

Review

# Sustainability Due Diligence in Value Chains: A Comparative Legal Analysis of the CSDDD and the Serbian Legal System

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**Abstract:** In recent years, the European regulatory framework has focused attention on the obligation of sustainable due diligence in value chains as an instrument to prevent negative business impacts on human rights, the environment and working conditions. In this context, it is necessary to assess to what extent the legal system of Serbia provides mechanisms comparable to the standards established by Directive (EU) 2024/1760. The research is based on desk analysis, system benchmarking and gap analysis, in order to determine the normative, institutional and functional compliance of the local framework with the European model. The findings show that Serbian legislation includes fragmented elements of protection of labor and environmental standards, but does not form a coherent system of monitoring and risk management in value chains. Key deficiencies were identified in the definition of the company's obligations, in the monitoring mechanisms and in the public reporting procedures, which indicates a deep regulatory gap in relation to European requirements. The results point to the need for a comprehensive reform that would include the adoption of a special law, strengthening of institutional capacities and the establishment of systemic tools for oversight and transparency. Harmonization with European standards of sustainable due diligence has significant implications for the economy of Serbia, especially in terms of access to markets, competitiveness and the development of sustainable business practices.

**Keywords:** *Sustainability due diligence; value chains; CSDDD; corporate responsibility; regulatory alignment; Serbia.*

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## 1. Introduction

Over the past decade, the European regulatory framework has been shaped by deep tensions arising from global value chains and limited human rights and environmental protection mechanisms. As global corporations adapted to increasingly complex market structures, it became apparent that

traditional models of corporate responsibility were insufficient to ensure the prevention of systemic violations of workers' rights, local communities, or environmental standards. Research showed that voluntary standards and internal policies of corporations were not successfully applied where the risks were highest – in remote, less visible segments of the value chain, where the greatest number of violations of labor and environmental rights occur [1,2].

These gaps were not only of a technical nature. At their core were questions about the scope of responsibility of global companies, about the real possibilities of monitoring remote suppliers and whether it is possible to legally encompass all phases of a globalized production structure. It was in this zone of regulatory vagueness that the European concept of sustainable due diligence was developed, the goal of which was to see corporate responsibility no longer as a set of declarative obligations, but as a process with clearly defined phases of risk assessment, prevention, mitigation and monitoring [3]. By adopting Directive (EU) 2024/1760 [4], formally known as the Corporate Sustainability Due Diligence Directive (CSDDD), the European Union formalized this approach and turned it into a binding normative framework that unites human rights, the environment and corporate governance into a single entity.

For countries outside the EU, including Serbia, this regulatory breakthrough has opened up a series of challenges and new issues. Although the CSDDD directly binds only companies from the European Union, its effects have already spilled over to the operations of entities that are part of European supply chains, often without formal legal obligation. In such an environment, national legal systems that do not possess developed due diligence mechanisms risk becoming "regulatory peripheral" in relation to EU standards, which can have consequences both for business subjects and for the institutional credibility of the state [5]. Therefore, it turned out that the issue of harmonization with the European model is less challenging as a technical one, and much more as a structural and strategic one.

Previous local and regional literature has predominantly focused on individual aspects of ESG regulation or on theoretical accounts of CSDDD, while not providing an integrated assessment of the compliance of the local legal system with the obligations of sustainable due diligence. Therefore, the authors have the ambition to fill that gap with a systematic approach that combines normative analysis, benchmarking and gap analysis, thus providing the first comprehensive overview of the regulatory gap between Serbia and the European model.

Accordingly, the aim of the research was to assess the degree of compliance of the national legal framework with the obligations established by Directive (EU) 2024/1760 [4] and to identify key areas where there are legal, institutional or functional gaps. The initial hypothesis was that between the European model of sustainable due diligence and the legal order of Serbia, there is a deep and multi-layered gap that requires a comprehensive normative reform, including the construction of a unique architecture of monitoring, supervision and reporting in value chains.

## **2. Theoretical and normative framework of due diligence**

The modern concept of sustainability due diligence emerged at the intersection of international human rights law, corporate governance and responsible business conduct. It rests on the expectation that companies systematically identify, prevent and mitigate adverse impacts on human rights, the environment and working conditions throughout their value chains. Although

initially shaped by soft-law instruments, the concept has progressively evolved into a binding regulatory standard, most notably within the European Union.

### *2.1. The concept of due diligence in international law*

International human rights standards provided the initial conceptual foundation for sustainability due diligence by affirming the universal and indivisible nature of human rights as obligations relevant to business activity [6]. In legal theory, due diligence is increasingly understood as a shift from managing corporate social risk to managing adverse human rights impacts, reflecting a broader transformation from voluntary norms to binding obligations [7].

Early academic and policy debates highlighted that global value chains generate complex, multi-layered risks that cannot be addressed through traditional models of corporate responsibility. This recognition positioned due diligence as a structured and continuous process through which companies assess, address and monitor risks to affected stakeholders [8,9].

The Rana Plaza disaster in 2013 further exposed the limitations of voluntary corporate initiatives and underscored the need for more robust and legally grounded responsibilities in transnational production networks. It demonstrated that fragmented oversight mechanisms were insufficient in preventing systemic abuses, thereby catalyzing international efforts to articulate clearer corporate duties. This conceptual groundwork laid the foundation for subsequent international soft-law instruments and ultimately shaped the emergence of binding due diligence regimes within the European Union.

### *2.2. Development of binding due diligence regimes in the European Union*

Over the past decade, the European Union has transformed due diligence from voluntary guidance into a legally enforceable regime, reflecting its strategic ambition to integrate sustainability, human rights and environmental protection into the internal market [10]. The initial phase of this development consisted of sector-specific measures such as the Non-Financial Reporting Directive (Directive 2014/95/EU) [11] and the Conflict Minerals Regulation (Regulation EU 2017/821) [12], which introduced selective risk assessment and disclosure obligations and contributed to a fragmented regulatory landscape [13].

A more decisive shift occurred with the adoption of national supply chain acts, including the French *Loi de Vigilance* [14] and the German *Lieferkettengesetz* [15]. These laws expanded corporate obligations to encompass risk assessment, preventive measures, supplier oversight and, in some cases, civil liability. Although heterogeneous in design, they created growing pressure for EU-level harmonization [5].

The culmination of this evolution is the CSDDD, which introduces horizontal, comprehensive and mandatory due diligence obligations for large EU companies and for non-EU companies operating on the internal market. The directive formalizes the incorporation of sustainability risks into corporate strategy, governance and long-term risk management—marking the definitive transition from voluntary norms to a systemic, binding regulatory model [16,17].

### *2.3. CSDDD normative architecture*

The CSDDD represents the first comprehensive EU legal framework requiring companies to identify, prevent, mitigate and bring to an end adverse impacts on human rights and the environment within their operations, subsidiaries and value chains [4]. Its normative structure integrates the core elements of leading soft-law standards into binding obligations.

The first component is a structured risk-management process aligned with the UN Guiding Principles and OECD Guidelines [18,19]. Companies are required to conduct regular risk assessments, adopt preventive and corrective measures, monitor effectiveness and disclose relevant findings. This transforms previously voluntary guidance into enforceable legal duties.

The second component concerns corporate governance. Boards of directors must oversee due diligence processes, adopt appropriate policies and ensure that sustainability risks are incorporated into corporate strategy. In some cases, the directive introduces extended fiduciary duties for directors, representing a notable development in European corporate law [8].

Third, the directive mandates the establishment of national supervisory authorities empowered to investigate, impose sanctions and coordinate enforcement. It also provides for civil liability where harm results from a company's failure to take reasonable preventive measures [17].

Finally, the directive applies extraterritorially to companies from third countries generating substantial turnover in the EU market, thereby positioning the CSDDD as a global regulatory benchmark [5]. The Directive's overarching ambition is to strengthen legal certainty and improve access to remedies for affected individuals [20].

Through this integrated architecture, the CSDDD transforms due diligence from an aspirational corporate ethic into a legally binding obligation, providing the analytical foundation for assessing the alignment of the Serbian legal system with EU standards.

### **3. Research methodology**

The methodological framework of the research is based on a qualitative, doctrinal-legal approach complemented by analytical procedures characteristic of harmonization studies with EU law. The research combines the analysis of relevant international sources (UNGP, OECD guidelines), the text of the CSDDD and domestic regulations that partially regulate issues of corporate responsibility. The presented methodological approach corresponds to the standards of legal-economic research in the field of sustainability and regulatory compliance [21,22].

The empirical part of the work is based on the three-pillar model presented in detail within the framework of empirical research, which consists of: desk research, system benchmarking and gap analysis. The desk research enabled the identification of key elements of the due diligence regime, the benchmark analysis operationalized the CSDDD standards into comparative criteria, while the gap analysis enabled the mapping of areas of complete, partial or non-existent compliance [19]. This three-pillar design was chosen because it allows for a structured assessment of compliance with regulations, aligning normative interpretation with operational criteria derived from EU practice. The application of the model enables a comprehensive overview of the normative architecture of due diligence and its position in the domestic legal system, while maintaining a high degree of analytical precision and legal validity of the findings. The methodology is subject to limitations inherent to office-based research, particularly the absence of empirical verification through company-level data or institutional practices, which should be addressed in future studies.

### **4. Comparative legal analysis and assessment of compliance with CSDDD**

#### *4.1. Methodological approach*

The methodological framework of empirical research is based on three mutually complementary procedures: desk research, systematic comparative benchmarking and analysis of normative gaps

(gap analysis). This combined approach enables the legal architecture of sustainability due diligence, defined by the EU Directive [11] on CSDDD, to be operationalized through clearly defined analytical criteria, and examined in comparison with the regulatory and institutional framework of the Republic of Serbia. Similar methodological constructions are often applied in contemporary studies of European law and harmonization processes, especially in areas that combine legal, economic and corporate aspects [21,22].

The first methodological pillar, desk research, includes the analysis of primary and secondary sources relevant to due diligence: the text of the CSDDD, key international standards [18][19] and national legislation of member states that already have developed due diligence regimes, such as France, Germany and Norway. The analysis also includes domestic regulations that partially regulate areas related to risks in value chains (eg Law on Obligations, Law on Environmental Protection). The aim of this step is to identify the key elements of the due diligence system, including risk identification and assessment, preventive and corrective measures, monitoring and reporting [4].

The second pillar, systematic benchmarking, involves the operationalization of normative requirements from the CSDDD in the form of functional criteria that enable a structured comparison with the legal framework of Serbia. This method is based on a comparative legal approach in which CSDDD standards are broken down into operational units (risk assessment, due diligence policy, contractual clauses, supplier management, complaint mechanisms, reporting), and then the degree of their equivalence in domestic legislation is analyzed. Systematic benchmarking is recognized in the literature as a suitable method for evaluating compliance with complex EU regulatory regimes. The third pillar is gap analysis, a methodological standard in studies of harmonization with EU law [23].

Gap analysis enables the mapping of areas in which domestic regulation:

- (1) already has norms compatible with CSDDD requirements,
- (2) (partially covers the expected obligations, or
- (3) completely omits key elements of due diligence.

The results of the gap analysis are presented in a table for clarity and to identify priorities for alignment. Together, these three procedures provide an empirically based, but at the same time legal-doctrinal analysis. The combined method makes it possible to overcome a mere descriptive presentation of the Directive and makes it possible to make reliable conclusions about the degree of compliance of Serbia with the new European standards, as well as about the institutional and economic consequences that the implementation of the due diligence regime can produce.

#### *4.2. Operationalization of CSDDD*

The European Union's CSDDD sets a comprehensive regulatory framework that introduces the obligation of corporate oversight of negative impacts throughout the value chain, including own operations, business partners and indirect suppliers [4]. In order to carry out an empirical analysis of the compliance of the legal system of the Republic of Serbia with the requirements of the Directive, it is necessary to operationalize these obligations in the form of clear functional criteria. This approach is common in the legal methodology of comparative and normative research, especially in analyzes of compliance with European Union law [21,24].

In this research, the operationalization is based on identifying six interrelated elements of the due diligence system, which derive from the textual normative core of the CSDDD and relevant international soft-law standards [18,19]. Those criteria include: (1) identification and assessment of risks in the value chain; (2) establishing a formal due diligence policy; (3) preventive measures and supplier management; (4) corrective measures and elimination of negative impacts; (5) mechanisms for filing and processing complaints; and (6) the duty of public reporting on the exercise of due diligence.

Each of the mentioned criteria represents a functional unit that enables a systematic comparison between the European standard and the domestic legal framework. Their selection is not arbitrary, but is based on a cumulative reading of the obligations from the CSDDD [11], comparative normative solutions from the French *Loi de vigilance* [14], the German *Lieferkettensorgfaltspflichtengesetz - LkSG* [15] and the Norwegian *Åpenhetsloven* [25] and the recommendations of the OECD Guidelines for Responsible Business [26]. This provides an adequate framework for structured benchmarking and subsequent gap analysis.

The operationalization of the criteria is particularly important in the context of the Republic of Serbia, since the domestic legislation currently does not recognize a single concept of sustainability due diligence or the obligation of systemic risk management in value chains. Formalizing the criteria enables a clear assessment of the extent to which the existing regulations - the Law on Obligations [27], the Law on Business Companies [28], the Law on Environmental Protection [29] and other sectoral laws - can be considered equivalent to the obligations stipulated in the CSDDD, and where there are evident normative gaps.

This operationalization procedure therefore represents a key phase of the empirical part of the research, as it enables the conversion of abstract normative obligations into measurable units suitable for comparative legal analysis.

#### *4.3. Systematic benchmarking: EU/RS standards*

Systematic benchmarking is a key phase of the empirical analysis of the compliance of the national legal system with the obligations introduced by the Sustainable Value Chain Directive (SVCD). In this study, benchmarking is based on six previously operationalized due diligence criteria, where each criterion is assessed according to the degree of correspondence between the European normative standard and the applicable regulation in the Republic of Serbia. Methodologically, this approach allows for a structured and transparent comparison, which avoids anecdotal assessment and ensures analytical consistency [21].

First, the criterion of risk identification and assessment is clearly defined in the SVCD as the obligation to assess negative impacts throughout the value chain, including indirect suppliers and business partners [4]. In contrast, Serbian law does not have a systematic obligation to assess risks related to human rights, labor standards or environmental impacts along the value chain. In essence, there are only partial provisions in the Environmental Protection Law [29], as well as in the Occupational Safety and Health Law [30], regulating employers' obligations regarding risk assessment, preventive measures and worker protection, which do not cover the entire supply chain.

Second, a due diligence policy in the European context must be formally adopted, integrated into corporate governance and publicly available. There is no obligation to adopt a specific due

diligence policy in local law, and the fiduciary duties of directors (Companies Act) do not contain elements of risk management in value chains or an obligation to supervise external partners.

The third criterion, preventive measures, in the EU includes mandatory contractual clauses, conducting audits, supplier verification, risk monitoring and supervision. Serbia does not have mandatory due diligence clauses in its corporate or commercial regulations; such provisions appear only sporadically in the practice of global companies, but not as a legal obligation.

The fourth criterion, corrective measures, is a central element of the CSDDD as it introduces an obligation to eliminate negative impacts once they are identified. There is no legal mechanism in Serbia that would oblige companies to take corrective measures towards suppliers, nor can such an obligation be derived from general principles of the law of obligations.

The fifth criterion, grievance mechanisms, is mandatory under the CSDDD and must be accessible to employees, local communities and other stakeholders. Serbia does not have regulations that would oblige companies to establish such mechanisms. In essence, the Serbian legal system provides a basic framework for whistleblower protection under the Whistleblower Protection Law [31], which is narrowly applicable and does not apply to supply chains, and does not have the capacity to establish supply chain-specific grievance mechanisms required under the CSDDD.

The sixth criterion, reporting, is strictly regulated in the CSDDD and builds on the obligations of the Sustainability Reporting Directive (CSRD). The Republic of Serbia has not adopted a due diligence reporting obligation, nor are there specific standards that would guide companies in this direction. For the purpose of a structured comparison of the European and local legal frameworks, a systematic benchmarking analysis based on the six operationalized due diligence criteria is presented in a table below.

**Table 1.** System benchmarking of the EU/RS CSDDD standard.

<b>Benchmark criterion</b>	<b>CSDDD Standard (EU)</b>	<b>Situation in Serbia</b>
<b>Identification of risks in value chains</b>	Mandatory risk assessment (Art. 6-8)	There is no system obligation; fragmentary elements in LEP
<b>Due diligence policy</b>	Mandatory strategy, publicly available	There is no obligation to adopt a policy
<b>Preventive measures</b>	Contract clauses, audits, supplier supervision	There is no legal obligation; voluntary practice only
<b>Corrective measures</b>	Obligation to eliminate negative impacts	There is no obligation to take corrective action against suppliers
<b>Complaints mechanisms</b>	Mandatory grievance mechanisms	There is no mandatory complaints mechanism
<b>Reporting</b>	Mandatory annual reporting	There is no reporting obligation
<b>Civil liability</b>	Liability for damage introduced (Art. 19)	There is no special liability regime
<b>Supervision and sanctions</b>	National supervisory authorities and penalties	There are no competent bodies and no criminal regime

The results shown in Table 1 confirm the existence of a consistent pattern of the distance of domestic regulation from the standards introduced by the CSDDD, which represents the basis for further analytical elaboration in the following subsections. Benchmark analysis shows that the local legal framework includes only segmental elements of the EU model, without a systematically integrated process of due diligence.

Such systemic benchmarking shows that the domestic legal framework provides only fragmentary foundations relevant to CSDDD, but lacks any integral element of the due diligence system. This confirms the initial hypothesis that the gap between EU standards and domestic regulations is of a structural nature and requires comprehensive legislative changes.

#### *4.4. Analytical findings: pattern of concordance and deviation*

The results of the conducted system benchmarking indicate a marked structural difference between the European due diligence model of sustainability, as prescribed by the CSDDD Directive, and the existing legal framework of the Republic of Serbia. This pattern of deviation manifests itself through three key dimensions: normative fragmentation, functional mismatch, and institutional insufficiency. Analytical findings confirm that Serbia, despite the existence of individual regulations relevant to environmental protection, labor rights and business ethics, has not built an integrated system of due diligence that could be considered equivalent to the obligations from the CSDDD.

First, normative fragmentation is reflected in the fact that the relevant obligations are not unified in a single legal instrument, but are dispersed through various sectoral laws. While the CSDDD introduces a coherent and hierarchically structured risk management system [4], domestic regulations cover only partial aspects — such as environmental protection, occupational safety or prohibition of forced labor — without mutual coordination (Law on Environmental Protection [29], Labor Law [32]). The absence of normative coherence prevents the functioning of the due diligence process as a complete system.

Second, a significant functional mismatch was established, which refers to the difference between the mandatory due diligence procedure in the EU and the voluntary or implicit practice in Serbia. CSDDD prescribes mandatory risk identification, preventive and corrective measures, monitoring of suppliers and public reporting, while in Serbia these functions do not exist nor are they normatively mandatory. Many companies operating on the Serbian market implement certain due diligence practices exclusively as part of global corporate policies, which confirms that there is a gap between global standards and domestic legal infrastructure [3].

Thirdly, the analysis points to institutional insufficiency, that is, the absence of a competent body that would supervise the implementation of due diligence obligations. Unlike the CSDDD, which provides for the establishment of national supervisory authorities with clearly defined powers and sanctions [11], in Serbia there is no institution with mandates for the supervision of value chains, nor a legal basis for administrative measures or penalties in this area. The institutional architecture thus remains inadequate for the implementation of due diligence standards, which represents one of the most pronounced obstacles to harmonization.

Overall, the analytical findings confirm that a consistent pattern of deviation can be identified between the CSDDD and the legal system of Serbia: while the European Union introduces a strictly normative regime of responsible business, domestic regulations rest on a traditional approach that does not deal with risks in value chains. This confirms the assumption that, if Serbia strives to harmonize with European standards, it will have to carry out in-depth systemic reforms both on the normative and institutional level.

#### *4.5. Gap analysis: identification of normative gaps*

Gap analysis represents the final and most critical phase of empirical analysis in which, based on previously defined criteria and benchmarking results, areas are identified in which the domestic

legal framework deviates from the obligations provided for in the CSDDD Directive. This method is considered in the comparative legal literature as a standard tool for assessing the readiness of national systems for legal harmonization, especially in areas that include complex regulatory requirements and multi-level institutional processes [22,23].

The results of the gap analysis indicate the existence of systemic and structural normative gaps in the legal order of the Republic of Serbia. Although certain elements of due diligence practice can be recognized in the provisions of the Law on Environmental Protection, the Law on Safety and Health at Work and the Law on Obligations, none of these regulations defines due diligence as an integrated process of identifying, preventing and eliminating risks in value chains (Law on Environmental Protection [29]; Law on Obligations [27]). This confirms that the domestic regulation includes only partial and fragmentary components that are not functionally connected or directed towards the goals provided for in the CSDDD.

The first and most pronounced gap refers to the lack of obligation to identify risks in value chains, which is the main pillar of the due diligence process in the EU. Serbia does not have any normative instrument that would oblige companies to identify risks in terms of human rights, environmental damage or labor standards along the entire supply chain [4]. The existing regulations refer exclusively to the internal labor-legal or environmental framework of the company, without an external dimension.

Another significant gap relates to the absence of a mandatory policy of due diligence and preventive measures. Unlike the CSDDD, which foresees the formalization of the due diligence policy at the management level and the implementation of contractual clauses in relations with suppliers, the domestic regulations do not contain any provisions that would oblige business entities to establish such a risk management system [21].

The third gap concerns corrective measures, since there is no legal obligation to take action to eliminate negative impacts identified in business operations or relationships with suppliers. Obligations of this type are limited to sectoral regulations and do not cover the value chain as a whole.

The fourth area where a significant gap was identified was the absence of grievance mechanisms available to employees, stakeholders and local communities. Serbia does not prescribe the obligation to establish these mechanisms, which according to the CSDDD represent a key element of transparency and responsibility of companies.

The fifth and particularly critical gap refers to the absence of due diligence reporting obligations, which contrasts with European practice and the obligations provided for in CSRD and ESRS standards. Serbia does not have a developed reporting system that would enable business transparency in accordance with European expectations.

Finally, the deepest gap is in the area of supervision and institutional architecture, since there is no body competent to monitor, control and sanction non-application of due diligence. This represents a serious challenge for future harmonization, because the institutional component is an integral part of the obligations provided for by the CSDDD [11].

The findings from Table 2 indicate that the domestic legal framework includes only fragmentary elements of the due diligence system, while most of the key obligations of the CSDDD remain unregulated, which confirms the need for comprehensive legislative interventions. The results of the gap analysis confirm that most of the key obligations from the CSDDD in local law are only partially or not at all normatively recognized. This imposes the need for comprehensive normative reforms

that go beyond the mere harmonization of individual provisions and require a systemic reconstruction of the institutional and legal framework.

**Table 2.** Systematization of key elements of CSDDD - observed gaps and recommendations for harmonization.

CSDDD request	EU standard	Serbian legal framework	Degree of compliance	Normative gap	Recommendation
<b>Risk identification</b>	Mandatory risk assessment in value chains	Environmental protection – partially	Low	There is no risk assessment in supply chains	Introduce a mandatory due diligence assessment
<b>Due diligence policy</b>	Mandatory policy at management level	None	Low	There is no obligation to adopt a policy	Amendments to the Civil Procedure Code / special law
<b>Preventive measures</b>	Mandatory contractual clauses and supervision	They don't exist.	Low	There are no mandatory due diligence clauses	Prescribe mandatory clauses
<b>Corrective measures</b>	Damage removal plans and measures	They don't exist.	Low	No corrective actions	Introduce the obligation of corrective measures
<b>Complaints mechanisms</b>	Mandatory grievance mechanisms	Fragmentary	Partial	No system mechanisms	Harmonize with CSDDD
<b>Reporting</b>	Mandatory reporting	They don't exist.	Low	No reporting standards	Introduce mandatory reporting
<b>Responsibility</b>	Civil liability for damage	They don't exist.	Low	Lack of legal basis	To foresee responsibility
<b>Supervision</b>	Competent authorities and penalties	They don't exist.	Low	There is no institutional architecture	Establish a supervisory authority

*4.6. Discussion of results*

The results of the conducted desk research, system benchmarking and gap analysis point to a clearly recognizable and deep-rooted gap between the European due diligence model of sustainability and the existing legal order of the Republic of Serbia. This finding has multi-layered implications – normative, institutional, economic and strategic – that are of key importance for defining future directions of alignment with European Union standards.

First of all, the observed structural inconsistency indicates that the domestic legal framework is built according to the traditional logic of national-oriented corporate governance, in which the responsibility of companies is mainly related to their internal operations. In contrast, the CSDDD introduces the concept of extraterritorial and external liability that covers the entire value chain – including suppliers and business partners operating outside the territory of the EU [4]. This requires a fundamental review of domestic regulations to enable the implementation of obligations that go beyond the traditional boundaries of corporate responsibility.

Furthermore, the lack of institutional infrastructure is one of the most critical obstacles. And while the CSDDD foresees clearly defined supervisory authorities with the authority to conduct investigations, impose administrative sanctions and cooperate with the competent institutions of the member states [11], Serbia does not have an authority responsible for the supervision of value chains

or for the management of risks related to human rights and sustainability. The literature points out that any alignment with due diligence regimes requires strong institutional capacity and coordination between regulatory bodies, which implies the need to form a new or expand the competence of an existing authority.

The economic consequences are also significant. Companies operating in international value chains will face increased expectations from EU business partners regarding compliance with due diligence standards. In the absence of an adequate legal framework, Serbian economic entities may find themselves in an inferior position, facing the risk of losing the market or difficult access to financing, especially in the context of ESG lending and investment decisions based on sustainability [26]. Thus, it is confirmed that legal non-compliance also becomes an economic risk that affects competitiveness. From the point of view of the European integration process, the identified gap indicates the need for gradual but deep reforms. Alignment with the CSDDD cannot be achieved by simple partial changes to certain regulations; instead, a systemic reconstruction of the legal framework is required, including the eventual adoption of a special law on sustainability due diligence. The comparative experiences of France, Germany and Norway confirm that the successful implementation of such a regime requires a comprehensive approach, including clear definitions, institutional mechanisms and management responsibility [3,22].

In conclusion, the results of empirical research show that Serbia, in the current regulatory state, is not ready to implement due diligence obligations in value chains. However, they also indicate that timely and strategically organized harmonization can represent an opportunity to strengthen regulatory predictability, corporate responsibility, access to finance based on sustainability and the international competitiveness of the economy. These implications provide a basis for formulating recommendations in the concluding part of the paper. In practice, sectors such as automotive and apparel already require suppliers in Serbia to demonstrate partial due diligence processes, implying that CSDDD obligations indirectly and autonomously shape market behavior even before formal harmonization. These empirical findings provide a platform for assessing the regulatory and institutional reforms needed to align Serbia with the CSDDD.

## **5. Implications for the regulatory harmonization of Serbia**

The results of the analysis show that there is a structural discrepancy between the CSDDD and the legal framework of Serbia, which requires comprehensive normative and institutional adjustments. The directive introduces a binding due diligence model based on international standards [18,19] and national laws of individual member states, such as the French *Loi de Vigilance* and the German *Lieferkettengesetz* [5]. Harmonization with CSDDD must therefore include changes in corporate law, obligation relations, environmental protection and work. The implications of the conducted analysis indicate that Serbia is facing a deep systemic reform, which cannot be solved by partial changes. Compliance with CSDDD requires: new normative framework, new institutional architecture and transformation of business practices.

### **a) Normative implications**

Alignment with the CSDDD requires the introduction of clearly defined obligations of due diligence into the Serbian legal system. The most effective solution would be to enact a special law on sustainable due diligence that would systematize companies' obligations, including risk identification, preventive and corrective measures, contractual obligations to suppliers and public

reporting. Comparative practice confirms that fragmented approaches make implementation and monitoring difficult. Amendments to the Law on Business Companies should include the integration of sustainability obligations into the fiduciary duties of management, while the Law on Obligations should provide mechanisms for civil liability for failures in the due diligence process.

#### b) Institutional implications

The effectiveness of any future due diligence regime will largely depend on the administrative and financial capacity of supervisory authorities, which currently remains limited in the Serbian context. The EU experience indicates that centralized supervisory bodies increase the legal certainty and efficiency of the system [3]. In addition, it is necessary to establish a national mechanism for applications and complaints, as well as a digital register of sustainable due diligence reports, in accordance with European transparency practices.

#### c) Implications for companies in Serbia

Although the CSDDD is directly applied to companies in the EU, its effects will spill over to economic entities in Serbia that do business with European partners. Companies will be required to document risk assessment processes, monitor suppliers and enforce contractual clauses on responsible business practices. Otherwise, they may face the loss of business partners, reputational risks and difficult access to financing, especially within ESG credit policies. At the same time, alignment with CSDDD standards may enhance market access, strengthen competitiveness and reduce long-term operational risks for Serbian companies integrated into EU value chains.

These implications underline that Serbia's alignment with the CSDDD is not merely a technical legislative exercise, but a broader strategic transition toward a sustainability-oriented regulatory and economic model.

## 6. Conclusions

The analysis carried out in this research shows that the modern concept of sustainability due diligence in value chains represents one of the most significant normative shifts in European and international law in recent decades. The CSDDD directive, as the most ambitious regulatory instrument in this area, introduces a binding model that goes beyond traditional frameworks of corporate responsibility and directs business entities towards the systematic management of risks related to human rights, the environment and working conditions. In this context, the goal of the work was to examine the degree of normative and institutional compliance of Serbia with the European model and to identify key deviations relevant for future harmonization.

Using a three-step methodology - desk research, system benchmarking and gap analysis - it was determined that the local legal order does not contain a viable or functional equivalent to the due diligence obligations prescribed by the CSDDD. Existing regulations regulate issues of labor rights, environmental protection or business ethics in a fragmentary manner, but do not create a coherent structure that would enable monitoring, assessment and management of risks along the value chain. This confirmed the initial research question: Serbia's compliance with CSDDD standards is partial, and the harmonization process requires in-depth normative and institutional transformation.

The contribution of this research is reflected in the fact that it offers the first systematic analytical framework for comparing the CSDDD with the law of Serbia, where it identifies specific focuses of the regulatory gap and indicates the implications for the business sector. Such an approach goes beyond descriptive analyzes and enables the formulation of clear recommendations for building a national system of sustainable due diligence, including the need for a special law, strengthening

fiduciary duties of administration, developing oversight mechanisms and improving institutional architecture. At the same time, the paper points to the strategic importance of harmonization, especially in terms of access to global supply chains and ESG investment flows.

However, certain limitations of the research should be pointed out. The analysis is focused on legal norms, without empirical insight into the capacities and willingness of domestic companies to apply due diligence processes, nor does it include an assessment of the institutional resources required for effective implementation. Future research could focus on empirical studies of sectoral practices, comparisons with other candidate countries for EU membership, as well as the development of models of transitional solutions adapted to the Serbian institutional context. These limitations simultaneously indicate a fertile ground for future empirical studies involving companies and supervisory bodies once the CSDDD begins to shape domestic regulatory practice.

Observed in a wider scientific and social framework, CSDDD is not only a regulatory novelty but also a paradigm in the way of understanding corporate responsibility. Sustainable due diligence goes beyond the boundaries of classic corporate law and becomes a key instrument in the protection of people and ecosystems in globalized value chains. The study provides an original contribution by offering the first methodologically structured comparison between the CSDDD and Serbia's legal system, thereby mapping regulatory gaps with a level of precision previously absent in regional scholarship. In a broader perspective, Serbia's harmonization with the CSDDD represents not only a legal adjustment, but also a transformative step toward embedding sustainability into its economic governance and competitive positioning within European value chains.

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