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THE ROLE OF CORPORATE RESPONSIBILITY AND QUALITY LEGISLATION IN ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS: LEGAL AND PRACTICAL INTERCONNECTIONS AND HUNGARIAN LEGISLATION

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ABSTRACT

The adoption of Directive (EU) 2024/1760 on Corporate Sustainability Due Diligence (CSDDD) constitutes a significant step in the EU's efforts to promote responsible business conduct. It imposes binding obligations on large companies to identify, prevent, and mitigate adverse human rights and environmental impacts throughout their operations and value chains. Member States must transpose the directive into national law within two years, raising important legal and practical challenges.

This paper provides a legal analysis of the CSDDD, focusing on its scope, enforcement mechanisms, and alignment with principles of legislative quality. It places the directive within the broader international sustainability agenda, particularly the UN Sustainable Development Goals (SDGs), highlighting the relevance of SDG 16 and SDG 17 to strengthening institutions and partnerships.

The study also explores the evolving concept of corporate due diligence as a cornerstone of ethical governance. In the Hungarian context, it examines Act CVII of 2023 on ESG, identifying overlaps and gaps in relation to the CSDDD. This comparison offers insights into Hungary's readiness for implementation.

In addition to normative analysis, the paper showcases best practices from companies engaged in responsible conduct, illustrating how legal compliance can go hand in hand with positive social and environmental impact. The study further examines how the new unified directive fits within the broader framework of previous regulatory efforts from a legal perspective.

KEYWORDS Sustainability, Corporate Social Responsibility (CSR), Due Diligence, Corporate Sustainability Due Diligence Directive (CSDDD), Sustainable Development Goals (SDGs)

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1. Introduction

This study explores the extent to which the existing legal framework advances the attainment of the United Nations Sustainable Development Goals (SDGs), the way these objectives are influenced, and illustrates the analysis through selected, already implemented, practical examples. It further examines the criteria of quality legislation, which exert a fundamental influence on contemporary law-making processes.

The principal aim of this research is to offer a legal analysis and interpretative assessment of Directive (EU) 2024/1760 of the European Parliament and of the Council – hereinafter referred to as the Corporate Sustainability Due Diligence Directive (CSDDD) – with particular regard to its structure, scope, sanctioning regime, and its conformity with the principles of quality legislation, as embedded in the "Better Regulation" agenda.

The topicality of this inquiry is underscored by the fact that the Directive entered into force on 13 June 2024, affording Member States a two-year period for its transposition into national law. The CSDDD inaugurates a new era in the European Union's approach to corporate responsibility, seeking to secure the enforcement of human rights and environmental considerations across the entirety of corporate operations and value chains through binding legal obligations.

In addition, the study identifies and analyses best practices that may serve as instructive models for Member States, as well as for political and economic stakeholders.

By way of scholarly context, reference may be made to Silvia Ciacchi, who has examined the legislative process culminating in the adoption of the CSDDD and the principal amendments incorporated into the final text in comparison with the original Commission proposal (Ciacchi, 2024). Dirk Zetzsche has addressed the nexus between sustainability, FinTech, and financial inclusion (Arner et al., 2020). Julia Sinnig examines the CSDDD through the lens of the transition from mere disclosure obligations to the prevention of adverse sustainability impacts within supply chains (Sinnig & Zetzsche, 2025).

While much of the existing literature regards Corporate Social Responsibility (CSR) initiatives or ESG reporting obligations as ends in themselves, the present study advances the argument that an impact-oriented governance model is imperative, with institutional capacity and societal utility constituting the primary evaluative criteria.

Notably, the prevailing body of research tends to operate at the EU-wide or global level, paying comparatively little attention to the ways in which an individual Member State – in this instance, Hungary – might:

- fulfil the requirements of the CSDDD through coherent legal harmonisation; and
- identify and address the gaps and overlaps between its domestic ESG Act (Act CVIII of 2023) and the European legislative framework.

Most scholarly contributions approach the subject of sustainability either from a legal-compliance perspective or through the lens of corporate theory and management science. In contrast, this study endeavours to forge conceptual and practical linkages between:

- the principles of quality legislation (e.g., proportionality, enforceability, consistency),
- the operational realities of corporate responsibility, and
- the concrete preconditions for the achievement of the United Nations Sustainable Development Goals.

2. Methodology

For the purposes of this study, a systematic review of the relevant literature was undertaken. Emphasis was placed on the comparative analysis of legal norms. The study adopts an interdisciplinary approach, examining the Corporate Sustainability Due Diligence Directive (CSDDD) through both legal and policy lenses. The methodological framework is grounded in two principal components: comparative legal analysis and the examination of selected case studies.

The analysis draws upon a broad range of sources, including European Union and national legislation, preparatory documents and background materials issued by the European Commission, green papers, directives, scholarly literature, and authoritative legal commentaries. The analysis of legislative processes is further enhanced using tables that compare the pertinent legal norms in a structured manner.

In addition, the study integrates case studies highlighting exemplary corporate practices in the fields of Corporate Social Responsibility (CSR) and sustainability. These are examined in detail to demonstrate the way legislative provisions are implemented in practice.

The legal framework, conceptual underpinnings, and historical context of the study are developed through desk research, relying on the primary and secondary sources. This multi-faceted approach enables a comprehensive understanding of both the normative structure and the practical application of the CSDDD within the broader context of European and national governance

3. The Evolution of the Concept of Sustainable Development, Its Social and Political Origins, and Historical Background

The social and political transformations of the 20th century gave rise to global thinking about sustainable development. This collective reflection led to the production of various international documents. In 1969, UN Secretary-General U Thant called upon Member States to engage in this shared discourse, stating at the 17th session of the UN Economic and Social Council:

> *"For the first time in the history of humankind, we are witnessing the unfolding of a worldwide crisis that affects both developed and developing countries; this is the crisis of the human environment."* (U Thant, 1969)

As a result of this call, the decision was made to convene an international conference, with Sweden volunteering to host it. Officially entitled The United Nations Conference on the Human Environment, the conference was held in June 1972, with delegations from 113 states in attendance. This was the first global environmental conference to highlight the link between environmental protection and economic development. Although the expression "sustainable development" did not yet appear in the conference documents, the participants adopted the decision to launch the UN Environment Programme (UNEP).

The report prepared by the UN World Commission on Environment and Development in 1987 – *Our Common Future*, also known as the Brundtland Report – introduced the concept of "sustainable development". According to the report, this is development that meets the needs of the present without jeopardising the ability of future generations to meet their own needs. The authors stressed that the pace at which humanity was consuming the Earth's resources could not be sustained. Sustainable development means that growth should, ideally, not be based on the depletion of physical resources, but rather on their regeneration while keeping environmental pollution at a minimum.

The criteria of sustainable development include the use of renewable resources to support economic growth, the protection of species and biodiversity in general, and the commitment to maintaining the purity of air, water, and soil.

The report summarised the social conditions necessary for achieving sustainability as follows:

- the establishment of a political system enabling participation in decision-making;
- the existence of a sustainably functioning economic system;

- a social system capable of resolving tensions arising from unequal development;
- a production system mindful of environmental protection;
- an innovative technological system;
- sustainable trading systems;
- a flexible administrative system.

The next major milestone was the United Nations Conference on Environment and Development, held in Rio de Janeiro in 1992. At this event, the document titled *Agenda 21 – Programme of Action for Sustainable Development* was adopted, providing a comprehensive action plan for achieving sustainability at global, national, and local levels.

The document essentially offered a structured summary of environmental and related socio-economic problems, including recommendations and lists of programmes, as well as estimates of the resources necessary for implementation. It consisted of four major sections. The first part addressed fundamental social and economic themes of sustainable development, such as promoting development, combating poverty in developing countries, transforming consumption patterns in line with sustainability considerations, and population policy. The second section dealt with environmental and natural issues, focusing on mitigating or eliminating harmful impacts on the environment. Major topics included atmospheric protection, oceans, desertification and drought, deforestation, freshwater resources, biodiversity protection, biotechnology, and the management of hazardous and nuclear waste.

The third section reviewed the roles, tasks, and needs of key social groups in implementing sustainable development. These groups, examined in separate chapters, included children, women, indigenous peoples, local governments, trade unions, and non-governmental organisations.

The final part addressed the tools necessary for development, discussing financial resources and institutions, the transfer of environmentally sound technologies and procedures, the role of science, education, and training, the international institutional framework required for implementation (including organisations and legal instruments), and, finally, the appropriate national decision-making institutions and procedures for resolving specific tasks related to sustainable development.

It is noteworthy that, regarding financial frameworks, the final text reflected a compromise. Instead of the previously proposed solution of allocating 0.7% of gross national product to aid developing countries, the document ultimately recommended other, more flexible arrangements (United Nations, 1993).

Commitment to sustainable development is a goal that is intended to ensure that future generations do not inherit the damage caused by poverty and environmental degradation. It is essential to secure economic and social development, protect the environment, and advance the interdependent pillars of sustainable development at local, national, regional, and global levels.

Eradicating poverty, reducing inequalities, bridging gaps, preserving biodiversity, and supporting developing countries all represent significant challenges. Simultaneously, efforts must be made to combat armed conflicts, natural disasters, terrorism, infectious and chronic diseases, and to protect the rights of women. The document emphasised the need to involve the private sector and small businesses to accelerate and expand these processes.

At the Sustainable Development Summit held in New York from 25–27 September 2015, the 193 Member States of the UN unanimously adopted Agenda 2030 and the Sustainable Development Goals (SDGs), which represent a continuation and evolution of Agenda 21 from Rio de Janeiro. Among the 17 objectives, several directly relate to law and institutional frameworks.

Agenda 2030 defines a global framework for sustainable development, aiming to eradicate poverty and build a sustainable future by 2030.

The document seeks comprehensive solutions that account for the interaction of natural systems with each other and with social systems. It clearly states that there are not two separate crises – one environmental and one social – but rather a single, complex socio-environmental crisis. The proposed solutions demand holistic approaches to overcoming poverty, restoring the dignity of those who are excluded, and caring for nature at the same time.

The Sustainable Development Goals adopted under the auspices of the United Nations involve the entire UN community, including UNESCO, which is fully committed to supporting national governments and societies in implementing these objectives. Implementation of Agenda 2030 began on 1 January 2016. Each country pursues these goals with consideration of its own national and regional development levels and capacities.

4. National Initiatives and Legislative Solutions to Promote Sustainability Efforts

Within the European Union, numerous Member States have launched national initiatives aimed at advancing sustainability. These initiatives are diverse in scope, ranging from the expansion of renewable energy sources and the transition to a circular economy, to the promotion of sustainable transport, afforestation, and the protection of biodiversity.

Since 2016, the German Sustainability Strategy has been aligned with internationally adopted frameworks. One of its goals is for the country to achieve carbon neutrality by 2050. In connection with this strategy, various measures are underway, including the development of renewable energy sources, improvements in energy efficiency, and the transformation of the transport sector.

Germany also adopted the *Lieferkettensorgfaltspflichtengesetz* (Supply Chain Due Diligence Act) in 2021. This legislation requires large companies to ensure compliance with human rights and environmental standards across their supply chains. Companies must comply with human rights and environmental due diligence obligations within their supply chains. To fulfil these obligations, companies are required to establish adequate and effective risk management systems. This includes defining internal responsibilities for monitoring compliance with due diligence obligations, for example by appointing a human rights officer.

The French law adopted in 2015, the *Loi de Transition Énergétique pour la Croissance Verte* (Energy Transition Law for Green Growth), aimed to reduce carbon dioxide emissions, improve energy efficiency, and increase the use of renewable energy sources.

The *Loi sur le devoir de vigilance*, the French Duty of Vigilance Law adopted in 2017, was pioneering: it established the legal liability of French multinational companies for human rights and environmental damage caused by their activities, both in France and abroad. Under this law, large companies are obliged to identify and address the human rights and environmental risks arising from their global operations.

5. The Historical Development of the Concept of Corporate Social Responsibility

David Korten drew attention to an interesting fact: until 1855 in North America, every registered company was subject to a strict legal requirement to serve the public good. Compliance with this expectation was regularly monitored by the state authority issuing the operating licence, and if a company failed to fulfil this obligation, its licence could be revoked (Korten, 1996).

However, after the Civil War of 1865, the increasingly powerful corporations, through lobbying activities and significant economic influence, succeeded in replacing unlimited liability with limited liability.

At the beginning of the 20th century, a renewed demand emerged for companies to bear greater responsibility towards the societies affected by their operations. Howard R. Bowen's 1953 work, Social Responsibilities of the

Businessman, was the first major publication to address corporate social responsibility (Bowen, 1953).

Initially, corporate responsibility emerged as a form of managerial practice, embodied in the expectation of stewardship or trusteeship. Rooted in Protestant ethics, this approach entailed conduct akin to the maxim "noblesse oblige", paraphrased as "wealth obliges". In other words, it presupposed that owners had received wealth in order to serve both God and society.

In 1970, Milton Friedman formulated his view, which later became known as the Friedman Doctrine. According to this doctrine:

> *"There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."* (Friedman, 1970)

The essence of the Friedman Doctrine is that business decision-makers have merely a fiduciary responsibility: they act exclusively on behalf of and in the interests of the owners.

According to the World Business Council for Sustainable Development, CSR reflects the business community's commitment to contributing to sustainable economic development, working with employees, their families, the local community, and society at large to improve quality of life.

The Business World for CSR organisation defines CSR as a business practice that goes beyond the ethical, legal, commercial, and public expectations that society has of businesses. This interpretation broadens the concept of CSR and links CSR strategy directly to business decision-making.

From the 1990s onwards, companies increasingly integrated environmental and social considerations into their strategies, recognising the importance of sustainability. As this process accelerated, the European Commission adopted the Green Paper on Corporate Social Responsibility in 2001. Through this document, the EU formally acknowledged the significance of CSR and encouraged companies to assume social and environmental responsibility (European Commission, 2001a).

6. The Development of CSR Regulation in the European Union

Due to differences in national legislation and the complexity of global supply chains, the EU recognised the need for a unified, binding regulatory framework to ensure corporate responsibility for the protection of human rights and the environment.

In 2001, the European Commission published the Green Paper on Corporate Social Responsibility (CSR), defining CSR as the voluntary integration by companies of social and environmental concerns into their business operations and interactions with stakeholders (European Commission, 2001b). In line with the EU's Green Paper tradition, the main aim was to launch a broad societal and professional debate on the development and tasks of consumer protection. To align consumer protection with the internal market, the Commission set the goal of issuing a comprehensive consumer protection directive. Planned measures also included harmonising regulations affecting consumer interests more directly in Member States' competition law and identifying necessary responses to the new challenges of e-commerce. As part of the modernisation process of EU regulation, the introduction of regulations (instead of directives) in the field of consumer protection was also among the objectives of the Green Paper.

In 2011, the Commission provided a new definition of CSR, emphasising companies' responsibility for their impact on society, and introduced an action plan covering the period 2011–2014 (European Commission, 2011). According to the Commission's earlier definition, corporate social responsibility was understood as a business concept whereby companies, on a voluntary basis, integrate social and environmental concerns into their business activities and relationships with stakeholders. CSR concerns the responsibility of enterprises for their impact on society and the environment beyond the legal obligations imposed upon them. Certain regulatory measures create a more favourable environment for companies that voluntarily assume social responsibility.

The EU adopted Directive 2014/95/EU (Non-Financial Reporting Directive – NFRD), requiring large companies to disclose non-financial information, including environmental, social, and human rights matters.

To improve the consistency and comparability of published non-financial information within the Union, certain large undertakings were required to prepare a non-financial statement containing information relating to environmental, social, and employee matters, respect for human rights, anti-corruption, and bribery issues. This statement, to be included in the management report, had to describe the policies pursued, the outcomes of those policies, and the related risks. Furthermore, to identify, prevent, and mitigate existing or potential adverse impacts, the statement needed to include information on due diligence processes applied by the undertaking, including, where relevant and proportionate, its supply and subcontracting chains.

The next milestone was the adoption in 2022 of the Corporate Sustainability Reporting Directive (CSRD). The CSRD (Directive (EU) 2022/2464) replaced the

NFRD. As a result, the legislation governing sustainability reporting underwent a fundamental update. The scope was significantly broadened: the CSRD applies to all large undertakings and to SMEs listed on regulated markets, as well as to certain non-EU companies. Under the CSRD, companies began reporting in 2024 in accordance with mandatory EU sustainability reporting standards.

Alongside CSRD reporting, companies were also required to have their reports externally assured by a third party. The CSRD supports the European Green Deal, the policy package intended to transform the EU into a modern, resource-efficient, and competitive economy, with net greenhouse gas emissions reduced to zero by 2050.

The legal framework reached its current complexity in 2024 with the adoption of the Corporate Sustainability Due Diligence Directive (CSDDD or CS3D). Directive (EU) 2024/1760, widely referred to as the CSDDD, is a comprehensive regulatory instrument aiming to promote sustainable corporate conduct and responsibility. The legislative objectives go beyond technical regulation: they lay the foundations for a structural and conceptual shift in EU corporate governance.

Through this directive, such ambitions become legal obligations: it is no longer sufficient to “report in good faith” or operate “voluntary CSR programmes” – specific expectations are set, with concrete sanctions attached.

Companies are required to identify, prevent, and mitigate potential human rights infringements within their own activities, those of their subsidiaries, and across their entire value chains. The aim is to promote ethical and responsible conduct, even when it conflicts with short-term economic interests.

The directive is closely linked to the EU Green Deal and the Paris Climate Agreement and requires companies to integrate environmental considerations into their operations. Its objectives include eliminating regulatory fragmentation among Member States and ensuring a level playing field for companies operating across the Union. To incentivise long-term value creation, the directive calls for a shift from short-term profit orientation towards business models centred on sustainability, social responsibility, and stakeholder interests.

7. The Concept and Practice of Due Diligence

The term “due diligence” traditionally denotes the level of care expected of a reasonably acting company to prevent unlawful, risky, or ethically questionable conduct. Originally, the concept emerged in financial and investment contexts, but today it has also become a key concept in the field of human rights, environmental, and social responsibility.

According to the OECD (Organisation for Economic Co-operation and Development's) 2011 definition, due diligence is a process through which companies can identify, prevent, mitigate, and account for actual or potential adverse impacts (OECD, 2011).

The OECD Guidelines for Multinational Enterprises (the Guidelines) are government-backed recommendations addressed to multinational enterprises. Their objective is to enhance corporate contributions to sustainable development and to reduce the adverse impacts of business activities on the planet, society, and people.

The implementation of the Guidelines is supported by a special mechanism: the network of National Contact Points (NCPs) for Responsible Business Conduct, which was established by adhering countries to promote the Guidelines and support their application. Since their introduction in 1976, the Guidelines have been continuously updated as evolving societal challenges and the changing international business environment have necessitated adjustments.

The 2023 revision reflects the experience gained since the last comprehensive update in 2011 and responds to urgent social, environmental, and technological priorities confronting societies and businesses alike. The most significant elements of the update include:

- recommendations for companies to align with internationally agreed goals on climate change and biodiversity;
- the integration of due diligence expectations into processes related to the development, financing, sale, licensing, trade, and use of technology, including data collection and use;
- recommendations concerning the management of the impacts of companies' products and services and the exercise of due diligence across business relationships;
- stronger protection for vulnerable individuals and groups, including those raising concerns about business conduct;
- updated recommendations regarding the disclosure of information on responsible business conduct;
- the extension of due diligence recommendations to all forms of corruption;
- recommendations aimed at aligning lobbying activities with the Guidelines;
- strengthened procedures to enhance the visibility, effectiveness, and functional equivalence of National Contact Points dealing with responsible business conduct (OECD, 2023).

The UN Guiding Principles on Business and Human Rights (2011) represent the next level of legal sources. They constitute the globally recognised framework for the human rights obligations of businesses. Adopted in 2011 by the UN Human Rights Council, the principles rest on the tripartite pillars of "protect, respect, and remedy". This means that governments have a duty to protect human rights, businesses must respect them, and any harm caused must be remedied.

Governments are responsible for protecting human rights, including in relation to business conduct. This involves developing legislation on human rights, adopting measures to safeguard human rights, and ensuring the enforcement of relevant laws. Businesses have an obligation to respect human rights. This entails understanding human rights risks, taking measures to prevent violations, and remedying any harm caused.

The principles emphasise the importance of effective remedy mechanisms. These include both judicial and non-judicial processes that enable victims of human rights violations to access justice and reparation.

The UN Guiding Principles constitute the foundational framework for companies' human rights obligations, encouraging them to consider human rights across their business operations.

The European Union has also adopted these principles, which have been incorporated into the national laws and policies of numerous countries. Previously, the EU issued soft law instruments and documents in this area (e.g., Guidance on Human Rights, 2016). However, the CSDDD Directive is the first binding EU legislation on due diligence.

Table 1 presents the due diligence steps as structured under the CSDDD Directive:

Table 1: Due Diligence Steps under the CSDDD Directive

Step	Content
Risk Identification	Identifying potential negative human rights and environmental impacts
Prevention and Mitigation	Introducing mechanisms to prevent harmful impacts
Monitoring and Follow-up	The company is obliged to monitor the effects of its measures
Disclosure and Reporting	Informing the public and ensuring transparency
Complaint Handling	Providing accessible procedures for stakeholders to report grievances

8. The Structure and Sanctioning System of the CSDDD Directive

The Directive establishes a clearly defined scope of application regarding the legal entities falling within its ambit. Within the European Union, it applies to undertakings that employ more than 1,000 persons and that generate an annual net worldwide turnover in excess of EUR 450 million, as well as to the ultimate parent companies of corporate groups meeting these thresholds.

In addition, the Directive extends its applicability to undertakings operating under franchise or licensing agreements, where the criteria for inclusion are determined by reference to the level of annual royalty payments in conjunction with the undertaking's net worldwide turnover.

The entry into force of the CSDDD Directive also merits particular attention. The entry into force of the CSDDD Directive presents several notable features.

First, in temporal terms, the Directive becomes legally binding on the twentieth day following its publication in the *Official Journal of the European Union*. Member States are then granted a two-year period to transpose its provisions into their national legal orders.

Second, company size is a determining factor in the timing of application. The obligations are introduced progressively rather than uniformly, with the earliest compliance deadlines applying to the largest undertakings – those employing more than 5,000 persons and generating substantial turnover. Subsequent phases extend the requirements to medium-sized undertakings with significant turnover, while smaller undertakings meeting the prescribed thresholds become subject to the Directive only at the final stage.

Third, the Directive prescribes a sector-specific sequencing. In certain high-risk sectors, such as mining and the textile industry, obligations may be imposed earlier or enforced more stringently. By contrast, undertakings operating in lower-risk sectors benefit from a longer preparatory period before full compliance is required. The duplicated sentence fragment has been removed here.

Finally, the Directive provides for an impact assessment mechanism. Several years after implementation, the European Commission must review its application and, where appropriate, propose amendments to ensure that its objectives are effectively achieved.

9. Substantive Obligations and Liability Regime under the CSDDD Directive

The Directive extends its scope to non-EU undertakings that generate an annual net turnover of at least EUR 450 million within the European Union. In such cases, its provisions also apply to the ultimate parent companies of groups meeting this threshold, as well as to undertakings operating within the EU under franchise or licensing agreements.

It imposes a dual obligation: (i) to conduct sustainability-related due diligence and (ii) to adopt a transition plan aimed at mitigating climate change. In meeting the due diligence requirement, undertakings must assess their compliance with the human rights and environmental provisions set out in the Annex to the Directive. This process must cover the entire chain of activities, including both upstream (supply) and downstream (product-related) segments, extending to the end of the product's life cycle.

Undertakings are also required to establish a complaint-handling mechanism enabling a broad range of stakeholders to report adverse impacts they have observed. Where such a mechanism already exists, it must be expanded to encompass environmental and human rights concerns. In addition, undertakings must regularly evaluate the adequacy and effectiveness of their measures and – unless already subject to the CSRD sustainability reporting regime – publish annual reports on their websites detailing relevant activities. Furthermore, they are obliged to take appropriate measures to prevent potential adverse impacts identified through risk assessments and to remedy any actual adverse impacts.

The enforcement architecture combines administrative and civil liability mechanisms. Alongside administrative sanctions – such as fines – imposed during official inspections, the Directive provides for civil liability. Undertakings may be held liable for damage suffered by natural or legal persons resulting from their failure to prevent or remedy harmful impacts and may be required to provide full compensation. Importantly, the Directive authorises trade unions and non-governmental human rights and environmental organisations to act on behalf of affected parties in bringing claims for the enforcement of these rights.

10. The Significance of the CSDDD Directive in Legal Development

The adoption of the CSDDD Directive represents a turning point in the development of European economic and corporate law. Instead of the former shareholder-focused perspective, the regulation introduces a stakeholder-based approach that redefines normative expectations regarding the social role of companies. Stakeholder value theory prioritises responsibility over profitability, viewing the company as a coalition that must serve the benefit of all participants.

For a long time, the field of sustainability, human rights, and environmental protection was dominated by soft law instruments. The CSDDD is the first to codify these principles in a binding EU legal source, thereby setting a precedent for the incorporation of soft law norms into hard law frameworks.

The CSDDD goes beyond the classical framework of delictual liability by introducing preventive liability. Under this system, a company can be held responsible even if it fails to take the necessary measures to prevent harm, regardless of whether it directly caused the damage itself. Through the CSDDD Directive, the boundary between law and ethics is becoming blurred. Expectations that were previously considered ethical norms – such as respecting workers' rights – are now becoming legal obligations, thereby imparting a new moral dimension to legal practice.

The CSDDD provides a model example of how complex, value-based challenges – such as sustainability or human rights – can be addressed through legal instruments. This approach is likely to serve as guidance for other EU regulations in the long term.

Table 2 compares the characteristics of Directive (EU) 2024/1760 (CSDDD) with previous, mainly voluntary corporate responsibility initiatives and certain national regulations. The aim is to demonstrate the progress represented by the CSDDD within the EU regulatory framework for corporate sustainability.

Table 2: Comparison of the CSDDD with Previous Corporate Responsibility Initiatives and National Regulations

Element	Previous Initiatives (CSR, NFRD, National Rules)	CSDDD (EU 2024/1760)
Legal Nature	Mostly soft law, voluntary schemes, or national legislation	Binding EU directive
Scope of Application	Varying by Member State, sector-specific	Uniform application in all Member States
Content of Corporate Responsibility	Non-financial reporting, ethical codes	Risk assessment, prevention, intervention, legal liability
Sanctionability	Generally, none, with reputational consequences at most	Specific fines, liability for damages
Regulation of the Supply Chain	Typically limited to internal company operations	Covers the entire supply and value chain

In legal dogmatic terms, the CSDDD Directive can be summarised as situated at the intersection of classical delictual liability and proactive corporate conduct. Under the CSDDD, companies can be held responsible not only for their own activities but also for abuses occurring within their supply chains. Due diligence becomes one of the cornerstones of 21st-century corporate governance. The directive elevates the concept of due diligence beyond a mere legal mechanism, transforming it into a normative expectation under EU law. This requires companies to adopt new ways of thinking and operating, centred on prevention, transparency, and accountability.

11. Better Regulation Tools: Quality Guarantees in EU Legislation

Two fundamental principles underpin the European Union's Better Regulation policy: legislative consistency and transparency. Below, the historical and institutional context of these efforts is outlined.

The European Commission's Better Regulation Agenda aims to ensure that EU legislation is more transparent, effective, evidence-based, and targeted.

Historically, EU law-making focused primarily on economic integration. However, since the 2000s, increasing attention has been paid to the quality of legislation. The Better Regulation Agenda, launched in 2002, sought to ensure that legal norms are well-founded, coherent, and transparent. The CSDDD is the first comprehensive ESG-related directive prepared in accordance with these principles, based on multi-level scrutiny and extensive public consultation.

The principles of Better Regulation include:

- Transparency – public consultations and impact assessments
- Evidence-based decision-making – relying on data and research
- Proportionality – avoiding excessive administrative burdens
- Coherence – consistency with other EU legislation
- Subsidiarity – regulating at EU level only when genuinely necessary

The goal of legislative consistency is to ensure that new EU rules align with existing legal frameworks, avoiding overlaps, gaps, or contradictions. The Better Regulation Guidelines require an examination of the coherence of any new legal act with existing EU and national legislation.

In the case of the CSDDD, this was especially important since it is closely linked to the CSRD, the NFRD, and Directive 2019/1937 on whistleblowing. This ensures that companies can operate within a uniform, coherent regulatory environment.

According to the principle of transparency, legislation must be publicly accessible, justified, and traceable for society. During the legislative process for the CSDDD, several rounds of public consultation were conducted, involving civil society organisations and economic actors. The European Commission published the related impact assessment documents, which were also reviewed by the Regulatory Scrutiny Board. These procedures contributed to the CSDDD's broad social legitimacy as a legislative instrument.

The directive obliges Member States to establish supervisory authorities and enables stakeholders to enforce their rights, ensuring practical enforceability. These objectives closely align with the UN Sustainable Development Goals (SDGs 16 and 17).

12. How were the Better Regulation principles applied in drafting the CSDDD?

The CSDDD is the first comprehensive ESG-related directive to systematically employ Better Regulation principles and tools. This approach ensures that the directive is well-prepared, targeted, and proportionate, thereby increasing its acceptance among Member States and companies.

During the preparation of the Corporate Sustainability Due Diligence Directive, these tools played a prominent role.

Table 3 below sets out the most important Better Regulation tools and their specific application in the context of the CSDDD:

Table 3: Key Better Regulation Tools and Their Application in the Context of the CSDDD

Tool	Content	Connection to the CSDDD
Impact Assessment (IA)	Assessing the impact before legislation is adopted	The CSDDD impact assessment examined effects on companies, workers, the environment, and consumers.
Public Consultation	Open social consultation process	Multiple consultation rounds were conducted with civil organisations and industry representatives.
Evaluation / Fitness Check	Evaluation of prior legislation	The effectiveness of the CSR and NFRD directives was assessed to identify shortcomings.
Regulatory Scrutiny Board (RSB)	Independent body reviewing impact assessments	The CSDDD preparatory materials were evaluated by the RSB.
REFIT Programme	Simplification and deregulation efforts	The CSDDD was designed to avoid unnecessary administrative burdens.

(REFIT aims to ensure EU regulation does not exceed what is necessary.)

13. Hungarian CSR and ESG Regulation in the Context of EU Law

Act CVIII of 2023 on the Rules of Corporate Social Responsibility Promoting Sustainable Finance and Unified Corporate Responsibility – taking into account environmental, social, and societal considerations, and amending other related legislation – entered into force on 1 January 2024.

The EU's Corporate Sustainability Reporting Directive (CSRD) and the ESG (Environmental, Social, Governance) framework are closely interlinked. The CSRD requires large undertakings to prepare transparent and detailed reports on their sustainability performance, thereby effectively requiring disclosure in accordance with ESG criteria. Under Hungarian law, ESG is defined as *"a set of criteria relating to sustainability issues that, for a given enterprise, assess environmental, social, and governance impacts and factors from a sustainability perspective."*

The preamble of the Hungarian Act expressly establishes a connection with EU legislation, stating that its objective is to ensure that the activities of individual economic operators, or certain segments thereof, can be objectively assessed based on sustainability considerations, and to support the implementation of the European Green Deal. A comparison with the preamble of the CSRD reveals full alignment with the objectives pursued at EU level, indicating that at the level of the normative text, the Hungarian regulation reflects the same legislative intent.

A systematic analysis of the Hungarian Act yields the following observations. Article 29a of Directive (EU) 2022/2464 (CSRD) sets out provisions on consolidated sustainability reporting, while Article 29b establishes the standards applicable to small and medium-sized enterprises. Accordingly, Chapter III of the Hungarian Act defines the obligations of companies, including sustainability due diligence, risk management and risk assessment, preventive and corrective measures, ESG reporting requirements, and complaint-handling mechanisms. Both in terms of general principles and in its detailed provisions, the domestic regulation closely follows EU requirements without substantive deviation.

Chapter II of the Act assigns responsibilities to the Minister for Economic Development and to the Supervisory Authority for Regulated Activities. The National ESG Council – established and chaired by the Minister – serves as a professional advisory body and participates in determining the minimum requirements for ESG reporting. At the request of the President of the Supervisory Authority for Regulated Activities, the Council issues professional opinions.

The mandate of the Supervisory Authority for Regulated Activities, created under Act XXXII of 2021, has been expanded to include the establishment of the ESG Accreditation Committee.

Enforcement is addressed at several levels within the Hungarian regulation. The first level consists of supervisory and monitoring powers. Compliance with ESG reporting obligations and corporate sustainability reports is subject to official oversight, primarily by the Hungarian National Bank and, in certain cases, by other designated authorities depending on the nature of the undertaking (e.g. listed companies, financial institutions).

Sanctions and administrative fines are directly linked to these supervisory powers. Incomplete or missing ESG reports, or the provision of false information, may result in fines proportionate to the company's turnover and the seriousness of the infringement, with amounts potentially reaching several million forints. Authorities may also impose corrective measures, such as requiring the supplementation, amendment, or resubmission of the report within a prescribed period. Repeated non-compliance may lead to increased penalties.

The Act also affords legal protection to entities subject to its provisions: administrative decisions may be challenged before the courts in administrative proceedings, thereby enabling companies to contest the legality of fines or corrective orders.

The Corporate Sustainability Due Diligence Directive (CSDDD) was adopted at EU level on 24 May 2024. Member States are granted a two-year period to transpose its provisions into national law and establish the necessary administrative procedures. As of the date of writing, Hungary has not yet enacted domestic legislation implementing the CSDDD.

14. Corporate Social Responsibility: Conceptual Framework, Strategic Importance, and International Practice

Corporate Social Responsibility (CSR) constitutes a strategic approach whereby enterprises voluntarily incorporate social and environmental considerations into their business operations and interactions with stakeholders. The underlying objective of CSR is for companies to acknowledge and assume responsibility not only for their economic performance but also for their social and environmental impacts. CSR thus entails corporate accountability for organisational conduct and its consequences for society, encompassing – inter alia – employment conditions and labour standards, freedom of association, workplace wellbeing, non-discrimination and gender balance, stakeholder engagement, respect for human rights, prevention of environmental harm (including emission and pollution reduction), and the elimination of bribery and corruption.

Empirical evidence demonstrates that CSR can significantly enhance corporate competitiveness, generating tangible benefits in areas such as risk management, cost reduction, access to capital, customer relations, human resource development, and innovation capacity. In its 2011 CSR Strategy, the European Commission urged companies to work in close collaboration with stakeholders to embed social, environmental, ethical, human rights, and consumer concerns into both core business strategies and day-to-day operations.

Globally, the practical implementation of CSR is increasingly widespread, with diverse examples illustrating how businesses can create societal and environmental value. Corporate social marketing represents one such instrument, whereby companies design and execute campaigns aimed at fostering behavioural change in domains including public health, public safety, environmental protection, and community wellbeing.

CSR initiatives are typically categorised into four principal domains:

- Environmental responsibility
- Human rights responsibility
- Philanthropic responsibility
- Economic responsibility

When developing or expanding CSR strategies, enterprises generally seek to evaluate their impacts on three fundamental stakeholder groups: customers, employees, and society at large.

In the contemporary, rapidly evolving business landscape, innovative corporate models are indispensable for enabling adaptation to technological advances, shifting market demands, and heightened sustainability expectations. CSR is increasingly interpreted as a novel business model that enables corporate contributions to sustainable development by striking a balance among economic interests, environmental imperatives, and social objectives. This model integrates environmental and social considerations, stakeholder perspectives, and ethical conduct into strategic decision-making. In this respect, CSR can be regarded as a form of social innovation, insofar as it represents a new business paradigm whose outcomes advance societal progress.

The fair-trade movement constitutes a prominent illustration of CSR in practice. Originating primarily from development agencies and religious organisations, it later expanded to include a broad range of civil society actors. In partnership with producers in disadvantaged regions, these actors established southern fair-trade organisations – associations that facilitated the organisation of production and the provision of basic social services, enabling producers to export goods to developed economies on equitable terms.

By the mid-1980s, the movement had acquired formal institutional structures through the establishment of registered cooperatives, most notably the European Fair-Trade Association (EFTA) and the World Fair Trade Organisation (WFTO). Since its inception, the WFTO has encompassed some of the most prominent European cooperatives and has evolved into one of the world's most comprehensive fair-trade networks, spanning the entire value chain from production to retail, and promoting fairness, sustainability, and ethical trade at every stage.

Below, selected international examples are presented to demonstrate the broad public visibility of such business conduct:

- *TOMS Shoes – "One for One" programme*
  For every pair of shoes sold, the company donates a pair to a child in need. The programme integrates social responsibility directly into the company's brand strategy.
- *Dove – "Real Beauty" campaign*
  The campaign aims to promote a positive self-image and acceptance of diverse beauty ideals among women and girls. In cooperation with the World Association of Girl Guides and Girl Scouts (WAGGGS), Dove developed free educational materials for parents and teachers.
- *LEGO*
  The company has committed to manufacturing all its products from sustainable materials by 2030.
- *Starbucks – "Greener Stores" programme*
  The goal is to create eco-friendly outlets that consume less energy and enable more sustainable operations.
- *NIVEA*
  Key CSR initiatives include "NIVEA Cares for Family" and "Mom Was Right." The "NIVEA Cares for Family" programme was available in 12 countries, with campaigns adapted to local contexts. The "#MomWasRight" initiative was implemented in 16 countries with a unified message, while in India, Indonesia, and Brazil, NIVEA developed unique local campaigns. The "NIVEA Cares for Family" programme focuses on supporting families. According to the programme description, "families are the true mirrors of society, and these values strengthen individuals, local communities, and society as a whole."

15. Conclusion

This study has shown that the adoption of the CSRD and CSDDD Directives reflects a broader transformation in corporate regulation, driven by evolving concepts of responsible management and intergenerational social responsibility. Legislative trends now extend beyond the encouragement of "good practices" to the sanctioning of irresponsible conduct, marking a clear transition from voluntary commitments to the mandatory enforcement of binding rules. Sustainability objectives are thus understood not only as aspirational principles but as a normative operational framework within corporate governance.

In Hungary, the CSRD will become applicable to companies from January 2025, in alignment with EU commitments. While the long-term effectiveness and verifiability of its implementation can only be evaluated over time, its mandatory nature is expected to encourage broader engagement, particularly among domestic enterprises. Although current examples are drawn primarily from multinational practices, changes in the legal environment are likely to strengthen ESG-driven activities in the Hungarian business sector.

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