Frontiers in Business, Economics and Management
ISSN: 2766-824X | Vol. 22, No. 1, 2026

A Preliminary Exploration of Mandatory Human Rights Due Diligence Law from the Perspective of Labor Protection

Ziyi Xu *

School of Law, Beijing Normal University, Beijing 100875, China

* **Corresponding author**: (Email: xuziyi@mail.bnu.edu.cn)

Abstract: In response to the recurring violations of labor rights within global value chains, the international community has witnessed the emergence of a new legal governance mechanism exemplified by "mandatory human-rights due-diligence law". The hallmark of such legislation is the creation of a statutory "due-diligence" obligation for companies, seeking to recast multinational enterprises as pivotal nodes in the governance of labor standards across their supply chains and to leverage their commercial influence to transmit compliance pressure throughout the entire value chain. Focusing on mandatory human-rights due-diligence law, this article analyzes how they achieve extensive extraterritorial reach over global value chains through distinctive ways of delineating the duty-bearing subjects and through the dual pathways of public regulation and private governance. By innovatively expanding the circle of legal duty bearers and by simultaneously deploying public-regulation channel and private governance channel, mandatory human-rights due-diligence law is transforming labor-rights protection from a traditional jurisdictional framework into a new model of global value-chain governance in which multinational corporations act as the primary enforcement intermediaries.

Keywords: Mandatory human-rights due-diligence law; Duty-bearers; Public regulation; Private governance.

1. Introduction

In recent years, society at large has come to recognize that the value chains in which multinational corporations operate can conceal serious labor-rights abuses. Confronted with this reality, stakeholders have issued widespread calls and launched myriad initiatives aimed at curbing or ameliorating the problem. Within the sphere of legal regulation, new governance mechanisms have steadily appeared; among them, mandatory human rights due diligence (HRDD) law has emerged as one of the most influential innovations.

To grasp the essence of mandatory human-rights due-diligence law, one must first understand what "due diligence" signifies in this context. The term "Due Diligence" is ubiquitous - in the UN Guiding Principles, in national laws, and in regional enforcement practice. Different from the "Due Diligence Investigation" conducted by lawyers in handling asset divestitures, acquisitions, and mergers of companies, the term "Due Diligence Investigation" here is not an omission of "Due Diligence Investigation", and its meaning has gone beyond the traditional meaning of "a certain degree of effort required to exempt liability or eliminate risks". Within mandatory human-rights due-diligence law, Due Diligence has become the operational synonym for corporate social responsibility [1].

Moreover, among the various legislative regimes now in force, statutes that target labor rights exclusively are still comparatively rare. Current practice - exemplified by mandatory human-rights due-diligence law - tends to subsume labor rights under the broader umbrella of "human rights." Due to the fact that labor rights are only one of the most important contents within the framework of "human rights", which also includes other important contents, [2] mandatory human rights due diligence law has become more extensive and universal.

Mandatory human rights due diligence law has a distinct feature of attempting to regulate the behavior of the private sector outside the domain through legislation within the domain. This type of legislation usually focuses on elements such as conflict minerals, forced labor, and child labor, and focuses on specific high-risk commodities or sectors. With the help of the extraterritorial influence of local laws, it brings the commercial activities of private economies represented by multinational corporations in the global value chain into the regulatory scope, in order to achieve public goals such as human rights protection and environmental protection.

Guided by these characteristics, this article first analyzes the distinctive way in which mandatory human-rights due-diligence law frame the duty-bearing subject. It then examines the extraterritorial effects that flow from this framing, offering an exploration of mandatory human-rights due-diligence law as a novel mode of governance.

2. Methods of Defining Duty-Bearers in Mandatory Human Rights Due Diligence Law

From the perspective of labor protection, mandatory human-rights due-diligence law departs from the traditional model in which the state directly sets specific labor standards and supervises corporate compliance. Instead, it establishes a governance system centered on corporate "due diligence management." This system requires companies to systematically identify, prevent, and mitigate labor-related risks, and to provide effective remedies for harm that has already occurred. In essence, it uses the force of law to compel companies to establish, implement, and maintain a continuous and dynamic management process that spans their own operations and global value chains [3].

From this, it can be seen that how to include relevant

enterprises in the regulatory framework of mandatory human rights due diligence law and its derivative impact scope is a key factor for the effectiveness of mandatory human rights due diligence law.

In general, most mandatory human-rights due-diligence laws set thresholds for regulated entities based on industry risk characteristics and developmental needs. These thresholds not only cover the companies themselves but also extend the regulatory scope to parent companies, subsidiaries, and direct and indirect business partners across the value chain through legal control or affiliation. Moreover, such regulatory impact applies not only to companies incorporated under domestic law but may also apply to foreign-incorporated companies through specific connecting factors (such as turnover thresholds). Legislators aim to exert broad due diligence pressure on companies occupying key nodes in the value chain, thereby achieving governance and protection of labor rights across global value chains.

2.1. Defining Duty-Bearers Based on Size and Turnover Thresholds

Company size and turnover are consistently central considerations in most mandatory human-rights due-diligence laws when determining the scope of applicable entities. This design aims to concentrate compliance obligations on large enterprises with more significant resources and influence, reflecting a common approach across such legislation.

In specific legislative practice, different mandatory human rights due diligence legislation varies depending on individual circumstances within their jurisdiction. For example, at the EU level, the initial draft of the European Union's Non-Financial Reporting Directive (NFRD) was intended to constrain approximately 18000 companies. After multiple rounds of negotiation, the scope was ultimately reduced to large public welfare entities with over 500 employees. After this change, the scope of constraints now covers approximately 6000 listed companies, banks, and insurance companies. Article 2 of the EU's Corporate Sustainability Due Diligence Directive (CSDDD) stipulates that it applies to companies with over 1000 employees and a global net turnover of over 450 million euros in the previous fiscal year. At the level of EU member states, corresponding mandatory human rights due diligence legislation also reflects legislators' consideration of the size and capacity of enterprises. For example, the Modern Slavery Act in the UK limits its application to businesses with an annual revenue exceeding £ 36 million; The French Corporate Duty of Vigilance Law targets companies that employ 5000 employees in France or more than 10000 employees worldwide. The German Supply Chain Due Diligence Act further adopts a phased regulatory model, first applicable to enterprises with more than 3000 employees from 2023, and then further expanded to enterprises with more than 1000 employees by 2024.

Moreover, most mandatory human-rights due-diligence laws apply not only to domestically incorporated companies meeting the thresholds but also extend their reach to foreign-incorporated companies through specific connecting factors. Article 2(2) of the EU CSDDD explicitly states that the directive also applies to companies incorporated under third-country laws if they generate €450 million in turnover within the EU market. The UK Modern Slavery Act similarly applies not only to UK-incorporated companies but also to any entity conducting business or part of its business in the UK, regardless of where it is registered or headquartered. This jurisdiction based on local market turnover brings key players in global value chains within the scope of regulation. Such entity definition is designed to ensure that entities with significant social impact in the value chain bear corresponding due diligence obligations.

2.2. Defining Duty-Bearers Based on Market Participation

"Engaging in the market by providing goods or services" is also a key criterion used by many mandatory human-rights due-diligence laws to determine the scope of applicable entities. In the context of such legislation, the definition of a "company" does not entirely align with the concept of a legal entity under corporate or tax law. [4] Instead, it adopts the more market-oriented concept of an "economic operator" - any organisation that continuously provides goods or services in the market is considered an "operator" subject to due diligence obligations [5].

Multiple EU laws reflect this logic. For instance, Article 1 of the EU Forced Labour Regulation (EUFLR) explicitly prohibits "economic operators" from placing products made with forced labor on the EU market. Article 1 of the EU Battery Regulation imposes due diligence obligations on "economic operators" that place batteries on the market. These laws target entities involved in product supply and sales, regardless of whether they are incorporated within the EU. At the member state level, the Dutch Child Labour Due Diligence Act (Articles 1 and 4) stipulates that the law applies not only to Dutch-registered companies but also to foreign companies that provide goods or services to end users in the Dutch at least twice a year. This means that as long as a company maintains a continuous commercial connection with the Dutch market, it falls within the regulatory scope, unless explicitly exempted by the competent authority under Article 6.

Using "market participation" as the basis for defining duty-bearers significantly expands the jurisdictional reach of due diligence legislation. It breaks through the traditional corporate veil and place-of-incorporation limitations, extending the obligation from "companies with specific legal forms" to "operators engaged in specific economic activities," thereby covering all entities that substantially participate in commercial activities within global value chains.

2.3. Considering Parent-Subsidiary Relationships in Duty-Bearers Defining

The principles of separate legal personality and limited liability under traditional corporate law should not entirely exempt parent or subsidiary companies from human rights and environmental due diligence obligations within the context of group operations. [6] This idea was articulated in UK Supreme Court cases such as Vedanta v. Lungowe and Okpabi v. Shell, and has been adopted by EU mandatory human-rights due-diligence law. [7] According to Article 2 of the CSDDD, if a company does not directly meet the general thresholds but its ultimate parent company's consolidated financial statements meet those thresholds, the company is still required to fulfill the due diligence obligations under CSDDD.

In determining the liability of parent or subsidiary entities, standards developed by the Court of Justice of the EU in competition law cases provide guidance. For wholly-owned

subsidiaries, the parent company's "substantial influence" is presumed [8], in non-wholly-owned cases, all relevant factors - economic, organizational, and legal ties - must be considered to assess the existence of control and influence. [9] This logic, derived from competition law, is fully reflected in mandatory human-rights due-diligence law. Article 2(3) of the CSDDD states that "if the ultimate parent company's main activity is holding shares in operating subsidiaries and it does not participate in managerial, operational, or financial decisions affecting the group or its subsidiaries, it may be exempted from the obligations under this directive." This exemption clause confirms the principle of substantive influence as the basis for liability.

The regulation of parent and subsidiary responsibilities in mandatory human-rights due-diligence law is essentially aimed at preventing companies from evading due diligence obligations through complex ownership structures. It reflects a regulatory approach based on the overall influence of the corporate group. Under this regulatory framework, even if no single operator has absolute control, based on common market behavior and substantial impact on products, all participants are considered as "economic operators" who need to fulfill their due diligence management. This institutional design ensures that regulations can effectively cover all decision-making entities with substantial influence in the global value chain.

2.4. Defining Duty-Bearers Based on Business Partnerships

One of the most groundbreaking features of mandatory human rights due diligence legislation is to include the business partners of enterprises in their value chain within the scope of regulation. This type of entity includes both suppliers who have direct contractual relationships with the enterprise and entities that have no direct contractual connection in the upstream raw material procurement and downstream product distribution links, thus forming a responsibility chain that covers the entire value chain. Article 3 of the EU CSDDD uses the term "chain of activities", defining the scope of due diligence to include "all activities related to the design, extraction, procurement, manufacturing, transport, storage, and supply of raw materials, products, or components, as well as the development of products or services". This broad definition significantly expands the regulatory reach of mandatory human-rights due-diligence law. As upstream companies must meet downstream buyers' compliance requirements, due diligence obligations are effectively passed down through the value chain to all business entities involved. This extends the obligation from traditional contractual counterparts to all business partners playing a substantive role in the value chain, creating a responsibility network based on commercial relationships rather than mere contractual ties [10].

This regulatory logic is also reflected in EU member state legislation. Article 2 of German Supply Chain Due Diligence Act requires companies to conduct full due diligence on "direct suppliers" and to establish risk identification and response mechanisms for "indirect suppliers". French Corporate Duty of Vigilance Law extends the scope to all entities with "stable commercial relationships", regardless of their position in the supply chain. Article 2 of the Dutch Child Labour Due Diligence Act similarly requires companies to conduct due diligence on "all business relationships" involved in their goods or services. Notably, these laws limit downstream liability: the CSDDD preamble states that for regulated financial institutions, due diligence obligations apply only to upstream business partners, not downstream ones. This differentiated arrangement ensures regulatory effectiveness while avoiding disproportionate compliance burdens on specific industries.

By designating core companies as key nodes in value chain governance, mandatory human-rights due-diligence law compels them to pass down human rights and environmental obligations through commercial relationships. The goal is to prevent companies from evading social responsibility through outsourcing or complex supply chain structures. In practice, core companies must not only establish ongoing monitoring and auditing mechanisms for business partners (as required by Article 7 of the CSDDD) but also incorporate sustainability and human rights standards into binding contractual obligations. This effectively transfers compliance pressure to SMEs within the value chain. Also, Articles 6 of the German Supply Chain Due Diligence Act and 5 of the Dutch Child Labour Due Diligence Act encourage or require core companies to provide support to their business partners, thereby balancing responsibility transmission with the collaborative development of the value chain.

3. Extraterritorial Impact of Mandatory Human Rights Due Diligence Law

Based on the foregoing, the analysis - conducted by delineating the subjects of due-diligence obligations within mandatory human-rights due-diligence law - naturally draws attention to the fact that the core characteristic of such legislation's regulation of labor rights lies in its global reach. It has moved beyond the traditional constraint imposed on enterprises operating within a single State, extending regulatory force across the entire global value chain - from raw-material procurement, production and manufacturing, distribution and retail, all the way to the end consumer - typically spanning multiple jurisdictions. This impact on every enterprise along the entire value chain is achieved mainly through two channels: public regulation and private governance. On the one hand, mandatory human-rights due-diligence law imposes direct, binding legal obligations on enterprises (and their subsidiaries and branches) that reach specified thresholds or conditions and possess certain economic influence within the value chain, thereby creating a mandatory constraint. On the other hand, leveraging the central position of such enterprises within the value chain, it transmits due-diligence pressure indirectly to the numerous small and medium-sized enterprises that are otherwise difficult for the law to cover directly, through commercial cooperation relationships and compliance requirements.

3.1. Public-regulation channel

3.1.1. Direct Jurisdiction Over Value-Chain Enterprises That Meet Specified Turnover Thresholds

A number of mandatory human-rights due-diligence laws expressly contain extraterritorial-jurisdiction clauses that treat extraterritorial enterprises whose turnover reaches a defined level as objects of direct jurisdiction. The most representative of these is the CSDDD. Pursuant to Article 2(2) of the CSDDD, the regulation applies to companies incorporated under the law of a third country that satisfy any one of the following conditions: (a) in the financial year

preceding the last financial year the undertaking generated a net turnover in the Union exceeding EUR 450 million; (b) although it has not reached the turnover threshold mentioned in point (a), the undertaking is the ultimate parent company of a group that, in the financial year preceding the last financial year, reached that threshold on a consolidated basis; or (c) the undertaking is the ultimate parent company of a group that has entered into a franchise or licensing agreement with an independent third-party company in the Union. This design shifts the jurisdictional criterion from the traditional place-of-incorporation principle to the scale of the enterprise's economic activity in the EU market, thereby bringing a large number of non-EU enterprises within the global value chain into the scope of direct jurisdiction.

A statute comparable to the CSDDD is the United Kingdom's Modern Slavery Act. Section 54 of Part 6 of that Act specifies the objects of the supply-chain transparency obligation, and subsection (12) defines "commercial organisation" as a body corporate (wherever incorporated) that carries on a business, or part of a business, in any part of the United Kingdom, or a partnership (wherever formed) that carries on a business, or part of a business, in any part of the United Kingdom. At the same time, subsection (2)(b) provides that the total turnover of that commercial organisation must not be less than the prescribed threshold, namely GBP 36 million. [11] Consequently, any commercial organisation that carries on a business in the United Kingdom and has an annual total turnover exceeding GBP 36 million is directly subject to the Act.

3.1.2. Trade Restrictions on Products Placed on The EU Market

Some mandatory human-rights due-diligence laws take market-access restrictions on value-chain enterprises as their governance model. Such legislation - including the EU Forced Labour Regulation, the EU Battery Regulation, and the EU Deforestation Regulation (EUDR) - does not target enterprises of a particular size, but rather targets the products themselves and their circulation on the EU market. Any economic operator, regardless of its place of incorporation, scale or nationality, must assume the corresponding due-diligence obligations as soon as its conduct involves placing the regulated product on the EU market or exporting it from the EU, otherwise it faces the risk of being barred from the market.

Take the EU Forced Labour Regulation (EUFLR) as an example. Its jurisdictional basis rests on two extremely broad definitions: "product" and "economic operator". Article 1 prohibits the making available on the Union market of any product produced with forced labour, and defines "economic operator" as any natural or legal person participating in the placing on the market, the supply or the export of that product. This definition is capable of covering every link of the global supply chain from raw-material suppliers to end retailers. Even more critically, the Regulation also treats remote sales to Union consumers through online platforms and similar means as making the product "available on the Union market", thereby bringing extraterritorial remote-selling enterprises within the scope of entities subject to due-diligence management obligations. To enforce the prohibition, Article 17 empowers the competent authorities to require economic operators to furnish evidence proving that they have taken positive steps to identify, prevent and mitigate forced-labour risks in their supply chains. Although the Regulation claims not to create any new legal obligations, it in substance makes compliance with existing due-diligence standards on forced labour a mandatory licensing condition for the relevant products to enter the Union market.

Similarly, the EU Battery Regulation also adopts this market-access-leveraged regulatory model. Article 1(2) expressly states that the Regulation aims to impose a series of due-diligence management obligations on economic operators that place batteries on the Union market or put them into service, whether incorporated inside or outside the Union. As a guarantee of implementation, the economic operator's eligibility for market access is linked to the fulfilment of specific obligations. Under the Regulation, if an economic operator fails to equip batteries with a digital product passport disclosing full life-cycle data such as raw-material sources, composition and carbon footprint, fails to establish and implement the supply-chain due-diligence management system required by the Regulation, or fails to complete extended producer responsibility (EPR) registration in the relevant Member State, it will face explicit market-access restrictions.

The above legislative practices all involve using the business between economic operators and the European Union as a connecting point, bringing the entities involved in product production, sales, and other activities under the regulation of relevant laws, and ultimately leading to direct extraterritorial effects of trade restrictions.

3.2. Private-governance Channel

Even if a third-country enterprise does not generate a significant proportion of its sales within the territory of the Union, as long as it is situated in the value chain of an EU enterprise that itself falls within the direct scope of the due-diligence legislation, the latter will, in order to satisfy its own compliance requirements, often compel that third-country enterprise to comply with the relevant EU legal provisions as well. The realization of this indirect impact relies on the concept of the "value chain", which transcends geographical boundaries and extends the potential reach of due-diligence obligations from enterprises inside the Union to every link of the global supply chain. At the same time, enterprises impose strict supplier-admission audits and embed binding "contractual warranty clauses" in procurement contracts, thereby shifting compliance responsibilities upstream and ensuring that the mandatory human-rights due-diligence law produces extraterritorial effects throughout the global value chain. In nature this extraterritorial impact remains "indirect", since it is essentially based on contractual relationships and is realised through the distinctive commercial influence of multinational corporations. It is precisely by means of this mechanism that the EU seeks to cause norms concerning human rights, environmental protection and labour standards gradually to evolve into values that enterprises worldwide are generally required to follow. Under this mechanism, the establishment of subsidiaries abroad or the adoption of subcontracting models by multinational corporations will no longer serve as avenues for evading social and environmental responsibilities. The present article will analyse this phenomenon in conjunction with several existing mandatory human-rights due-diligence law.

3.2.1. French Corporate Duty of Vigilance Law

The French Corporate Duty of Vigilance Law was the first to establish a parent company's statutory oversight obligation toward its overseas subsidiaries and supply chain, creating a precedent for "value-chain liability" in domestic law. Article

L. 225-102-4 requires qualifying large companies to draw up and implement a "vigilance plan" that identifies risks and prevents serious infringements of human rights and fundamental freedoms, serious bodily injury, environmental damage, or health risks that may result directly or indirectly from the operations of the company itself, from the operations of any company it controls within the meaning of Article L. 233-16 II of the French Commercial Code, and from the operations of any subcontractors or suppliers with which it maintains an established commercial relationship, when such operations stem from that relationship. The French Constitutional Council further clarified the scope of value-chain enterprises: under the contested provisions, the circle of a company's business partners that are subject to the obligation to establish a vigilance plan includes all companies that it controls, directly or indirectly, as well as any subcontractors and suppliers with which it has established a commercial relationship, regardless of those enterprises' nature of business, number of employees, economic strength, or place of incorporation. [12] This requirement aligns with the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the UN Guiding Principles, in substance extending the circle of companies that must fulfill the vigilance obligation to the company's own operations, its subsidiaries' operations, and the operations of other companies in the value chain linked through an established commercial relationship.

3.2.2. German Supply Chain Due Diligence Act

The notable advance of the German Supply Chain Due Diligence Act lies in its full consideration of the differing degrees of connection between an enterprise and the various tiers of actors in its supply chain, it draws a clear distinction between direct suppliers (Unmittelbarer Zulieferer) and indirect suppliers (Mittelbarer Zulieferer) and, on that basis, establishes differentiated due-diligence obligations so as to promote the transmission of labour-protection standards throughout the supply chain. First, with regard to direct suppliers, the Act imposes systematic and stringent due-diligence obligations: enterprises must conduct periodic risk analyses to identify possible labour and environmental risks; formulate and implement corresponding preventive measures; take timely remedial action when harm occurs; and establish effective grievance mechanisms. In relation to indirect suppliers, the due-diligence obligations borne by enterprises are comparatively limited, focusing mainly on the response stage after a risk has arisen: on the one hand, they must set up a grievance procedure enabling affected parties to report infringement risks caused by indirect suppliers; on the other hand, only when concrete indications show that a substantial infringement risk may exist must the enterprise initiate a risk analysis and remediation process. To prevent enterprises from evading liability through structural arrangements, the Act also contains an anti-circumvention clause: if an enterprise deliberately structures a direct supplier as an indirect relationship in an improper manner so as to reduce its liability, that indirect supplier will be treated as a direct supplier.

In addition, the Act provides two binding pathways for value-chain enterprises: first, at the supplier-selection stage enterprises must treat the counterpart's human-rights and environmental performance as a substantive assessment criterion, thereby indirectly promoting the transmission of international labour standards through commercial decisions; second, it imposes constraints through contractual clauses, requiring direct suppliers to give contractual undertakings to comply with the relevant standards and supplementing these with training measures to ensure their implementation.

3.2.3. EU Corporate Sustainability Due Diligence Directive (CSDDD)

Building on the German Supply Chain Due Diligence Act, the CSDDD further strengthens enterprises' contractual warranty obligations. First, the CSDDD extends the bearers of the contractual warranty obligation from direct to indirect suppliers. For the elimination of potential or actual adverse impacts, pursuant to Article 10(2)(b), Article 10(4), Article 11(3)(c) and Article 11(5) of the CSDDD, when contractual warranties obtained from direct business partners are insufficient to prevent, terminate or adequately mitigate potential or actual adverse impacts, enterprises are obliged to seek contractual warranties from indirect business partners to ensure that their conduct conforms to the company's code of conduct, prevention action plan and corrective action plan. If the enterprise is genuinely unable to obtain the necessary contractual warranties, it may, in accordance with Article 10(6) and Article 11(7), temporarily suspend or terminate the cooperative relationship with the business partner - whether direct or indirect - causing the adverse impact. Second, CSDDD imposes higher requirements on the content and verification of contractual warranties, emphasizing that enterprises shall equip the contractual warranties they obtain with appropriate compliance-verification mechanisms, and may enlist independent third parties such as industry initiatives or multi-stakeholder initiatives to verify them, so as to enhance the credibility and enforceability of the warranties.

In addition, the CSDDD pays special attention to protecting the rights and interests of Small and Medium-sized Enterprises (SME) suppliers, explicitly providing that contractual warranty clauses must be fair, reasonable and non-discriminatory, in line with the principle of proportionality, and requiring enterprises, in Article 10(5) and Article 11(6), to provide targeted support to SMEs so as to ensure that they can effectively fulfil their compliance obligations without bearing excessive burdens.

3.2.4. EU Conflict Minerals Regulation

As a due-diligence statute dedicated to a specific sector, the EU Conflict Minerals Regulation targets tin, tantalum, tungsten and gold, mandatorily requiring enterprises to fulfil traceability and due-diligence obligations so as to increase the transparency of mineral origin and to prevent conflict minerals that originate from conflict-affected areas and are linked to armed conflict, human-rights violations and labour-rights abuses from entering the EU market. Article 1(2) of the Regulation expressly defines the scope of the due-diligence obligation of "importers" as covering all actors in their supply chain, thereby establishing an importer-centred chain of responsibility. The Regulation does not distinguish between direct and indirect suppliers; instead, it differentiates enterprises according to production stage: companies that directly carry out mineral extraction, processing and refining of raw materials are defined as "upstream" companies, while companies that process, produce and sell metals derived from upstream minerals are classified as "downstream" companies. Based on differing risk levels, the Regulation sets differentiated rules for upstream and downstream enterprises: upstream companies must comply with mandatory human-rights due-diligence laws when exporting minerals to the EU, because this stage is identified as the part of the supply chain where risks are most concentrated. Downstream companies

are divided into two categories: first, companies that import metal-stage products must likewise perform mandatory due-diligence investigations; second, companies operating at subsequent stages, although under no statutory obligation, are expected to adopt tools such as reporting to enhance the transparency of their due-diligence processes. In addition, Article 4(d) of the Regulation explicitly provides that importers must, through contractual clauses or written agreements, require their suppliers to adopt and comply with the supply-chain policy set out in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

3.2.5. EU Forced Labour Regulation

The EU Forced Labour Regulation likewise provides for an exceptionally broad scope of obligated actors, covering all products, all operational stages and all types of operators. According to Article 1(1), its legislative purpose is "to prohibit economic operators from placing on, making available on or exporting from the Union market products made with forced labour, with a view to ensuring the proper functioning of the internal market and contributing to the elimination of forced labour". The Regulation requires economic operators to take the steps provided for in mandatory requirements, voluntary guidelines, recommendations or practices to identify, prevent, mitigate and bring to an end the use of forced labour in relation to any products that are to be placed on or made available on the Union market or that are to be exported from the Union. As the subject of these obligations, "economic operator" is explicitly defined in Article 2(9) as any natural or legal person or organisation that places products on the market, makes them available on the market or exports them. Article 2(7) provides that a "product made with forced labour" means a product that has been made, mined, harvested, produced or manufactured, wholly or in part, using forced labour at any stage of the process, including working or processing related to the product at any stage of the supply chain. The regulatory scope of this legislation runs through the entire life cycle of the product. This means that the Regulation will apply not only to large supplier enterprises in the value chain; any enterprise of any size, any product type and any link of the value chain that is involved in forced labour will be subject to the Regulation.

Taken together, the above legislation shows that, through mandatory human-rights due-diligence law centred on value-chain extension, the European Union and its Member States seek to transform domestic regulatory requirements into universal rules of conduct across the global value chain. As mandatory human-rights due-diligence law continues to evolve, the circle of obligated actors in the value chain keeps expanding, progressively bringing direct suppliers, indirect suppliers and even the most upstream raw-material suppliers within the scope of liability, creating extraterritorial effects that cover enterprises throughout the global value chain. In substance, mandatory human-rights due-diligence law recasts multinational corporations as key enforcers of global labour and environmental governance, constructing a governance model that uses commercial contracts as the link and market access as the constraint. This model has become a common feature of contemporary due-diligence legislation, signalling a shift in global supply-chain governance from voluntary initiatives to mandatory obligations grounded in commercial relationships.

4. Conclusion

Based on the above analysis, the mandatory human-rights due-diligence law takes the "value chain" as its foothold, and - by expanding in multiple ways the scope of entities subject to legislative regulation - employs both a public-regulation channel and a private-governance channel to transform the labor-protection obligations traditionally set directly by state public power into due-diligence governance obligations in which transnational corporations are the primary participants and implementers. Consequently, the protection of labor rights no longer depends on the enforcement willingness of the producing country or on corporate voluntary commitments, but is instead anchored to the structural constraint that "access to the EU market requires self-certification of compliance." Transnational corporations are elevated from the "regulated" to, in a certain sense, due-diligence "global agents." Looking ahead, this legislative paradigm is bound to be continuously strengthened as the European Green Deal advances and its trade toolbox is upgraded. For enterprises, only by internalizing responsible management as a core competitiveness that transcends national differences can they win the initiative in the subsequent legislative wave of higher standards and wider coverage.

References

[1] Liang Xiaohui, The Past and Present of Due Diligence in the Evolution of Corporate Responsibility. Available: https://mp.weixin.qq.com/s/0vfYWsZ3MzF1dmrfkEniXg.

[2] International Covenant on Economic, Social and Cultural Rights, 16 December 1966, 993 UNTS 3 (entered into force 3 January 1976).

[3] United Nations Human Rights Office of the High Commissioner, UN Human Rights "Issues Paper" on Legislative Proposals for Mandatory Human Rights Due Diligence by Companies. Available: https://www.ohchr.org/sites/default/files/Documents/Issues/Business/MandatoryHR_Due_Diligence_Issues_Paper.pdf.

[4] Commission Decision (EC) 1999/60 of 21 October 1998 relating to a proceeding under Article 85 of the EC Treaty (Case No. IV/35.691/E-4: Pre-Insulated Pipe Cartel) (Notified under number C (1998) 3117) [1999] OJ L 24/57, para.154.

[5] Johan W. van de Gronden, "Services of general interest and the concept of undertaking: Does EU competition law apply?", World Competition, 2018, Vol.41, No.2, pp.197-223.

[6] Alexander Schall, "The CSDDD: Good Law or Bad Law?", European Company Law, 2024, Vol.21, No.3, pp.56-58.

[7] Marc Veenbrink, "Synergies Between the CSDDD and EU Competition Law: A Toxic Relationship?", Market and Competition Law Review, Vol.8, No.2, pp.49-71.

[8] Judgment of 10 September 2009, Case C-97/08 P Akzo Nobel NV and Others v Commission of the European Communities [2009] ECR I, p.08237, para.60.

[9] Judgment of 24 June 2015, Joined Cases C-293/13 P and C-294/13 P Fresh Del Monte Produce Inc. v European Commission and European Commission v Fresh Del Monte Produce Inc. [2017] ECR I, p.00033, para.76-77.

[10] Richard Sterneberg & Anna Kovaleva, Corporate Sustainability Due Diligence Directive: 10 questions to understand its impact on your business. Available: https://www.dlapiper.com/en-gb/insights/publications/2024/07/corporate-sustainability-due-diligence-directive.

[11] Modern Slavery Act 2015. Available: https://www.legislation.gov.uk/ukpga/2015/30/section/54.

[12] Decision n 2017-750 DC du 23 mars 2017 Conseil constitutionnel Point 11.