Submission to the European Commission's consultation on guidance for implementation of the EU Corporate Sustainability Due Diligence Directive (CSDDD)

About

This submission responds to the European Commission's consultation on guidance for implementation of the EU Corporate Sustainability Due Diligence Directive (CSDDD), August 2026.

It is grounded in years of hands-on, on-the-ground experience working with companies across sectors and geographies on human rights due diligence since the UN Guiding Principles on Business and Human Rights (UNGPs) were endorsed in 2011. It focuses on practical approaches to effective, risk-based due diligence that deliver meaningful outcomes for affected stakeholders.

The information provided is necessarily constrained by the consultation's questions and applicable character limits and therefore cannot fully reflect the depth of experience and learning available.

Any and all stakeholders are welcome to draw on and use this information as helpful. We welcome feedback, comments and further dialogue, and would be pleased to provide any additional information, clarification or practical examples that may assist.

Contact Human Level's founder and CEO, Anna Triponel, on LinkedIn for any further questions or comments.

Answers

Integrating due diligence into relevant policies and risk management systems

Under the CSDDD (Article 7), companies are required to integrate due diligence into all their relevant policies and risk management systems and have in place a due diligence policy that ensures risk-based due diligence.

Question 1.

Considering the experience in your company with integrating (or your plans to integrate) due diligence into the relevant corporate governance policies, which policies do you consider most relevant?

A human rights policy is key to setting tone from the top and sustaining due diligence through leadership changes. HRDD should also be embedded in climate/environment, HR, AI/technology and procurement policies. Key policies also include two-way codes of conduct requiring mutual cooperation, responsible purchasing policies guiding procurement decisions, and responsible exit policies requiring assessment and mitigation of impacts from disengagement.

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Human rights (including labour rights) and environmental impacts

The Annex of the CSDDD sets out what the human rights (including labour rights) and environmental impacts are for the purposes of due diligence. Some human rights protected under the international instruments referred to in the Directive's Annex are not expressly named there but are covered by the Directive as they are covered by the instruments in Part I, Section 2 of the Annex, such as for example specific rights of the child, provided that the company could have reasonably foreseen the risk that such human right may be affected, taking into account the circumstances of the specific case, including the nature and extent of the company's business operations and its chain of activities, the characteristics of the economic sector and the geographical and operational context.

Question 2.

Do you think that the guidelines should seek to offer examples on adverse human rights (including labour rights) or environmental impact, and which are the most relevant types of impacts for which you see this need? Please explain.

No. Examples risk becoming a de facto checklist, as seen with the ESRS, encouraging companies to prioritise listed impacts rather than those that are most severe. Instead, the guidance should strengthen companies' ability to assess impacts using a risk-based approach, including considering vulnerability, interconnected impacts (e.g. climate and human rights), business context and relevant human rights conventions beyond the Annex (e.g., on FPIC, IHL).

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Question 3.

If you already apply corporate sustainability due diligence in your value chain, do you have a defined set of indicators to identify and monitor the adverse impacts listed in the Annex? If so, were they developed in-house or do they rely on external input? Please give a few examples and the data source(s) they rely upon.

Indicators are valuable, but companies often struggle to develop meaningful ones. Many measure inputs (e.g. training or audits) rather than whether due diligence improves outcomes for people. The most meaningful indicators draw on feedback from affected stakeholders and assess changes in behaviour, trust and access to remedy. They should also track governance, leadership attention and resources, and be developed with stakeholder input.

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Identification of adverse impacts (including data and information sources)

Under the CSDDD (Article 8), companies in scope are required to take appropriate measures to identify adverse impacts, including at the level of indirect business partners (beyond direct contractors) in their value chains.

As part of this, and taking into account relevant risk factors, companies are required to carry out a scoping of risk areas across their own activities, those of their subsidiaries and those of their business partners where impacts are most severe and most likely. Based on the results of this scoping, companies should carry out an "in-depth assessment" in those areas where the adverse impacts were identified as most severe and most likely to occur. Companies will be expected to carry out the scoping exercise based on reasonably available information which will as a general rule preclude requesting information from business partners. Nevertheless, companies have flexibility

in judging what information is reasonably available to them (Omnibus I, recital 39). Furthermore, companies will be expected to request information from business partners for the in-depth assessment only where that information is necessary and, in the case of business partners with fewer than 5 000 employees, only when the information cannot reasonably be obtained by other means. For the purposes of this in-depth assessment, where adverse impacts are identified as equally likely to occur or equally severe in several areas, companies may prioritise assessing such areas which involve direct business partners.

Question 4.

In your experience, what tools proved particularly helpful to carry out a scoping of risk areas across your company's activities, those of your subsidiaries and those of your business partners? What approaches or solutions could help in performing these requirements in the cost-effective way?

Cost-effective scoping combines public data with stakeholder insight. Public indicators on governance, civic space, conflict, climate risk and vulnerable groups help identify higher-risk contexts. This should be complemented by engagement with trade unions, civil society, experts and affected stakeholders, who hold the best information on actual and potential impacts. This is both more effective and more resource-efficient than relying on proprietary risk tools.

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Question 5.

In your experience, what tools proved particularly helpful to carry out an "in-depth assessment" in areas that were identified as most severe and most likely? What approaches or solutions could help in performing these requirements in the cost-effective way?

In-depth assessments should prioritise meaningful stakeholder engagement. Rather than relying only on standalone HRIAs, companies can apply HRIA methodology within existing processes, making assessments both more cost-efficient and embedded into business practice. Engaging workers, communities, trade unions, civil society and experts provides the richest insight into actual and potential impacts and is both more effective and more cost-efficient.

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Question 6.

In your experience, what tools proved particularly helpful to identify indirect business partners in the value chain?

Strong supplier relationships are the best starting point, as suppliers often know their own value chains. This should be complemented by trade data, sector and commodity risk analysis, peer initiatives and other credible sources. Limited visibility should be treated as a risk indicator requiring further investigation, not evidence of no impact. Traceability supports due diligence but should not be a precondition for action where credible evidence of severe impacts exists.

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Question 7.

Have you faced any legal obstacles or conflicts when collecting information for the purpose of either carrying out a scoping of risk areas, or an "in-depth assessment" as a result of third countries' laws? Companies and stakeholders are invited to signal barriers to due diligence they may face in third countries when conducting due diligence.

Yes. Companies face both legal and practical barriers. Restrictions on civic space, including limits on freedom of association, government crackdowns and discrimination in law and practice, make meaningful stakeholder engagement difficult and increase risks of retaliation. In these contexts, companies should rely on collaborative approaches with business partners and engage trusted trade unions, civil society and credible experts to understand impacts without increasing risks to stakeholders.

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Question 8.

In your experience what data currently collected by public administrations may be particularly useful for the purposes of effective due diligence? Do you believe there is a need for access to such data to be facilitated?

Public data on labour law enforcement, social safety nets, GHG emissions, environmental impacts, trade and governance risks are valuable for identifying higher-risk contexts. Centralised access would improve efficiency, particularly for SMEs, but should support – not replace – in-depth assessments.

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Question 9.

Please indicate which of the following due diligence methods or other actions you consider most useful and cost effective for identifying adverse impacts in value chains? What are the pros and cons of these approaches in terms of cost effectiveness)?

Maximum 5 selection(s)

Answer

Complaints

Answer

Stakeholder engagement

Answer

Industry and multi-stakeholder initiatives

Answer

Third-party verification

Answer

Site visits

Answer

Technical surveillance or digital data over value chains and/or infrastructures (e.g., satellite monitoring of risk indicators or adverse impacts in the value chain)

Answer

Information from sustainability service providers

Answer

Use of media, NGO or other independent reports

Answer

Information requests to business partners

Answer

All of the above

Answer

Other methods

Due diligence methods are complementary, not substitutes. The most cost-effective approach is the one that best identifies severe impacts, not simply the least expensive. Where impacts are hidden or sensitive, stakeholder engagement and engagement with credible proxies remain indispensable. Public reports, business partner information and site visits should be used together, with methods selected according to the operating context and risks.

Risk factors

When identifying and assessing adverse impacts, the company should take into account relevant risk factors, such as those related to the company as a whole, to its specific business operations, to geographic and contextual factors, to the product and/or service, and to the sector. A number of actors (international organisations, governments, NGOs, think tanks, commercial entities) publish information on sector-specific risks and other types of risks.

Question 10.

Which are particularly useful examples of such sources of information and in which areas/sectors and/or for which impacts do you see a gap in terms of documented risk factors? Do you believe there is a need for access to such data to be facilitated (e.g. via a centralised web-page)?

Useful sources include OECD sector due diligence guidance, ILO and trade union data, civil society reports and investigative journalism. The main gaps are downstream impacts, product and service design, environment-human rights interconnections and informal sectors. Rather than creating a new database, the Commission should improve signposting to existing helpdesks.

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Question 11.

What other methods or information sources does your organisation use to support its risk identification (during both scoping and in-depth assessments) or monitoring efforts as part of due diligence? If available, please include references to specific methods or sources and elaborate briefly on their pros and cons.

Scoping should combine desk research with stakeholder input, considering location, activities, partners and affected people. In-depth assessment should prioritise affected stakeholders/representatives, complemented by experts and peers; monitoring should use ongoing stakeholder feedback. Suppliers must feel safe disclosing impacts: buyers should commit to collaborative remediation, including of purchasing practice impacts, with termination as last resort rather than a default response.

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Digital tools

Digital tools and technologies can facilitate the performance of due diligence. Such tools are for instance used for the tracking and surveillance of raw materials, goods and products throughout value chains (e.g. satellites, drones, radars or platform-based data sharing). They can help companies reduce the cost of data and facilitate the identification, monitoring and assessment of adverse impacts, as well as enhancing collaboration and stakeholder engagement.

Question 12.

What digital tools do you consider most useful to facilitate the identification, monitoring and assessment of possible adverse impacts? Please explains pros and cons.

Digital tools have potential to help companies undertake due diligence at scale, including through supply chain mapping, worker voice tools and geospatial monitoring. Their effectiveness depends on good design, accessibility and integration into due diligence processes. Even then, they have limits: they can miss severe impacts, exclude vulnerable non-digital groups and cannot replace meaningful engagement with affected stakeholders to understand lived experiences and validate findings.

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Question 13.

Have you encountered any difficulties or problems with digital tools, including issues that cause unnecessary burdens?

Digital tools can create a false sense of confidence. They often overlook severe impacts, particularly where civic space is restricted and harms are underreported. They can overrepresent more powerful stakeholder groups. Companies may assume risks have been identified when they have not, leaving them unprepared for allegations. SMEs also face duplication across platforms. AI can add value, but its outputs require human judgement and verification.

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Question 14.

Do you think there should be additional digital tools? What functionalities and tasks should these focus on?

Rather than more tools, the priority should be shared infrastructure and interoperable data that reduce duplication. New tools should strengthen – not replace – engagement with affected stakeholders, including secure worker voice and grievance mechanisms. There is also value in tools that help synthesise diverse information into actionable insights. Digital tools should support due diligence, not become a prerequisite.

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Prioritisation

The Directive provides that where it is not feasible for companies to address all identified adverse impacts at the same time and to their full extent, they shall be able to prioritise adverse impacts based on their severity and likelihood.

Question 15.

Are there situations where in your view the severity or likelihood of a specific adverse impact is (or might be) particularly difficult to assess? How could such difficulties be overcome?

Assessing severity and likelihood is particularly difficult where information is scarce, civic space is restricted, vulnerable groups are not engaged, or impacts occur deep in value chains. Companies should prioritise solely on severity and likelihood, not influence, proximity or business importance. For human rights impacts, severe impacts should not be discounted simply because they are considered unlikely. In high-risk contexts or where particularly vulnerable groups are present, applying rebuttable presumptions can also help the prioritisation process.

Question 16.

Regarding situations when it is "not feasible to address all identified impacts at the same time and to their full extent", what other elements are particularly relevant to support companies in performing an appropriate risk prioritisation process?

Risk prioritisation should always be based on severity and likelihood – there shouldn't be any other elements. However, within the components of severity and likelihood, we have seen that a particularly important factor is the vulnerability of affected stakeholders. Where vulnerability is present, risks are heightened: people experience more severe impacts, and have less ability to protect themselves or seek remedy. For instance, this applies to groups such as migrant, low-income, women or otherwise marginalised workers and community members. Therefore, it can be helpful for companies struggling to prioritise to look for where the vulnerability of stakeholders to impacts is the greatest – as this feeds into both severity and likelihood of impacts.

We have seen that companies often get confused between prioritising impacts and planning appropriate action. "Not feasible to address all impacts at the same time" does not refer to a lack of leverage, a lack of importance from the business perspective, a lack of appetite from senior leadership, or a limited sustainability budget. It refers to genuine limits in reasonably addressing all impacts simultaneously, with the need to prioritise these impacts based on their severity to people (complemented by their likelihood).

Once risks have been prioritised, practical considerations such as leverage, the nature of the company's involvement, and organisational ownership then factor into the most appropriate action to take. In other words, these kinds of factors shape implementation, but do not change the underlying risk ranking.

Another factor is that although prioritisation takes place at the enterprise level, a number of risks and impacts can feasibly be addressed in parallel, since they are managed by different functions within the company. For instance, employee-related impacts are typically managed by HR, while forced labour risks are typically managed by supply chain.

Responsible disengagement

The CSDDD requires engagement with business partners and a focus on preventing and addressing adverse impacts. However, it also provides that, as a measure of last resort when all other measures have failed, the business relationship must be suspended until the impact is addressed, under the condition that suspension would not lead to a manifestly more severe human rights or environmental harm than the one that could not be addressed.

Question 17.

Are you aware of examples where a decision was taken not to disengage from a business relationship because this would have potentially resulted in more severe impacts compared to those that triggered due diligence in the first place? How was the situation dealt with?

Yes, we have worked on several such cases. Where child labour is identified, immediate exit can remove household income and push children into more hazardous work; time-bound engagement can support remediation and education. In volatile mining contexts, exit can create security vacuums and increase harm. Similarly, asset sales may require time to identify a responsible buyer. Continued engagement should be time-bound, actively managed and focused on remediation and responsible exit.

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Purchasing practices

Purchasing practices (e.g., related to pricing, payment terms, delivery terms, order modifications, risk transfer, or contract termination) can have an impact on human rights, including labour rights, and the environment along value chains.

The CSDDD requires companies, where relevant, to make the necessary modifications of, or improvements to, their purchasing practices as part of the appropriate measures to address (prevent, mitigate, bring to an end, minimise) adverse impacts.

Question 18.

In your experience, what purchasing practices proved most cost-effective while at the same time ensuring that adverse impacts are prevented and mitigated? What are their pros and cons?

Out of these, are there purchasing practices that are inherently sector- or context-specific?

If possible, please provide examples of specific contract or commercial terms or other best practices.

The most cost-effective practices improve predictability and allocate costs and risks fairly: realistic forecasting and lead times; prompt, reasonable payment terms; pricing that reflects labour, wage and environmental costs; limits on uncompensated late changes or cancellations; and longer-term supplier relationships. Prompt payment is relatively easy to implement and supports suppliers' capacity to meet standards. Two-way codes can embed shared responsibility and encourage early problem-solving, while contracts can include price-escalation and fair-change clauses, ring-fenced labour costs, payment deadlines, responsible exit provisions, and shared due diligence and remediation costs. These practices reduce human rights risks, strengthen supplier relationships, improve quality and reduce disruption. Some are sector-specific: living-wage/income costing is especially relevant in garments and agriculture, while seasonal sectors require particular attention to forecasting and lead times.

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Living income and living wage

Question 19.

What are most cost-effective available data that you are aware of for determining the living income for self-employed suppliers ("an adequate living income for self-employed workers and smallholders, which they earn in return from their work and production", see CSDDD Annex, Part I point 6)?

Are there sectors/geographies where no such data exist or are particularly difficult/costly to obtain?

Most cost-effective are two inputs: a living income benchmark (Anker Country Index, ALIGN, LICOP) and actual household income; the gap guides action. Living Income Reference Prices (Fairtrade/GIZ) can test pricing. Actual income data are the main gap, as surveys are costly; benchmarks are also missing in some commodities/geographies. Pool data and use estimation tools/proxies. Under HRDD, averages can mask the poorest farmers: prioritise the most severe deficits (Shift LICOP guidance).

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Investment

As part of the measures to prevent and address adverse impacts, the CSDDD requires, where relevant, making the necessary financial or non-financial investments in, and adjustments or upgrades of, for example facilities, production or other operational processes and infrastructures.

Question 20.

Which cost-effective practices are you aware of as regards companies making investments in their value chains to prevent or address adverse impacts?

Cost-effective investments are targeted and preventive: supplier management systems, OHS, worker voice/grievance mechanisms and supplier financing. Pooled industry investment can lower costs where tied to verified improvements (e.g. International Accord inspections/remediation), not participation alone. Investment in buyers' own forecasting, planning and purchasing practices can also prevent impacts and outperform supplier-side spending alone.

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SMEs

In setting out the due diligence duties, the CSDDD includes specific safeguards for SME business partners. An important safeguard is the requirement for in-scope companies to use contractual terms that are fair, reasonable, and non-discriminatory, and that do not shift compliance burdens to SME business partners. Furthermore, where relevant, companies should provide SME business partners with targeted and proportionate support where necessary in view of the resources, knowledge and constraints of the SME, including by providing or enabling access to capacity-building, training or upgrading management systems, and, where compliance with the code of conduct or a prevention/correction action plan would jeopardise the viability of the SME, by providing targeted and proportionate financial support (such as direct financing, low-interest loans, guarantees of continued sourcing, or assistance in securing financing).

Question 21.

In your experience, have you used specific contractual terms that are fair, reasonable, and non-discriminatory when entering into contractual relationships with SME business partners to facilitate or support the due diligence process? Please explain pros and cons.

Good practice uses proportionate contractual terms setting clear human rights expectations, phased corrective action and responsible exit, paired with capacity-building, cost-sharing or finance. Contracts alone do not deliver due diligence. Avoid cascading one-way representations and zero-tolerance clauses that shift burdens to SMEs or incentivise hiding impacts. Benefits include clarity and prevention.

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Question 22.

In your experience, what are the most cost-effective measures to support SMEs? What are the pros and cons?

The most cost-effective approach is improving purchasing practices so commercial pressures support human rights expectations. Collective action can reduce duplicative SME demands, address root causes and strengthen oversight. Shared tools, training and finance can build capacity, but cannot offset harmful incentives. Strong culture and leadership can outperform complex processes. Benefits include prevention, leverage and shared costs; drawbacks include coordination and upfront investment.

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Remediation

The CSDDD stipulates that where a company has caused or jointly caused an actual adverse impact, including in its value chain, the company shall provide remediation. Remediation means restoration of the affected person or persons, communities or the

environment to a situation equivalent or as close as possible to the situation they would have been in had the actual adverse impact not occurred, in proportion to the company's implication in the adverse impact. It includes financial or non-financial compensation and, where applicable, reimbursement of the costs incurred by public authorities for any necessary remedial measures. The Directive also provides that the company must meaningfully engage with stakeholders (the company's employees, the employees of its subsidiaries and of its business partners, and their trade unions and workers' representatives, as well as individuals or communities whose rights or interests are or could be directly affected by the relevant products, services and operations of the company, its subsidiaries and its business partners and the legitimate representatives of those individuals or communities) when designing remediation measures.

Question 23.

In your experience, what are the most effective, including cost-effective, practices related to remediation? Please explain pros and cons.

Most cost-effective is to ask affected stakeholders what effective remedy looks like rather than make financial compensation assumptions. Remedy may include an apology, recognition, restoration, support, services or other measures. Meaningful engagement helps tailor remedy to the harm and avoid ineffective spend; trusted partners can support delivery. Pros: appropriate, rights-holder-centred remedy; cons: needs time and managing differing expectations.

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Question 24.

What are best practices that you are aware of to determine a company's proportionate involvement in an adverse impact for the purpose of remediation when a company jointly causes the adverse impact together with others (e.g., its business partner(s) or other companies)?

Have there been difficulties to determine appropriate remediation in case of joint causation in certain situations and how have these difficulties been overcome?

Use the UNGP contribute concept for joint causation, covering both contribution in parallel with others and through business relationships. Start with stakeholders' remedy needs, then use root-cause analysis, including purchasing practices, to assess contribution. Factual roundtables with trusted facilitators can help. Where attribution is uncertain, use reasonable estimates rather than delay remedy. Larger actors may take greater share to enable prompt remedy for values or reputational reasons.

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Conflict-Affected and High-Risk Areas (CAHRAs)

In conflict-affected and high-risk areas, as defined in accordance with Regulation (EU) 2017/821, human rights abuses are more likely to occur and to be severe. Companies should take this into account and adapt their due diligence to conflict-affected and high-risk areas. Companies should take such situations into account as particular geographic and contextual risk factors when performing in-depth assessments as part of the identification process, when taking appropriate measures to prevent, mitigate, bring to an end and minimise identified adverse impacts, and when engaging with stakeholders (see recital 42 of the CSDDD).

Operational challenges in conflict contexts

To ensure the guidelines take into account relevant barriers to due diligence, companies are invited to comment on the specific obstacles they may (or have) face(d) when conducting due diligence in Conflict-Affected and High-Risk Areas (CAHRAs).

Question 25.

In your experience, what are the most significant operational challenges preventing effective due diligence in CAHRAs? How can these challenges be overcome?

Answer

Limited access to data/information: difficulty verifying information due to data-poor environments or restricted physical access

Answer

Safety risks to stakeholders: inability to consult with affected individuals and communities without exposing them to retaliation or violence

Answer

Safety risks to staff: security threats to company personnel or auditors preventing on-the-ground assessment

Answer

Legal conflicts: national laws (e.g., secrecy acts, counter-terrorism laws) that conflict with due diligence expectations

Answer

Complexity of supply chains: difficulty tracing business partners in informal or opaque war economies

Answer

Other

All of above. Use conflict-sensitive DD, trusted partners and collective action; escalate severe risks, prioritise remedy, ensure responsible exit

Expectations on identifying "high-risk" contexts

Recital 42 of the CSDDD refers to the need to adapt due diligence to the context of "conflict-affected and high-risk areas". While some overviews (e.g., lists of CAHRAs) exist, companies may have difficulties identifying "high-risk" situations (e.g. authoritarianism, instability) before they escalate into full conflict.

Question 26.

To assist companies in determining when specific due diligence obligations apply, would specific guidance regarding the identification of "high-risk" areas beyond active conflict zones be helpful? If so, please indicate your preference:

Answer

List of contextual risk indicators: a list of "red flags" indicating state fragility or authoritarianism (e.g., suppression of civil society, suspension of legal protections, spike in inflammatory/hate speech)

Answer

References to and guidance on how to use specific, reputable global indices (e.g., OECD States of Fragility, RULAC, or the World Bank FCS list) to determine a country's risk level

Answer

Sector-specific case studies for "early warning" contexts: practical examples of how companies in different industries have identified high-risk signals in seemingly stable or "pre-conflict" environments

Answer

Other

Integration of conflict analysis

In CAHRAs, it is appropriate for companies to consider their impacts on the conflict dynamics where these may negatively affect people or the environment (e.g., are company assets used by armed groups? is the hiring process or use of land/water fuelling ethnic tension?).

Question 27.

In your experience, which specific practical tools or frameworks (e.g. examples of structural drivers and root causes, early warning "red flag" indicators, conflict actor mapping, targeted questions for self-evaluation, scenario planning) proved to be particularly useful and cost-effective in integrating conflict analysis into your company's scoping and in-depth assessment?

Cost-effective tools include conflict-actor and stakeholder mapping, root-cause analysis, early-warning/red-flag indicators and targeted market assessment questions. Scenario planning helps test how operations, sourcing, security, hiring or resource use could affect conflict dynamics. Use trusted local expertise and triangulate sources. Integrating these tools into existing HRDD risk assessments is more efficient than creating parallel processes.

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Sharing of information and resources, collaboration

For the purposes of due diligence, companies are entitled to share resources and information within their respective corporate groups and with other legal entities. Furthermore, as part of appropriate due diligence measures, companies are required to collaborate with other entities, including (where relevant) to increase the company's ability to prevent or mitigate adverse impacts, in particular where no other measure is suitable or effective.

Question 28.

What are the main reasons that make information problematic to share with business partners? What best practices have emerged to address such concerns?

Barriers include commercial disadvantage, exposing problems to customers, antitrust concerns, protecting competitive advantage and leaks. Good practice includes engaging commercial teams and senior leaders on the value of sharing, and involving forward-looking legal counsel. Trusted intermediaries/consultants with "Chinese walls" and structured peer platforms can provide a black box for sensitive data while enabling useful due diligence information-sharing.

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Question 29.

As regards cooperation with other companies (i.e., with peers, in the framework of industry schemes) to carry out certain aspects of due diligence (e.g., risk analysis,

stakeholder engagement, remediation, investment, capacity building, exercising leverage) what has worked well and what has not? Have competition law considerations constrained cooperation for due diligence? How can compliance burden be further reduced by data sharing and collaboration?

Please describe the types of constraints encountered and any solutions (e.g. organisational or procedural steps) found to overcome those obstacles.

Collaboration works well where peers pool risk analysis, stakeholder engagement, capacity-building, remediation, investment and leverage, reducing duplicative demands and audits, particularly for SMEs. It is especially valuable for systemic risks in shared supply chains, as illustrated by the International Accord and ACT on Living Wages. Challenges include commercial sensitivity, antitrust uncertainty, confidentiality, free-riding and initiatives focused on participation rather than outcomes. Clear governance, forward-looking legal advice, trusted intermediaries/"black boxes", common data standards and senior leadership support can help. The Commission should provide practical HREDD/competition guidance complementing Article 101 TFEU guidance, including on joint grievance mechanisms, audits, corrective action, cost-sharing and living-wage initiatives. Pre-competitive collaboration should enable lawful sharing while focusing on verified improvements for affected people.

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Due diligence support at group level

In a situation where both a parent company and (certain of) its subsidiaries fall within the scope of application of the CSDDD, the Directive allows the former to fulfill the due diligence obligations of the latter on their behalf. This can bring efficiencies in the exercise of due diligence. However, such due diligence support is subject to certain conditions (for example the subsidiary abides by its parent company's due diligence policy accordingly adapted, the subsidiary continues to take appropriate measures that the parent cannot take, etc.) and it does not relieve the subsidiaries of their due diligence obligations.

Question 30.

In your experience, are there particular aspects of the cooperation between the parent company and its subsidiaries that may raise particular difficulties (including any legal requirements under other regulatory regimes that might create obstacles)?

Good group-level due diligence combines strong HQ direction with local ownership: a group view of salient human rights issues that subsidiaries adapt to their context; strong tone from top and business expectations; adequate local resources and expertise; and governance with clear accountability at both HQ and subsidiary levels. Define roles and escalation, use common systems while enabling local adaptation, and ensure the business, not only sustainability/legal teams, drives implementation.

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Model Contractual Clauses

Under the CSDDD, responsibility to carry out due diligence lies with the large companies falling within its personal scope of application. As part of due diligence, the Directive requires companies to take appropriate measures, such as the adoption of a prevention or correction action plan and, where relevant, seeking contractual assurances from business partners that they will comply with the company's code of conduct, including by establishing corresponding contractual assurances from their business partners, making necessary investments, providing targeted support to SMEs business partners, collaborating with other entities including to increase the company's ability to prevent or mitigate adverse impacts, neutralising and remediating actual impacts, engaging with stakeholders, operating notification and complaints

mechanisms, etc.

The CSDDD requires the Commission to issue model contract clauses for voluntary use to facilitate the implementation of the due diligence duties. The Directive clarifies that these clauses should aim to facilitate a clear allocation of tasks between contracting parties and ongoing cooperation, in a way that avoids the transfer of the obligations provided for in the Directive to a business partner and automatically rendering the contract void or triggering termination options in case of an adverse impact.

Question 31.

What is your experience of cooperating with business partners to ensure efficient due diligence?

Efficient due diligence requires trust-based, ongoing partnership, not transferring responsibilities through one-sided clauses, audits and onerous information requests, which can incentivise suppliers to hide risks and increase costs. Contracts should establish shared responsibility: both parties commit to HRE standards, cooperation, information-sharing and continuous improvement. Buyers should commit to responsible purchasing, including fair pricing, reasonable lead times and payment terms, and provide proportionate technical or financial support. Remediation should take priority over suspension or termination, with responsible exit a last resort. Clear roles, escalation routes, joint root-cause analysis and longer-term relationships support openness. Peer collaboration can reduce duplication and increase leverage. Well-designed contracts can build leverage, but cannot substitute for ongoing due diligence.

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Question 32.

What cooperation should the model contract clauses recommend between the in-scope company and its business partners as regards:

- **the adoption and implementation of any prevention/correction action plan**
- **the cost of addressing adverse impacts**
- **stakeholder engagement**
- **the notification and complains mechanisms**

with a view to ensure that due diligence is efficient and cost effective while compliance burden is not shifted to the business partners?

Please provide examples of appropriate contractual clauses, if possible.

The Commission should avoid a closed list of cooperation models and set principles supporting shared responsibility, responsible purchasing, remediation and responsible exit. Prevention/correction plans should be jointly developed, with clear roles, timelines, support and review. Costs should reflect contribution, capacity and purchasing practices, not default to suppliers. Stakeholder engagement and complaints mechanisms should be coordinated, safe, accessible and linked to remedy. Contractual coherence is essential: human rights clauses are undermined by poor purchasing practices. Clauses could require parties to "cooperate in good faith to identify, prevent, mitigate and remedy impacts" and review commercial practices contributing to risk. Contracts may also address specific outcomes, such as living wages. Model clauses should enable cooperation, not substitute for effective due diligence.

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Question 33.

In situations where the in-scope company and its business partner(s) are located in different countries, is there a need for specific contractual clauses on jurisdiction and applicable law to the contract? If so, why and can you provide examples of such clauses?

Clear applicable-law, jurisdiction and dispute-resolution clauses reduce cross-border uncertainty, but should not reinforce power imbalances or restrict access to remedy. Automatically applying the buyer's law/jurisdiction may disadvantage smaller, higher-risk partners. As a rule, clauses should consider the resources and risk exposure of the weaker party. However, buyer-country law may sometimes provide stronger protection or remedy for affected stakeholders. Clauses should therefore preserve mandatory protections and rights to remedy in relevant jurisdictions.

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Question 34.

Are there other elements required by CSDDD that are challenging to translate into contractual terms? What could be ways to overcome this challenge?

The most challenging element is embedding genuinely shared responsibility into contracts. Effective due diligence is ongoing, collaborative and risk-based: continuous risk management, stakeholder engagement, remediation, and use of leverage cannot be fully captured in static clauses. Contracts may also undermine HRDD if they shift responsibility to suppliers or incentivise concealment through warranties or zero-tolerance approaches. Model clauses should therefore focus on principles and processes: good-faith cooperation, information-sharing, regular review, corrective action, capacity-building and escalation. They should align with responsible purchasing practices and allow adaptation as risks change. Contracts should form part of a broader due diligence framework, supported by governance and dialogue, rather than substitute for effective HRDD.

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Question 35.

Are you aware of any useful and relevant best practices for contractual clauses operationalising human rights and environmental due diligence? If yes, elaborate.

Useful practice is reflected in responsible contracting approaches aligned with the UNGPs, including the ABA Model Contract Clauses and Responsible Contracting Project. Strong clauses establish shared responsibility rather than simply transferring risk to suppliers. They provide for ongoing risk-based cooperation, information-sharing, stakeholder engagement, corrective action and remedy; align purchasing practices with human rights expectations; allocate costs and responsibilities proportionately; and provide capacity-building or financial support where appropriate. They avoid one-way warranties and automatic/zero-tolerance termination, instead using escalation and responsible exit where improvement is not possible. Effective clauses are supported by regular reviews, governance and dialogue. Contracts should enable and reinforce HRDD, not be treated as evidence that due diligence has been discharged.

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Guidance on fitness criteria for industry and multi-stakeholder initiatives (Article 20)

Industry or multi-stakeholder initiatives can support due diligence efforts and reduce burdens, for instance by providing tools, information or capacity building, or assessing a company's operations, sites, products or services in relation to human rights, including labour rights, and environmental impacts. The Directive allows in-scope companies to participate in fit-for-purpose industry and multi-stakeholder initiatives to support the fulfilment of their obligations. However, in-scope companies are required to monitor the effectiveness of the measures carried out by such initiatives, and their use does not

exonerate companies from their due diligence duties and liability in case of non-compliance.

Industry and multi-stakeholder initiatives can play a key role in supporting their members in carrying out due diligence, be it voluntary standards or requirements under law. The logic of these initiatives is that the associated challenges can best be met through collective action using pooled resources.

Question 36.

In your view, for which due diligence measures do industry or multi-stakeholder initiatives offer the biggest added value?

Answer

Identification of adverse impacts, including risk assessment

Answer

Prioritisation

Answer

Investment

Answer

SME support

Answer

Increasing leverage through collaboration (e.g., to mitigate risks or bring to an end actual impacts)

Answer

Remediation

Answer

Verification

Answer

Monitoring effectiveness of actions

Answer

Stakeholder engagement

Answer

Operating notification/complaint mechanisms

Answer

Other

They add value through shared expertise, data and leverage, reducing duplication and tackling systemic risks through collective action.

Question 37.

What are, in your view, the main challenges for existing industry and multi-stakeholder initiatives in view of their role in supporting due diligence under the CSDDD (e.g., misalignment with the due diligence requirements, misalignment of audit protocols

with the material scope of the CSDDD, in particular the Annex)? What are the main gaps in the geographical, sectoral, topical or value chain coverage of existing industry and multi-stakeholder initiatives?

The key opportunity is to pool knowledge, expertise, data, stakeholder engagement and leverage, reducing duplication and enabling collective action on systemic risks. Initiatives should align with CSDDD/UNGP risk-based due diligence, prioritise severe impacts and verified outcomes, strengthen stakeholder voice and remediation, address root causes and track effectiveness. They should avoid over-reliance on audits and process improvements alone.

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Question 38.

Which of the following governance or other challenges of existing industry or multistakeholder initiatives do you consider as being the most important?

Answer

conflicts of interest, including any undue influence on the governance of the initiative or on specific measures by participating companies

Answer

governance bodies and their decision-making roles and responsibilities not clearly defined

Answer

collaboration opportunities within an initiative and collaboration and interoperability between initiatives not sufficiently exploited resulting in undue burden for participating companies and audited value chain partners

Answer

lack of independence and competence of assessors/verifiers, undermining the credibility of their work

Answer

insufficient robustness of audit or assessment methods

Answer

insufficient engagement with stakeholders

Answer

lack of effectiveness in bringing about tangible impact

Answer

processes not sufficiently adapted to cater for local realities and/or the interests of relevant stakeholders (including smallholders, SMEs, artisanal producers)

Answer

Other

Accompanying measures

In the context of accompanying and support measures, the Commission may complement Member State support measures, building on existing Union action to support due diligence in the Union and in third countries, and may devise new measures, including facilitation of industry or multi-stakeholder initiatives to help

companies fulfil their obligations. This could result in considerable reduction of compliance burdens.

Question 39.

From the list below, which specific potential facilitation role of the European Commission would benefit your organisation the most and how?

Answer

Acting as a convener - or delegating to a platform of existing initiatives - to share best practice and peer-to-peer learning.

Answer

Engaging with companies, industry associations, and other stakeholders to design new initiatives for more participants to benefit.

Answer

Other roles:

Providing companies clarity they can implement various legislative requirements through a single, coherent approach.

Guidance on third-party verification (Article 20)

The CSDDD allows companies to use independent third-party verification to support the implementation of due diligence obligations to the extent that such verification is appropriate to support the fulfilment of relevant obligations, in particular the obligation to verify compliance by business partners with the contractual assurances regarding the company's code of conduct and possible prevention and corrective action plans. Independent third-party verification may be carried out by specialised companies or by an industry or multi-stakeholder initiative. According to the Directive, the third-party verifier must be objective, completely independent from the company, free from any conflicts of interest and from external influence, have experience and competence in human rights (including labour rights) or environmental matters, according to the nature of the adverse impact, and be accountable for the quality and reliability of the verification.

Question 40.

What best practices could ensure the independence of third-party verifiers from the companies that they assess, from the companies on whose behalf they act and from external influence?

Best practice includes separating verification from advisory services, governance protecting decisions from commercial pressure, and payment of fees in advance of delivery irrespective of findings. A key method is maximising transparency on methodologies, criteria, limitations, findings, process and stakeholder input. Information should only be withheld where needed to protect people, prevent retaliation or enable meaningful action.

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Question 41.

In your view, what level of experience and competence in human rights (including labour rights) or environmental matters, according to the nature of the adverse impact, would be necessary for third-party verifiers to support companies in implementing the Directive's requirements?

Verifiers need deep, practical understanding of how impacts manifest on the ground, their root causes, and how business models and incentives shape them. Lived experience, local language/culture and understanding of gender and vulnerability are critical. They need skills in safe stakeholder engagement, reading context and interviewing workers and management, while understanding trends such as climate change, migration and technology that reshape risks.

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Question 42.

In your experience, what are the most effective standards ensuring that the third-party verifiers are accountable for the quality, effectiveness, reliability and integrity of the verification?

Standards should not hold verifiers accountable for producing auditable "tick-box" evidence. They should require verifiers to test root causes, accept credible qualitative evidence, challenge ineffective actions and track outcomes meaningfully over time. Verification must reinforce company ownership, not outsource it. The strongest measure of effectiveness is independent, safe feedback from affected stakeholders showing whether conditions have improved in practice.

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Meaningful stakeholder engagement

The Directive requires companies to take appropriate measures to carry out effective and meaningful engagement with stakeholders (the company's employees, the employees of its subsidiaries and of its business partners, and their trade unions and workers' representatives, as well as individuals or communities whose rights or interests are or could be directly affected by the relevant products, services and operations of the company, its subsidiaries and its business partners and the legitimate representatives of those individuals or communities). Consultation of stakeholders should take place to identify, assess and prioritise adverse impacts, when developing (enhanced) prevention and corrective action plans, and when adopting appropriate measures to remediate adverse impacts.

Question 43.

Taking into account the requirements of the CSDDD, in your experience what are the most cost-effective means to engage with stakeholders in the performance of due diligence? What are the pros and cons?

Most cost-effective is embedding engagement in existing operations: trade unions, worker/community representatives, CBAs, MoUs and Indigenous Peoples' structures. Use three complementary tiers: affected stakeholders/representatives, credible proxies and experts. Proxies/experts can support scoping; direct engagement is essential for in-depth assessment and remedy. Effective engagement provides early insight into risks, root causes and whether company actions are working in practice.

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Question 44.

Which methods have proven most cost-effective in identifying and involving marginalized groups (for example certain groups of indigenous people) or 'hidden' stakeholders, such as those working in the informal sector or victims of human trafficking?

Most cost-effective is working through trusted local actors already connected to marginalized or hidden groups: trade unions, community/Indigenous representatives, NGOs, worker organisations and specialist groups supporting migrants. Participatory mapping can identify who is missing. Engagement should be safe, culturally and gender-sensitive, in relevant languages, and designed to avoid retaliation. Proxies can help reach groups where direct engagement creates risk.

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Question 45.

What are the most robust and cost-effective mechanisms for guaranteeing confidentiality and protecting participants from retaliation?

Protection should be tailored to the risk: anonymise and limit data collection/sharing, use trusted facilitators, safe/neutral venues and secure reporting channels, with enhanced risk assessment in CAHRAs. Independent trade unions and worker/community-led mechanisms should be used where available, as they are more likely to be trusted. Follow up with stakeholders to verify that safeguards work in practice and that engagement has not led to retaliation.

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Information for stakeholders and their representatives on how to engage throughout the due diligence process

The Commission is tasked with issuing guidance containing information for stakeholders and their representatives (as defined in the directive) on how to engage throughout the due diligence process (e.g. when gathering the necessary information on actual or potential adverse impacts to identify, assess and prioritise them; when developing prevention and corrective action plans or enhanced action plans; and when adopting appropriate measures to remediate adverse impacts).

Question 46.

What are the most critical issues for stakeholders covered by the Directive in terms of engagement with companies at different stages of the due diligence process? What are best practices leading to an effective (including cost-effective) due diligence process?

Critical issues: safety, accessibility, representation, trust, engagement fatigue and ensuring stakeholder input influences decisions. Engagement should be early, ongoing, two-way and responsive, prioritising the most severely affected. Build on existing structures such as trade unions and community representatives; remove language, cultural, gender and accessibility barriers; protect against retaliation; and close the feedback loop by explaining how input shaped assessment, action and remedy.

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Question 47.

In your experience, what the most cost-effective approaches that companies can use to involve stakeholders at the level of indirect business partners? What are pros and cons?

Most cost-effective is to use existing, and build as appropriate, trusted structures and processes: trade unions, worker/community organisations, grievance mechanisms, industry initiatives and peer-buyer collaboration. Trusted local intermediaries and representative sampling can extend reach into deeper tiers. Pros: greater reach, trust and lower duplication/cost. Cons: intermediaries may miss hidden/ vulnerable groups. Direct engagement still needed for severe risks.

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Question 48.

What are best practices in terms of the company's security procedures so that vulnerable stakeholders feel safe to engage (e.g., in terms of guarantees of anonymity, protection against retaliation, other)?

Best practice is to assess security and retaliation risks before engagement and tailor safeguards accordingly. Use confidential channels, minimise access to personal data, trusted facilitators, safe venues and secure communications. Engage independent unions and worker/community-led mechanisms where possible. Enforce non-retaliation commitments, monitor for reprisals and let stakeholders choose how and where they participate.

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Question 49.

How can companies engage with stakeholders in a way that specifically addresses and removes barriers for vulnerable stakeholders or groups (such as, depending on the context, workers representatives, indigenous peoples, women, or migrant workers)? In your view, what specific support do vulnerable stakeholders need?

Start by asking vulnerable stakeholders what prevents safe, meaningful participation and design engagement accordingly. Remove language, literacy, disability, gender, cultural, digital and immigration-status barriers; provide interpretation, accessible formats, safe venues, transport or compensation for time where appropriate. Work with trusted representatives, including unions and Indigenous institutions, while enabling direct voice. Protect confidentiality and against retaliation.

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Guidelines for supervisory authorities (specific questionnaire targeted to

supervisors only)

50. Which aspects of the CSDDD do you expect to present the greatest practical challenges for supervisory authorities when carrying out their oversight functions?

What would be new challenges compared to the enforcement tasks of existing supervisors (including in other policy areas)? How can the guidelines contribute to addressing those challenges?

Supervisory authorities will face challenges assessing context-specific HRDD across complex value chains. They need UNGP/OECD expertise, business and civil society experience, transparent approaches to investigations and sanctions, and credible risk-based prioritisation informed by stakeholders. They must also navigate tensions between EU regimes: EUDR/EUFLR may incentivise rapid exit, while CSDDD prioritises remediation and disengagement as a last resort. Geopolitical conflicts add complexity, including China's Anti-Foreign Sanctions Law and Decrees 834/835, which may restrict HREDD measures and data collection. Competition law may also inhibit sector collaboration. Guidance should clarify these interactions and enable coherent compliance, responsible collaboration, remediation and disengagement.

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51. Based on experience with other enforcement regimes (deforestation, conflict minerals, product safety, etc.) what types of information, documentation and/or evidence have proven most useful when checking compliance with due diligence-type obligations?

Effective supervision should assess the quality and effectiveness of HRDD, not just formal compliance, and incentivise candid risk disclosure. Stakeholder voice is critical: workers, affected communities and civil society can provide essential insight into conditions on the ground and inform risk-based prioritisation. Authorities therefore need strong UNGP/OECD expertise and capacity for meaningful stakeholder engagement.

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Questions 52 to 56

No answers provided