a context where women are routinely discriminated against in the terms and conditions of work, or migrant workers in a context where the market for the supply of labour is poorly regulated and workers are routinely charged recruitment fees. For some workers, the inherent nature of the activity that they are required to undertake may put them at risk (e.g., workers required to handle chemicals or operate certain equipment or low paid workers who are on “zero hours” contracts).</p> <p data-bbox="775 391 1469 416">Disclosure Requirement S2-1 – Policies related to value chain workers</p> <p data-bbox="775 419 2018 502">18. The undertaking shall also state whether its policies in relation to value chain workers explicitly address trafficking in human beings⁴, forced or compulsory labour and child labour. It shall also state whether the undertaking has a supplier code of conduct.</p> <p data-bbox="775 525 2029 697">AR 15. When disclosing how external-facing policies are embedded, the undertaking may, for example, consider internal policies of responsible sourcing, and alignment with other policies relevant to value chain workers, for example, regarding forced labour. With regard to supplier codes of conduct that the undertaking may have, the summary shall indicate whether they include provisions addressing the safety of workers, including precarious work (for example, the use of workers on short-term or limited hours contracts, workers employed via third parties, sub-contracting to third parties or use of informal workers), human trafficking, the use of forced labour or child labour, and whether such provisions are fully in line with applicable ILO standards.</p> <p data-bbox="775 719 1715 745">Disclosure Requirement S2-2 – Processes for engaging with value chain workers about impacts</p> <p data-bbox="775 748 2011 831">AR 17. Legitimate representatives who have knowledge of the interests, experiences or perspectives of value chain workers could include trade unions and worker representatives. Credible proxies could include expert organisations working on specific issues such as forced labour or child labour in local contexts.</p> <p data-bbox="775 853 2002 906">Disclosure Requirement S2-4 – Taking Action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions and approaches</p> <p data-bbox="775 909 2033 962">AR 42. When disclosing the material risks and opportunities related to the undertaking’s impacts or dependencies on value chain workers, the undertaking may consider the following business risks that could lead into material risks and business opportunities:</p> <p data-bbox="775 984 1989 1037">(a) business risks related to the undertaking’s impacts on value chain workers may include the reputational or legal exposure where value chain workers are found to be subject to forced or child labour</p>
Workers beyond Tier 1	Not found	Not found
Migrant workers	ESRS S2 Workers in the value chain	<p data-bbox="775 1112 2024 1165">Disclosure Requirement related to ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)</p> <p data-bbox="775 1168 2011 1281">11. When fulfilling the requirements of paragraph 46 (a) and (c), the undertaking shall disclose whether all value chain workers who can be materially impacted by the undertaking, including impacts that are caused or contributed by the undertaking or directly linked to its own operations, products or services through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall provide the following information:</p> <p data-bbox="775 1284 1980 1337">(a) a brief description of the types of workers subject to material impacts by its own operations or through its upstream and downstream value chain, and specify whether they are:</p>

Marginalized group	ESRS	Disclosure and application requirements (DR & AR)
		<p>v. workers who (within the prior categories or additionally) are particularly vulnerable to negative impacts whether due to inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers.</p> <p>AR 8. Examples of particular characteristics of workers in the value chain that may be considered by the undertaking when responding to paragraph 12 relate to young workers that may be more susceptible to impacts on their physical and mental development, or women workers in a context where women are routinely discriminated against in the terms and conditions of work, or migrant workers in a context where the market for the supply of labour is poorly regulated and workers are routinely charged recruitment fees. For some workers, the inherent nature of the activity that they are required to undertake may put them at risk (e.g., workers required to handle chemicals or operate certain equipment or low paid workers who are on “zero hours” contracts).</p> <p>Disclosure Requirement S2-2 – Processes for engaging with value chain workers about impacts</p> <p>23. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of workers that may be particularly vulnerable to impacts and/or marginalised (for example, women workers, migrant workers, workers with disabilities).</p>
<p>Minority groups:</p> <ul style="list-style-type: none"> • Disabled • Religious • LHBTI+ • Members of trade unions / representatives 	<p>ESRS S2 Workers in the value chain: Equal treatment and opportunities for all – The employment and inclusion of persons with disabilities</p>	<p>Disclosure Requirement related to ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)</p> <p>11. When fulfilling the requirements of paragraph 46 (a) and (c), the undertaking shall disclose whether all value chain workers who can be materially impacted by the undertaking, including impacts that are caused or contributed by the undertaking or directly linked to its own operations, products or services through its business relationships, are included in the scope of its disclosure under ESRS 2. In addition, the undertaking shall provide the following information:</p> <p>(a) a brief description of the types of workers subject to material impacts by its own operations or through its upstream and downstream value chain, and specify whether they are:</p> <p>v. workers who (within the prior categories or additionally) are particularly vulnerable to negative impacts whether due to inherent characteristics or to the particular context, such as trade unionists, migrant workers, home workers, women or young workers.</p> <p>Disclosure Requirement S2-2 – Processes for engaging with value chain workers about impacts</p> <p>23. Where applicable, the undertaking shall disclose the steps it takes to gain insight into the perspectives of workers that may be particularly vulnerable to impacts and/or marginalised (for example, women workers, migrant workers, workers with disabilities).</p>
<p>End-of-life actors</p>	<p>ESRS S3 Affected communities</p> <p>ESRS E5 Resource use and circular economy</p>	<p>Disclosure Requirement S3-4 – Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions and approaches</p> <p>AR 31. Impacts on communities may stem from environmental matters which are disclosed by the undertaking under the [draft] ESRS E1 to E5. Examples include:</p> <p>(e) [draft] ESRS E5 Resource use and circular economy: The undertaking may negatively impact the lives of communities by affecting their health through the mis-management of hazardous waste.</p>

Marginalized group	ESRS	Disclosure and application requirements (DR & AR)
		<p>Disclosure Requirement related to [draft] ESRS 2 IRO-1 – Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities</p> <p>11. The undertaking shall describe the process to identify material impacts, risks and opportunities related to resource use and circular economy and shall provide information on:</p> <p>(c) the process for conducting consultations and, in particular, with affected communities.</p> <p>Disclosure Requirement E5-2 – Actions and resources in relation to resource use and circular economy</p> <p>AR 14. When providing information under paragraph 17 and considering that resources are shared and that circular economy strategies may require collective actions, the undertaking may specify the actions taken to engage with its upstream and downstream value chain and/or its local ecosystem on the development of collaborations or initiatives increasing the circularity of products and materials. AR 15. In particular, the undertaking may specify the following:</p> <p>(a) how it contributes to circular economy, including for instance smart waste collection systems;</p> <p>(b) the other stakeholders involved in the collective actions: competitors, suppliers, retailers, customers, other business partners, local communities and authorities, government agencies.</p>
Local communities	ESRS S3 Affected communities	<p>Objective</p> <p>1. The objective of this [draft] Standard is to specify disclosure requirements which will enable users of the sustainability statements to understand material impacts on affected communities caused or contributed to by the undertaking, as well as, material impacts which are directly linked to the undertaking’s own operations, products or services through its business relationships and its related material risks and opportunities, including: (a) how the undertaking affects communities, in areas where risks are most likely to be present and severe, in terms of material positive and negative actual or potential impacts; (b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts; (c) the nature, type and extent of the undertaking’s material risks and opportunities related to its impacts and dependencies on affected communities, and how the undertaking manages them; and (d) the financial effects on the undertaking over the short-, medium- and long-term time horizons of material risks and opportunities arising from the undertaking’s impacts and dependencies on affected communities.</p> <p>2. In order to meet the objective, this [draft] Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on affected communities in relation to: (a) communities’ economic, social and cultural rights (for example, adequate housing, adequate food, water and sanitation, land-related and security-related impacts); (b) communities’ civil and political rights (for example, freedom of expression, freedom of assembly, impacts on human rights defenders); and (c) particular rights of indigenous communities (for example, free, prior and informed consent, self-determination, cultural rights).</p> <p>3. This [draft] Standard also requires an explanation of how such impacts, as well as the undertaking’s dependencies on affected communities, can create material risks or opportunities for the undertaking. For example, negative relationships with affected communities may disrupt the undertaking’s own operations or harm its reputation, while constructive relationships can bring business benefits, such as stable and conflict-free operations and a greater ease of recruiting locally.</p>

Appendix J – Stakeholder roles described in the CSRD and ESRS

Table 41 | Stakeholder roles

File	Statements and requirements
CSRD	<p>9. If undertakings carried out better sustainability reporting, the ultimate beneficiaries would be individual citizens and savers, including trade unions and workers’ representatives who would be adequately informed and therefore able to better engage in social dialogue. Savers who want to invest sustainably will have the opportunity to do so, while all citizens would benefit from a stable, sustainable and inclusive economic system. To realise such benefits, the sustainability information disclosed in the annual reports of undertakings first has to reach two primary groups of users. The first group of users consists of investors, including asset managers, who want to better understand the risks and opportunities that sustainability issues pose for their investments and the impacts of those investments on people and the environment. The second group of users consists of civil society actors, including non-governmental organisations and social partners, which wish to better hold undertakings to account for their impacts on people and the environment. Other stakeholders might also make use of sustainability information disclosed in annual reports, in particular to foster comparability across and within market sectors.</p> <p>The business partners of undertakings, including customers, might rely on sustainability information to understand and, where necessary, report on their sustainability risks and impacts throughout their own value chains. Policy makers and environmental agencies can use such information, in particular on an aggregate basis, to monitor environmental and social trends, to contribute to environmental accounts, and to inform public policy. Few individual citizens and consumers directly consult undertakings’ annual reports, but they might use sustainability information indirectly, for example, when considering the advice or opinions of financial advisers or nongovernmental organisations. Many investors and asset managers purchase sustainability information from third-party data providers, who collect information from various sources, including public corporate reports.</p>
CSRD	<p>30. Undertakings should also be required to disclose [...] the role of the board and management with regard to sustainability matters.</p> <p>49. Sustainability reporting standards that address diversity should specify, amongst other things, information to be reported on gender diversity at top management and the number of members of the under-represented sex on their boards.</p> <p>50. Governance factors that are most relevant to users are listed by authoritative reporting frameworks such as the Global Reporting Initiative and the Task Force on Climate-related Financial Disclosures, as well as by authoritative global frameworks such as the Global Governance Principles of the International Corporate Governance Network and the G20/OECD Principles of Corporate Governance. Sustainability reporting standards should specify the information that undertakings should disclose on governance factors. Such information should cover the role of an undertaking’s administrative, management and supervisory bodies with regard to sustainability matters, the expertise and skills needed to fulfil that role or the access such bodies have to such expertise and skills, whether the company has a policy in terms of incentives which are offered to members of those bodies and which are linked to sustainability matters, and information on an undertaking’s internal control and risk management systems in relation to the sustainability reporting process.</p>

51. The sustainability reporting standards should promote a more integrated view of all the information published by undertakings in the management report to provide users of that information with a better understanding of the development, performance, position and impact of the undertaking.

52. Member States should ensure that sustainability reporting is carried out in compliance with workers' rights to information and consultation. The management of the undertaking should therefore inform workers' representatives at the appropriate level and discuss with them relevant information and the means of obtaining and verifying sustainability information. This implies for the purpose of this amending Directive the establishment of dialogue and exchange of views between workers' representatives and central management or any other level of management that could be more appropriate, at such times, in such fashion and with such content as would enable workers' representatives to express their opinion. Their opinion should be communicated, where applicable, to the relevant administrative, management or supervisory bodies.

Article 1 Amendments to Directive 2013/34/EU

1. Large undertakings, and small and medium-sized undertakings, except micro undertakings, which are public interest entities as defined in point (a) of point (1) of Article 2 shall include in the management report information necessary to understand the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position. The information referred to in the first subparagraph shall be clearly identifiable within the management report, through a dedicated section of the management report.

2. The information referred to in paragraph 1 shall contain: [...]

(c) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters, and of their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills; [...]

(e) information about the existence of incentive schemes linked to sustainability matters which are offered to members of the administrative, management and supervisory bodies.

3. Member States may allow information relating to impending developments or matters in the course of negotiation to be omitted in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance and position, and the impact of its activity.

5. The management of the undertaking shall inform the workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. The workers' representatives' opinion shall be communicated, where applicable, to the relevant administrative, management or supervisory bodies.

Article 40c

Member States shall provide that the members of the administrative, management and supervisory bodies of the subsidiary undertakings referred to in Article 40a have collective responsibility for ensuring, to the best of their knowledge and ability, that their sustainability report is drawn up in accordance with Article 40a, and that that report is published and made accessible in accordance with Article 40d.

ESRS 2
General
disclosures

Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies

17. The undertaking shall disclose the composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to sustainability matters.

18. The objective of this Disclosure Requirement is to provide an understanding of:

- (a) the composition and diversity of the administrative, management and supervisory bodies;
- (b) the roles and responsibilities of the administrative, management and supervisory bodies in exercising oversight of the process to manage material impacts, risks and opportunities, including management's role in these processes; and
- (c) the expertise of its administrative, management and supervisory bodies on sustainability matters or access to such expertise and skills.

19. The undertaking shall disclose the following information about the composition and diversity of the members of the undertaking's administrative, management and supervisory bodies:

- (a) classification of members between executive and non-executive;
- (b) representation of employees and other workers;
- (c) experience relevant to the sectors, products and geographic locations of the undertaking;
- (d) percentage by gender and other aspects of diversity that the undertaking considers. The board's gender diversity shall be calculated as an average ratio of female to male board members; and
- (e) the percentage of independent board members.

20. The undertaking shall disclose the following information about the roles and responsibilities of the administrative, management and supervisory bodies:

- (a) the identity of the administrative, management and supervisory bodies (such as a board committee or similar) or individual within a body responsible for oversight of impacts, risks and opportunities;
- (b) how each body's responsibilities for impacts, risks and opportunities are reflected in the undertaking's terms of reference, board mandates and other related policies;
- (c) a description of management's role in assessing and managing impacts, risks and opportunities, including whether that role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee. The description shall include information about the reporting lines to the administrative, management and supervisory bodies, whether dedicated controls and procedures are applied to the management of impacts, risks and opportunities and, if so, how they are integrated with other internal functions; and

(d) how the administrative, management and supervisory bodies and senior executive management oversee the setting of targets related to material impacts, risks and opportunities, and how they monitor progress towards them.

21. The disclosure shall include a description of how the administrative, management and supervisory bodies ensure the availability of the appropriate skills and expertise to oversee sustainability matters, including:

(a) the sustainability-related expertise that the bodies, as a whole, either directly possess or can leverage, for example through access to experts or training; and

(b) how it relates to the undertaking's material impacts, risks and opportunities.

AR 2. In describing the roles and responsibilities of the administrative, management and supervisory bodies with regard to sustainability matters, the undertaking may specify:

(a) the aspects of sustainability over which oversight is exercised, with regard to environmental, social and governance matters the undertaking may be facing, including:

i. any assessment of and changes to sustainability-related aspects of the undertaking's strategy and business model(s);

ii. the identification and assessment of material risks, opportunities and impacts;

iii. related policies and targets, action plans and dedicated resources; and iv. sustainability reporting;

(b) the form such oversight takes for each of the above aspects: i.e., information, consultation or decision-making; and

(c) the way such oversight is organised and formalised, i.e., processes by which the administrative, management and supervisory bodies engage with these aspects of sustainability.

AR 4. The description of the level of expertise or access to expertise of the administrative, management and supervisory bodies may be substantiated by illustrating the composition of the bodies, including members on whom these bodies rely for expertise to oversee sustainability matters, and how they leverage that expertise as a body. In the description, the undertaking shall consider how the expertise and skills are relevant to the undertaking's material impacts, risks and opportunities and whether the bodies and/or its members have access to other sources of expertise, such as specific experts and training and other educational initiatives to update and develop sustainability-related expertise within these bodies.

Disclosure Requirement GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

22. The undertaking shall disclose how the administrative, management and supervisory bodies are informed about sustainability matters and how these matters were addressed during the reporting period.

23. The objective of this Disclosure Requirement is to provide an understanding of how administrative, management and supervisory bodies are informed about sustainability matters, as well as what information and matters they addressed. This in turn allows an understanding of whether the members of these bodies were adequately informed and whether they were able to fulfil their roles.

24. The undertaking shall disclose the following information:

(a) whether, by whom and how frequently the administrative, management and supervisory bodies, including their relevant committees, are informed about material impacts, risks and opportunities (see Disclosure Requirement IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities of this [draft] Standard), the implementation of sustainability due diligence and the results and effectiveness of policies, actions, metrics and targets adopted to address them, as well as any other sustainability-related concern that may arise and would require their attention;

(b) how the administrative, management and supervisory bodies consider impacts, risks and opportunities when overseeing the undertaking's strategy, its decisions on major transactions, and its risk management policies, including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required; and

(c) a list of the material impacts, risks and opportunities addressed by the administrative, management and supervisory bodies, or their relevant committees during the reporting period.

AR 5. Depending on the undertaking's structure, the administrative, management and supervisory bodies may focus on overarching targets, while management focuses on the more detailed targets. In this case, the undertaking may report on how the governance bodies ensures that an appropriate mechanism for performance monitoring is in place.

Disclosure Requirement GOV-3 - Integration of sustainability-related performance in incentive schemes

26. The objective of this Disclosure Requirement is to provide an understanding of whether incentive schemes are offered to members of the administrative, management and supervisory bodies that are linked to sustainability matters.

27. The undertaking shall disclose the following information about the incentive schemes for members of the undertaking's administrative, management and supervisory bodies, where they exist:

(a) whether performance is being assessed against specific sustainability-related targets and/or impacts – and if so, which ones. And whether and how sustainability-related performance metrics are being considered as performance benchmarks or included in remuneration policies;

(b) a description of the key characteristics of the incentive schemes including the proportion of variable compensation dependent on such metrics; and

(c) the responsibility level in the undertaking that approves and updates the terms of incentive schemes.

Disclosure Requirement GOV-4 - Statement on sustainability due diligence

31. This disclosure requirement does not mandate any specific behavioural requirements with regard to sustainability due diligence actions and does not extend to or modify the role of administrative, management and supervisory bodies as mandated by other legislation or regulation.

Disclosure Requirement SBM-2 – Interests and views of stakeholders

43. The undertaking shall disclose a summarised description of: [...]

File	Statements and requirements
	<p>(d) whether and how the administrative, management and supervisory bodies are informed about the views and interests of affected stakeholders with regard to the undertaking’s sustainability-related impacts.</p> <p>Appendix A: Defined terms</p> <p>Administrative, management and supervisory bodies: The governance bodies with the highest decision-making authority in the undertaking including its committees. If there are no administrative, management or supervisory body of the undertaking, the CEO, and if such function exists, the deputy CEO, should be included. In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated. In such cases, both tiers are included under the definition of administrative, management and supervisory bodies.</p>
ESRS G1 Business conduct	<p>Disclosure Requirement related to ESRS 2 GOV-1 – The role of the administrative, supervisory and management bodies</p> <p>5. When disclosing on leadership on business conduct, the undertaking shall cover the following aspects:</p> <ul style="list-style-type: none"> (a) the role of the administrative, management and supervisory bodies related to business conduct; and (b) the expertise of the administrative, management and supervisory bodies on business conduct matters.

Appendix K – Existing disparities addressed in ESRS

Table 42 | Existing disparities addressed in ESRS

Impacts to address in a just transition	Impacts addressed in the ESRS
Water use	ESRS E3 ‘Water and marine resource’: “This [draft] Standard sets out Disclosure Requirements related to water and marine resources. The sustainability matter ‘water’ covers the undertaking’s relationship with water in its own operations, upstream and downstream value chain, in terms of impacts, risks and opportunities and how it effectively addresses these issues. Water covers surface water, groundwater and produced water. This covers where and how much water is consumed for the undertaking’s activities, products and services and what are the water-related impacts caused or contributed to by the undertaking. It also covers how the undertaking is exposed to water-related risks.” (p.4)
Water pollution	ESRS E2 ‘Pollution’: “This [draft] Standard sets out Disclosure Requirements related to the following sustainability matters: pollution of air, water, soil, substances of concern, including substances of very high concern. [...] The sustainability matter “pollution of water” covers information related to the undertaking’s emissions to water, and prevention, control and reduction of such emissions and thereby pollution.” (p.4)
Energy consumption	ESRS E1 ‘Climate change’: “This [draft] Standard covers Disclosure Requirements related to the following sustainability matters: “Climate change mitigation”, “Climate change adaptation” and “Energy”. [...] The requirements related to “Energy” cover all types of energy production and consumption.” (p.5)
Chemical use	No explicit mentioning of chemical use, but included in the following:

Impacts to address in a just transition	Impacts addressed in the ESRS
	<p>ESRS E2 'Pollution': "This [draft] Standard sets out Disclosure Requirements related to the following sustainability matters: pollution of air, water, soil, substances of concern, including substances of very high concern. [...] The sustainability matter "substances of concern" cover information related to the undertaking's production, use and/or distribution and commercialisation of substances of concern, including substances of very high concern." (p.4)</p>
Finite resource use	<p>ESRS E5 'Resource use and circular economy': "This [draft] Standard sets out Disclosure Requirements related to "resource use" and "circular economy" and in particular on resource inflows including the circularity of material resource inflows, considering renewable and non-renewable resources." (p.4)</p>
Waste production	<p>ESRS E5 'Resource use and circular economy': "This [draft] Standard sets out Disclosure Requirements related to "resource use" and "circular economy" and in particular on waste." (p.4)</p>
Greenhouse gas emissions	<p>ESRS E1 'Climate change': "This [draft] Standard covers disclosure requirements related but not limited to the seven Greenhouse Gases (GHG) carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3). It also covers Disclosure Requirements on how the undertaking addresses its GHG emissions as well as the associated transition risks." (p.5)</p> <p>ESRS E2 'Pollution': "This [draft] Standard sets out Disclosure Requirements related to the following sustainability matters: pollution of air, water, soil, substances of concern, including substances of very high concern. The sustainability matter "pollution of air" covers information related to the undertaking's emissions into air (both indoor and outdoor), and prevention, control and reduction of such emissions and thus pollution." (p.4)</p>
Bribery and corruption	<p>ESRS G1 'Business conduct': "This [draft] Standard focusses on the following practices specified by the Corporate Sustainability Reporting Directive (CSRD), indicated in this [draft] Standard as 'business conduct or business conduct matters': avoiding corruption and bribery." (p.4)</p>
Occupational health and safety	<p>ESRS S1 'Own workforce': "[T]his [draft] Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to the following social, including human rights, factors or matters: working conditions including health and safety." (p.5)</p> <p>ESRS S2 'Workers in the value chain': "[T]his [draft] Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on value chain workers in relation to: working conditions (for example, secure employment, working time, adequate wages, social dialogue, freedom of association, including the existence of work councils, collective bargaining, work-life balance and health and safety)." (p.4)</p> <p>ESRS S4 'Consumer and end-users': "[T]his [draft] Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on the consumers and/or end-users related to its products and/or services in relation to: [...] personal safety of consumers and/or end-users (for example, health and safety, security of a person and protection of children)." (p.4)</p>
Discrimination and (sexual) harassment	<p>ESRS S1 'Own workforce': "[T]his [draft] Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to the following social, including human rights, factors or matters: equal treatment and opportunities for all, including: (1) gender equality and equal pay for work of equal value; (2) training and skills development; (3) employment and inclusion of persons with disabilities; (4). measures against violence and harassment in the workplace; and (5) diversity." (p.5)</p> <p>ESRS S2 'Workers in the value chain': "[T]his [draft] Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on value chain workers in relation to: equal treatment and opportunities for all (for example, gender equality and equal pay for work of equal value, training and skills development, the employment and inclusion of persons with disabilities, measures against violence and harassment in the workplace, and diversity)." (p.4)</p>

Impacts to address in a just transition	Impacts addressed in the ESRS
	<p>ESRS S4 'Consumer and end-users': "[T]his [draft] Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on the consumers and/or end-users related to its products and/or services in relation to: [...] social inclusion of consumers and/or end-users (for example, non-discrimination, access to products and services and responsible marketing practices)." (p.4)</p>
<p>Non-compliance with minimum wage laws</p>	<p>Adequate wages definition: "EU, national or local legal definitions of adequate wages, fair wages, and minimum wages." (ESRS S1, p.21)</p> <p>ESRS S1 'Own workforce': "[T]his [draft] Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to the following social, including human rights, factors or matters: working conditions including adequate wages." (p.5)</p> <p>ESRS S2 'Workers in the value chain': "[T]his [draft] Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on value chain workers in relation to: working conditions (for example, secure employment, working time, adequate wages, social dialogue, freedom of association, including the existence of work councils, collective bargaining, work-life balance and health and safety)." (p.4)</p>
<p>Lack of living wages</p>	<p>No explicit mentioning of (lack of) living wage, but included in the following:</p> <p>Adequate wages definition: "EU, national or local legal definitions of adequate wages, fair wages, and minimum wages." (ESRS S1, p.21)</p> <p>ESRS S1 'Own workforce': "[T]his [draft] Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to the following social, including human rights, factors or matters: working conditions including adequate wages." (p.5)</p> <p>ESRS S2 'Workers in the value chain': "[T]his [draft] Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on value chain workers in relation to: working conditions (for example, secure employment, working time, adequate wages, social dialogue, freedom of association, including the existence of work councils, collective bargaining, work-life balance and health and safety)." (p.4)</p>
<p>No (effective) collective bargaining or freedom of association</p>	<p>ESRS S1 'Own workforce': "[T]his [draft] Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to the following social, including human rights, factors or matters: working conditions including freedom of association, the existence of works councils and the information, consultation and participation rights of workers, and collective bargaining, including the rate of workers covered by collective agreements." (p.5)</p> <p>ESRS S2 'Workers in the value chain': "[T]his [draft] Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on value chain workers in relation to: working conditions (for example, secure employment, working time, adequate wages, social dialogue, freedom of association, including the existence of work councils, collective bargaining, work-life balance and health and safety)." (p.4)</p>
<p>Long working hours</p>	<p>ESRS S1 'Own workforce': "[T]his [draft] Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to the following social, including human rights, factors or matters: working conditions including working time." (p.5)</p> <p>Factors to consider regarding working time: "% of employees with part time or zero-hour contracts, employee satisfaction with working time." (p.46)</p>

Impacts to address in a just transition	Impacts addressed in the ESRS
	<p>Examples of policies to consider regarding working time: “Limitations on overtime, long and split shifts, and night and weekend work, adequate lead time for scheduling.” (p.47)</p> <p>Examples of actions to consider regarding working time: “Shift work rotation, extend advance notice of scheduling, reduction of excessive overtime.” (p.48)</p> <p>ESRS S2 ‘Workers in the value chain’: “[T]his [draft] Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on value chain workers in relation to: working conditions (for example, secure employment, working time, adequate wages, social dialogue, freedom of association, including the existence of work councils, collective bargaining, work-life balance and health and safety).” (p.4)</p>
Child labour	<p>Child labour definition: “Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that: (1) is mentally, physically, socially or morally dangerous and harmful to children; and/or (2) interferes with their schooling by depriving them of the opportunity to attend school; obliging them to leave school prematurely; or requiring them to attempt to combine school attendance with excessively long and heavy work. For the purpose of this definition, a child refers to a person under the age of 15 years, or under the age of completion of compulsory schooling, whichever is higher. Exceptions can occur in certain countries where economies and educational facilities are insufficiently developed, and a minimum age of 14 years applies. These countries of exception are specified by the International Labour Organisation (ILO) in response to a special application by the country concerned and in consultation with representative organisations of employers and workers.” (ESRS S1, p.21)</p> <p>ESRS S1 ‘Own workforce’: “[T]his [draft] Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to the following social, including human rights, factors or matters: working conditions including other work-related rights including child labour.” (p.5)</p> <p>ESRS S2 ‘Workers in the value chain’: “[T]his [draft] Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on value chain workers in relation to: other work-related rights (for example, child labour, forced labour, adequate housing, water and sanitation and privacy).” (p.4)</p>
Forced labour	<p>Forced labour definition: “All work or service which is exacted from any person under the threat of penalty and for which the person has not offered himself or herself voluntarily. The term encompasses all situations in which persons are coerced by any means to perform work and includes both traditional “slave-like” practices and contemporary forms of coercion where labour exploitation is involved, which may include human trafficking and modern slavery.” (ESRS S1, p.23)</p> <p>ESRS S1 ‘Own workforce’: “[T]his [draft] Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to the following social, including human rights, factors or matters: working conditions including other work-related rights including forced labour.” (p.5)</p> <p>ESRS S2 ‘Workers in the value chain’: “[T]his [draft] Standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on value chain workers in relation to: other work-related rights (for example, child labour, forced labour, adequate housing, water and sanitation and privacy).” (p.4)</p>

Appendix L – Connectivity and interaction addressed in ESRS

Table 43 | ESRS addressing connectivity and interaction with other ESRS

ESRS	Interaction with other ESRS
ESRS 1 ‘General requirements’	<p>9. Linkages with other parts of corporate reporting and connected information</p> <p>119. The undertaking shall provide information that enables users of its sustainability statements to assess the connections between various information about impacts, risks and opportunities in these statements and related information in other parts of its corporate reporting.</p> <p><u>9.2 Connected information and connectivity with financial statements</u></p> <p>124. The undertaking shall describe the relationships between different pieces of information. Doing so could require connecting narrative information on governance, strategy and risk management to related metrics and targets. For example, to allow users to assess connections in information, the undertaking might need to explain the effect or likely effect of its sustainability strategy on its financial statements or financial plans, or on metrics and targets used to measure progress against performance. Furthermore, the undertaking might need to explain how its use of natural resources and changes within its supply chain could amplify, change or reduce its material impacts, risks and opportunities. It may need to link this information to the potential or actual effect(s) on its production costs, its strategic response to mitigate such impacts or risks and its related investment in new assets. This information may also need to be linked to information in the financial statements and to specific metrics and targets. Information that describes connections shall be clear and concise.</p>
ESRS E1 ‘Climate change’	<p>Ozone-depleting substances (ODS), nitrogen oxides (NOX) and sulphur oxides (SOX), among other air emissions, are connected to climate change but are covered under the reporting requirements in [draft] ESRS E2.</p> <p>Impacts on people that may arise from the transition to a climate-neutral economy are covered under the [draft] ESRS S1 Own workforce, [draft] ESRS 2 Workers in the value chain, [draft] ESRS S3 Affected communities and [draft] ESRS S4 Consumers and end-users.</p>
ESRS E2 ‘Pollution’	<p>The topic of pollution is closely connected to other environmental sub-topics such as climate change, water and marine resources, biodiversity and circular economy. Thus, to provide a comprehensive overview of what could be material to pollution, relevant Disclosure Requirements are covered in other environmental [draft] Standards as follows:</p> <ol style="list-style-type: none"> a) [draft] ESRS E1 Climate change which addresses the following seven greenhouse gases connected to air pollution: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). b) [draft] ESRS E3 Water and marine resources which addresses water consumption, in particular in areas at water risk, water recycling and storage. This also includes the responsible management of marine resources, including the nature and quantity of marine resources-related commodities (such as gravels, deep-sea minerals, seafood) used by the undertaking. This [draft] Standard covers the negative impacts, in terms of pollution of water and marine resources, including microplastics, generated by such activities. c) [draft] ESRS E4 Biodiversity and ecosystems which addresses ecosystems and species. Pollution as a direct impact driver on biodiversity loss is addressed by this [draft] Standard. d) [draft] ESRS E5 Resource use and circular economy which addresses, in particular, the transition away from extraction of non-renewable resources and the implementation of practices that prevent waste generation, including pollution generated by waste. <p>This [draft] Standard covers an environmental topic, however the undertaking’s impacts on the environment may also affect communities. Material negative impacts on affected communities from pollution-related impacts attributable to the undertaking are covered in [draft] ESRS S3 Affected communities.</p>

ESRS	Interaction with other ESRS
ESRS E3 'Water and marine resources'	<p>The topic of water and marine resources is closely connected to other environmental subtopics such as climate change, pollution, biodiversity and circular economy. Thus, to provide a comprehensive overview of what could be material to water and marine resources, relevant Disclosure Requirements are covered in other [draft] environmental ESRS as follows:</p> <ul style="list-style-type: none"> a) [draft] ESRS E1 Climate change, which addresses, in particular, acute and chronic physical risks which arise from water and ocean-related hazards, including changing precipitation patterns and types (rain, hail, snow/ice), precipitation or hydrological variability, ocean acidification, saline intrusion, sea level rise, drought, high water stress, heavy precipitation, flood and glacial lake outbursts; b) [draft] ESRS E2 Pollution, which addresses, in particular, the emissions to water, which includes emissions to oceans, and the use and generation of microplastics; c) [draft] ESRS E4 Biodiversity and ecosystems, which addresses, in particular, the conservation and sustainable use of the oceans and seas; and d) [draft] ESRS E5 Resource use and circular economy which addresses in particular the transition away from extraction of non-renewable resources and the waste management, including plastic. <p>This [draft] Standard covers an environmental matter, however as people benefit from water and marine resources, the undertaking's impacts on water and marine resources affect communities. Material negative impacts on affected communities from water and marine resources-related impacts attributable to the undertaking are covered in [draft] ESRS S3 Affected communities.</p>
ESRS E4 'Biodiversity and ecosystems'	<p>'Biodiversity and ecosystems' is a topic across environmental matters. The main drivers of biodiversity and ecosystems change are climate change, pollution, land-use and sea use change, direct exploitation and invasive alien species according to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), are sustainability matters covered in other [draft] topical Standards.</p> <p>These environmental sustainability matters are: climate change, pollution, land-use, freshwater-use and sea-use change, direct exploitation and invasive alien species.</p> <p>As a general remark and to obtain an encompassing understanding of material impacts and dependencies on Biodiversity and ecosystems, the Disclosure Requirements of other [draft] environmental ESRS should be read and interpreted in conjunction with the specific disclosure requirements of this [draft] Standard.</p> <p>All Disclosure Requirements concerning material impacts related to biodiversity and ecosystems change arising from other [draft] ESRS are listed and referenced in this [draft] Standard, and in particular to:</p> <ul style="list-style-type: none"> a) [draft] ESRS E1 Climate change, which addresses in particular GHG emissions and energy resources (energy consumption); b) [draft] ESRS E3 Water and marine resources which addresses in particular water resource (water consumption) and water resources; c) [draft] ESRS E5 Resource use and circular economy addresses in particular the transition away from extraction of non-renewable resources and the implementation of practices that prevent waste generation, including pollution generated by waste. <p>This [draft] Standard covers an environmental topic, however as people benefit from biodiversity and ecosystems, the undertaking's impacts on biodiversity and ecosystems affect communities. When reporting on material negative impacts on affected communities from biodiversity and ecosystem loss under [draft] ESRS E4, the undertaking shall consider the requirements of [draft] ESRS S3 Affected communities.</p>
ESRS E5 'Resource use and circular economy'	<p>The topic resource use and circular economy is closely connected to other environmental matters such as climate change, pollution, water and marine resources and biodiversity. A circular economy is a system that tends towards a sustainable production and consumption. Such system brings multiple environmental benefits, in particular, the reduction of energy consumption and emissions into the air (greenhouse gas emissions or other pollution), the limitation of water withdrawals and discharges and the regeneration of nature limiting the impact on biodiversity.</p>

ESRS	Interaction with other ESRS
	<p>Thus, to provide a comprehensive overview of which aspects of other environmental matters could be material to resource use and circular economy, relevant disclosure requirements are covered in other [draft] environmental ESRS as follows:</p> <ul style="list-style-type: none"> a) [draft] ESRS E1 Climate change, which addresses, in particular, GHG emissions and energy resources (energy consumption); b) [draft] ESRS E2 Pollution, which addresses, in particular, emissions to water, air and soil as well as substances of concern; c) [draft] ESRS E3 Water and marine resources, which addresses, in particular, water resource (water consumption) and marine resources; and d) [draft] ESRS E4 Biodiversity and ecosystems, which addresses, in particular, ecosystems and species and raw materials. <p>This [draft] Standard covers an environmental topic, however as people benefit from nature, the undertaking's impacts on nature affect communities. Material negative impacts on affected communities from resource use and circular economy related impacts attributable to the undertaking are covered in [draft] ESRS S3 Affected communities.</p>
ESRS S1 'Own workforce'	<p>This [draft] Standard shall be read in conjunction with ESRS S2 Workers in the value chain, ESRS S3 Affected communities and ESRS S4 Consumers and end-users.</p> <p>The reporting under this [draft] Standard shall be consistent, coherent and where relevant clearly linked with reporting on the undertaking's own workers under ESRS S2, in order to ensure effective reporting.</p>
ESRS S2 'Workers in the value chain'	<p>This [draft] Standard applies when material impacts on and/or material risks and opportunities related to workers in the value chain have been identified through the materiality assessment process laid out in ESRS 2 General disclosures.</p> <p>This [draft] Standard shall be read in conjunction with ESRS 1 General requirements, and ESRS 2, as well as the ESRS S1, ESRS S3 Affected communities and ESRS S4 Consumers and end-users.</p> <p>The reporting under this [draft] Standard shall be consistent, coherent and where relevant clearly linked with reporting on the undertaking's own workforce under ESRS S1, in order to ensure effective reporting.</p>
ESRS S3 'Affected communities'	<p>This [draft] standard applies when material impacts on and/or material risks and opportunities related to affected communities have been identified through the materiality assessment process laid out in ESRS 2 General disclosures.</p> <p>This [draft] Standard shall be read in conjunction with ESRS 1 General requirements, and ESRS 2, as well as the ESRS S1 Own workforce, ESRS S2 Workers in the value chain and ESRS S4 Consumers and end-users.</p>
ESRS S4 'Consumers and end-users'	<p>This [draft] standard applies when material impacts on and/or material risks and opportunities related to consumers and/or end-users have been identified through the materiality assessment process laid out in ESRS 2 General disclosures.</p> <p>This [draft] Standard shall be read in conjunction with ESRS 1 General requirements, and ESRS 2, as well as ESRS S1 Own workforce, ESRS S2 Workers in the value chain and ESRS S3 Affected communities.</p>
ESRS G1 'Business conduct'	<p>The content of this [draft] Standard on general disclosures as well as impact, risk and opportunity management and metrics and targets shall be read in conjunction respectively with [draft] ESRS 1 General principles and [draft] ESRS 2 General requirements.</p>