Sustainable Economies Due diLigence: good EXamples and the role of social dialogue

Project nr. 101126464

SUMMARY OF THE NATIONAL PEER LEARNING EVENT (The Netherlands)

16 May
9:00 – 11:00
Online (MS Teams)

1. Introduction

The online workshop, organised as part of the SEDLEX project, explored corporate sustainability and due diligence in practice, with a particular focus on the Netherlands and on how companies and co-operatives are coping with increasing sustainability obligations.

The workshop was attended by participants from a variety of backgrounds and institutions, primarily based in Belgium and the Netherlands. A total of 17 participants registered for the workshop; 12 attended the event in real time, while the remaining registrants requested access to the workshop materials for later review. Dutch participants represented institutions such as Leiden University, Utrecht University, the Nationale Coöperatieve Raad (NCR), the Social and Economic Council (SER), and private firms like Bluespar. Belgian participants included researchers and advisors from KU Leuven, HIVA, the Kenniscentrum voor Coöperatief Ondernemen, Möbius Business Redesign, and the SERV / Stichting Innovatie & Arbeid. The presence of participants from a diversity of backgrounds ensured a broad and dynamic exchange of perspectives.

2. Summary of the event

The session began with a welcome and introduction by Professor Karolien Lenaerts (HIVA–KU Leuven), who outlined the SEDLEX objectives and framed the event's discussions.

2.1 To what extent is current and upcoming due diligence legislation a challenge for economic actors?

The first presentation was delivered by Boris Verbrugge (Advisor, Responsible Business Conduct – Möbius), who examined the impact of due diligence legislation and EU corporate sustainability standards on businesses. Boris Verbrugge presented on the evolving legislative landscape, focusing on the impact of EU directives such as the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D). He contextualised these developments as part of a broader debate around what he termed the "tragedy of an announced backlash" against regulation. Related instruments include the EU

Taxonomy (which helps financial institutions identify sustainable activities using OECD Guidelines), and the Sustainable Finance Disclosure Regulation (SFDR), which requires financial actors to report on how they consider adverse impacts of their investments. Although these legislative measures primarily target large enterprises and financial institutions, their effects cascade through value chains. SMEs, while technically out of scope, are required to provide ESG data to larger clients and financiers. Initially, this was expected to create a virtuous cycle—data-sharing would enhance market access and financing opportunities. In practice, however, SMEs face significant reporting burdens with little tangible benefit, leading to growing resistance across European business federations.

This discontent is amplified by political developments, such as a rightward shift in the European Parliament after the 2024 elections and reports like the Draghi Report, which highlight the regulatory pressure on SMEs. External factors, including the ESG backlash in the U.S., also exert influence on the EU's legislative trajectory. In response, the European Commission introduced omnibus reforms, proposing delays and adjustments. These changes were approved by Parliament and are expected to be transposed into national law, at least temporarily postponing implementation. Substantively, the omnibus reforms propose a radical narrowing of the CSRD and CS3D scope. Companies would face limitations in requesting information from their value chains. For CS3D, the due diligence focus would shift primarily to direct suppliers. Data collection further down the chain would be restricted to cases where "plausible information" about risks is available, an approach that has raised concerns. Large companies would also be limited in their ability to demand ESG information from smaller partners (under 1000 employees for CSRD, under 500 for CS3D), relying instead on the Voluntary Sustainability Reporting Standards for SMEs, a simplified version of the European Sustainability Reporting Standards. However, given other overlapping regulatory demands (e.g., product passports), the actual simplification effect remains uncertain.

Civil society and institutions such as the European Central Bank have criticised the reduction in scope, warning that it could result in less transparency than under the earlier Non-Financial Reporting Directive (NFRD). A major point of debate concerns the practical implementation of due diligence. The OECD Guidelines promote a risk-based approach prioritising the identification and mitigation of the most severe risks in cooperation with affected stakeholders. In contrast, the tier one approach, now gaining traction, relies on top-down monitoring of direct suppliers via audits, questionnaires, or digital platforms. While initially aligned with the OECD model, the current CS3D and omnibus proposals are leaning more toward the tier one methodology. Critics argue this shift could exclude critical risks in lower tiers of the supply chain. Business federations, though often sceptical of regulation, prefer the risk-based model, which they see as more pragmatic and focused.

Boris Verbrugge also stressed the paradox of simplification: while legislation is blamed for overwhelming SMEs, much of the supply chain information is already mandated under other EU laws. Additionally, voluntary private initiatives (e.g., codes of conduct, and labels such as Ecovadis) often impose greater demands than legislation. Weakening the regulatory framework may lead to a fragmented, market-driven system with inconsistent and potentially more burdensome requirements.

Lesson learned: A key lesson is the paradoxical nature of sustainability regulations, where EU-level mandatory rules (like CSRD and CS3D) are perceived as a significant, burdensome workload for companies, including SMEs through value chain demands, yet watering them down risks pushing companies back towards potentially more complex and less uniform voluntary initiatives. This suggests that the perceived regulatory pressure is not solely from the mandatory rules but also significantly from voluntary requirements.

2.2 International CSR Convenants in the Netherlands

In the second presentation, Prof. Yvonne Erkens (Professor of Labour Law, Leiden University) introduced the Dutch experience with voluntary International Corporate Social Responsibility (IMVO) convenants. These initiatives arose from challenges in implementing OECD and UN guidelines, aiming instead to build on existing frameworks with sector-specific, practical tools that are useful for SMEs. The sectoral convenants were facilitated by the Dutch tradition of stakeholder consultation ("polderen"), with the government having role as facilitator.

These agreements brought together businesses, unions, NGOs, and government entities. They included tailored obligations, reporting duties, and complaint mechanisms. Sectors covered included for instance textiles, finance, gold, and natural stone. While the convenants were praised for fostering collaboration, company awareness, and practical problem-solving, an evaluation by the Royal Tropical Institute (KIT) concluded that they fell short of expectations. Their voluntary nature, limited enforceability, and insufficient transparency hindered their effectiveness. Still, they provided valuable lessons, especially the insight that impact often requires long-term commitment beyond the evaluation timeframe.

Since 2022, the convenants have been phased out and replaced by a new subsidy framework for sectoral due diligence collaborations. Starting July 2024, this model includes frame agreements and modular tools across approximately 200 sectors. The Dutch government will no longer be a formal signatory but will continue to support dialogue via the SER (socio-economic council). The new model includes two pillars: subsidies for multi-stakeholder collaboration and support for civil society organisations (CSOs) in implementation. The challenge remains to balance the constructive participation of NGOs with their critical watchdog role.

Lesson learned: voluntary, multi-stakeholder sector-specific initiatives like the Dutch International Corporate Social Responsibility (IMVO) covenants can be a unique approach to promoting due diligence, although their overall effectiveness in achieving tangible impact was questioned in an evaluation, leading to a shift in government support towards more targeted subsidy schemes.

2.3 Psychological motivations behind sustainable business practices

In the third presentation of the online event, Esmée Veenstra (Postdoctoral Researcher in Organisational Behaviour, Utrecht University) presented psychological insights from the interdisciplinary SCOOP project, conducted in collaboration with MVO Nederland. Her research investigates how organisations develop sustainable engagement, using self-determination theory as a framework. According to this theory, fulfilling three basic needs—autonomy, competence, and relatedness—fosters intrinsic motivation, which is more durable than externally driven change.

CSR motivations can be mapped along two axes: the perceived value of CSR (instrumental vs. meaningful in itself) and the source of motivation (external vs. internal). This results in four profiles:

1. Strategic Tool (internal/instrumental): CSR pursued for reputation or financial gain.
2. External Compliance (external/instrumental): Driven by regulation or peer pressure.
3. Societal Mission (external/inherent): CSR seen as a public duty.
4. Organisational Culture (internal/inherent): CSR integrated into the company's identity.

Each profile carries risks. Instrumental or externally driven approaches may lead to minimal engagement or vulnerability to shifting pressures. Even mission- or culture-driven approaches can suffer from fragmentation or lack of external recognition. Pilot research suggests organisations are more motivated by focusing on internal progress steps than by aiming only to meet compliance thresholds. The key takeaway is that embedding CSR into organisational values and leveraging collaboration networks fosters longer-lasting change.

Lesson learned: the perspective of organisational psychology shows that intrinsic, value-driven motivation, where Corporate Social Responsibility is deeply integrated into an organisation's culture and identity, tends to foster more sustainable engagement and resilience compared to motivations driven purely by external pressure (compliance) or strategic gain.

2.4 The Co-operative model in practice

Johannes Grillet offered a Belgian perspective on how co-operatives—anchored in the social economy—balance profit and social purpose. Highlighting the upcoming UN International Year of Co-operatives in 2025, he noted that co-operatives naturally align with CSR principles through their governance models and emphasis on community. Using NewB, a financial co-operative, as an example, he showed how stakeholder representation (owners, clients, employees) is embedded into governance and linked to broader goals like the UN Sustainable Development Goals. Co-operatives have long practiced what current legislation aims to enforce, suggesting that CSRD and due diligence rules act as a "whip" to push other business models towards practices already embraced by co-operatives.

Lesson learned: A key lesson demonstrated by co-operatives, especially multi-stakeholder models, is their inherent and long-standing integration of economic performance with social responsibility, environmental concerns, and democratic governance, balancing the interests of diverse stakeholders within their foundational values and principles.