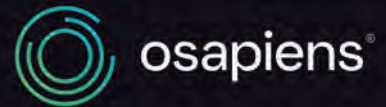


LEARNING MADE EASY

Löning



CSDDD Implementation

for
dummies

A Wiley Brand

Special Edition



Navigating the
flood of supply chain
regulations

Automate your CSDDD
compliance effortlessly

Maximize impact with
the ESG platform
osapiens HUB

Leonel Lisboa
Frauke Vogt
Dominik Seel

CSDDD Implementation for Dummies

Cheat sheet

THE STEP-BY-STEP TO DUE DILIGENCE

Step 1: Embed Responsible Business Conduct into Policies and Management Systems:

Integrate due diligence into policies and governance to make it a part of daily operations.

- ✓ Adopt or revise policies to address human rights and environmental risks.
- ✓ Ensure senior management leads and sets the tone and allocates clear roles and responsibilities.

Step 2: Identify Risks and Assess Actual or Potential Adverse Impacts

Map operations, supply chains, and business relationships to identify risks and impacts.

- ✓ Understand geographical, sectoral, and product-specific risks.
- ✓ Conduct assessments for both actual and potential impacts.

Step 3: Cease, Prevent or Mitigate Adverse Impacts

Based on the impact assessment, take action with measures to reduce identified risks, and to prevent, stop or mitigate adverse impacts.

- ✓ Implement measures, monitoring and following up to ensure effectiveness.
- ✓ Engage suppliers or escalate actions if necessary.

Step 4: Track the Effectiveness of Measures and Policies

Continuously assess if actions are effectively preventing or mitigating risks and impacts.

- ✓ Adopt and adapt indicators and metrics to measure progress.
- ✓ Conduct regular evaluations for improvement.

Step 5: Communicate How Impacts Are Addressed

Share the information about risks, impacts, measures, and outcomes. Internal decision-making audiences need to know – of course, but sharing also with general internal audience and external community helps building strong foundations for your reputation.

- ✓ Share relevant information strategically to each audience group.
- ✓ Communicate successes and challenges to show an evolving approach.

Step 6: Provide for or Cooperate in Remediation. Ensure that adverse actual impacts caused by the company are remediated. In case of contribution, assess the elements of shared responsibility and collaborate with remediation processes.

- ✓ Plan and prepare remediation measures.
- ✓ Collaborate with partners for joint solutions.

CSDDD Implementation for Dummies

Cheat sheet

THE TOP TEN MEASURES TO AVOID GETTING LOST DURING IMPLEMENTATION

1. Strategy

- Align due diligence with your business model and long-term strategy.
- Ensure buy-in from senior management and stakeholders.
- A clear strategy simplifies CSDDD integration.

2. Teamwork

- Involve all relevant departments early (legal, procurement, sustainability, finance).
- Foster cross-functional collaboration and supplier engagement.

3. Data Analysis

- Identify necessary ESG data and data sources.
- Rely on suppliers and partners for insights along the value chain.

4. Software & Digitalization

- Invest in digital tools to monitor risks, document compliance, and report efficiently.
- Scalable solutions like the osapiens HUB support automation and compliance.

5. Supply Chain Visibility

- Avoid a “black box” supply chain—build transparency beyond Tier 1 suppliers.
- Consider stakeholder expectations (investors, customers, regulators).

6. Due Diligence Standards

- Familiarize yourself with CSDDD, OECD Guidelines, and UN Principles.
- Understanding legal frameworks simplifies integration into business processes.

7. Priorities & Risk-Based Approach

- Focus on high-risk areas first and start with quick wins.
- Work towards long-term goals (procurement policies, sustainable product design).

8. Governance & Accountability

- Set up governance structures with clear responsibilities.
- Regularly review and adjust due diligence processes.

9. Communication & Reporting

- Maintain transparent communication with stakeholders and build trust.
- Engage employees and suppliers in due diligence compliance.

10. Define a Clear Roadmap

- Start now, even if your company is not directly affected yet.
- Prepare structures, processes, and partnerships for long-term compliance.



Leonel Lisboa, Frauke Vogt, Dominik Seel

CSDDD Implementation for **dummies**[®]

osapiens edition

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About the Authors

Leonel Lisboa about himself

I often say, “The opposite of due diligence is gross negligence.” I think it perfectly summarizes the idea of this book and the issues we face. My journey across law, politics, and business into corporate sustainability and human rights law has been guided by a conviction that businesses can be powerful engines for positive change. Over the years, I have conducted dozens of large-scale human rights impact assessments on the ground, witnessing firsthand the impact of business actions on communities. I am convinced that a very effective way to protect rights-holders is, first and foremost, to prevent harm. My involvement in emergency response and later reparation procedures following a catastrophic business-caused event that led to large-scale human rights violations in 2019 was a catalyst that deepened my commitment to this work. Having practiced as a corporate lawyer, served in politics, and taught international law and human rights to diverse audiences across several countries, I have seen the profound difference that informed and responsible business practices can make.

Despite these varied experiences, what truly motivates me is harnessing the potential of businesses as “solution machines” that can uplift the human condition and protect the planet. As a lawyer, a trainer and a consultant specializing in international human rights law and business, I help companies navigate complex regulations and challenging scenarios. I focus on risk and impact assessments, enhanced due diligence, strategic dependencies, and crisis management, always aiming to transform compliance into a catalyst for equitable and sustainable growth as well as long-term resilience. Writing *CSDDD implementation for Dummies* is one way of making corporate sustainability laws both accessible and actionable, empowering businesses to become leaders in safeguarding human rights and environmental sustainability.

Frauke Vogt about herself

Growing up surrounded by nature shaped my perspective early on and led me to explore sustainability in business, earning a master’s in International Business Management & Leadership.

At first glance, the natural and corporate worlds may seem disconnected, but to me, they are deeply linked. In today’s fast-paced world, where consumerism, capitalism, and status dominate, I think it’s more important than ever to stay grounded, maintain our connection to nature, and actively work to preserve it. True sustainability in business goes beyond environmental responsibility — it is a strategic imperative that drives long-term resilience, operational efficiency, and ethical innovation.

This mindset also shapes my work as a Product Expert at osapiens, specializing in supply chain due diligence, EUDR, and product compliance, helping businesses meet ESG regulations and build more sustainable supply chains.

Dominik Seel about himself

Joining osapiens early in my academic and professional career gave me the chance to collaborate across departments and work with external partners. Along the way, I gained valuable insights into how ESG shapes the way businesses operate and grow.

I've always been fascinated by the idea that sustainability and capitalism don't have to be conflicting forces but can be mutually reinforcing drivers of long-term resilience and innovation. Companies that embrace this connection can stay competitive while creating real value for people, the environment, and the economy. Instead of seeing sustainability as a limitation, I believe it's an opportunity to innovate and build a stronger future.

At osapiens, I get to explore how technology and innovation don't just help businesses stay compliant — they open doors to smarter, more sustainable ways of working. Seeing companies transform regulations into opportunities for progress is what excites me most.

About osapiens

At osapiens, we believe sustainability and compliance are more than just regulatory requirements — they are key to building resilient, future-ready businesses. Since our founding in 2018, we have united a diverse team from over 40 countries, combining expertise in technology, compliance, and sustainability to create practical, automated solutions for complex regulatory challenges — designed for companies of all sizes.

Our osapiens HUB is an advanced, AI-powered platform designed to automate corporate sustainability reporting, supply chain due diligence, and ESG compliance. It streamlines data collection, risk assessment, monitoring, and reporting, enabling businesses to efficiently meet evolving regulations, including CSDDD, CSRD, EUDR, and product compliance requirements.

Beyond compliance, we help companies tackle broader challenges — from geopolitical risks and cybersecurity threats to supply chain disruptions. By centralizing sustainability and risk management, the osapiens HUB delivers real-time insights that enhance efficiency, ensure compliance, and strengthen competitiveness.

At osapiens, we don't see compliance as a burden but as an opportunity to automate, simplify, and optimize operations. With AI-driven solutions, we help businesses stay ahead of regulations, reduce complexity, and focus on what matters most — long-term success in a rapidly changing world.

www.osapiens.com



Figure 0.1: osapiens HUB — The ESG platform makes an impact

About Löning

Löning — Human Rights & Responsible Business is a specialized consultancy that helps companies integrate respect for human rights into their operations and value chains. Founded in 2014 by Markus Löning, Germany's former Commissioner for Human Rights, the company provides strategic advisory services across industries and geographies, leveraging expertise in multiple countries and languages. Löning develops and establishes human rights risk management systems for their clients, conducts risk and impact assessments, supports enhanced due diligence in challenging environments, sets up grievance mechanisms and helps businesses manage crisis situations, strategic dependencies and responsible disengagement. By identifying human rights risks at corporate, supply chain, and sector levels, Löning enables companies to develop effective governance structures, mitigation strategies, and compliance frameworks aligned with global regulations like the CSRD, CSDDD, EUBR, EUDR, EUFLR, UFLPA and LkSG.

Löning also drives capacity-building through the Löning Academy, which delivers training on responsible business practices, grievance mechanisms, and human rights due diligence. The company supports businesses in implementing stakeholder engagement strategies, legal monitoring, and ESG-aligned investment decisions. With a hands-on, solution-oriented approach, Löning ensures that companies can meet regulatory requirements while strengthening their resilience in an evolving global landscape.

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Introduction

About This Book

Due diligence is — simply put — the opposite of flat-out negligence. It's about knowing your business inside out, understanding risks, and taking action to prevent harm to people and the planet. The Corporate Sustainability Due Diligence Directive (CSDDD) is setting a new standard, ensuring companies integrate responsible practices into their operations and value chains. Naturally, regulations and expectations on business will keep on evolving, and no matter which direction regulation takes, building a business that is sustainable, resilient, and responsible is always the right move. This book is your guide to knowing your business better and doing business better — turning compliance into opportunity and making responsible business the foundation of long-term success. Even though there is hard knowledge from legal and other backgrounds in this book, it should be not interpreted as formal legal advice — because it isn't.

Warning

This book was wrapped up just as the *EU Omnibus I Proposal* dropped in February 2025. The text reflects the relevant legislation as it stood at the time. We incorporated anticipated trends wherever possible. We did our best but please bear in mind that the future is way harder to predict than the past.

In any case, even if some of the provisions are removed from EU law by the Omnibus I, the methodological definitions and developments of the current CSDDD text will serve as soft law guidance and highly regarded standards for the companies that want to walk the extra mile or are in a particularly challenging scenarios and need advanced guidance. This book breaks these references down to digestible and useful bites you can apply to your own reality as things continue changing.

Foolish Assumptions

We assume that if you picked up this book, you're not just here for some light reading. You're a business leader, sustainability professional, legal expert, or just someone who knows that the future of business is all about responsibility, transparency, and smart risk management. Maybe you need to navigate the *Corporate Sustainability Due Diligence Directive* (CSDDD) for compliance, or maybe you see it as an opportunity to build a stronger, more future-proof company. Either way, this book is here to guide you — without the legal jargon overload — so you can embed due diligence into your business in a way that makes sense, adds value, and sets you apart.

How To Use This Book

Good news — you don't have to read this book cover to cover (unless you really want to, in which case, we're flattered!). Think of it as your personal CSDDD toolkit: Jump in wherever it makes the most sense for you. If you're new to due diligence and want to understand what all the fuss is about, start with Part I and why due diligence is essential. Need to know exactly what your company is expected to do? Head straight to Parts III and IV. Already deep into the obligation and looking for best practices? Check out the special topic in chapter 15 and The Part of Tens at Part V. No matter where you start, this book is here to help you turn regulatory requirements into smart business strategies — so use it in the way that works best for you!

Conventions in This Book

To make this book as easy to navigate as possible, we've used a few simple conventions:

- ✓ *Italicized words* introduce key terms or concepts that might be new to you. Don't worry — you'll find a clear definition when they first appear.
- ✓ Throughout the book, you'll come across sections titled “What the Law Says” These are your go-to explanations of the legal requirements of the Corporate Sustainability Due Diligence Directive (CSDDD), helping you understand exactly what's expected of businesses.
- ✓ We also highlight practical tips, best practices, and common pitfalls to make compliance not just manageable, but beneficial for your business.

What You Do Not Have to Read

Not every chapter will be equally relevant to you, so feel free to pick and choose. If you're already a pro at due diligence and its role in responsible business, you can skip Part I. If sustainability legislation is your second language, you might not need Part II. However, make sure to dive into Part III, where we break down the practical steps for implementing CSDDD. And don't miss Part IV, where we explore the osapiens Due Diligence HUB — because the right tools can turn compliance from a headache into a competitive advantage!

Parts of This book

This book is your practical guide to navigating the *Corporate Sustainability Due Diligence Directive* (CSDDD) and embedding due diligence into your business strategy. It is structured into five key parts, each focusing on a crucial aspect of sustainability and compliance. Here's what you'll find inside:

Part I: Future-Proofing Your Business: Sustainability Is Your Smart Move

Sustainability is no longer optional — it's the driving force behind resilient, competitive businesses. This section explains why due diligence is your best tool for managing risk, making smarter business decisions, and turning compliance into an opportunity for growth.

Part II: Decoding the Rulebook: What Every Business Needs to Know

Understanding the regulatory landscape is essential. This part takes you through the evolution from voluntary sustainability guidelines to binding laws, highlights key national regulations, and explores the European Union's framework for corporate sustainability.

Part III: Mastering Due Diligence: Making It Work for Your Business

Here, we dive into the fundamentals of CSDDD, from risk assessments and stakeholder engagement to remediation and grievance mechanisms, giving you practical strategies to integrate due diligence into your operations.

Part IV: A guide to CSDDD and Beyond with the *osapiens* HUB for Due Dilligence: Automating it all with AI and Workflows

Technology is transforming compliance, and the *osapiens HUB* is at the forefront of this shift. This section walks you through key implementation steps, from integrating data to automating due diligence, helping you manage risks efficiently and generate compliance reports with confidence.

Part V: The Part of Tens

Sometimes, a good list is all you need. This part features expert interviews with *osapiens HUB* users, capacity-building methods for business and human rights, and the ten most important online resources for corporate sustainability.

Whether you're new to CSDDD or looking to refine your approach, this book will help you navigate the complexities of sustainability regulations and turn compliance into a strategic advantage.

Icons in This Book

Typical in *For Dummies* books are icons that point out certain paragraphs. Whenever you see one of the following icons, this is what they mean.



Some concepts are just too important to forget. This icon marks key takeaways that will help you stay on track with your due diligence journey.



This icon indicates we found a good example to illustrate what we that topic is about. It will help you ground that idea to the real world.



Whenever you see this icon and the headline “What the Law Says” we’re diving straight into the legal requirements of the *Corporate Sustainability Due Diligence Directive* (CSDDD). These sections break down the legislation into clear, actionable insights, so you know exactly what your business needs to do.



Seeing an unfamiliar term? This icon introduces definitions of key *italicized terms* so you can quickly understand new concepts without getting lost in jargon.



Practical advice coming your way! This icon points out best practices, efficiency hacks, and strategies to make compliance easier and more effective.



This icon highlights crucial points that you *really* shouldn’t overlook — whether it’s a key legal requirement, a major risk, or a common mistake that could cost your business dearly.

Where to Go from Here

The journey to mastering the Corporate Sustainability Due Diligence Directive (CSDDD) might seem complex, but it’s also a chance to build a stronger, more responsible business. Whether you’re just beginning to explore sustainability or refining your existing practices, every step you take brings you closer to a business that is not only compliant but also resilient and future-proof.

As you move forward, keep in mind that having the right tools and strategies really does make all the difference. The osapiens HUB provides a structured approach to tackling CSDDD requirements — helping you streamline processes, manage risks, and maintain legal compliance with confidence. With the right support, integrating due diligence into your operations becomes more manageable, allowing you to focus on creating long-term value for your business and stakeholders alike.

Together, we’ll transform due diligence from a daunting task into a strategic advantage, making your business more sustainable, competitive, and ready for the future.

Part I

Future-Proofing Your Business — Sustainability is Your Smart Move



IN THIS PART ...

The business landscape is evolving at an unprecedented pace. Climate risks, regulatory shifts, and changing consumer expectations mean that companies that fail to adapt risk being left behind. The good news? Sustainability isn't just about compliance or corporate responsibility — it's a powerful strategy to future-proof your business.

In this part, we break down some compelling reasons why embracing sustainability today will safeguard your company's success tomorrow answering these three questions:

- ✓ Why due diligence is your best insurance?
- ✓ Why integrating sustainability into your operations leads to cost savings and long-term resilience?
- ✓ How a forward-thinking approach to sustainability can unlock innovation, attract investors, and strengthen your competitive edge?

Sustainability is the foundation for a resilient, profitable, and future-ready business. Let's explore how you can stay ahead of the curve!

Risks to business and by business

Sustainability nowadays

Due diligence's protective side

Chapter 1

Reducing Risk — Why Due Diligence is Your Best Insurance

Running a business is a complex journey filled with countless moving parts. From managing operations to aligning with regulations, the challenges can feel endless. Yet, among these responsibilities lies an area where businesses can exercise clear control: their relationships with people, suppliers, and the environment. *Human Rights and Environmental Due Diligence (HREDD)* empowers you to take charge of these critical aspects of your operations.



Human Rights and Environmental Due Diligence, or HRDDD for short, is the jargon term for processes and measures businesses take in order to better deal with their human rights and environment risks and impacts. You will learn all the details about it in Part III. If you want to read more about it right away, jump to chapter 7.

While many risks — such as global pandemics, geopolitical tensions, or sudden policy changes — remain outside your influence, HREDD focuses on what's tangible and actionable. It's about identifying and addressing risks that stem directly from your company's activities, such as labour conditions in your supply chain or the environmental impact of your operations. These are risks you can manage through proactive, practical measures.

This chapter is about showing you how to take control. You'll learn to identify vulnerabilities before they escalate and to transform challenges into opportunities. With the right approach, HREDD becomes more than compliance — it's your key to building a thriving, sustainable business.



The topic of risk and risk assessment is investigated at length in Part III, especially in Chapter 9.

Understanding Risk in Modern Business

Addressing these risks requires a clear strategy and the right tools. While this chapter introduces the importance of identifying and mitigating risks, Part III of this book will provide a comprehensive guide to implementing effective due diligence measures — from policy creation to risk assessment and remediation.

The Complexity of Global Operations



In today's interconnected world, even the simplest product often involves a vast web of suppliers, logistics, and markets. A coffee company might source beans from multiple countries, each with unique environmental and labour regulations, while a global electronics manufacturer relies on dozens of component suppliers across continents.

This interconnectedness creates opportunities for innovation and growth, but it also amplifies exposure to risks.

For large businesses, these risks are often buried deep within supply chains:

- ✓ unethical labour practices by sub-suppliers,
- ✓ raw materials linked to deforestation, or
- ✓ geopolitical events disrupting production.

SMEs, while smaller in scale, face equally daunting challenges. A single unreliable supplier or compliance issue can strain limited resources and jeopardise customer trust.

SMEs and large companies

As you know, the acronym 'SMEs' stands for Small and Medium-sized Enterprises — businesses that fall within specific size categories based on staff headcount, turnover, or balance sheet total.

In the EU, SMEs are classified as:

- ✓ **Micro-enterprises:** Fewer than 10 employees, turnover or balance sheet total of ≤ €2 million.
- ✓ **Small enterprises:** Fewer than 50 employees, turnover or balance sheet total of ≤ €10 million.

- ✓ **Medium-sized enterprises:** Fewer than 250 employees, turnover of \leq €50 million, or balance sheet total of \leq €43 million.

Any company over that is considered a 'Large Enterprise' or — more commonly said — a large company.

SMEs are the backbone of mostly any economy, representing over 99% of all businesses in the EU.



So, of course you know, but just to make sure, CSDDD stands for Corporate Sustainability Due Diligence Directive, which was adopted by the European Union in 2024. The whole book is about it, you might have noticed it.

Damage to the Reputation

Reputational damage is another risk no business can afford to ignore. In an era of social media and instant communication, news of unethical practices — whether verified or not — spreads rapidly. A single misstep by a supplier can tarnish your brand, leading to lost customers and decreased market trust.

Be proactive in sharing your sustainability efforts with stakeholders. Transparency builds trust and can mitigate reputational risks before they arise.



Once I saw first-hand how a company's bad reputation spilled over into its legal battles. Even lawsuits that had nothing to do with the actual scandal started going south. Judges and prosecutors suddenly became a lot tougher — less patient, more critical.

Disruption in Operations

Operational disruptions, such as a natural disaster affecting a critical supplier, a strike of workers demanding better conditions of work or a roadblock by members of the local community fed-up with the noise, traffic, or nose-wrinkling stench coming from your subsidiary's operations can be quite significant. These can halt production, delay deliveries, and increase costs.

Sustainability as a Shield

Sustainability is more than a moral imperative — it's a strategic advantage. By embedding sustainable practices into your operations, you're protecting your business from vulnerabilities and positioning it for growth.



Sustainable and responsible practices are the cornerstone of a resilient and future-ready business.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **Due diligence as protection:** HREDD helps businesses identify and mitigate risks related to human rights, the environment, and compliance.
- ✓ **Supply chain risks:** Unethical labour, deforestation, and geopolitical issues can disrupt operations — mapping your supply chain is key.
- ✓ **Cost of non-compliance:** Regulatory failures can lead to fines, reputational damage, and financial losses, especially for SMEs.
- ✓ **Sustainability = resilience:** Embedding sustainable practices reduces risks and strengthens business continuity.
- ✓ **Risk management fuels growth:** Strong due diligence attracts investors, customers, and partners who value stability.

In the next chapter, we will explore how due diligence can help you do business more efficiently.

Due diligence for business efficiency

Learning about your own business

Technology as an ally

Chapter 2

Better Insights, Smarter Decisions — Unlocking Business Efficiency

In this chapter, we'll explore how understanding your business through the lens of due diligence unlocks smarter decision-making. From leveraging cutting-edge technologies like ESG dashboards and AI to uncover risks, to identifying ways to improve efficiency and cut costs, adopting these practices is about making your business stronger and more profitable.



So, of course, you have heard of ESG before and this book will refer to it sometimes. But maybe you never got that the term comes from then UN Global Compact's report "Who Cares, Wins" from 2000. It describes (and strongly propelled) the trend of investment decisions based on Environment, Social and Governance assessment of businesses. By consequence ESG also means practices adopted by companies to meet the respective expectations of investors and financial institutions under those categories of issues.

By the end of this chapter, you'll see that adopting due diligence practices isn't just an obligation under CSDDD — it's a competitive advantage. With actionable insights and streamlined operations, you'll set your business up for sustainable success. And don't worry, the tools and strategies introduced here will be explored step by step in Part III, so you'll have everything you need to get started.

Know Your Business Like Never Before

Running a business isn't just about keeping investors happy, meeting customer expectations, and staying on top of financial and market pressures (though that's already a full plate!). Today, you're also juggling a maze of global regulations, supplier responsibilities, and rising demands

for transparency. If that wasn't enough, stakeholders — from financial institutions to everyday consumers — want proof that your company is doing the right thing, not just saying it. All this complexity can make it harder to spot inefficiencies, manage risks, and stay ahead of the game.



A clearer view of your business today means a stronger, more competitive business tomorrow.

The Financial Upside

The of due diligence go beyond compliance. By proactively assessing your operations and supply chains, you'll uncover opportunities to optimize costs, improve resource allocation, and safeguard your profitability against future risks including risks of human rights violations and environmental impact. Businesses that embrace due diligence aren't just protecting their bottom line — they're growing it.

Companies that streamline their operations often find hidden savings. A comprehensive review might reveal overlapping supplier contracts, unnecessary production steps, or wasteful energy use. Correcting these inefficiencies translates into immediate cost reductions and room of maneuver for decision making.

Saving Costs While Reducing Risks

For businesses of all sizes, due diligence is a win-win strategy. It helps companies uncover hidden cost savings, manage risks, and improve efficiency, all while aligning with what owners, shareholders, and investors want: responsible, sustainable, resilient, and profitable businesses. At the same time, these efforts contribute to better human rights and environmental conditions, creating a positive impact beyond the balance sheet. By taking a close look at operations, supply chains, and resource usage, businesses can turn due diligence into a strategic investment that pays off both financially and ethically.

Businesses that actively manage risks and optimise operations are better equipped to adapt to market fluctuations, supply chain disruptions, and changing regulations. This proactive approach allows turning challenges into opportunities.



For **SMEs**, resilience often begins with ensuring their most critical suppliers meet compliance and performance standards.



For example, a small food producer might prioritise partnerships with suppliers that can guarantee both product quality and ethical labour practices. This reduces the likelihood of sudden disruptions, ensuring steady operations even during periods of uncertainty.

Diversifying sourcing options and strengthening relationships with reliable partners are simple yet powerful ways for smaller businesses to mitigate risks.

- ✓ **Larger corporations**, with their broader networks, can leverage advanced tools like predictive analytics to prepare for various scenarios.

Imagine a manufacturing giant that uses risk-modelling software to anticipate how geopolitical tensions or environmental regulations might impact material availability. Armed with this foresight, they can adjust sourcing strategies or build inventory buffers, reducing potential downtime or cost increases.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **Due diligence drives efficiency:** It's not just about compliance — it helps optimise costs, reduce waste, and streamline operations.
- ✓ **Know your business inside out:** Mapping supply chains and analysing risks reveal hidden inefficiencies and opportunities for growth.
- ✓ **Transparency leads to smarter decisions:** Clear insights into operations allow businesses to improve supplier relationships, cut costs, and boost accountability.
- ✓ **Due diligence saves money:** Identifying inefficiencies in supplier contracts, logistics, and energy use leads to cost reductions and financial resilience.

In the next chapter, we will explore how to use the opportunities due diligence opens to you.

Cost of flat negligence

Value of due diligence

Due diligence for innovation

Chapter 3

Turning Compliance into Opportunity — Embracing HREDD for Success

If you think Human Rights and Environmental Due Diligence (HREDD) is just another regulatory headache, think again. The CSDDD is fundamentally reshaping the way businesses operate, compete, and grow. Companies that approach HREDD strategically are meeting legal obligations as they set themselves up for long-term success, unlocking new markets, and strengthening relationships with customers, investors, and employees.



Simply put, compliance may have its burden but much higher is the opportunity it entails.

The Cost of Doing Nothing: A Wake-Up Call for Businesses

If you think ignoring HREDD is a cost-saving strategy, think again. Sure, doing the bare minimum might seem like an easy way to avoid extra work — but businesses that take this approach often learn the hard way that “saving” today can mean losing big tomorrow. Whether it’s reputational damage, regulatory fines, or a full-blown legal avalanche, the price of inaction keeps getting steeper.



Playing it safe might be the riskiest move of all.

In today's world, bad news travels fast. One sustainability scandal, one case of human rights violations in the supply chain, and suddenly customers, investors, and even regulators are knocking at your door — but not with good news. Companies that fail to take HREDD seriously risk boycotts, plummeting stock prices, and losing major business partners. And no, the “we didn't know” excuse won't cut it anymore.

And then there's the legal side of things. Governments here and there are switching from suggesting companies do better to actually making it mandatory. Regulations like the CSD-DD mean that due diligence is changing from a “nice to have” to a must. And the penalties for non-compliance?

Let's just say they're getting serious. Companies that delay action often find themselves rushing to meet new standards under pressure, which is way more expensive (and stressful) than doing it right from the start.

The bottom line? The cost of doing nothing is only going up. Businesses that take HREDD seriously now ally reducing risks with gain a competitive edge.

Leveraging HREDD for Market Leadership

For years, due diligence has been seen as a way to avoid trouble — fines, lawsuits, PR disasters. But what if it could do more? Companies that go beyond risk mitigation are positioning themselves for leadership, growth, and long-term success.

You want to turn HREDD into a competitive edge? Here's how:

- ✓ **Win over investors and partners:** ESG-conscious investors want businesses that actively lead in responsible business practices. A strong HREDD framework shows commitment, transparency, and long-term thinking — qualities that attract funding and partnerships.
- ✓ **Earn consumer trust:** Customers increasingly expect businesses to act responsibly. Companies that take HREDD seriously and communicate their efforts clearly can strengthen brand loyalty and stand out in the marketplace.
- ✓ **Shape industry standards:** Instead of scrambling to meet new regulations, proactive companies help define the rules of the game. When you lead on sustainability, you set benchmarks, influence policies, and gain a first-mover advantage in emerging markets.
- ✓ **Expand business opportunities:** Ethical sourcing, sustainable operations, and responsible partnerships open doors to new customers, suppliers, and markets. Many organisations now prefer working with companies that take due diligence seriously.



Businesses that treat HREDD as a strategy, not just a rulebook, set themselves apart as market and movement leaders.

Part II

Decoding the Rulebook — What Every Business Needs to Know



IN THIS PART ...

Sustainability regulations are transforming industries, supply chains, and corporate strategies. What started as voluntary commitments has now become legally binding, with governments demanding action, not just promises. Let's talk about positioning your business for long-term success in a rapidly evolving world.

In this part, we answer three key questions to help you navigate the regulatory maze:

- ✓ Why are sustainability regulations becoming mandatory, and what does it mean for your business?
- ✓ What are some current examples of this trend and how is it likely to behave?
- ✓ What steps can you take today to deal with an ever evolving regulatory landscape and build resilience?

Understanding the rules of the game is the first step in future-proofing your business.

Shift from Voluntary to Binding Regulations

Challenges and Resistance to Hard Laws

The Future: Balancing Flexibility and Accountability

Chapter 4

From Voluntary Guidelines to Binding Laws

Not so long ago, corporate responsibility was built on a foundation of well-meaning but voluntary guidelines. Frameworks like the UN Global Compact, the UN Guiding Principles and OECD Guidelines encouraged businesses to embrace sustainability, but they stopped short of mandating action.

In this chapter, we'll explore the journey from voluntary to binding laws, the forces challenging their permanence, and how companies and policymakers can navigate the evolving landscape of sustainability regulation.

Whether the near future holds more of binding commitments, more of voluntary efforts, or a complex blend of both, one thing is clear: coordination and pragmatism are the keys to tackling risks for your company while dealing with the climate crisis and to building a more humane world.

The Path from Voluntary Guidelines to Binding Laws

The journey from voluntary guidelines to binding laws marks a pivotal shift in corporate responsibility. Initially, frameworks like the UN Global Compact, the UN Guiding Principles and OECD Guidelines encouraged businesses to embrace ethical and sustainable practices, relying on their willingness to participate. These voluntary initiatives provided a foundation for responsible corporate behaviour, setting principles that guided global discussions on sustainability and accountability.

However, as environmental and social issues became increasingly urgent and complex, the limitations of voluntary compliance became clear. Binding laws emerged as a necessary step to address these shortcomings, introducing enforceable standards that ensured consistency and accountability across industries and borders. This section explores the origins and impact of early voluntary frameworks, their benefits and shortcomings, and the significant events that marked the transition to legally binding regulations. From flexibility to enforcement, this transformation underscores the importance of coordinated global action to meet today’s challenges.

Aspect	Soft Law	Hard Law
Definition	Non-binding guidelines or principles.	Legally enforceable rules and obligations.
Flexibility	High — allows businesses to adapt to their contexts.	Low — compliance is mandatory.
Accountability	Relies on voluntary compliance.	Enforced through legal mechanisms.
Examples	UN Global Compact, UN Guiding Principles on Business and Human Rights, OECD Guidelines.	CSDDD, CSRD, National Legislation like German LkSG and French Loi de Devoir de Vigilance.
Effectiveness	Inconsistent — depends on participation.	More consistent due to enforceability.

Table 4.1: Soft Law vs Hard Law: A Quick Comparison



Soft law is a suggestion, while hard law is a mandate. Together, they aim to create a balance between flexibility and accountability.

Voluntary Guidelines and Binding Laws in combination

Corporate responsibility started with frameworks like the UN Global Compact, the UN Guiding Principles and OECD Guidelines, which offered flexible principles for businesses to follow. They worked well as a starting point, but without enforcement, progress was patchy, and major issues went unresolved.

The move to binding laws changed the game, bringing some higher degree of enforceability and consistency to the table. This section looks at how these voluntary efforts laid the groundwork, why they weren’t enough, and how enforceable regulations became the key to addressing today’s global challenges. See the progression in figure 4.1.

The Age of Soft Law: Setting the Stage

Soft law arose to address the growing need for corporate responsibility in an interconnected and globalised world. It provided voluntary guidelines that encouraged businesses to take ownership of their societal and environmental impacts. Unlike binding regulations,

these frameworks relied on participation by choice, giving companies the flexibility to decide how — and if — they would implement recommended practices.

Despite lacking enforceability, soft law frameworks like the UN Global Compact, OECD Guidelines for Multinational Enterprises and Due Diligence for Responsible Business, and later, the UN Guiding Principles on Business and Human Rights (UNGPs), were instrumental in setting a foundation for ethical conduct and common language. They not only promoted awareness but also introduced concepts like human rights protection, environmental sustainability, and fair labour practices.

UN Global Compact and the Principles for Responsible Investment (PRI)

Launched in 2000, the *UN Global Compact* was a landmark initiative encouraging businesses to align their operations with ten universal principles covering human rights, labour, the environment, and anti-corruption. By voluntarily joining the Compact, companies committed to integrating these principles into their culture and reporting annually on their progress.

In 2006, the *Principles for Responsible Investment (PRI)* extended the Global Compact's scope to investors. PRI provided a framework for incorporating environmental, social, and governance, the ESG, factors into investment decisions, further embedding sustainability into financial practices.



Together, the UN Global Compact and PRI created a shared foundation for ethical and sustainable practices in both corporate and financial sectors.

UN Guiding Principles on Business and Human Rights (UNGPs)

Adopted in 2011, the UN Guiding Principles on Business and Human Rights (UNGPs) set out a global framework for addressing the intersection of business operations and human rights. Built on the “Protect, Respect, and Remedy” framework, the UNGPs defined the responsibilities, organized in three pillars:

1. **Pillar one:** Governments are tasked with protecting human rights.
2. **Pillar two:** Businesses are required to respect human rights in all their activities, relationships and supply chains.
3. **Pillar three:** Both, to ensure effective remedies for victims of rights violations.



The UNGPs are a cornerstone for modern due diligence frameworks, directly shaping laws like the German LkSG, the French Loi de Devoir de Vigilance and the EU CSDDD.

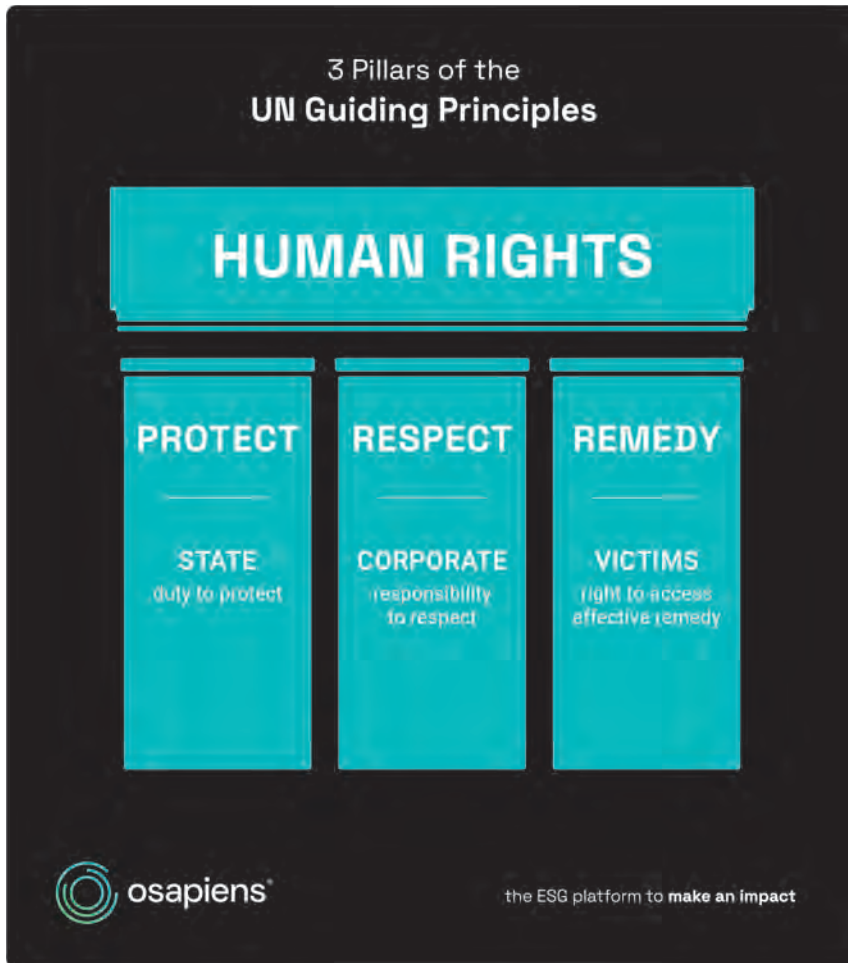


Figure 4.2: The three Pillars of the UN guiding principles.

OECD Guidelines for Multinational Enterprises and Due Diligence for Responsible Business

First published in 1976 and updated in 2011, the *OECD Guidelines for Multinational Enterprises* outlined recommendations for responsible business conduct. These guidelines addressed areas such as labour rights, human rights, environmental standards, and anti-corruption, offering multinational corporations a clear path toward ethical practices.

In 2018, the *OECD Due Diligence Guidance for Responsible Business Conduct* was introduced to provide practical steps for companies to identify, prevent, and address risks across their operations and supply chains. This guidance expanded on the earlier guidelines by focusing specifically on due diligence processes and accountability.



In general, and also in this book, the term ‘OECD Guidelines’ is used to refer interchangeably to one or the other document or both together when context calls for it.



The OECD’s due diligence framework will be further explained in Chapter 8, where its influence on legislation like the CSDDD will be explored in detail.

Benefits of Soft Law

Soft law frameworks, such as the *UN Global Compact*, OECD Guidelines, and *UNGPs*, have been celebrated for their flexibility and inclusivity. By avoiding legally binding requirements, they allowed companies of all sizes and sectors to experiment with ethical practices at their own pace. This adaptability encouraged broader participation, especially among multinational corporations operating in diverse regulatory environments.



Soft law often served as a testing ground for businesses, enabling them to explore sustainability and human rights initiatives without the immediate pressures of legal compliance. This flexibility paved the way for more companies to adopt socially and environmentally responsible practices.

National Action Plans (NAPs) on Business and Human Rights

One could not talk about voluntary measures without talking about the importance of the National Action Plans. NAPs are government policy documents that outline strategies for integrating human rights standards into business activities. They serve as blueprints to ensure companies respect human rights and promote responsible business conduct.

After the UN Human Rights Council endorsed the UNGPs it latter invited and encouraged countries to establish their own NAPs. They should be tailored to each country’s specific challenges, created through inclusive processes, and regularly updated. A well-designed NAP helps businesses navigate human rights expectations while demonstrating a government’s commitment to ethical and sustainable practices. Many of them pointed to future adoption of mandatory legislation — which has been happening in some countries.

Limitations of Voluntary Compliance

While soft law frameworks set a valuable foundation, they revealed significant weaknesses, particularly in addressing systemic and large-scale challenges. Without enforceable measures, compliance depended entirely on businesses’ willingness to act. This voluntary nature created inconsistencies, as some companies embraced the principles wholeheartedly while others ignored them entirely.

The Transition to Hard Law: A Necessary Step

As the limitations of voluntary frameworks became increasingly evident, it became clear that a new approach was needed. While soft law helped set the stage for corporate responsibility, its lack of enforceability meant progress was uneven, leaving critical global challenges like climate change, forced labour, and environmental degradation largely unresolved. The flexibility of soft law was its strength — but also its weakness, as it failed to deliver consistent accountability across industries and borders.

Critics of the voluntary-only approach pointed out that it allowed for *greenwashing*, where companies made ambitious commitments without tangible results. Businesses that ignored voluntary principles often continued harmful practices, undermining the credibility and effectiveness of those that genuinely adopted sustainable approaches. Without binding measures, there were no guarantees that global goals, such as the Paris Agreement's climate targets, would be met.

In response, mandatory regulations, or hard laws, are now emerging as the solution. These laws create enforceable obligations and clear consequences for non-compliance, ensuring that accountability is no longer optional.

Binding laws are transforming corporate responsibility by requiring measurable action, rather than relying on goodwill. In doing so, they aim to level the playing field for businesses and create a structured framework for addressing increasingly complex global challenges.



Binding regulations, like the CSDDD, represent a new era of enforceable corporate accountability.

Greenwashing (and Its Colourful Variants)?

Greenwashing refers to the practice of exaggerating or fabricating a company's environmental efforts to appear more sustainable than it truly is. The term is used in a pejorative or denouncing way, often to shame and criticise companies that mislead consumers, investors, or stakeholders about their actual impact on the environment.

This expression is both used specifically when referring to environment issues or to any or all of the following “washing” strategies:

- ✓ **Whitewashing:** Watering down or covering up scandals, human rights abuses, and criminal activities by companies — or governments.
- ✓ **Bluewashing:** Misusing associations with initiatives of international institutions such as the UN and its agencies and projects, like the UN Global Compact, to falsely appear ethical.
- ✓ **Pinkwashing:** Promoting gender equality or LGBTQ+ rights publicly, while failing to back these claims within internal policies or practices.
- ✓ **Rainbowwashing:** Specifically tied to LGBTQ+ advocacy, often seen during Pride events without genuine commitment.

These “washing” strategies, while addressing different issues, share a common intent: boosting reputation without genuine action. They are frequently criticised for undermining trust and distracting from real progress. Binding laws, like the CSDDD, aim to tackle such practices by requiring transparency, accountability, and measurable action.

Key Legislative Milestones

The journey from voluntary frameworks to enforceable regulations is marked by landmark hard laws that have shaped the global corporate responsibility landscape:

- ✓ **UK Modern Slavery Act (2015):** Introduced mandatory reporting on efforts to combat modern slavery.
- ✓ **French Duty of Vigilance Law (2017):** Required large companies to create vigilance plans to prevent human rights abuses and environmental harm.
- ✓ **Dutch Child Labour Due Diligence Act (2019):** Obligated businesses to investigate and address child labour risks in their supply chains.
- ✓ **German Supply Chain Act (2023):** Mandated comprehensive due diligence to ensure respect for human rights and environmental standards in supply chains.
- ✓ **CSDDD (2025):** Established a unified framework for addressing human rights and environmental impacts in corporate operations and value chains.



Even though the text of the Dutch Child Labour Due Diligence Act of 2019 is an interesting and promising one, it has never come into full force due to enforcement and applicability technicalities. As of the writing of this book, the official position of the Dutch government is that a comprehensive human rights due diligence act was under preparation and that could substitute and provide for the implementation of this one.

A Potential Shift Back: Pressures on Binding Laws

As binding laws reshape corporate responsibility, they’ve also sparked debates about their feasibility and impact. While these regulations aim to create accountability and consistency, they come with challenges, including rising compliance costs, political pushback, and concerns about trade competitiveness. These pressures have led to discussions about whether a partial return to voluntary frameworks — or a hybrid approach — might better balance corporate responsibility with economic realities.

At the heart of this debate lies the question of how to maintain progress without overburdening businesses or undermining innovation. Some stakeholders argue for recalibrating hard laws to integrate the flexibility of soft law, while others point to the possibility of sweeping reforms like the *EU Omnibus I Proposal* on CSRD, EU Taxonomy and CSDDD, CBAM, which could consolidate and potentially reshape the current framework.

What is the EU Omnibus Proposal

Presented on February 26, 2025, the EU Omnibus Proposal — formally Omnibus I — is a legal reform packaged proposed by the EU Commission. In general lines, it mainly reduces the scope and/or the substance of some obligations for companies under the legal acts it simplifies. See more detail in The EU Omnibus I Proposal further in this chapter.

The EU Omnibus I Proposal

On February 26, 2025 the EU Commission moved presented the EU Omnibus I, a “simplification package” of proposed changes to CSDDD, CSRD, EU Taxonomy and CBAM.

This move reflects an effort to address criticisms from businesses, policymakers, and other stakeholders regarding the effectiveness and efficiency of the current patchwork of regulations. It also opens the possibility for watering down the substantial legal advances made in the recent years.

This proposal now has to go through discussion and approval by both the EU Parliament and the EU Council. This process might take few to many months and is likely to modify the set of changes proposed.

Potential Outcomes of the EU Omnibus I Proposal

If discussions and legislative procedures around the EU Omnibus I develop further into actual legal change, several outcomes seem plausible:

- ✓ **Simplification of regulations:** Combining multiple directives into a single framework could reduce complexity and offer businesses a clearer, more cohesive path to compliance.
- ✓ **Eased administrative burdens:** Streamlining reporting requirements might alleviate the strain companies and allow them to allocate resources more effectively.
- ✓ **Enhanced clarity and consistency:** A harmonized legislative framework could improve overall compliance across EU member states, reducing discrepancies.
- ✓ **Risks of dilution:** Critics warn that consolidation might weaken the existing high standards set by individual directives, potentially undermining the EU’s leadership in sustainability.

What changes might look like with EU Omnibus I

If the EU Omnibus I proposal gets approved exactly as it was proposed on February 26, 2025 — which is highly unlikely to happen — the main changes would be:

- ✓ **CSDDD Timeline Extensions:** Full application delayed by one year to 26 July 2028; transposition into national law postponed to 26 July 2027.
- ✓ **CSRD Timeline Extensions:** Reporting requirements postponed by two years, now beginning in 2028 for second- and third-wave companies.
- ✓ **Due diligence focus shift:** Businesses will only be required to conduct due diligence at the Tier 1 level (direct suppliers). Due diligence beyond Tier 1 applies only if “plausible information” suggests risks further down the supply chain (definition unclear).
- ✓ **CSRD & EU Taxonomy scope reduction:** Now applies only to companies with more than 1,000 employees and a turnover exceeding €450 million. Under EU Taxonomy, companies would be exempt from reporting if the economic activity contributes to less than 10% of overall revenue.
- ✓ **Reduced supplier data requirements:** SMEs and small midcaps (under 500 employees) will only need to provide sustainability information required by the CSRD voluntary sustainability reporting standards. Large companies cannot demand additional sustainability data from out-of-scope suppliers.
- ✓ **Less frequent due diligence monitoring:** Instead of annual reviews, companies must now reassess due diligence effectiveness at least every five years unless specific risks arise.
- ✓ **Relaxed business relationship rules:** Companies are no longer required to terminate non-compliant business relationships. Instead, they may suspend or refrain from entering new relationships if corrective measures fail.
- ✓ **Weakened climate transition plan obligations:** Companies must adopt a climate transition plan but are not required to implement it.
- ✓ **Sector-specific reporting standards removed:** CSRD will no longer allow the EU Commission to adopt sector-specific reporting standards, limiting tailored disclosures.
- ✓ **Civil liability removed:** EU-wide civil liability provisions have been deleted, meaning liability will now depend on national laws, leading to fragmented enforcement across the EU.
- ✓ **No obligation for companies to provide representation mechanisms for victims:** This includes representation through NGOs or trade unions.

- ✓ **No review of financial sector inclusion:** The obligation to review the inclusion of financial services in due diligence laws has been removed.
- ✓ **Member states cannot introduce stricter due diligence laws:** The proposal prohibits EU countries from implementing stricter regulations than those in CSDDD, potentially lowering international standards like the UNGPs and OECD Guidelines.
- ✓ **Shift to quantitative data in sustainability reporting:** The European Sustainability Reporting Standards (ESRS) will prioritize quantitative data over narrative disclosures.
- ✓ **No immediate third-party assurance for sustainability reports:** Companies are no longer required to obtain reasonable assurance for sustainability disclosures. The EU Commission will issue assurance guidelines by 2026.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **The shift from voluntary to binding laws:** Soft law frameworks like the UN Global Compact and OECD Guidelines set the stage, but enforceable regulations like the CSDDD ensure accountability and consistency.
- ✓ **The role of the EU Omnibus I Proposal:** Proposed in 2025, Omnibus I aims to simplify and modify existing sustainability regulations, potentially reducing obligations under the CSDDD, CSRD, and EU Taxonomy.
- ✓ **Challenges of binding laws:** Compliance costs, trade competitiveness concerns, and political lobbying have fuelled debates on whether regulations should be softened or streamlined.
- ✓ **Resilience through adaptability:** Companies must stay ahead by integrating robust ESG risk management, fostering collaboration, and leveraging technology for compliance and innovation.

In the next chapter, we will explore how France and Germany have pioneered due diligence legislation.

French Duty of Vigilance Law

German Supply Chain Due Diligence Act Impact, Challenges, and Lessons Learned

Chapter 5

National Pioneers

When it comes to corporate sustainability and human rights laws, some countries didn't wait for global consensus — they took the lead. By setting national standards for due diligence and corporate accountability, these pioneers laid the groundwork for broader legislation like the CSDDD. France and Germany stand out as trailblazers, with groundbreaking laws that have not only influenced the European framework but have also caught the attention of global policymakers.

In this chapter, we'll explore how France's Duty of Vigilance Law and Germany's Supply Chain Due Diligence Act (LkSG) became benchmarks for corporate responsibility.



Other countries had relevant business and human rights legislations passed before the ones mentioned here, like Brazil's Forced Labour 'Dirty List' Regulation (2011), or the UK Modern Slavery Act (2015) and its Australian correspondent (in 2018), none of them had what these French and German examples have: comprehensive scope and mandatory due diligence measures.

France: Duty of Vigilance Law (2017)

In March 2017, France became a trailblazer in corporate accountability with the introduction of the Duty of Vigilance Law (*Loi de Devoir de Vigilance* — Loi n° 2017-399). This pioneering legislation requires large French companies to identify and address human rights abuses and environmental risks in their operations and supply chains. As the first binding law of its kind, it marked a bold shift from voluntary commitments to enforceable responsibilities.

The Duty of Vigilance Law has had a significant influence, not just in France but across Europe, inspiring similar laws like Germany's Supply Chain Act and shaping the development of EU's CSDD.



The Duty of Vigilance Law is considered the first binding corporate accountability law in the world — a model for how national legislation can drive global change.

What Is the Duty of Vigilance Law?

France's *Duty of Vigilance Law* (2017) represents a groundbreaking shift in corporate accountability, moving away from voluntary corporate social responsibility (CSR) commitments to enforceable legal obligations. The law was born out of high-profile disasters like the *Rana Plaza* factory collapse in 2013, which highlighted the devastating human — and also environmental — cost of unregulated global supply chains. It reflects a broader demand for companies to take active responsibility for the impacts of their operations, rather than passively claiming ignorance.



The Rana Plaza factory collapse was one of the deadliest industrial disasters in history. On 24 April 2013, an eight-story commercial building in Savar, Bangladesh, collapsed, killing over 1,100 people and injuring more than 2,500. The building housed several garment factories producing clothing for major global brands. The collapse highlighted severe safety violations, poor working conditions, and a lack of corporate accountability in the global fashion supply chain.

Key Requirements for Businesses

Under the *Loi de Devoir de Vigilance (Duty of Vigilance Law)*, large French companies must establish and implement a vigilance plan to identify and prevent severe risks related to human rights abuses, fundamental freedoms, health and safety, and environmental harm. The law applies to companies headquartered in France that meet the following thresholds:

1. Over 5,000 employees within the company and its direct or indirect subsidiaries located in France.
2. Over 10,000 employees within the company and its subsidiaries worldwide.
3. Foreign companies are not directly subject to the law unless they have subsidiaries in France that meet the above criteria.

The vigilance plan must include the following core components:

1. **Risk mapping:** Companies must create a detailed map to identify, analyze, and prioritize risks across their operations and supply chains.
2. **Assessment procedures:** Regular assessments of subsidiaries, subcontractors, and suppliers to evaluate their alignment with the vigilance plan.
3. **Mitigation measures:** Actions designed to address identified risks and prevent serious violations.
4. **Alert mechanism:** A whistleblowing system developed in partnership with trade union organisations to allow reporting of risks and violations.

- 5. Monitoring scheme:** Tools to track the effectiveness of the measures implemented and adapt strategies where necessary.



The law also requires companies to publish their vigilance plan and report on its implementation as part of their annual management reports, ensuring transparency and public accountability.

Failure to comply with these obligations can result in legal consequences, including formal notices, judicial enforcement, and liability for damages caused by a lack of proper diligence. The Duty of Vigilance Law enforces a proactive approach, pushing companies to move beyond box-ticking and commit to genuine responsibility throughout their supply chains.

Successes, Challenges, and Criticism

The Loi de Devoir de Vigilance has been widely regarded as a landmark in corporate accountability, establishing France as a global leader in mandatory due diligence legislation. One of its greatest successes is its role in inspiring similar laws, such as Germany's Supply Chain Act and the CSDDD.

However, the law has also faced significant challenges, particularly around enforcement. Several legal cases have emerged, testing the limits of the Duty of Vigilance Law in French courts. For example:

- ✓ **TotalEnergies cases:** Environmental and human rights organisations have filed lawsuits against the energy (mostly oil) giant TotalEnergies, claiming that its vigilance plans were inadequate for addressing risks related to oil projects in Uganda and Tanzania. In one notable case, the Paris Civil Court dismissed the lawsuit on procedural grounds in 2023, highlighting the need for formal notices to correspond precisely to the vigilance plans in question. However, in 2024, the Paris Court of Appeal ruled that claims against TotalEnergies as admissible.
- ✓ **EDF case:** In 2021, a lawsuit was filed against the transnational *Électricité de France* — EDF, alleging that its vigilance plan failed to account for environmental and social risks related to projects in Latin America. Even though, this case had also been dismissed due to the absence of a formal notice specific to the vigilance plan, in 2024, the Paris Court of Appeal ruled that claims were admissible.



These legal proceedings underscore the procedural complexities of enforcing the Duty of Vigilance Law, particularly the strict requirement for formal notices before court action can proceed. This has led some critics to argue that the law relies too heavily on civil society and stakeholders to initiate enforcement, rather than having government bodies proactively oversee compliance.



While not perfect, the Duty of Vigilance Law is a groundbreaking step in making businesses truly accountable for their transnational impacts. It proves that meaningful corporate responsibility is possible when bold laws meet a commitment to enforcement and continuous improvement.

Germany: Supply Chain Due Diligence Act (2021)

Germany followed France's lead in 2021 by introducing the *Lieferkettensorgfaltspflichtengesetz* — commonly referred to as the German Supply Chain Due Diligence Act (LkSG). This legislation marked a significant step in ensuring that businesses operating in Germany take responsibility for human rights and environmental standards across their supply chains.



Unlike France's Duty of Vigilance Law, which applies only to very large companies, the LkSG aims to balance ambition with practicality, introducing phased compliance thresholds to gradually include more businesses.

Overview of the LkSG

The LkSG, enacted in Germany in 2021, reflects a growing recognition of the need for businesses to take responsibility for the impacts of their global operations. At its heart, the LkSG embodies the idea that companies have a duty to not only prioritise profits but also ensure their activities, and those of their supply chains, respect human rights and environmental standards.

The spirit of the law is rooted in prevention and accountability. It shifts the focus from reactive measures — dealing with violations after they occur — to proactive steps that prevent such issues from arising in the first place.



The LkSG's core message is clear: not just what happens within their direct operations must be taken as companies responsibility but also their upstream supply chain and a bit downstream as well.

What Companies Must Do to Comply

Under the LkSG, companies operating in Germany are required to implement a detailed due diligence process to address risks related to human rights violations and environmental harm within their supply chains. With a lower threshold than the French law, this law applies to German-based companies with at least 1,000 employees (a threshold that was reduced from 3,000 employees in 2024) as well as foreign companies with significant operations in Germany. To comply, businesses must establish a robust framework for managing risks, which includes the following core obligations:

- 1. Risk management system:** Companies must implement an overarching risk management system to identify and address human rights and environmental risks within their operations and supply chains. This system should be embedded into their organisational processes and tailored to their specific supply chain structure.
- 2. Regular risk analyses:** Businesses are required to conduct regular and systematic analyses to identify potential or actual risks related to human rights violations, such as forced labour, child labour, or unsafe working conditions, as well as environmental

impacts. These analyses must cover both direct suppliers and, in some cases, indirect suppliers if there is “substantiated knowledge” of violations.

3. **Preventive measures:** Once risks are identified, companies must implement preventive measures. These might include contractual obligations for suppliers to adhere to ethical standards, training for employees and suppliers on due diligence processes, and collaborative initiatives to address systemic issues within their industries.
4. **Remedial actions:** If violations occur, businesses must take immediate and effective remedial actions. This could include terminating relationships with non-compliant suppliers or working collaboratively to rectify the harm caused.
5. **Complaint mechanism:** Companies must establish a complaints procedure that allows individuals or organisations to report risks or violations. This mechanism must be accessible, transparent, and capable of addressing concerns effectively.
6. **Annual reporting:** Businesses are obligated to publish an annual report detailing their due diligence measures, identified risks, and the actions they have taken to mitigate those risks. This report must be made publicly available and submitted to the Federal Office for Economic Affairs and Export Control (BAFA), which oversees compliance with the LkSG.

Failure to comply with the LkSG carries significant consequences. Companies can face fines of up to €8 million or 2% of their annual global turnover (for companies with turnovers exceeding €400 million). Additionally, non-compliant companies may be excluded from public procurement opportunities in Germany, creating further economic incentives for adherence.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **France's Duty of Vigilance Law set the global precedent:** Introduced in 2017, it was the first binding corporate accountability law, requiring large French companies to prevent human rights abuses and environmental harm in their supply chains.
- ✓ **Germany's Supply Chain Due Diligence Act (LkSG) expanded accountability:** Enacted in 2021, it applies to companies with at least 1,000 employees and mandates risk assessments, complaint mechanisms, and annual reporting.
- ✓ **The impact of pioneers on global corporate responsibility:** By moving first, France and Germany have given their businesses a compliance head start, while also influencing international frameworks beyond the EU.

In the next chapter, we will explore how the EU is building a unified sustainability framework to harmonize corporate accountability across member states.

Corporate Sustainability Reporting Directive (CSRD) and EU Taxonomy Regulation

European Deforestation Regulation (EUDR) and European Batteries Regulation (EUBR)

Critical Raw Materials Act (EUCRA) and EU Forced Labour [Ban] Regulation (EUFLR)

Chapter 6

EU's Sustainability Framework

The EU's approach to corporate sustainability has evolved into a comprehensive framework designed to address both broad reporting requirements and targeted environmental and social concerns. At the heart of this framework are the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy, which together set the standard for how companies disclose and define their environmental, social, and governance (ESG) impacts. These tools are transforming sustainability from a voluntary initiative into a core aspect of business operations, ensuring consistency, transparency, and accountability.

Beyond these foundational elements, the EU has developed specific regulations to tackle critical issues in sustainability.

- ✓ **The European Deforestation Regulation (EUDR)** addresses global deforestation linked to EU supply chains.
- ✓ **The European Batteries Regulation (EUBR)** ensures sustainable production and recycling of batteries.
- ✓ **The Critical Raw Materials Act (EUCRA)** safeguards the supply of essential materials.
- ✓ **The EU Forced Labour Regulation (EUFLR)** aims to eliminate forced labour in products linked to the EU market.

In this chapter, we'll explore how the CSRD and EU Taxonomy provide the backbone of the EU's sustainability framework, enabling businesses to measure and report on their ESG efforts. We'll then examine the specific regulations addressing high-priority sectors and their implications for businesses. Together, these elements form a cohesive strategy for driving sustainability and corporate accountability across the EU.

CSRD and the EU Taxonomy: The Foundations of Corporate Reporting

The Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy form the backbone of the EU's efforts to standardize and enhance corporate sustainability reporting. Together, they represent a transformative shift in how companies measure, report, and define their environmental, social, and governance (ESG) impacts. By moving beyond voluntary disclosures to enforceable standards, these tools provide the clarity and consistency businesses need to align with the EU's ambitious sustainability goals.

The CSRD sets out new reporting requirements that dramatically expand the scope and depth of sustainability reporting across Europe, affecting thousands of companies. Meanwhile, the EU Taxonomy offers a classification system to define what truly counts as environmentally sustainable, providing businesses and investors with a common language for evaluating green practices.



Want to master CSRD? Check out the great *CSRD implementation for Dummies* book, published in 2025! It's packed with practical insights to help you navigate sustainability reporting with ease.

The CSRD: A New Era in Sustainability Reporting

The Corporate Sustainability Reporting Directive (CSRD) is a game-changer in corporate sustainability. Replacing the Non-Financial Reporting Directive (NFRD), the CSRD expands the scope of mandatory reporting to include a much larger number of companies across Europe — around 50,000 compared to just 11,000 under the NFRD. This shift aims to bring greater transparency, consistency, and comparability to sustainability reporting, aligning it with the EU's broader climate and social objectives.

The CSRD introduces detailed requirements for companies conduct *double materiality assessments* and to disclose information about their environmental, social, and governance (ESG) practices. Unlike previous frameworks, it requires reporting to follow the European Sustainability Reporting Standards (ESRS), which provide specific metrics and guidelines for companies to report on their sustainability impacts and risks. These standards ensure that reports are not only comprehensive but also comparable across industries and borders.

One of the directive's most significant changes is its extension to smaller businesses. While initially targeting large and listed companies, it will gradually include smaller firms, particularly those in high-impact sectors. This phased approach ensures a balance between ambition and practicality, giving businesses time to adapt while still driving progress.

Double Materiality Under CSRD — What You Need to Know

- ✓ **Mandatory Assessment:** Under the CSRD companies must conduct a Double Materiality Assessment to determine which sustainability topics they need to report on.
- ✓ **What Is Double Materiality?**
 - **Financial Materiality** — How sustainability issues affect the company's financial health.
 - **Impact Materiality** — How the company's operations impact people and the environment.

If a topic is material under either perspective, it must be reported!

How to learn more: Want a step-by-step guide on how to conduct a Double Materiality Assessment? Check out *CSRD Implementation for Dummies*!

What the EU Taxonomy Brings to the Table

The EU Taxonomy is based on Regulation (EU) 2020/852 and is a cornerstone of the EU's sustainability framework, providing a clear and science-based classification system for defining what qualifies as environmentally sustainable. Its primary goal is to combat greenwashing by creating a shared understanding of sustainable activities, ensuring that businesses and investors can align their efforts with the EU's environmental objectives.

The taxonomy is built around six environmental objectives:

1. Climate change mitigation.
2. Climate change adaptation.
3. Sustainable use and protection of water and marine resources.
4. Transition to a circular economy.
5. Pollution prevention and control.
6. Protection and restoration of biodiversity and ecosystems.

To qualify as environmentally sustainable under the taxonomy, an economic activity must substantially contribute to at least one of these objectives, avoid significant harm to the others, and meet specific technical screening criteria. This rigorous approach ensures that only genuinely sustainable activities receive the "green" label, creating greater transparency and trust observing on *Minimum Social Safeguards*.

Minimum Social Safeguards Under the EU Taxonomy

The EU Taxonomy requires companies to meet Minimum Social Safeguards (MSS) to ensure their sustainable activities respect human rights and labour standards. These safeguards are based on four key international frameworks:

- ✓ OECD Guidelines for Multinational Enterprises — Responsible business conduct, including due diligence on human rights, labour rights, and corruption.
- ✓ UN Guiding Principles on Business and Human Rights — Corporate responsibility to prevent and mitigate human rights abuses.
- ✓ ILO Fundamental Conventions — Core labour rights, such as no child or forced labor, freedom of association, and fair working conditions.
- ✓ International Bill of Human Rights — Basic human rights protections that businesses must respect.

Companies must demonstrate effective due diligence processes to comply. Failure to meet these safeguards can result in losing their classification as a “sustainable” investment under the Taxonomy.

How CSRD and Taxonomy Work Together

The CSRD and the EU Taxonomy are designed to complement one another, creating a cohesive framework that bridges sustainability reporting and action. While the CSRD focuses on how companies report, the EU Taxonomy defines what companies report, particularly when it comes to environmental sustainability. Together, they provide the tools needed for businesses to deliver meaningful, transparent, and standardized sustainability disclosures.

Under the CSRD, companies are required to report their alignment with the EU Taxonomy. This means disclosing what percentage of their activities — such as revenue, capital expenditure, or operational expenditure — qualify as environmentally sustainable under the taxonomy’s criteria. By integrating taxonomy metrics into reporting standards, the CSRD ensures that businesses provide concrete, comparable data about their green credentials.

This synergy also benefits investors and stakeholders. The taxonomy’s precise definitions help investors evaluate the sustainability of businesses and their activities, while the CSRD ensures that this information is consistently disclosed across companies and industries. Together, they create a framework where businesses are incentivized to pursue taxonomy-aligned activities and investors can confidently support sustainable projects.



Think of the CSRD as the reporting manual and the EU Taxonomy as the rulebook for sustainability. Together, they ensure that corporate actions align with the EU’s ambitious green transition goals.

The Specific Regulations Shaping Corporate Responsibility

While broad frameworks like the CSRD and EU Taxonomy create a strong foundation for sustainability, the EU has also introduced specific regulations to address targeted environmental and social issues. These laws aim to tackle systemic challenges in key areas, pushing businesses to adopt more sustainable practices and ensure ethical operations across their value chains.

- ✓ **The European Deforestation Regulation (EUDR)** takes aim at deforestation linked to products entering the EU market, requiring companies to prove their supply chains are free from links to forest degradation.
- ✓ **The European Batteries Regulation (EUBR)** seeks to improve sustainability and circularity in battery production, addressing issues from raw material sourcing to recycling.
- ✓ **The Critical Raw Materials Act (EUCRA)** ensures the EU has access to a secure and sustainable supply of essential materials like lithium and cobalt, which are crucial for green technologies.
- ✓ **The EU Forced Labour Regulation** targets goods produced with forced labor, banning their import, export and sale within the EU and placing a spotlight on ethical labour practices in global supply chains.

In the following sections, we'll explore these regulations in detail, examining their objectives, requirements, and implications for businesses. Together, these laws form a comprehensive approach to addressing some of the most pressing issues in corporate responsibility. Discover in part IV how an automated platform can simplify compliance with CSRD and the EU Taxonomy.

The European Deforestation Regulation (EUDR)

The European Deforestation Regulation (EUDR), adopted in December 2022, represents a bold step in the EU's effort to tackle global deforestation and forest degradation. This regulation mandates that products linked to deforestation and forest degradation be excluded from the EU market. It applies to key commodities namely cattle, palm oil, soy, coffee, cocoa, rubber, and timber, along with their derived products like leather, chocolate, and paper. By focusing on products contributing to deforestation, the EUDR addresses one of the major drivers of climate change and biodiversity loss.

To comply with the EUDR, businesses must meet several key obligations:

- ✓ **Verify products are deforestation-free:** Companies must demonstrate that the commodities they sell or use have not been produced on land subjected to deforestation after 31 December 2020.

- ✓ **Collect geolocation data:** Businesses are required to gather geolocation information for production areas linked to their supply chains, ensuring transparency and traceability.
- ✓ **Conduct risk assessments:** Companies must evaluate their supply chains for potential deforestation risks and take preventative measures to mitigate these risks.
- ✓ **Comply with country-of-origin laws:** Companies must ensure that products meet the legal requirements of the country where they were produced, including environmental and social standards.
- ✓ **Provide compliance reporting:** Businesses must submit annual due diligence statements to the relevant EU authorities to confirm they are complying with the regulation.

Enforcement of the EUDR will happen in phases:

- ✓ **From 30 December 2025**, large and medium-sized companies must comply with the regulation.
- ✓ **By 30 June 2026**, small and micro-enterprises will also need to meet the EUDR's requirements.

Failure to comply with the EUDR can result in significant penalties, including hefty fines and restrictions on entering the EU market. The regulation also empowers EU member states to conduct inspections, impose fines, and seize products that violate the regulation. Discover in part IV how technology enables you to verify and ensure a deforestation-free supply chain.



The EUDR is a major step toward ensuring that products sold in the EU market are sustainably sourced, reinforcing the EU's commitment to a deforestation-free future while creating a more transparent and accountable business environment.

The European Batteries Regulation (EUBR)

The European Batteries Regulation (EUBR), formally adopted in 2023, is a pivotal regulation aimed at ensuring the sustainability, safety, and circularity of batteries used within the EU. As the demand for batteries continues to grow — particularly for electric vehicles and renewable energy storage — the EUBR seeks to address the environmental and social challenges associated with their production, use, and disposal.

The EUBR introduces a comprehensive set of rules for all stages of a battery's lifecycle, from design and manufacturing to recycling and disposal — including the sourcing of the raw materials. It covers batteries for electric vehicles, industrial use, and portable devices, as well as those used for energy storage. The regulation sets ambitious sustainability targets, aiming to create a closed-loop system that reduces reliance on virgin raw materials and ensures that batteries are produced ethically and efficiently.

To comply with the EUBR, businesses must meet the following key requirements:

- ✓ **Sustainability standards:** Companies must adhere to limits on the carbon footprint of batteries, starting with mandatory carbon footprint declarations and transitioning to specific thresholds by 2027.
- ✓ **Recycled content requirements:** By 2030, batteries must include a minimum percentage of recycled materials (12% cobalt, 85% lead, 4% lithium, and 4% nickel), with stricter targets set for 2035.
- ✓ **Due diligence obligations:** Manufacturers must conduct due diligence on the social and environmental risks associated with sourcing raw materials, ensuring compliance with ethical and sustainable practices.
- ✓ **Labelling and information:** Batteries must include labels or QR codes with detailed information about their composition, carbon footprint, and recycling instructions, enabling consumers and businesses to make informed choices.
- ✓ **Recycling efficiency:** Stricter recycling efficiency targets have been established for processing used batteries, including a 90% recovery rate for cobalt and nickel and 70% for lithium by 2031.

The EUBR will come into force in phases, with initial obligations in 2023 and additional requirements, such as the inclusion of recycled materials and specific sustainability thresholds, being phased in over the next decade.



The EUBR not only supports the EU's climate goals but also ensures that the battery supply chain becomes a model for sustainability and circularity. By mandating high recycling standards and ethical sourcing, this regulation lays the foundation for a greener, more responsible future for energy storage and electric mobility.

The Critical Raw Materials Act (EUCRA)

The Critical Raw Materials Act (EUCRA), proposed in March 2023, is a cornerstone of the EU's strategy to secure a sustainable and resilient supply of raw materials essential for green and digital transitions. With the growing demand for raw materials like lithium, cobalt, rare earth elements, and other critical resources needed for batteries, renewable energy technologies, and semiconductors, the EUCRA aims to reduce dependence on imports and create a more sustainable supply chain within the EU.

The regulation addresses key vulnerabilities in the EU's supply chains, including heavy reliance on third countries for critical materials — many of which are concentrated in politically unstable regions or extracted using environmentally harmful and unethical practices. By strengthening domestic supply chains, promoting recycling, and diversifying imports, EUCRA seeks to ensure that the EU can meet its sustainability and technological ambitions without compromising ethical and environmental standards.

Key obligations for businesses under EUCRA include:

- ✓ **Diversification of supply chains:** By 2030, no more than 65% of the EU's annual consumption of any critical raw material should come from a single third country. Businesses must actively seek alternative sources to ensure compliance.
- ✓ **Recycling and circularity:** Companies are encouraged to integrate recycled materials into their products, with specific recycling and recovery targets set to be implemented across the EU.
- ✓ **Monitoring and reporting:** Businesses must assess and report on risks associated with their raw material supply chains, including geopolitical risks, environmental impacts, and human rights violations.
- ✓ **Sustainable mining standards:** Any new extraction projects within the EU must meet strict environmental and social sustainability standards, ensuring that mining operations do not harm ecosystems or communities.
- ✓ **Support for strategic projects:** Companies developing strategic projects (such as those involving domestic mining or refining of critical raw materials) may qualify for fast-tracked permits and financial incentives under the regulation.

EUCRA is designed to balance the EU's ambitious sustainability goals with the need for resource security. It aims to ensure that the transition to green technologies, like electric vehicles and renewable energy, is not hampered by supply chain bottlenecks or unethical sourcing practices.



By securing access to critical materials while enforcing strict sustainability and ethical standards, EUCRA aims to reduce dependence on external suppliers and position the EU as a global leader in sustainable raw material management.

The EU Forced Labour Regulation (EUFLR)

The EU Forced Labour Regulation (EUFLR), adopted in September 2022, is a groundbreaking effort by the EU to eliminate forced labour from products entering or circulating within its market. This regulation underscores the EU's commitment to upholding human rights by targeting supply chains linked to exploitative practices.

Unlike prior voluntary guidelines, the EUFLR takes a firm, binding approach, banning the import, export, and sale of products made wholly or partially with forced labour. This applies to goods produced both within and outside the EU, ensuring that companies bear responsibility for labour practices across their global supply chains.

To comply with the EUFLR, businesses must meet the following obligations:

- ✓ **Conduct risk-based due diligence:** Even though the Regulation does not mandate specific due diligence obligations, forced labour is totally banned and, as a consequence, must make sure their supply chains do not have forced labour. For that, the best approach is to have strong due diligence and risk assessment in place and take measures to address and eliminate these risks. This includes reviewing sourcing practices and labour conditions at every stage of production.

- ✓ **Cooperate with investigations:** EU authorities are empowered to investigate suspected cases of forced labour. Businesses must provide relevant supply chain documentation and data to assist in these investigations.
- ✓ **Remedial actions:** If forced labour is confirmed, companies must remove affected products from the EU market and provide remediation, such as compensating affected workers or improving labour practices in their supply chains.
- ✓ **Public transparency:** Businesses are encouraged to disclose their due diligence practices and efforts to address forced labour risks, fostering greater accountability and public trust.

Enforcement of the EUFLR will rely on national authorities in each member state, supported by a centralized database to track non-compliant products and supply chains. Non-compliance can lead to significant consequences, including fines, product seizures, and reputational damage.



The EUFLR raises the bar for global labour standards, sending a clear message to businesses: profit cannot come at the expense of human dignity. By eliminating products tainted by forced labour, the EU aims to create a fairer and more ethical global marketplace.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **CSRD and EU Taxonomy set the foundation:** The Corporate Sustainability Reporting Directive (CSRD) and EU Taxonomy create a standardized system for ESG reporting, ensuring transparency and accountability in corporate sustainability efforts.
- ✓ **The EU Omnibus I Proposal may reshape regulations:** Proposed in 2025, it aims to simplify sustainability laws like CSRD and CSDDD, potentially reducing obligations for businesses while maintaining core sustainability goals.
- ✓ **Sector-specific regulations strengthen corporate responsibility:** Laws like the European Deforestation Regulation (EUDR), Batteries Regulation (EUBR), and Critical Raw Materials Act (EUCRA) target specific sustainability challenges across industries.
- ✓ **EU Forced Labour Regulation (EUFLR):** Businesses must not put in the market any product connected with forced labour.
- ✓ **Harmonization of sustainability rules is key to global impact:** The EU's sustainability framework pushes companies to align operations with ethical, environmental, and social goals, aiming to create a fairer and greener economy.

In the next part and chapter, we will explore part by part the components of due diligence based on the structure of the CSDDD.

Part III

Mastering the Due Diligence — Making It Work for Your Business



IN THIS PART ...

CSDDD brings new responsibilities, but also new opportunities. Getting due diligence right means stronger risk management, greater stakeholder trust, and long-term business resilience. This part dives into the practical side of compliance — how to assess risks, engage stakeholders, set up grievance mechanisms, and turn policies into action.

In this part, we break down the main concepts, trends and obligations set by the CSDDD. By the end of it, you will be able to answer these three questions:

- ✓ What is Due Diligence in practice under CSDDD?
- ✓ How can I apply this to my business?
- ✓ What does it mean for the general business landscape?

The better you integrate these principles into your business, the more value you'll gain — from minimizing risks to strengthening your company's reputation and competitive edge!

Understanding the CSDDD

Due Diligence in Practice

Key Themes and Next Steps

Chapter 7

Understanding Due Diligence

Welcome to PART III where you will learn everything you need to adequately follow the CSDDD, applying well defined steps based on solid standards. With this you can DO MORE AND DO BETTER as a responsible business.

What Is Due Diligence?

Due diligence is a foundational concept in the CSDDD. It refers to a systematic and proactive approach businesses must take to identify, assess, prevent, and address risks — particularly those related to human rights, environmental harm, and sustainability.



While it may sound like complex legal jargon, at its heart, due diligence is about responsible business conduct and taking accountability for the impacts of your operations.

We'll break down what due diligence really means, explain how it works as a practical business process, and explore the risks and opportunities that come with getting it right — or wrong.

The Concept of Due Diligence

At its core, due diligence is like detective work for businesses — minus the trench coat and magnifying glass. The term *due diligence* might sound intimidating, but at its heart, it's all about being systematic and responsible. Think of it as applying good business sense — only with a broader, more sustainable lens.

Here's how to picture it:

- ✓ **Due diligence is proactive, not reactive.** It's about spotting risks before they become costly problems.

- ✓ **It's dynamic and ongoing.** You don't do it once and call it a day. Risks change, operations evolve, and due diligence adapts.
- ✓ **It's collaborative.** Due diligence involves your company, your suppliers, and people possibly affected by your business to ensure ethical and sustainable practices.

A practical analogy? Running a well-oiled ship. You don't just check for leaks when the ship starts sinking. You maintain, monitor, and upgrade it regularly to avoid disaster.



What the Law Says

Under Article 5.1 of the CSDDD, companies must “conduct risk-based human rights and environmental due diligence”. What about groups of companies? Article 6 established that in case of a group of companies, the parent company or holding can unify the due diligence with all subsidiaries.

Where the Concept of Due Diligence Comes From

It has roots in international efforts to hold businesses accountable for their impact on the world. Over the years, it has been shaped and solidified by key frameworks, including:

- ✓ **The UN Guiding Principles on Business and Human Rights (UNGPs):** These are like the Magna Carta of corporate responsibility. They outline that businesses must “do no harm” and ensure they are not contributing to adverse human rights impacts.
- ✓ **OECD Guidelines for Multinational Enterprises:** Think of these as an expansion pack, extending due diligence to environmental, social, and governance (ESG) risks across supply chains.
- ✓ **ILO Tripartite Declaration of Principles:** This adds the labour rights dimension, ensuring businesses protect workers across their operations and partners.

The CSDDD builds on these frameworks, transforming what used to be “nice to have” guidelines into clear legal obligations. In other words, due diligence has graduated from being a voluntary good practice to a mandatory business process.

Due Diligence: A Win-Win for Business

While some companies may view due diligence as another regulatory burden, it's actually a game-changer for long-term success. Here's why:

- ✓ It reduces exposure to legal, financial, and reputational risks.
- ✓ It builds trust and loyalty with customers, investors, and partners who value ethical business practices.

- ✓ It opens the door to new markets and partnerships, as sustainable practices become a competitive edge.

In short: Due diligence is about resilience, growth, and staying ahead of the curve in an increasingly sustainability-focused world.

CSDDD Steps: Article 5.1 in Action



Don't worry, this is not to bore you with legal stuff, just a general roadmap of how due diligence is reflected in text of the CSDDD.

In line with article 5.1 of the CSDDD, companies are required to carry out human rights and environmental due diligence through the following steps:

1. Integrate due diligence into policies and risk management systems

Companies must develop clear policies and governance structures to ensure that due diligence is embedded into their decision-making and operational systems. This ensures that risks to human rights and the environment are addressed proactively and systematically.

See Chapter 8: Policy and Risk Management Integration for practical steps on setting up policies, defining roles, and aligning your internal processes with the directive's requirements (Article 7).

2. Identify and assess actual or potential adverse impacts

Businesses must map their operations, supply chains, and business relationships to identify risks. These risks could include forced labour, child labour, unsafe working conditions, or other adverse impacts on human rights and the environment. Where multiple risks exist, companies need to prioritise them based on their severity and likelihood.

For a step-by-step guide to risk identification and prioritisation, refer to Chapter 9: Conducting Risk Assessments (Articles 8–9).

3. Prevent, mitigate, and address adverse impact

Once risks are identified, companies must take effective action:

- Prevent and mitigate potential adverse impacts.
- Bring actual adverse impacts to an end or minimise their severity.

For example, if a supplier is found to engage in forced labour, the company may implement corrective action plans, including capacity building, or, as a last resort, disengage.

Turn to Chapter 10: Preventive and Mitigation Measures to learn how to take targeted, practical steps to address risks (Articles 10–11).

4. Provide remediation for actual adverse impacts

If harm has already occurred, companies must ensure that affected individuals or communities receive appropriate remediation. This may involve compensating victims, restoring impacted livelihoods, or supporting access to justice.

See Chapter 11: Remediation and Accountability for tools and approaches to fulfilling remediation obligations effectively (Article 12).

5. Engage meaningfully with stakeholders

Stakeholder engagement is at the heart of effective due diligence. Companies must consult with relevant stakeholders, such as workers, affected communities, and civil society organisations, to gather insights and address concerns. Meaningful engagement helps companies understand risks on the ground and implement appropriate measures.

Learn how to conduct successful engagement in Chapter 12: Stakeholder Engagement (Article 13).

6. Establish and maintain a complaints procedure

Companies must provide accessible and effective mechanisms that allow individuals and stakeholders to report risks, adverse impacts, or concerns. A robust complaints process ensures that issues are identified early and addressed transparently.

For a guide to setting up and managing complaints procedures, check out Chapter 13: Stakeholder Engagement (Article 14).

7. Monitor the effectiveness of policies and actions

Due diligence is not a “set it and forget it” process. Companies must regularly monitor and assess the effectiveness of their policies and actions to ensure they are achieving the intended outcomes. This involves tracking performance, gathering data, and making improvements where necessary.

Turn to Chapter 14: Monitoring and Adapting Due Diligence to understand how to monitor progress and adjust your approach effectively (Article 15).

8. Publicly communicate on due diligence

Transparency is a key requirement of the CSDDD. Companies must publicly report their due diligence efforts, including the risks identified, measures taken, and results achieved. This not only ensures compliance but also builds trust with investors, customers, and the broader public.

For practical guidance on transparent reporting, see Chapter 15: Transparency and Reporting (Article 16).



The upcoming chapters of this book will walk you through each step in detail, with practical tools, examples, and tips to help you put due diligence into action effectively.

OECD Due Diligence Steps: Practical Guidance for Implementation

Whatever law or requirement tells you to do Due Diligence, have the OECD reference with you to guide your steps. The OECD Due Diligence Guidance breaks down due diligence into six interconnected steps. While the CSDDD provides the legal structure, the OECD model serves as a *how-to manual* for implementation, making it easier for businesses to carry out their obligations effectively.

OECD Guidelines: The Gold Standard for Due Diligence

The OECD Guidelines for Multinational Enterprises provide clear, actionable steps for implementing due diligence. They are widely recognised as the best practice framework, ensuring businesses meet international and EU-level standards.

- ✓ **CSDDD:** Referenced in **Preamble Paragraphs 6 and 62** as the benchmark for due diligence.
- ✓ **Germany:** The BAFA guidance for risk analysis under the LkSG aligns with OECD standards.
- ✓ **France:** Cited in the **Explanatory Memorandum** for the “Loi de devoir de vigilance” during its drafting.
- ✓ **Netherlands:** Highlighted in the **Explanatory Memorandum** for the Child Labour Due Diligence Act.

Step 1: Embed responsible business conduct into policies and management systems

Companies must integrate due diligence into their policies and governance structures to ensure it becomes part of everyday operations. This step aligns closely with Article 7 of the CSDDD, which requires companies to formalise due diligence in their risk management systems.

To achieve this, companies should:

- ✓ Adopt or revise policies that reflect their commitment to identifying and addressing human rights and environmental risks.
- ✓ Ensure senior management takes ownership and sets the tone for responsible business conduct.
- ✓ Allocate clear roles and responsibilities across teams to ensure accountability.

In other words, this step transforms due diligence from a concept into a company-wide practice.



For example, a mining company should take into consideration its operations, sector references and internal ethos and embed due diligence and responsible businesses in its human rights policy, supplier code of conduct, own operations code of conduct and risk management.

Step 2: Identify and assess actual or potential adverse impacts

At this stage, companies must actively map their operations, supply chains, and business relationships to identify where risks lie. This step mirrors Articles 8–9 of the CSDDD, where businesses are required to identify and prioritise risks based on severity and likelihood.

The OECD guidance emphasises:

- ✓ Understanding the context in which your business operates, including geographical, sectoral, and product-specific risks.
- ✓ Conducting risk assessments to uncover both actual (existing) and potential (future) impacts on human rights, the environment, and governance.
- ✓ Involving stakeholders where necessary to gain a fuller picture of risks on the ground.



For instance, a garment company should assess risks related to unsafe working conditions in a factory or child labour in its raw material sourcing.

Step 3: Cease, prevent, or mitigate adverse impacts

Once risks are identified, companies must take action to stop, prevent, or reduce those impacts. This aligns with Articles 10–11 of the CSDDD, which require companies to implement effective preventive and corrective measures.

According to the OECD guidance, businesses should:

- ✓ Develop and implement concrete measures to prevent risks. This could include improving supplier contracts, offering training, or developing better sourcing policies.
- ✓ Monitor and follow up on these actions to ensure they are effective.
- ✓ Engage suppliers or partners to ensure they comply with expectations, and if necessary, escalate measures up to disengagement as a last resort.



For example, if a risk of forced labour is found in a supplier's operations, the company might provide resources to improve recruitment practices or work conditions while tracking improvements over time.

Step 4: Track the effectiveness of actions and policies

Monitoring is a critical step in both the OECD framework and Article 15 of the CSDDD. Companies must continuously assess whether their actions to prevent or mitigate risks are working effectively.

The OECD highlights the importance of:

- ✓ Developing indicators and metrics to measure progress.
- ✓ Conducting regular evaluations to identify gaps or areas for improvement.
- ✓ Consulting stakeholders to ensure their concerns are being addressed effectively.



For instance, a company could track supplier compliance through audits, surveys, or worker feedback mechanisms to determine whether corrective measures are improving conditions.

Step 5: Communicate how impacts are addressed

Transparency is essential to building trust and accountability. The OECD guidance aligns with Article 16 of the CSDDD, which requires companies to publicly report on their due diligence efforts.

The OECD framework encourages businesses to:

- ✓ Share meaningful information with stakeholders about risks identified, measures taken, and outcomes achieved.
- ✓ Avoid generic reporting and instead provide clear, accurate, and contextualised information that reflects real efforts and progress.
- ✓ Communicate both successes and challenges to demonstrate an honest and evolving approach.



For example, a sustainability report might detail actions taken to address human rights issues in a supply chain, the challenges faced, and improvements achieved over time.

Step 6: Provide for or cooperate in remediation

Finally, businesses must ensure that adverse impacts are addressed and remediated. This directly aligns with Article 12 of the CSDDD, which requires companies to provide or cooperate in remediation where harm has occurred.

The OECD guidance highlights that companies should:

- ✓ Offer appropriate remedies, such as compensation, rehabilitation, or restitution, to affected individuals or communities.

- ✓ Ensure accessible grievance mechanisms are in place for stakeholders to voice concerns and seek redress.
- ✓ Collaborate with partners or industry initiatives where necessary to provide joint solutions.



For instance, if a community's water source is polluted due to company operations, remediation should involve cleaning the water, providing alternative resources, and compensating the affected people.

Connecting the CSDDD and OECD Frameworks

As stated above, the CSDDD sets out the *what* — the legal obligations companies must meet to conduct human rights and environmental due diligence. The OECD Guidance provides the *how* — a practical step-by-step approach to implementing these obligations effectively.

Together, they create a powerful framework for businesses to:

- ✓ Systematically identify, prevent, and address risks.
- ✓ Build trust with stakeholders through transparency and meaningful engagement.
- ✓ Drive continuous improvement in their due diligence practices.



Treat the OECD framework as your implementation toolkit. Following its six steps will ensure compliance with the CSDDD and align your company with globally recognised best practices.

Scope of the Directive

The CSDDD is far-reaching, with implications for both EU-based and non-EU businesses. Understanding the scope is essential to determine whether your company is subject to the directive and to clarify what obligations apply within corporate groups.

Covered Companies: EU and Non-EU Businesses

The CSDDD applies to companies based on size, turnover, and their economic activities, regardless of whether they are in the EU or outside of it. The directive ensures that large companies operating in the EU or with significant turnover in the EU market are covered, even if they are headquartered elsewhere.

✓ EU-based companies

The directive applies to EU companies that meet the following thresholds:

- **Group 1:** Companies with more than 1,000 employees and a net turnover exceeding €450 million worldwide.
- **Group 2:** Companies with franchising or licensing agreements generating more than €22.5 million in royalties within the EU, provided their global turnover exceeds €80 million.

These thresholds are designed to focus on large businesses with significant operations, as they are best positioned to implement due diligence processes effectively.

✓ **Non-EU companies**

Non-EU companies are also covered if they have substantial activities within the European Union. Specifically, the directive applies to:

- Companies with net turnover of €450 million or more generated in the EU market.
- Companies engaging in franchising or licensing agreements with EU-based partners that generate over €22.5 million in EU royalties and whose global turnover exceeds €80 million.

The inclusion of non-EU companies ensures a level playing field and prevents businesses from bypassing sustainability obligations by locating their headquarters outside the EU.



If your company operates in multiple regions, focus on turnover within the EU to assess whether the CSDDD applies to you.

Obligations Within the Corporate Group

The CSDDD's obligations extend beyond individual companies to corporate groups, meaning parent companies must consider the operations of their subsidiaries, regardless of where those subsidiaries are located. This reflects the directive's focus on managing risks throughout a company's entire chain of activities.

✓ **Parent company responsibilities**

Parent companies under the scope of the directive must:

- Include subsidiaries in their due diligence process. This includes identifying, preventing, and mitigating risks linked to the operations of subsidiaries.
- Monitor subsidiaries' activities to ensure they comply with human rights and environmental obligations.
- Report on group-wide due diligence efforts, consolidating their approach to risk management and sustainability.

The directive recognizes that parent companies often control or influence subsidiaries' decision-making, making them responsible for ensuring compliance across the group.

✓ Subsidiaries in scope

While parent companies carry overall responsibility, subsidiaries that meet the thresholds independently are also subject to the CSDDD. In such cases:

- Subsidiaries must fulfil due diligence requirements separately, even if their parent company's policies already cover similar activities.
- Parent companies can support subsidiaries by sharing resources, data, and risk management systems to streamline the process.

✓ Non-EU subsidiaries

For non-EU subsidiaries, obligations under the CSDDD apply if their activities are linked to EU operations. For example:

- If a non-EU subsidiary contributes to the EU-based parent company's turnover, its activities are included in the due diligence scope.
- Non-EU subsidiaries involved in supply chains that impact the EU market are also subject to risk assessments and preventive measures.



Companies must map out their entire corporate structure to identify which entities are covered under the directive and ensure a consistent group-wide approach to due diligence.

Timeline for Implementation

The CSDDD entered into force on 25 July 2024, following its publication in the Official Journal of the European Union on 5 July 2024. Member States now have until 26 July 2026 to transpose the directive into national law.

The application of the rules to companies will take place in phases, ensuring that businesses of different sizes have time to prepare and implement the necessary due diligence measures. If approved, the EU Omnibus I would postpone these dates.

Key Deadlines for Companies of Different Sizes

The CSDDD introduces a staggered approach to compliance based on company size and turnover thresholds. Larger companies are required to act first, while smaller businesses in scope are given additional time.

✓ 26 July 2027: The largest companies

- EU Companies: More than 5,000 employees and a €1,500 million turnover worldwide.
- Non-EU Companies: More than €1,500 million turnover generated in the EU.

These companies are the first to comply, reflecting their significant global influence and resources to lead the way in implementing due diligence processes.

✓ 26 July 2028: Mid-sized companies

- **EU Companies:** More than 3,000 employees and a €900 million turnover worldwide.
- **Non-EU Companies:** More than €900 million turnover generated in the EU.

This group, while smaller, still has substantial operations and is expected to use the extra year to finalise their systems and ensure compliance.

✓ 26 July 2029: All remaining companies in scope

By this date, the directive will apply to:

- All other companies meeting the thresholds under the CSDDD.
- Both EU-based and non-EU companies whose operations or turnover meet the directive's criteria.

This final phase ensures full implementation across all businesses covered by the directive, including companies with smaller operations but significant turnover or licensing activities in the EU market.

Group-Level Coordination and Shared Responsibilities

Implementing the CSDDD across a corporate group requires coordinated action between parent companies and their subsidiaries. Group-level coordination ensures due diligence efforts are consistent, efficient, and effective, while recognising the unique roles and responsibilities of different entities.

Under the CSDDD, both parent companies and subsidiaries play critical roles in ensuring compliance. The directive places overall responsibility for due diligence on parent companies, but subsidiaries are not entirely off the hook.

✓ Parent companies

- **Primary responsibility:** Parent companies are responsible for implementing and overseeing group-wide due diligence policies. This includes identifying, preventing, and mitigating risks across their operations and value chains.
- **Subsidiary oversight:** Parent companies must include subsidiaries in their risk assessments, monitoring, and reporting efforts.
- **Consolidated reporting:** Group-wide reporting ensures transparency, combining insights from parent companies and subsidiaries into a single due diligence report.

✓ Subsidiaries

- **Individual compliance:** Subsidiaries meeting the CSDDD thresholds (e.g., employee size, turnover) must implement due diligence independently, even if covered under the parent company's policies.
- **Support and execution:** Subsidiaries are expected to support parent companies by providing local insights, implementing actions, and addressing risks in their areas of operation.
- **Context-specific risks:** Subsidiaries often face region-specific risks (e.g., forced labour in supply chains, environmental harm), making their input essential to the overall due diligence process.



While parent companies drive the process, subsidiaries provide critical on-the-ground knowledge to ensure risks are identified and addressed effectively.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **The CSDDD makes due diligence mandatory:** Businesses must systematically identify, assess, prevent, and address human rights and environmental risks across their entire value chain.
- ✓ **Due diligence is an ongoing process:** It's proactive, dynamic, and collaborative, requiring continuous monitoring, stakeholder engagement, and adaptation to new risks.
- ✓ **Parent companies and subsidiaries share responsibilities:** Corporate groups can streamline compliance by coordinating risk assessments, reporting, and stakeholder engagement across all entities.
- ✓ **The CSDDD builds on international frameworks:** It aligns with the OECD Guidelines, UNGPs, and ILO principles, ensuring businesses follow globally recognised due diligence standards.
- ✓ **Early preparation is key to compliance:** The directive applies in phases from 2027 to 2029, giving businesses time to integrate due diligence into policies, risk management, and reporting systems.

In the next chapter, we will explore how to integrate due diligence into company policies and risk management — ensuring compliance isn't just on paper but embedded in business operations.

IN THIS CHAPTER

From words to action.

Aligning policy with business goals.

Building a living and effective policy.

Chapter 8

In Paper and In Practice: The Guide to Effective Policies and Risk Management

If you've ever wondered how to turn lofty goals written on paper into actual business practices that tackle risks and make your company stronger, this chapter is for you. Policies and risk management are your company's blueprint for navigating challenges and seizing opportunities in a complex, interconnected world.

In this chapter, we'll guide you through the process of crafting, implementing, and maintaining a human rights and environmental due diligence policy that works both in paper and in practice.

Why Policies and Risk Management Matter

If you think policies and risk management are just boring paperwork exercises, think again! They are your company's blueprint for navigating potential pitfalls while unlocking opportunities. Think of them as the engine that drives sustainable growth while keeping your business compliant with the law.



What the Law Says

Under Article 7 of the CSDDD, companies must integrate due diligence into their policies and risk management systems. This isn't merely about ticking compliance boxes — it's about identifying, preventing, and mitigating risks to your business and its stakeholders.



Effective policies and risk management are a strategic advantage, much more than a fines shield. They help you:

- ✓ Address potential risks before they escalate into expensive problems.
- ✓ Align your operations with global sustainability goals, earning trust from investors.
- ✓ Inspire and communicate to employees the values, rights and commitment of the company as well as attract talent of professionals that also value human rights and sustainability.
- ✓ Build resilience to adapt to a rapidly changing business environment.
- ✓ Clearly signal to clients and customers how your business manages adverse impact and on the other hand promote positive impact.

Having a well-crafted policy is a necessity, not a luxury. It serves as your legal safety net and a tool for fostering trust with employees, investors, clients, customers, and partners. With due diligence embedded into your daily operations, you're building a foundation for long-term stability also in uncertain times, and therefore success.

Since this chapter is about helping you set up your human rights and environmental due diligence, integrating a robust due diligence policy ensures your business goals align with sustainability and ethical standards.

Building a Strong Due Diligence Policy

Crafting a due diligence policy isn't just about writing a document to satisfy legal requirements — it's about building a tool that works for your business. A strong policy helps you to set your governance for

- ✓ identifying risks,
- ✓ acting on them effectively, and
- ✓ communicating your commitment to ethical and sustainable practices. Let's dive into what makes a due diligence policy robust and impactful.



What the Law Says

According to Article 7 of the CSDDD, your policy must describe your approach to due diligence, including long-term strategies, a code of conduct, and processes for ensuring compliance. It should also include measures to monitor business partners and verify adherence to your standards.

Essential Components of an Effective Policy

A good human rights and environmental due diligence policy should cover:

- ✓ **Your overall approach:** Outline how your company's risk management works, how risks and impact are assessed and the long term approach to it.
- ✓ **Code of conduct:** Include rules and principles for your business, subsidiaries, and direct or indirect partners, mentioning clearly the main legal frameworks, as the ones mentioned in Chapter 7.
- ✓ **Implementation processes:** Detail how you integrate due diligence into your operations and monitor compliance, considering the HREDD steps set out in Chapter 7.



Your policy should be both visionary and actionable, not unrealistic. Focus on realistic steps that align with your resources and capabilities, but also show your ambition towards the protection of Human Rights and the Environment.

Balancing Simplicity and Depth

Your policy needs to be comprehensive enough to cover all relevant risks while remaining simple enough for employees and partners to follow.



Break your policy into sections tailored to different audiences. For example, employees might need a simplified overview, while compliance officers require in-depth details.

Embedding Long-Term Thinking

Your due diligence policy should go beyond day-to-day operations to address long-term goals.



Neglecting long-term risks — like climate change or shifting regulatory landscapes — can leave your business exposed. Incorporate these into your policy to future-proof your operations.

Testing Your Policy Before Launch

Once your policy is drafted, test it in real-world scenarios. Engage employees, partners, and further stakeholders to provide feedback on clarity and practicality. This collaborative approach ensures buy-in and identifies any blind spots.



Run training sessions to help employees and business partners, especially suppliers, understand how the policy applies to their roles. Real-world examples make abstract concepts relatable and actionable.



For training and capacity building, **Löning Academy** offers specialized sessions tailored to your company's needs. The Academy can help your team grasp due diligence concepts and apply them effectively, ensuring you meet both legal requirements and industry best practices.

Consulting Stakeholders and Rights Holders for Comprehensive Risk Management

Stakeholders — including employees, suppliers, customers, local communities, and rights holders — are invaluable partners in developing an effective due diligence policy.

- ✓ **Employees:** The workers in your company are essential to the process. Engaging with them as your main internal stakeholders can offer very valuable insights.
- ✓ **Suppliers:** Engage with suppliers to discuss how your code of conduct impacts them and explore ways to align their practices with your standards. Collaboration can strengthen compliance and build trust.



Figure 8.1: Stakeholder Engagement

- ✓ **Customers:** Understand customer expectations around sustainability and ethics. These insights can inform your policy and enhance your brand's alignment with market demands.
- ✓ **Communities and rights holders:** Seek input from local communities and rights holders — such as indigenous peoples or workers impacted by your operations. This ensures their voices are heard, helps address potential concerns, and demonstrates respect for their rights.

Effective stakeholder and rights holder engagement is a cornerstone of identifying risks, addressing them meaningfully, and fostering relationships built on trust and respect.

From Draft to Action: Implementing Your Policy

Drafting a due diligence policy is only half the battle; the real challenge lies in bringing it to life. A policy that works in practice requires clear processes, consistent monitoring, and active engagement with your team and business partners. With the right approach, you can ensure your policy doesn't just sit on a shelf but drives real-world impact.

Integrating Due Diligence Across Company Operations

Embedding due diligence into your operations ensures it becomes part of your company's everyday practices, rather than an afterthought.

- ✓ **Incorporate into existing workflows:** Adjust standard processes — like procurement, HR, and supplier onboarding — to include due diligence tasks. For example, ensure that risk assessments are part of supplier selection or that sustainability checks are a routine step in product development.
- ✓ **Assign responsibility and accountability:** Designate clear roles at every level of the organisation to ensure consistent application. For instance, managers might oversee implementation within their teams, while compliance officers track overall performance.
- ✓ **Provide the right tools:** Develop templates, checklists, and digital dashboards to make due diligence actions easier to track and evaluate.

Monitoring and Partner Engagement: The Code of Conduct in Action

Your code of conduct is the foundation for implementing due diligence across your value chain. However, it requires active communication and follow-up to ensure adherence both internally and with business partners. Very often companies have a specific code of conduct for its suppliers.



Equip your team with the knowledge and skills needed to apply the code in their roles. Use tailored training sessions to make the principles relevant and actionable for different departments.

Staying Current: Updating Your Policies

A policy isn't a one-and-done document. The world changes, risks evolve, and your business grows — so your due diligence policy must adapt. Regular updates ensure your policy remains relevant, effective, and aligned with new challenges and opportunities.

Learning from Adverse Impacts

Even with the best policies in place, adverse impacts can occur. The key is to treat these situations not just as problems, but as opportunities to learn and improve. By analysing what went wrong and adjusting your approach, you can strengthen your due diligence framework and prevent similar issues in the future.

Adverse impacts often highlight gaps in your due diligence processes. Impact assessments help you identify these weaknesses and guide meaningful changes.

- ✓ **Assess root causes:** Investigate what led to the adverse impact — was it a failure in policy, process, or enforcement?
- ✓ **Engage those affected:** Speak directly with stakeholders impacted by the issue to understand their perspectives and needs.
- ✓ **Document lessons learned:** Record findings from the assessment and incorporate them into updates to your policy, workflows, and training programs.



Potential impacts of supply chains in deforestation

For example, consider a company sourcing raw materials from a supplier found to be involved in illegal deforestation. Beyond breaching compliance with the EU Deforestation Regulation (EUDR), explained in Chapter 6 of Part II, this activity often has devastating impacts on the rights of indigenous communities who depend on these forests for their livelihood and cultural heritage. In response, the company could implement satellite monitoring tools, enforce stricter supplier contracts that require respect for indigenous rights, and conduct regular stakeholder consultations, including with affected communities, to ensure compliance and prevent similar issues. This then feeds into the refinement of the policies, as seen below.

Deforestation Hotspots

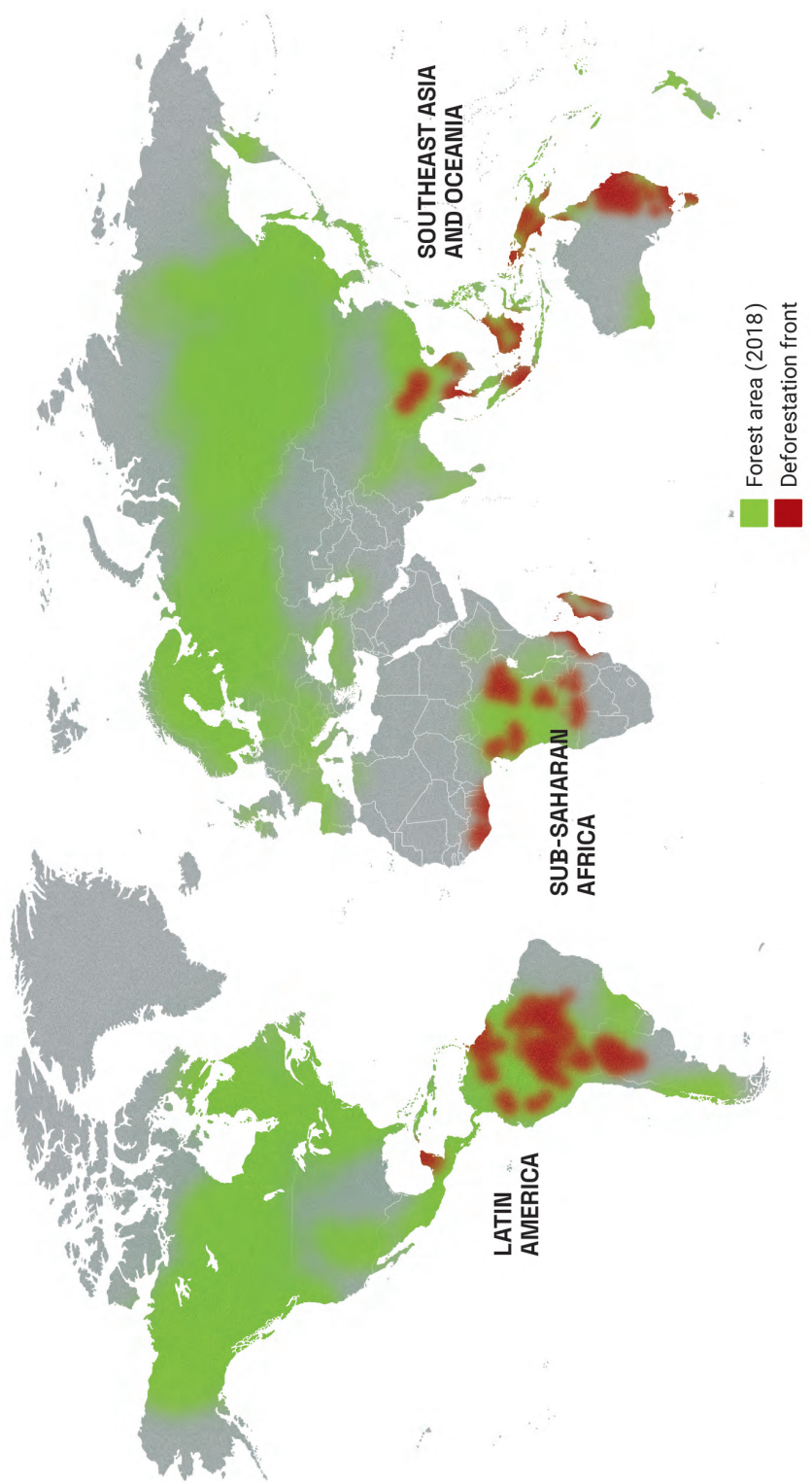


Figure 8.2: A supply chain map

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **A policy is only as good as its implementation:** A strong due diligence policy must be embedded into daily operations, with clear responsibilities, training, and ongoing monitoring to ensure it drives real-world impact.
- ✓ **Policies must be tested, monitored, and updated regularly:** Periodic reviews, impact assessments, and responses to regulatory changes keep due diligence policies relevant and effective in a fast-changing business landscape.
- ✓ **Lessons from adverse impacts should drive continuous improvement:** When things go wrong, companies should analyse what happened, strengthen processes, and refine policies to prevent repeat issues.

In the next chapter, we'll explore risk and impact assessments, giving you the tools to spot and address problems before they escalate.

IN THIS CHAPTER

Identifying Impacts and Managing Risks.

Understanding Key Concepts.

From Assessment to Action.

Chapter 9

Risk and Impact Assessments — Spotting Trouble Before It Spots Businesses

Risk and Impact assessment are the backbone of keeping businesses in compliance with the CSDDD and, more importantly, operating responsibly. This chapter walks you through how businesses can identify, prioritize, and mitigate impacts to human rights and the environment in their operations, supply chains and business relations.



What the Law Says

Article 8 of CSDDD establishes the obligation to identify and assess the actual and potential negative impacts of businesses.

Subsections 2.a and 2b prescribe the assessment in two levels.

What's a Risk and an Impact Anyway? Understanding the CSDDD's Take

Before diving in like Sherlock Holmes, let's define what businesses need to be looking for. There are three concepts we need to understand well: "Risk", "Potential Impact" and "Actual Impact".

✓ **What counts as a risk? (Human rights and environment basics)**

Risks under the CSDDD are not about missing quarterly sales goals — they're about events that can cause adverse impacts to people and the planet. (Think worker safety, deforestation, or unfair wages, etc.)

✓ **Making risk part of your business routine**

Risks don't go away with a sticky note reminder. Businesses must embed risk awareness in their organizational culture.

✓ **Managing impacts when identified**

If an impact has been identified as potential, it means it is possible it might happen, so you can take the measures to prevent it. If an impact is identified as actual, it means it has happened or is happening now, so you can take measures to stop it and/or remediate it.



You can see details on measures to prevent, cease or remediate impacts in Chapter 11.

But what is the difference between a risk and a potential or an actual impact?

If you have this question, you are not alone. But the answer is easier than it looks! Let's use the analogy of a car crash:

✓ **Risk = What could happen?**

Imagine you're driving a car. The risk is that a crash *might* occur. This could involve icy roads, speeding, or even a faulty brake system.

- **Focus:** Preventing harm before it happens.
- **Example:** There's a risk that you might crash your car if you drive distracted and in highspeed.

✓ **Potential impact = What kind of harm might happen?**

Think about the harm that a crash could cause if it happens: injuries to passengers, damage to the car, or even traffic jams for hours.

- **Focus:** Specific types of harm that could occur.
- **Example:** If a crash happens, it could lead to broken bones, whiplash, or financial loss from repairs.

✓ **Actual impact = What has already happened?**

The crash has occurred. Now you're dealing with the aftermath: the injured need medical attention, insurance claims must be filed, the ones responsible for the crash must be held accountable, and the road must be cleared.

- **Focus:** Fixing harm that's already been done.
- **Example:** The crash injured three people and caused significant damage to the vehicle, which now needs repairs and someone needs to be held accountable.



The focus of the CSDDD is on adverse (negative) impact assessment:

- **Risks** (or risk events) are unwanted incidents that might happen if specific causes or conditions are present, representing a hypothetical “if scenario”.
- **Potential impacts** are the negative consequences that are expected to occur if a risk materializes. It is the consequence of an “if scenario”.
- **Actual impacts** are the negative consequences that have occurred or are occurring because a risk event has taken place. It is not an “if scenario” anymore. It is something that has been identified as real in the present or the past.



Impacts must be assessed considering not only the own operations of the business — your company itself — but also your subsidiaries and business partners in the chain of activities. For more on that, see Chapter 15.

Assessment in two levels

To do the impact assessment of your business in accordance with the CSDDD we recommend following these two steps in different levels of complexity.

- ✓ **General assessment:** Mapping of impacts in the business' own operations as well as in its subsidiaries and in the business partners in the supply chain. This involves the mapping of the own operations and the chain of activities. The goal is to identify general areas of high negative impacts. You identify that using assessments of severity and likelihood. In accordance according to CSDDD article 8.2. (a).
- ✓ **Specific assessment:** Investigation of the impacts that show higher severity and likelihood, that you have identified in the previous step. In accordance according to CSDDD article 8.2. (b).



Likelihood and severity in impact assessment:

- **Severity** is how bad something could be if it happens.
- **Likelihood** is how likely it is that something bad will happen.

Think of it like crossing the street. If you decide to step out without looking both ways, you've just cranked up the *likelihood* of getting hit by a car. Now, here's where *severity* comes in: if that car's going slow the expected effects are lesser than if the car is going faster.



- If you identify the likelihood as more than 0% but less than 100%, it indicates that the event might happen, meaning it is a **potential impact**.
- If you identify the likelihood as 100%, it means the event has already happened or is currently happening, making it an **actual impact**.

Factors Influencing Likelihood

How can you estimate how likely an operation, a supply chain step, a business partner or an activity is to have negative impacts?

1. **Historical data:** Has this type of issue happened before, either in the specific business or industry? For example, if child labour is common in a supplier's region, the likelihood is higher.
2. **Geographical context:** Regions prone to political instability, corruption, or poor regulatory enforcement tend to have higher risks.
3. **Industry-specific risks:** Certain industries are inherently riskier. For example, mining often carries environmental and human rights risks.
4. **Control measures in place:** If effective mitigation processes already exist (e.g., supplier audits, training), likelihood decreases. Conversely, poor oversight increases risk.
5. **Supply chain complexity:** The more tiers and subcontractors, the harder it is to monitor, and the higher the likelihood of risks hiding in the shadows.

Factors Influencing Severity

How can you estimate the gravity of the impacts if they occur on an operation, a supply chain step, a business partner or an activity?

1. **Scale of human rights impact:** Assess the extent to which basic life necessities or fundamental freedoms are infringed upon. This includes essential rights such as safety, health, access to education, livelihood, and freedom of speech. Some rights are considered more critical due to their foundational role in supporting human life and enabling the enjoyment of other rights.

A classical scale would progress from the very high if the impact is a violation of the right to life, or right to body integrity, or right to health to lower on right to education, right to sanitation, right to access information, etc. It is not a hierarchization of the rights, but a consideration of the implications of their violations.

2. **Scale environmental impact:** How damaging could the impact be on ecosystems? Deforestation or water contamination, for example, can have devastating effects. It also follows a similar progression from very high if the impact is the destruction of ecosystems or extinction of multiple species, to lower if the impact is the mild disruption of the habitat of a species, or sound pollution.
3. **Scope of impact:** How many people, regions, or ecosystems are affected? A localized issue is less severe than one with widespread or global consequences.
4. **Duration/irremediability:** Is the impact short-term or does it have lasting effects (e.g., permanent damage to habitats or chronic health issues for workers)?



Your Assessment is Only as Good as Your Information

Impact assessments aren't crystal balls — they rely on the quality of the information you gather. Whether it's data from independent reports, complaints from stakeholders or details from business partners, the better your intel, the stronger your assessment. Missing or unreliable information can leave you blind to critical scenarios, so invest time and effort in gathering accurate, comprehensive data!



What The Law Says

Article 8.3 and 8.4 of CSDDD detail the expectations on the collection and consideration of information.

Putting It All Together: Practical Tips for Businesses

- ✓ **Leverage external expertise:** Independent reports and complaints are like external intelligence — use them to fill gaps in your understanding.
- ✓ **Keep communication open:** Build strong relationships with your stakeholders, including business partners, suppliers, clients, regulators, rightsholders as well as CSOs (civil society organizations) and NGOs (non-governmental organizations) so they're more willing to share critical data when requested.
- ✓ **Be precise:** Don't ask every partner for the same information. Tailor requests to focus on high-risk areas and partners.



Build an Information Network: maintain a database of trusted sources, like NGOs, industry groups, or audit firms, to streamline access to reports and insights.

The Results of Impact Assessments: What to Expect

When businesses conduct impact assessments as outlined in the CSDDD, the results should provide clarity, direction, and actionable insights. Since assessments are carried out in two levels — general and specific — the expected results will differ based on their focus and depth. Let's break it down.

Results from the General Assessment

The *general assessment* serves as the first pass, mapping impacts across the business's operations, subsidiaries, and supply chain partners. It provides a broad understanding of where the most critical impacts are or might be.

The general assessment should include:

- ✓ **Impact map:** A high-level overview of impacts categorized by areas of operation, supply chain levels and other partnerships and relations. This map identifies hotspots — areas with a combination of high severity and high likelihood (see figure 9.1).

Example of potential impact: “Tier 2 suppliers in Region X have a high likelihood of forced labour due to weak local regulations.”

Example of actual impact: “There are accounts of fatalities in a specific factory of a supplier.”

- ✓ **Prioritized impacts:** A clear ranking of general impacts areas by severity and likelihood, based on initial data collection.



The general assessment results should help businesses focus their resources. This step is not about solving every issue but identifying which areas warrant further investigation.

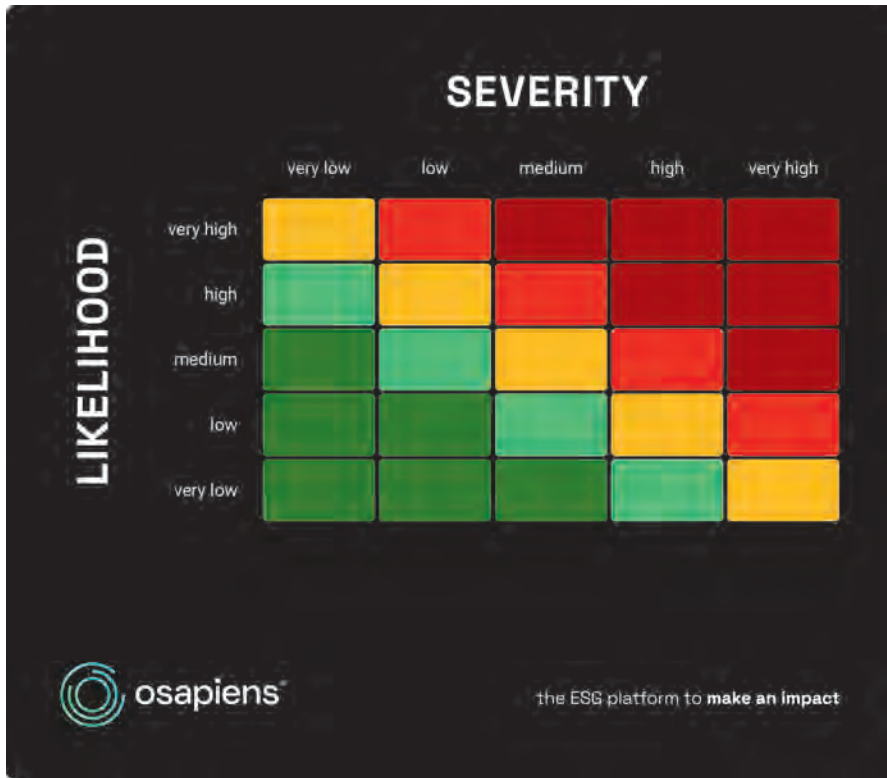


Figure 9.1: A heat map of a risk or impact assessment

Results from the Specific Assessment

The *specific assessment* is a deep dive into the high-priority impacts identified in the general assessment. It's about zooming in on the most concerning areas and understanding the full scope of adverse impacts.

The specific assessment should include

- ✓ **Detailed impact profiles:** Comprehensive documentation of the identified impacts, including their root causes and affected stakeholders.

Example:

- *Impact:* Child labour in Region X.
- *Root Cause:* Supplier outsourcing to unregulated subcontractors, extreme poverty in the region, lack of access to schools, etc.
- *Affected Stakeholders:* Children, local communities, international customers concerned about child labour.

- ✓ **Quantitative and qualitative data:** Incorporate concrete evidence, such as metrics and/or testimonials from impacted persons.
- ✓ **Proposed preventive, mitigation/cessation or remediation measures:** Recommendations for addressing each impact are based on the company's leverage and available resources.

Example: “Require Tier 2 suppliers to undergo independent labour audits and implement training programs for subcontractors.”



The specific assessment results should provide a clear action plan with measures to prevent and put an end to impacts — or remediate them. These measures and remediations are examined in Chapters 10 and 11.

How can you use these results?

- ✓ **From general to specific:** Use the general assessment to map impacts broadly and the specific assessment to actually understand situations and take action to deal with the most pressing issues. Think of it as triage: identify the most critical areas and address them first.
- ✓ **Inform decision-making:** The results should guide resource allocation, stakeholder engagement, and the development of mitigation strategies.
- ✓ **Build for the future:** Beyond compliance, the assessments should identify trends and recurring risks and impacts, helping businesses do the right thing and plan for long-term sustainability.

Prioritizing Adverse Impacts: A Step-By-Step Approach

When businesses identify a range of adverse impacts, not all can be addressed simultaneously. Prioritization ensures that the most urgent and severe issues are handled first while creating a pathway for resolving less critical ones.



What the Law Says

Article 9 of the CSDDD establishes that when it is not feasible to address all identified adverse impacts simultaneously, businesses must prioritize them based on severity and likelihood (9.1, 9.2). Once the most severe and likely impacts are addressed within a reasonable timeframe, businesses must then proceed to manage less severe and less likely impacts, ensuring a comprehensive approach to mitigating risks over time (9.3).

If you ask yourself how you could prioritize the impacts, follow these steps:

1. Use severity and likelihood assessments

Build your prioritization process on the severity and likelihood scores from the earlier assessment steps. Rank the identified impacts by focusing on those that are both severe and highly likely.



If previous assessments flagged high-risk of inadequate working conditions at a factory as severe and probable, these impacts take precedence over low-probability risks in the supply chain.

2. Balance immediate action with long-term planning

Address the most critical impacts first but develop strategies to manage less urgent issues over time.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **Risk and impact assessments are the foundation of responsible business conduct:** The CSDDD requires companies to identify, assess, and mitigate risks across their operations and supply chains.
- ✓ **Severity and likelihood determine prioritisation:** The most serious and probable risks must be addressed first to ensure businesses tackle the most critical issues.
- ✓ **Prioritisation enables effective action:** Since not all risks can be addressed at once, companies must focus on urgent issues first while planning long-term solutions.

In the next chapter, we'll explore the measures to prevent and bring negative impacts to an end.

Risk and impact assessment recap

Preventive measures

Mitigating and corrective measures

Chapter 10

Preventing and Bringing Adverse Impacts to an End

After identifying potential and actual risks in your operations and supply chain, the next step is to take decisive action. Chapter 10 focuses on the measures required under Articles 10 and 11 of the CSDDD: preventing potential adverse impacts and bringing actual impacts to an end. These actions are at the heart of corporate due diligence, ensuring your business avoids harm and remedies it effectively when things go wrong.

In this chapter, we'll explore how to turn impact assessments from Chapter 9 into actionable plans that address risks and impacts. Whether it's creating prevention or corrective action plans, engaging partners, or making operational adjustments, you'll learn how to implement practical, proportionate measures to meet your obligations. This chapter will guide you through the tools, resources, and collaborative approaches needed to drive meaningful and lasting change.

Prioritising Adverse Impacts



When prioritizing risks, don't forget to involve relevant stakeholders. Their insights can help you identify blind spots and fine-tune your approach. Check Chapter 12 on Stakeholder Engagement to learn more about that.

When multiple risks are identified, prioritization becomes essential — especially when resources, time, or capacity are limited. Article 9 of the CSDDD provides a structured approach to guide businesses:

- ✓ **Start with the most severe and likely risks:** Focus your efforts first on risks with the highest potential to cause serious harm (Articles 9.1 and 9.2). This ensures that urgent issues, such as severe violations of human rights or large-scale environmental harm, are addressed without delay.

- ✓ **Gradually manage less severe risks:** After mitigating critical risks, your business must create a roadmap to tackle less severe or less likely issues (Article 9.3). While these may not require immediate action, they remain part of a comprehensive due diligence process, ensuring no risks are left unaddressed in the long term.

Objectives of Articles 10 and 11

Articles 10 and 11 of the CSDDD establish the two main pillars of action businesses must take when dealing with adverse impacts: prevention and remediation. These articles ensure a comprehensive approach to managing risks and actual harm.

✓ Article 10: Preventing potential adverse impacts

The primary aim of Article 10 is to prevent adverse impacts from happening in the first place. This involves identifying potential risks and taking proactive measures to stop them. Businesses are expected to use a variety of tools, from internal policies to engagement with stakeholders, to ensure potential issues are addressed before they escalate. The details of specific prevention strategies, such as contractual safeguards or training initiatives, will be explored further in this chapter.

✓ Article 11: Bringing actual adverse impacts to an end

Article 11 focuses on situations where adverse impacts are already occurring. It requires businesses to act promptly to stop harmful activities and repair any damage caused. This includes not just ending harmful practices but also ensuring that appropriate remediation steps are taken. Specific obligations under Article 11, including remediation plans and collaborative approaches, will be discussed in more detail in this chapter.

Key Determinants for Appropriate Measures

When deciding on the right measures to address adverse impacts, the CSDDD requires businesses to evaluate three critical factors: the extent to which they have contributed to the impact, where in the chain of activities it has taken place and what influence they have over the business partner responsible for the impact. These considerations ensure proportional, effective, and legally compliant responses.



What the Law Says

Articles 10.1 (a), (b), (c) and 11.1 (a), (b), (c) of the CSDDD share a common framework, with small differences.

Both tell companies what to do about potential and actual adverse impacts. Both use the same three questions to figure out the right action:

- ✓ **Causality (a):** Who caused the impact? (The company, a partner, or both?)
- ✓ **Connection (b):** Where did it happen? (In your subsidiary, direct partner, or indirect partner?)
- ✓ **Influence (c):** How much control do you have over the partner?

The difference? Article 10.1 is about stopping problems before they start — if you can't prevent the harm, at least reduce the risk. Article 11.1 is about fixing problems that already happened — end the harm, and if you can't do that right away, minimise it while working on a solution.

Assessing Causality and Influence

The nature of the company's relationship with the adverse impact directly shapes its responsibilities and actions under the CSDDD. This relationship falls into two main categories:

1. Causing or contributing to the impact

- When a company directly causes by itself or in conjunction with other companies/ business partners some harm — such as through unsafe practices or inadequate oversight — it is obligated to act immediately to address the issue.
- Responsibilities include preventing further harm, implementing corrective measures, and remediating any damage caused.

2. Business relationships and influence:

When the impact arises through a partner or entity in the value chain, the expectations on the company will depend on its ability to influence the situation.

- Companies with strong leverage, such as contractual relationships, are expected to take direct measures to ensure compliance.
- Companies with limited influence may adopt collaborative approaches to improve practices together.

The Company's Role in Causing or Contributing to Impacts

The company's degree of involvement in the adverse impact determines the extent of its obligations:

- ✓ **Causing the impact**

- The company is fully responsible for halting the harmful activity, addressing its root causes, and remediating any resulting harm.
- Actions include revising internal policies, ensuring compliance with relevant standards, and engaging with stakeholders to rebuild trust.

✓ **Contributing to the impact:**

- Shared responsibility requires businesses to mitigate their involvement by improving practices and collaborating with partners to prevent recurrence.
- For example, this might include enhancing monitoring systems or providing training to suppliers to address gaps in compliance.

Understanding the 'cause, contribute and direct link' framework

The United Nations Guiding Principles on Business and Human Rights - UNGPs define three categories of business involvement in adverse impacts:

- ✓ **Cause:** The company's direct actions lead to the adverse impact.
 - *Example:* A factory owned by the company exposes workers to hazardous conditions due to inadequate safety protocols.
 - *Responsibility:* Immediate action is required to eliminate the unsafe practices and provide remedies to affected workers.
- ✓ **Contribute:** The company plays a partial role in enabling or worsening the impact.
 - *Example:* A company uses subcontractors but fails to enforce safety or labour standards, indirectly enabling unsafe working conditions.
 - *Responsibility:* The business must address its contribution by implementing oversight mechanisms, revising policies, and engaging with stakeholders to improve standards.
- ✓ **Direct link:** The impact is connected to the company's operations, products, or services through a business relationship
 - *Example:* A supplier in the value chain is involved in deforestation for raw material production, which is used in the company's products.
 - *Responsibility:* While not directly responsible, the business should use its influence to encourage change, such as renegotiating contracts or collaborating with others to improve supplier practices.

The Company's Influence Over Business Partners

A company's ability to influence — or leverage — its business partners determine the type of measures it can reasonably take to address adverse impacts:

1. High influence

Companies with strong leverage — such as over direct suppliers — are expected to take more robust actions, including:

- Imposing strict contractual requirements to meet sustainability standards.
- Performing regular audits to monitor compliance.
- Terminating partnerships if issues persist and other interventions fail.

2. Limited influence

When leverage is weaker, such as with partners several tiers down the supply chain, businesses can focus on collaborative strategies, like:

- Supporting capacity-building programs to improve practices.
- Joining industry-wide efforts to set common standards.
- Working with governments or NGOs to tackle systemic challenges.



Influence = Leverage! Think of influence as the leverage your company has over a business partner. The more control or sway you have, the stronger your responsibility to act.



The strength of the connection between the company and the adverse impact plays a crucial role in determining the type and scope of measures required. Whether the impact occurs within the company's direct operations, a subsidiary, or further along the supply chain, the level of control and responsibility differs.

Subsidiary Operations

When adverse impacts arise within a subsidiary, the parent company typically has a direct and strong connection. This gives the parent company significant control to enforce corrective actions. Measures may include revising operational policies, allocating resources to address the issue, or ensuring that the subsidiary complies with the parent company's sustainability standards.

Direct and Indirect Business Relationships

For direct business partners, such as suppliers, the connection is still relatively strong, demanding prompt and targeted actions. Companies are expected to take measures like renegotiating contracts to include compliance clauses or conducting audits to monitor adherence to sustainability standards.

In contrast, for indirect relationships — those further down the supply chain — the connection is weaker. Here, companies are encouraged to focus on broader initiatives, such as participating in industry collaborations, building partner capacity, or working with governments and NGOs to address systemic challenges.



Your obligations under the CSDDD depend on how connected your company is to the impact. Stronger connections mean greater responsibilities and more direct measures.

Developing Measures to Address Potential and Actual Impacts

The CSDDD requires companies to take appropriate measures to address both potential adverse impacts and actual adverse impacts. Article 10 focuses on prevention, while Article 11 deals with remediation when harm has already occurred.

Action Plans

Companies must create clear, structured action plans with measurable timelines and indicators, especially when the nature or complexity of the impact demands a long-term approach (see table 10.1).

Measure	Article 10	Article 11	Explanation
Develop and implement a Prevention Action Plan with timelines and indicators.	Article 10(2)(a)	×	Specific to potential adverse impacts .
Develop and implement a Corrective Action Plan with timelines and indicators.	×	Article 11(3)(b)	Specific to actual adverse impacts .
Adopt and implement an Enhanced Action Plan to address severe impacts as a last resort.	Article 10(6)(a)	Article 11(7)(a)	Applies when measures fail under either Article.

Table 10.1: Comparing Prevention Action Plans and Corrective Action Plans

Action plans provide companies with a structured approach to tackle adverse impacts effectively. They outline clear steps, timelines, and performance indicators to measure progress. Article 10.2(a) and Article 11.3(b) both require companies to adapt their plans to the nature of their operations and value chains. These plans may also be developed collaboratively with industry stakeholders or multi-stakeholder initiatives to maximise their impact.



The nature and shape of the measures within the Action Plans will be explained in the next topics of this chapter.

Prevention Action Plans for Potential Impacts

Article 10(2)(a) requires companies to develop and implement Prevention Action Plans where necessary due to the nature or complexity of the measures needed to prevent potential adverse impacts.

The key elements of a prevention action plan include:

- ✓ **Timelines:** Clearly defined and reasonable deadlines for implementing prevention measures.
- ✓ **Indicators:** Both qualitative and quantitative indicators to measure progress and improvement.
- ✓ **Adaptation:** Plans must align with the company's operations and value chain activities to ensure practical implementation.
- ✓ **Collaboration:** Companies can develop these plans in cooperation with industry or multi-stakeholder initiatives to share best practices and resources.

If prevention cannot occur immediately, these plans ensure that mitigation measures are in place to minimise the risks until a long-term solution is implemented.

Corrective Action Plans for Actual Impacts

Article 11(3)(b) applies when actual adverse impacts have already occurred, and immediate cessation of harm is not possible. In these cases, companies must develop and implement corrective action plans to neutralise or minimise the impact effectively.

The essential components of a corrective action plan include:

- ✓ **Neutralisation or reduction:** Steps to immediately minimise the severity and scope of the harm (Article 11(3)(a)).
- ✓ **Timelines:** Reasonable and well-defined deadlines to implement corrective measures.
- ✓ **Indicators:** Measurable qualitative and quantitative indicators to track improvements over time.
- ✓ **Adaptation:** Like prevention plans, corrective plans must align with the company's operations and chains of activities.
- ✓ **Collaboration:** Businesses may collaborate with industry partners or multi-stakeholder initiatives to address the impact effectively.



Corrective action plans ensure that harm is addressed systematically, especially when quick fixes are not feasible.



Do You Need Support Developing Your Action Plan?

Creating effective prevention and corrective action plans under the CSDDD can be challenging, but you don't have to do it alone. At **Löning**, our team of business and human rights experts provides hands-on consultancy to help you:

- Design action plans with clear timelines and measurable indicators.

- Tailor solutions to your company’s operations and value chain.
- Align your efforts with legal requirements and sustainability goals.

Take the guesswork out of compliance — let **Löning** guide you in building robust action plans that deliver results.

Contractual Assurances and Agreements

Under Articles 10 and 11 of the CSDDD, companies must use contractual assurances to address adverse impacts within their value chains. This approach ensures that business partners, whether direct or indirect, are held accountable for complying with sustainability and human rights standards (see table 10.2). Companies must also verify compliance to ensure commitments are effective.

Measure	Article 10	Article 11	Explanation
Seek contractual assurances from direct business partners.	Article 10(2)(b)	Article 11(3)(c)	A key measure in both articles.
Seek contractual assurances from indirect business partners.	Article 10(4)	Article 11(5)	For impacts that could not otherwise be addressed.
Verify compliance through independent third-party verification	Article 10(5)	Article 11(6)	Both articles require verification of assurances.

Table 10.2: Contractual assurances under articles 10 and 11

Contractual assurances act as a bridge between companies and their business partners, ensuring that sustainability and human rights obligations are upheld. Articles 10 and 11 require companies to formalise these commitments through contracts, while also verifying compliance.

Direct Business Partners

When dealing with direct business partners, companies are expected to take firm, immediate measures under both Article 10(2)(b) and Article 11(3)(c). Contractual assurances are a key tool here:

- ✓ **Prevention (Article 10):** For potential adverse impacts, companies must ensure direct partners commit to adhering to sustainability and human rights standards through legally binding agreements.
- ✓ **Remediation (Article 11):** For actual adverse impacts, companies must include specific obligations in contracts to stop ongoing harm and ensure corrective actions are taken.

To make these assurances effective, companies should:

- ✓ Clearly define the expected standards and obligations in contracts.
- ✓ Include penalties or termination clauses for non-compliance.
- ✓ Provide support, where appropriate, to help partners meet their commitments.

Extending Assurances to Indirect Partners

For indirect business partners, such as those further down the value chain, Articles 10(4) and 11(5) recognise that companies may have less direct influence. Contractual assurances are still required, but companies can take a more strategic approach:

- ✓ **Addressing gaps:** Where direct contractual control is limited, assurances may involve cascading standards through the supply chain, requiring direct partners to enforce compliance with their own suppliers.
- ✓ **Systemic collaboration:** Companies can engage in multi-stakeholder initiatives or industry-wide agreements to strengthen compliance among indirect partners.
- ✓ **Verification:** Independent third-party verification, as outlined in Articles 10(5) and 11(6), is essential to ensure that indirect partners adhere to the agreed commitments.



For indirect partners, influence may be limited, but companies are still expected to take reasonable and proportionate steps to address adverse impacts.

Adjustments and Investments

Articles 10 and 11 of the CSDDD require companies to make adjustments and investments to address adverse impacts. These commitments can range from financial investments in facilities or infrastructure to operational changes in business strategies and practices (see table 10.3). Together, they ensure businesses take meaningful steps to prevent potential harm or remediate actual impacts.

Measure	Article 10	Article 11	Explanation
Make necessary investments in facilities, production processes, or infrastructure.	Article 10(2)(c)	Article 11(3)(d)	Applies to both preventive and corrective actions.
Modify business plans, strategies, purchasing practices, or operations.	Article 10(2)(d)	Article 11(3)(e)	Required under both articles.

Table 10.3: Financial, Non-Financial Commitments, and Business Adjustments

Actionable Commitments to Address Adverse Impacts

To effectively address adverse impacts, businesses must not only revise existing strategies but also invest resources where necessary. These measures ensure that both potential risks and actual harms are tackled systematically.



Financial and operational changes must be proportionate to the severity of the impact and aligned with the company's responsibilities under Articles 10 and 11.

Commitments to Facilities, Processes, and Infrastructure

Under Article 10(2)(c) and Article 11(3)(d), companies are required to make appropriate investments to prevent or address adverse impacts. These investments may include:

- ✓ Upgrading facilities to meet sustainability and safety standards.
- ✓ Improving production processes to minimize environmental harm or human rights risks.
- ✓ Enhancing infrastructure to align with responsible practices. Whether the investments are financial (e.g., funding upgrades) or non-financial (e.g., implementing new systems), they are vital to both preventive and corrective measures.



Investments strengthen your company's long-term resilience and sustainability performance.

Business Strategy and Operational Modifications

Articles 10(2)(d) and 11(3)(e) focus on adapting the way businesses operate to ensure compliance with due diligence requirements. These changes include:

- ✓ **Adjusting business plans:** Aligning overall company strategies with sustainability goals.
- ✓ **Revising purchasing practices:** Ensuring suppliers meet environmental and human rights standards.
- ✓ **Improving operational processes:** Streamlining production, logistics, and workflows to minimise adverse impacts.

Such modifications are particularly critical when existing operations contribute to risks or harm. Companies must act proportionately, ensuring changes address the severity of the impact while aligning with broader business objectives.



Operational changes are often necessary to support preventive action (Article 10) and ensure corrective measures (Article 11) are implemented effectively.

Support for SMEs

Articles 10 and 11 of the CSDDD recognize the role of small and medium-sized enterprises (SMEs) in the value chain. To ensure that SMEs can meet sustainability requirements without facing undue burdens, companies must provide both financial and non-financial support as appropriate (see table 10.4).

Measure	Article 10	Article 11	Explanation
Provide financial support (e.g., loans, direct financing) to SMEs.	Article 10(2)(e)	Article 11(3)(f)	Applies in both contexts, considering SME constraints.
Provide non-financial support (e.g., capacity-building, training).	Article 10(2)(e)	Article 11(3)(f)	A shared measure to support SMEs.

Table 10.4: Financial and Non-Financial Support for SMEs

Financial Support for SMEs

In line with article 10(2)(e) and article 11(3)(f) companies must offer financial support to SMEs to help them implement measures aimed at preventing or addressing adverse impacts. Examples of financial support include:

- ✓ Providing direct financing or loans to assist with compliance costs.
- ✓ Subsidising specific projects, such as upgrading facilities or adopting new technologies.
- ✓ Creating shared funds or cost-sharing mechanisms to reduce financial strain.



Financial support helps ensure that SMEs are not left behind, enabling them to meet sustainability requirements without risking their viability.

Non-Financial Support for SMEs

In addition to financial assistance, companies must also provide non-financial support to SMEs. This includes:

- ✓ **Capacity-building:** Offering training and resources to improve sustainability practices.
- ✓ **Technical support:** Helping SMEs adapt their operations and processes to meet required standards.
- ✓ **Guidance and tools:** Sharing policies, frameworks, and templates to simplify compliance efforts.

Non-financial support addresses knowledge gaps and resource limitations that often hinder SMEs from meeting due diligence requirements.



A little training and support can go a long way — capacity-building often creates lasting improvements in SME performance.

Collaboration

Collaboration plays a central role in addressing adverse impacts under the CSDDD. Articles 10.2(f) and 11.3(g) encourage companies to work together with other entities — such as industry peers or multi-stakeholder initiatives — when no other measures are suitable or effective. By combining efforts, businesses can increase their ability to prevent, mitigate, or remediate adverse impacts (see table 10.5).

Measure	Article 10	Article 11	Explanation
Collaborate with other entities, including industry or multi-stakeholder initiatives.	Article 10(2)(f)	Article 11(3)(g)	Encouraged in both articles for greater leverage.

Table 10.5: Collaboration Under Articles 10 and 11

Collaboration to Prevent Potential Impacts

In line with article 10(2)(f), collaboration is encouraged to prevent or mitigate potential adverse impacts when no single measure is sufficient. Companies can:

- ✓ Partner with industry peers to develop shared solutions, such as responsible sourcing frameworks.
- ✓ Join multi-stakeholder initiatives that pool resources, expertise, and influence to address systemic issues.
- ✓ Work with NGOs or governments to tackle complex challenges, such as environmental damage or human rights risks.

Collaboration becomes especially important when individual companies lack the leverage or capacity to act alone.



Working together increases your ability to create meaningful change and achieve results that would be harder to accomplish independently.

Collaboration to Address Actual Impacts

In line with article 11(3)(g), companies are encouraged to collaborate when addressing actual adverse impacts that cannot be resolved through other measures. The goal is to:

- ✓ Bring the impact to an end or, when that's not immediately possible, minimise its extent.
- ✓ Share knowledge, tools, and resources to implement effective remediation efforts.
- ✓ Partner with relevant organisations to support victims and repair damages.

Collaboration in these cases is often the most effective way to deal with systemic problems or impacts that extend beyond a company's direct control.



Collaboration is a powerful tool for tackling challenges no company can solve on its own.

Additional Measures

Articles 10.3 and 11.4 of the CSDDD outline further measures companies may take to address adverse impacts. These additional steps focus on supporting business partners through engagement, capacity-building, and access to resources. They apply to both potential adverse impacts (article 10) and actual adverse impacts (article 11), see table 10.6.

Measure	Article 10	Article 11	Explanation
Engage business partners to communicate expectations.	Article 10(3)	Article 11(4)	Applies to both prevention and corrective contexts.
Provide or enable access to capacity-building, guidance, and support.	Article 10(3)	Article 11(4)	A shared supportive measure for partners.

Table 10.6: Additional Measures Under Articles 10 and 11

Engaging Business Partners to Communicate Expectations

According to article 10(3) and article 11(4), companies are encouraged to engage their business partners to communicate expectations related to adverse impacts. For potential impacts, this involves clarifying the steps needed to prevent and mitigate harm. For actual impacts, it ensures partners understand their role in stopping or minimising the extent of the harm.

Engagement efforts can include:

- ✓ Holding regular meetings to align on expectations and responsibilities.
- ✓ Setting clear contractual obligations regarding sustainability and human rights.
- ✓ Providing guidelines or frameworks to assist partners in meeting expectations.



Clear communication ensures your business partners know what's expected and are equipped to take appropriate action.

Providing Capacity-Building and Support

To help business partners meet their responsibilities, article 10(3) and article 11(4) allow companies to offer capacity-building, guidance, and administrative support. This applies to both preventive and corrective contexts. Examples include:

- ✓ **Capacity-building initiatives:** Offering training, workshops, and resources to improve sustainability performance.

- ✓ **Guidance and technical support:** Providing tools, frameworks, and expertise to close knowledge gaps.
- ✓ **Financial support:** Facilitating loans, financing, or administrative assistance to help partners implement necessary measures.

These measures are especially important when business partners lack the resources or knowledge to act effectively. Companies must consider the constraints faced by their partners and tailor their support accordingly.



Capacity-building helps strengthen partnerships and build a more sustainable value chain.



Need expert support?

Löning Academy offers tailored educational consultancy and training to help businesses, and their partners build the expertise needed to identify risks, prevent adverse impacts, and strengthen sustainability practices.

Remediation

In line with article 11(3)(h), companies are required to provide remediation when actual adverse impacts occur (see table 10.7). This obligation ensures that harm is addressed fairly and effectively, aligning with the requirements set out in Article 12 of the CSDDD (see table 10.6).

Measure	Article 10	Article 11	Explanation
Provide remediation for adverse impacts.	x	Article 11(3)(h)	Specific to addressing actual adverse impacts.

Table 10.7: Remediation Under Article 11



The concept of remediation and how it should be implemented will be discussed in detail in Chapter 11.

Termination or Suspension of Business Relationships

When all other efforts to prevent, mitigate, or remedy adverse impacts fail, articles 10(6) and 11(7) of the CSDDD require companies to consider termination — or responsible disengagement — as a last-resort measure. This includes temporarily suspending or

permanently terminating business relationships (see table 10.8). However, disengagement must be handled responsibly to avoid creating additional or more severe harm.

What is Responsible Disengagement?

Responsible disengagement involves indefinitely or long-term suspension, or termination, of a business relationship in a manner that minimizes unintended harm. Before taking this step, companies must:

- ✓ Exhaust all other options, such as action plans, collaboration, or capacity-building.
- ✓ Assess whether disengagement would cause greater harm, such as job loss, community disruptions, or environmental damage.
- ✓ Take steps to mitigate the impacts of disengagement, such as providing notice and exploring alternative solutions.

Responsible disengagement ensures that walking away from a relationship is ethical, measured, and proportionate.

Measure	Article 10	Article 11	Explanation
Temporarily suspend business relationships as a last resort.	Article 10(6)(a)	Article 11(7)(a)	A shared measure when other efforts fail.
Permanently terminate business relationships as a last resort.	Article 10(6)(b)	Article 11(7)(b)	Applies only to severe impacts.

Table 10.8 Termination or suspension under articles 10 and 11

Temporary Suspension of Business Relationships

In line with article 10(6)(a) and article 11(7)(a), companies may temporarily suspend a business relationship as part of responsible disengagement. This option is used when:

- ✓ Other measures, such as enhanced action plans or collaboration, have failed to address the adverse impact.
- ✓ There is a reasonable expectation that suspension will increase leverage and lead to a resolution.

Key points for suspension:

- ✓ It must include an enhanced prevention or corrective action plan with clear and appropriate timelines.
- ✓ Companies must provide reasonable notice to the business partner and monitor the decision's impacts.

- ✓ Regular reviews are required to assess whether suspension is achieving its goals.



Suspension is a form of responsible disengagement. Use it carefully, and only when there's a realistic chance of success.

Grounds for Responsible Disengagement

Disengagement is a last resort, taken when ethical operations are impossible, or remediation fails. Key grounds include:

- ✓ **State-imposed constraints:** Government policies or laws conflicting with human rights, such as forced labour programmes, apartheid and discrimination or severe restrictions on freedoms.
- ✓ **Severe social circumstances:** Risks beyond a company's control, including systematic slave-like conditions of work, conflict zones, or humanitarian crises.
- ✓ **Supply chain failures:** Persistent violations like unsafe working conditions or unaddressed exploitation despite remediation efforts.
- ✓ **Severe reputational risks:** Partnerships that conflict with ethical principles or harm stakeholder trust, such as links to illicit activities.
- ✓ **Lack of leverage:** Inability to address entrenched issues like systemic corruption or forced labour due to insufficient influence.

Permanent Termination as Responsible Disengagement

If suspension and enhanced action plans fail to resolve the issue, article 10(6)(b) and article 11(7)(b) allow companies to terminate the business relationship as a final step in responsible disengagement. This applies only when:

- ✓ The adverse impact is severe, and there is no reasonable expectation that further measures will succeed.
- ✓ Termination is the only way to prevent, stop, or minimise harm.

Before proceeding, companies must:

- ✓ Conduct an impact assessment to ensure that termination does not cause greater harm than the original adverse impact.
- ✓ Justify their decision to supervisory authorities if termination is avoided due to the risk of more severe consequences.
- ✓ Mitigate any resulting impacts, such as economic harm or disruptions, through reasonable steps and notice.



Responsible disengagement doesn't mean abandoning accountability — it means carefully balancing the need to end a harmful relationship with the potential for further unintended harm.

Balancing Termination and Its Consequences

Articles 10 and 11 of the CSDDD require companies to handle disengagement with caution and a sense of responsibility. Severing ties with a business partner over human rights violations or environmental harm is a complex decision that must be approached thoughtfully:

- ✓ **Evaluate alternatives before disengaging:** Explore whether the adverse impacts can be mitigated by supporting the partner in improving their practices. This might involve capacity-building, closer monitoring, or collaborative measures to address systemic issues.
- ✓ **Monitor continuously:** If termination is avoided, the directive requires ongoing monitoring of the adverse impact and periodic reassessment of the decision to ensure that meaningful progress is being made.
- ✓ **Mitigate harm when disengaging:** If termination becomes unavoidable, companies must take steps to minimise harm to affected stakeholders. This could include supporting workers in transitioning to new opportunities, working with alternative suppliers, or engaging with impacted communities to reduce disruption.



While disengagement might not always improve human rights or environmental conditions, remaining in a relationship that perpetuates or profits from such violations is equally unacceptable. Companies must carefully weigh the consequences of their actions, ensuring they neither enable nor benefit from unacceptable circumstances while taking all possible steps to mitigate harm and uphold ethical standards.

Monitoring and Reporting

When addressing adverse impacts, companies must maintain ongoing monitoring and ensure transparency in their decision-making processes. Articles 10(6) and 11(7) of the CSDDD require businesses to continually assess the effectiveness of measures taken, including decisions to continue, suspend, or terminate relationships (see table 10.9).

Measure	Article 10	Article 11	Explanation
Ongoing monitoring of potential/actual impacts when relationships continue.	Article 10(6)	Article 11(7)	Monitoring is essential in both cases.
Report decisions not to suspend/terminate relationships to the supervisory authority.	Article 10(6)	Article 11(7)	Transparency required under both articles.

Table 10.9: Monitoring and Reporting Under Articles 10 and 11

Ongoing Monitoring of Relationships

In line with article 10(6) and article 11(7) companies must continue to monitor relationships when adverse impacts are identified but suspension or termination is not pursued. Monitoring ensures that:

- ✓ The potential or actual adverse impact is regularly reassessed.
- ✓ Decisions to continue a relationship remain appropriate based on evolving circumstances.
- ✓ New measures can be implemented if necessary to prevent, mitigate, or remedy impacts.

Monitoring applies equally to potential adverse impacts (article 10) and actual adverse impacts (article 11), ensuring companies maintain accountability and take further action if required.



Monitoring is a continuous process to ensure impacts don't worsen or go unresolved.

Reporting to Supervisory Authorities

When a company decides not to suspend or terminate a business relationship, articles 10(6) and 11(7) require it to:

- ✓ Clearly justify the decision, especially if disengagement could cause greater harm than the adverse impact itself.
- ✓ Report these reasons to the competent supervisory authority to ensure transparency and accountability.

Companies must:

- ✓ Provide detailed explanations of the assessment conducted.
- ✓ Outline the measures taken to monitor the situation and prevent further harm.
- ✓ Reassess the decision periodically to ensure it remains valid.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **Prevention is the first line of defence:** Article 10 of the CSDDD requires companies to take proactive measures to stop adverse impacts before they happen, ensuring responsible business practices.

- ✓ **Corrective action is mandatory for actual harm:** Article 11 mandates businesses to bring adverse impacts to an end and remediate harm when it has already occurred, ensuring accountability and compliance.
- ✓ **Influence determines action:** The level of control a company has over an impact — whether direct, indirect, or through business relationships — defines the steps it must take to prevent, mitigate, or remedy harm.
- ✓ **Action plans and contractual assurances are key tools:** Companies must implement structured prevention and corrective action plans, backed by contractual commitments from business partners to uphold sustainability and human rights standards.
- ✓ **Disengagement is a last resort:** When all other measures fail, responsible termination of business relationships must be carefully assessed to avoid unintended harm while ensuring ethical standards are maintained.

In the next chapter, we'll explore how businesses must provide remediation when actual adverse impacts occur.

Remediation measures.

Reparation in complex cases.

Legal and Practical Approaches.

Chapter 11

Remediation of Actual Adverse Impacts

When harm occurs, the focus shifts from prevention to making things right. Remediation is the process of addressing actual adverse impacts on human rights or the environment, ensuring that those affected receive appropriate redress.

This chapter explores the specificities of remediation under the CSDDD, highlighting when companies are obligated to act, when voluntary efforts may be considered, and how to navigate the challenges of large-scale impacts.



What the Law Says

According to article 12 of the CSDDD, companies are required to take responsibility for remediating actual adverse impacts they have caused or jointly caused. Specifically:

1. If the company has directly or jointly caused an adverse impact, it must provide remediation.
2. When the harm is caused by a business partner, companies may voluntarily provide remediation or use their influence to encourage the responsible party to take remediation measures.

Understanding Remediation Responsibilities

Remediation responsibilities under the CSDDD ensure that companies address harm caused within their operations or by their business partners. This section explains the legal obligations for adverse impacts caused by the company itself and explores the role of voluntary action when harm arises from business partners' activities.

Remediation Obligations for Caused Impacts

When your company directly or jointly causes an adverse impact — whether it involves human rights violations, environmental harm, or both — remediation is not optional. Article 12(1) of the CSDDD clearly mandates that companies must provide remediation in such cases. This obligation goes beyond financial compensation and can involve actions such as restoring environmental damage, compensating affected communities, or ensuring that those impacted have access to remedies like healthcare or legal support.



Remediation for caused impacts is an obligation, not a choice. Neglecting this responsibility may result in legal consequences, reputational damage, and strained relationships with stakeholders.

Your company must take proactive steps to establish mechanisms that identify when harm has occurred, assess its severity, and ensure that appropriate remediation is provided. This process also requires transparent communication with affected stakeholders and a commitment to addressing their needs in a timely and effective manner.

Voluntary Action for Partner-Caused Impacts

When the harm is caused by a business partner, the situation becomes more complex. The CSDDD encourages — but does not require — companies to take voluntary action to remediate adverse impacts caused by their business partners. Companies can also use their leverage to encourage the responsible party to take corrective measures.

Voluntary remediation may involve:

- ✓ Offering resources or expertise to assist the business partner in providing redress.
- ✓ Collaborating with other entities in the supply chain to collectively address the harm.
- ✓ Engaging with affected stakeholders to ensure their concerns are addressed, even if the company itself did not cause the harm.



Voluntary remediation is an opportunity to demonstrate your company's commitment to ethical practices. Even when not required, taking action can strengthen stakeholder trust and enhance your reputation as a responsible business.

However, voluntary remediation should not absolve your business partner of their responsibility. It's essential to balance voluntary action with efforts to influence the partner directly, ensuring they fulfil their obligations. By doing so, you foster a culture of accountability across your value chain while protecting the integrity of your business relationships.

Providing Remediation for Jointly Caused Impacts

Jointly caused impacts occur when your company's actions, combined with those of another entity — such as a supplier, contractor, or partner — result in adverse effects on human rights or the environment. True due diligence means that companies share the responsibility for remediation in these cases.

It's essential to follow a structured process to ensure accountability and effective remediation. The first step is to identify shared responsibility between the involved parties. This should be followed by coordination with partners to align on the approach. Engaging relevant stakeholders is also crucial to ensure transparency and inclusivity. Once there's consensus, companies should implement the agreed-upon actions. Finally, it's important to evaluate and document the outcomes to track progress and ensure continuous improvement.



Even if your company isn't solely responsible for the harm, you should engage collaboratively to ensure meaningful and equitable remediation.

Remediation of Large-Scale Negative Impacts

Large-scale negative impacts often arise from activities that affect entire communities, regions, or ecosystems. These cases are especially complex due to their scale, the number of stakeholders involved, and the significant resources required for effective remediation. Under the CSDDD, companies are expected to address these impacts responsibly, drawing from international frameworks and best practices.

Challenges in Large-Scale Cases

Addressing large-scale negative impacts presents unique challenges, including:

1. **Complexity of stakeholders:** Large-scale impacts often affect multiple groups, such as local communities, governments, NGOs, and international organisations. Coordinating with these varied stakeholders can be time-intensive and require tailored approaches.
2. **Resource intensity:** Effective remediation in large-scale cases may require significant financial and logistical resources, which can strain even large companies.

3. **Accountability across multiple parties:** Large-scale impacts are rarely caused by a single entity. Determining and distributing responsibility among involved parties can be controversial and legally complex.
4. **Geographical and cultural barriers:** When impacts occur across borders, companies must navigate differing legal frameworks, cultural norms, and logistical challenges.
5. **Monitoring and long-term engagement:** Large-scale remediation efforts often span years or decades, requiring ongoing monitoring and sustained stakeholder engagement.



Companies facing these challenges must adopt a systematic approach that prioritises transparency, stakeholder inclusion, and adherence to international standards.

Applying the UN Basic Principles on Remedy and Reparation

The United Nations' Basic Principles on Remedy and Reparation provide a globally recognised framework for addressing large-scale negative impacts. Especially relevant for large scope impacts, these principles emphasise a victim-centred approach and outline key forms of reparation, including:

1. **Restitution:** Aims to restore victims to their original situation before the harm occurred. Examples include returning land or resources and restoring access to essential services.
2. **Compensation:** Monetary or material compensation for losses, including physical, emotional, or economic harm.
3. **Rehabilitation:** Provision of medical, psychological, or social support to help victims recover. It is also the incorporation of the impact and the development of the ability to go on with what cannot be recovered.
4. **Satisfaction:** Non-material remedies, such as formal apologies, memorials and clear consequences for perpetrators of violations — if intentional or resulting of gross negligence.
5. **Guarantees of non-repetition:** Measures to ensure the harm does not occur again, including policy reforms, improved governance, and strengthened monitoring mechanisms.

Explaining the UN Basic Principles on Remedy and Reparation

The UN Basic Principles and Guidelines on the Right to a Remedy and Reparation for Victims of Gross Violations of International Human Rights Law and Serious Violations of International Humanitarian Law (Resolution 60/147) were adopted by the UN General Assembly in 2005. These principles reflect the global consensus on ensuring justice for victims of human rights and humanitarian law violations.

- ✓ **Backstory:** These principles were developed after years of advocacy for justice mechanisms addressing the needs of victims. They were built on earlier international frameworks, including the Universal Declaration of Human Rights and the Geneva Conventions.
- ✓ **Core aim:** To provide practical guidance on ensuring victims' rights to remedy and reparation, including restitution, compensation, rehabilitation, and guarantees of non-repetition.
- ✓ **Key emphasis:** Victim-centred justice that prioritises acknowledgment, accountability, and long-term support for those affected.

Integrating UN Basic Principles on Remedy and Reparation with the CSDDD

If the UN Basic Principles on Remedy and Reparation are applicable companies should align their observance with the CSDDD by:

- ✓ **Engaging affected communities:** Actively involving victims in the design and implementation of remediation measures.
- ✓ **Ensuring transparency:** Providing clear communication about actions taken, expected timelines, and progress.
- ✓ **Building partnerships:** Collaborating with governments, NGOs, and other organisations to share resources and expertise.
- ✓ **Focusing on sustainability:** Ensuring that remediation efforts contribute to long-term social and environmental well-being.



Aligning with the UN Basic Principles on Remedy and Reparation not only strengthens your company's compliance with the CSDDD but also demonstrates a commitment to ethical and sustainable business practices.

By applying these guidelines, your company can navigate the complexities of large-scale negative impacts and provide meaningful remedies that uphold human rights and environmental standards.

OECD Guidance on Effective Remedies

The OECD Guidelines for Multinational Enterprises and the accompanying Due Diligence Guidance provide critical principles for managing remediation effectively. These standards stress that companies must:

1. Provide timely and accessible remedies

Affected individuals should have clear, straightforward access to remediation without unnecessary delays or barriers.

2. Ensure proportionality

The remedy provided should reflect the severity and scale of the harm while considering the resources and capacities of those involved.

3. Implement grievance mechanisms

Establishing operational-level grievance mechanisms allows affected parties to raise concerns and seek redress in an efficient, transparent manner. This essential aspect of remediation will be explored further in chapter 13.



Proactively adopting OECD guidance helps your company demonstrate accountability while reducing potential legal and reputational risks.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **Remediation is a legal duty for caused impacts:** Article 12 of the CSDDD mandates companies to remediate harm they directly or jointly cause, ensuring accountability for human rights and environmental damage.
- ✓ **Voluntary remediation builds trust:** While not required, companies can support remediation for harm caused by partners, reinforcing ethical business leadership.
- ✓ **Influence drives partner accountability:** Companies must use contracts, collaboration, or training to push business partners toward remediation.
- ✓ **Large-scale impacts need structured solutions:** When harm affects communities or ecosystems, aligning with global frameworks like the UN Basic Principles ensures fair and lasting remedies.
- ✓ **Ongoing evaluation ensures effective remediation:** Businesses must monitor outcomes, engage stakeholders, and adapt strategies for long-term impact.

In the next chapter, we'll explore how effective stakeholder engagement strengthens due diligence, risk management, and remediation processes.

Stakeholders and rightsholders.

Opportunities arising from stakeholder engagement.

Effective stakeholder engagement.

Chapter 12

Stakeholder Engagement Made Simple: Building Bridges, Not Barriers

Imagine trying to navigate a labyrinth without a map — frustrating, right?

That's what corporate sustainability can feel like without meaningful stakeholder engagement. Whether it's employees, local communities, suppliers, or NGOs, these groups hold the key to identifying risks, finding solutions, and ensuring your business thrives while doing the right thing.

In this chapter, we'll explore how to make stakeholder engagement less of an obligation and more of an opportunity. By understanding with whom and when to engage, why it matters, and how to do it effectively, you'll unlock insights that help build trust, drive innovation, and create lasting value for your business and its partners. Let's dive in!



What the Law Says

According to **Article 3.1(n)** of the CSDDD:

(n) 'stakeholders' means the company's employees, the employees of its subsidiaries, trade unions and workers' representatives, consumers and other individuals, groupings, communities or entities whose rights or interests are or could be affected by the products, services and operations of the company, its subsidiaries and its business partners, including the employees of the company's business partners and their trade unions and workers'

representatives, national human rights and environmental institutions, civil society organisations whose purposes include the protection of the environment, and the legitimate representatives of those individuals, groupings, communities or entities;

Stakeholders or Rights Holders: What's the Difference?

The concept of *stakeholders* and *rights holders* may seem similar at first glance, but their meanings differ in keyways. In the context of the CSDDD, the term used is *stakeholder*. However, this concept can and often does encompass *rights holders*, particularly in matters concerning human rights.



In this book, the term *stakeholders* will often include the concept of rights holders, according to the context.

What's in a Name? Understanding the Origins

While *stakeholders* broadly include anyone with a vested interest in a business, *rights holders* specifically emphasise individuals or groups whose rights might be directly impacted.

- ✓ **Stakeholder:** The term “stakeholder” originates in business management theory and refers to individuals, groups, or entities that have influence, interest or are affected by, or can affect, a company’s actions, decisions, or performance.
- ✓ **Rights holder:** The concept of “rights holders” comes from international human rights law. Rights holders are individuals or groups who are entitled to specific human rights, such as workers, communities, or vulnerable populations.

In the context of impact assessment, while *stakeholders* broadly include anyone with a vested interest in a business, *rights holders* specifically emphasise individuals or groups whose rights might be directly impacted.



The term *stakeholder* was popularized and formally introduced in its modern usage by R. Edward Freeman, a philosopher and professor, in his seminal 1984 book, *Strategic Management: A Stakeholder Approach*.



The term *rights holder* cannot be traced down to a main author but corresponds to an element of the development of the evolution of human rights discourse. It is a polar term to duty-bearer. While the “duty-bearer” has the obligation to do (or to not do) something the “right holder” is the receiver or beneficiary of such obligation.



Your company is the duty-bearer of the right to adequate wage to workers. Workers are the rights holders of that right. Because your company has the duty to pay an adequate salary, and the workers have a right to receive it.

Stakeholders in the CSDDD: A Broader View

The CSDDD consistently refers to *stakeholders* — a more general and inclusive term. However, when interpreting the directive, stakeholders can be understood to include rights holders, particularly where corporate actions or decisions affect fundamental human rights.

Why does this matter? Focusing on rights holders ensures a human rights-centred approach. While stakeholders might include investors, consumers, and suppliers, rights holders (e.g., workers in supply chains or indigenous communities) are those whose rights are directly impacted and need safeguarding under frameworks like the CSDDD.



When applying the CSDDD, ensure that your company focuses on identifying and protecting the rights of individuals or groups affected by your operations.

When Should You Engage Stakeholders?

Timing is everything when it comes to stakeholder engagement. Under the CSDDD, companies are required to engage with stakeholders at specific stages of the due diligence process. But stakeholder engagement is not a one stop, it is a continuous process of engagement. These touchpoints are critical opportunities to gather valuable insights, build trust, and avoid pitfalls.

Here are the key stages where stakeholder engagement is essential:

1. Identifying and Assessing Risks
2. Developing Prevention and Correction Plans
3. Building Strong and Trustful Networks with Partners
4. Making Tough Calls and Implementing Remedies Sometimes, tough decisions — like suspending or terminating a business

Stakeholders can offer on-the-ground insights to help refine your indicators for success. Their feedback is invaluable for ongoing monitoring, continuous improvement, and ensuring your plans remain effective and relevant over time.



Stakeholder engagement is an ongoing dialogue that strengthens your due diligence processes at every step. By connecting with the right people at the right time, you're fostering meaningful partnerships that benefit everyone involved.

How to Make Stakeholder Engagement Meaningful

Meaningful stakeholder engagement is about listening, understanding, and acting. Is is about making dialogue clear, accessible, and tailored. It requires moving beyond surface-level interactions to build genuine relationships that can steer your business toward better decisions, stronger partnerships, and lasting success.



Before reaching out, define your goals. Are you gathering information, co-creating solutions, or simply sharing updates? Having clear objectives will set the tone for effective engagement.

Remember, successful stakeholder engagement thrives on two pillars: *timing* and *technique*. Get either one wrong, and the entire process can feel forced or ineffective. But when you approach stakeholders with thoughtfulness, respect at eye level and sincerity, you unlock the true potential of collaboration.



Figure 12.1: How to make stakeholder management meaningful



Start with clear objectives. Are you gathering insights, co-creating solutions, or sharing updates? Knowing your purpose will guide the entire process.

Timing and sincerity are key to making stakeholder engagement effective. When done right, it helps companies uncover hidden risks, earn trust, and create innovative solutions. Let's delve into why this matters.



What the Law Says

Under Article 13 of the CSDDD, companies must engage stakeholders at critical due diligence stages, such as identifying risks, creating prevention plans, and implementing remediation measures. The directive highlights engagement as a vital tool for accountability and collaboration.

Who Are the Stakeholders?

So now that you know what stakeholders are, let's explore who they might be for your business. From employees and trade unions to local communities and NGOs, they represent a diverse range of voices that are crucial to understanding risks and driving responsible business practices.

Internal Stakeholders

Internal stakeholders are individuals or groups within your organization who are directly involved in or affected by its operations and decisions. They include employees, management, and worker representatives, all of whom play critical roles in shaping and implementing business strategies.

- ✓ **Employees and contractors:** Employees are the heart of any organization, directly impacted by decisions ranging from working conditions to environmental policies. They can also be a source of innovation and insight, particularly when consulted on processes or workplace improvements. Beyond frontline workers, internal stakeholders include managers and executives who are instrumental in decision-making and strategy implementation.
- ✓ **Trade unions and workers' representatives:** These representatives act as a bridge between management and the workforce, advocating for employees' rights and ensuring that their voices are heard. They are especially critical in discussions about workplace safety, wage policies, and compliance with labour laws.

External Stakeholders

External stakeholders are individuals, groups, or entities outside your organization who are impacted by or have an interest in its activities. This includes business partners, consumers,

local communities, NGOs, and regulatory institutions, all of whom influence or are influenced by the company's operations.

- ✓ **Business partners and their employees:** Suppliers, contractors, and other business partners are essential to your value chain. The employees of these partners are also stakeholders, as your decisions can influence their working conditions, wages, and job security.
- ✓ **Consumers:** Your customers interact directly with your products and services, making them crucial stakeholders. Their concerns often revolve around product safety, quality, sustainability, and ethical sourcing.
- ✓ **Local communities:** These are the people living near your operations or affected by your business activities. Their concerns can range from environmental impacts like pollution to economic issues like job creation.
- ✓ **Civil society organizations and NGOs:** These groups often act as advocates for vulnerable populations, environmental protection, or broader societal goals. They can provide valuable insights into risks and opportunities.
- ✓ **National human rights institutions:** These organizations provide oversight and guidance on aligning corporate actions with national and international standards.



Often the stakeholder engagement takes the dedication of expert teams. Löning — Human Rights and Responsible Business has the expertise and the human component to support your business on that.

What Are National Human Rights Institutions (NHRIs)?

National Human Rights Institutions (NHRIs) are independent organisations established by countries to promote and protect human rights, based on national laws and international treaties. Their work is guided by the *Paris Principles* — a UN-adopted framework that sets out the standards for NHRIs, ensuring their independence, transparency, and effectiveness. The accredited institutions are part of the Global Alliance of National Human Rights Institutions (GANHRI). These institutions often assist businesses in understanding and meeting their human rights obligations, including addressing corporate responsibilities and aligning with international best practices.

NHRIs can act as your business's compass in navigating the often-complex world of human rights obligations. They provide expertise, policy advice, and recommendations to keep your practices on the right track.



Examples Around the World

- ✓ **United Kingdom:** The Equality and Human Rights Commission (EHRC) offers guidance on anti-discrimination laws and equal rights.
- ✓ **Germany:** The German Institute for Human Rights (Deutsches Institut für Menschenrechte) supports businesses in addressing human rights risks across supply chains.
- ✓ **Mexico:** The National Human Rights Institution of Mexico (CNDH) engages with businesses on social and labour rights.
- ✓ **South Africa:** The South African Human Rights Commission (SAHRC) works closely with industries like mining to monitor human rights impacts.
- ✓ **India:** The National Human Rights Commission of India (NHRC) advises companies on issues such as labour rights and non-discrimination practices.



Don't wait for a crisis to consult with NHRIs! Build a proactive relationship with them to stay ahead of regulatory changes and avoid compliance pitfalls.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **Stakeholder engagement is a legal and strategic must:** Under Article 13 of the CSDDD, companies must engage stakeholders at key due diligence stages to identify risks, shape prevention plans, and implement remediation measures.
- ✓ **Stakeholders and rights holders aren't the same:** Stakeholders include anyone affected by business activities, while rights holders have specific human rights entitlements, such as workers or local communities.
- ✓ **Safe engagement builds trust:** Protecting stakeholders from retaliation and ensuring open, respectful dialogue fosters long-term collaboration and business resilience.

In the next chapter, we'll explore grievance mechanisms — your company's essential tool for handling concerns and driving solutions.

Chapter 13

Raising Concerns, Driving Solutions — The Role of Grievance Mechanisms

Let's face it — things can go wrong in any business. The real question is: what do you do when they do? That's where grievance mechanisms come in.

Grievance mechanisms are about building trust, showing accountability, and tackling issues before they spiral out of control. In this chapter, we'll dive into what grievance mechanisms are, who can use them, and how to make them work. By the end, you'll see how turning complaints into solutions is great for your business too. Let's get started!

The Role of Grievance Mechanisms

Grievance mechanisms are like a company's customer service line — but instead of handling product returns, they tackle serious issues like human rights violations, environmental harm, and other adverse impacts. Under the CSDDD, these mechanisms are essential tools for accountability, giving individuals, organisations, and workers a way to voice concerns about harmful practices in a company's operations or supply chain.



What the Law Says

Article 14 of the CSDDD requires companies to establish grievance mechanisms that are fair, accessible, predictable, and transparent. These mechanisms must allow affected persons, their representatives, civil society organisations, and workers' representatives to submit complaints about actual or potential adverse impacts. The law also mandates that companies take appropriate actions to address well-founded complaints, including implementing corrective measures under Articles 10, 11, and 12.

The grievance mechanisms have their main reference in the UNGPs.

Grievance Mechanisms in the UN Guiding Principles on Business and Human Rights

The UN Guiding Principles on Business and Human Rights (UNGPs) emphasise the importance of grievance mechanisms as part of a company's responsibility to respect human rights. They highlight this in the following principles:

- ✓ **Principle 29:** Businesses should establish or participate in effective operational-level grievance mechanisms to provide a way for individuals and communities to raise concerns about human rights impacts directly with the company.
- ✓ **Principle 30:** Industry, multi-stakeholder, and other collaborative initiatives that aim to promote responsible business conduct should ensure that grievance mechanisms are available and effective for their members.
- ✓ **Principle 31:** Grievance mechanisms should be legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning.

These principles align closely with the CSDDD's requirements and can serve as a helpful guide when designing or assessing grievance mechanisms for compliance.

Who Can File Complaints?

Grievance mechanisms are designed to give a voice to those who are affected by a company's operations or value chain. But who exactly can raise their hand and say, "Something's wrong here"? The CSDDD provides a clear answer.

Under Article 14, the following groups are entitled to file complaints:

1. **Affected individuals and their representatives:** If someone is directly impacted — or reasonably believes they could be impacted — by adverse human rights or environmental effects, they can file a complaint. Importantly, these individuals can also be represented by legitimate organisations, such as civil society groups or human rights defenders.
2. **Trade unions and workers' representatives:** Trade unions and other worker representatives are empowered to act on their behalf, ensuring workplace concerns like unsafe conditions or labour violations are brought to light.
3. **Civil society organisations (CSOs):** Organisations with expertise in areas relevant to the complaint, such as environmental protection or human rights, can also lodge grievances.



The German LkSG actually goes further and says that anyone can file a complaint (so, including you and I!). This gives the grievance mechanism even more credibility and

CSO or NGO?

People often confuse the terms “civil society organisation” (CSO) and “non-governmental organisation” (NGO), using them interchangeably. While they do overlap, they aren’t exactly the same. Here’s the difference:

- ✓ CSO is the broader term. It includes all kinds of organisations, groups, and movements — from informal grassroots campaigns to formal trade unions or NGOs.
- ✓ NGO, on the other hand, refers to formally established, not-for-profit organisations, typically supported by grants or donations, with clear objectives and a defined structure.

In the CSDDD, the distinction is crucial. The term NGO is used for formal institutions with expertise in human rights and environmental issues. While the term CSO is broader, covering social movements, trade unions, and NGOs alike.



What the Law Says

Under Paragraph 3 of Article 14 of the Corporate Sustainability Due Diligence Directive (CSDDD), companies are required to establish grievance mechanisms that adhere to the following principles:

- ✓ **Fair:** The mechanism must operate impartially and handle all complaints without bias.
- ✓ **Publicly available:** Information about the grievance process must be made accessible to all stakeholders.
- ✓ **Accessible:** Mechanisms must accommodate diverse users, addressing barriers such as language, literacy, or disabilities.
- ✓ **Predictable:** There must be clear and consistent steps, timelines, and processes for addressing complaints.
- ✓ **Transparent:** Companies must keep complainants informed at every stage, from submission to resolution.

These requirements are non-negotiable under Article 14 of the CSDDD.

Building Effective Grievance Mechanisms

When it comes to grievance mechanisms, there's no such thing as a "one-size-fits-all" approach. To be effective, these systems need to meet the unique needs of stakeholders while aligning with the CSDDD requirements. Let's explore what it takes to create a grievance mechanism that works.

1. Accessibility and inclusiveness

Offer multiple ways to file complaints — such as in person, online, or by phone. Use plain language and provide forms in several languages. Remember to accommodate people with disabilities or limited literacy to ensure everyone has access.

2. Confidentiality and anti-retaliation measures

Handle personal information securely and share it only with consent or when necessary. Strong anti-retaliation policies must be in place and consistently enforced. Also, offer anonymous options — like hotlines or online portals — for those who don't feel safe attaching their name. Have clear policies to handle these anonymous complaints effectively.

3. Transparency and predictability

Explain the steps that happen after someone submits a complaint. Be upfront about how long the process might take and what outcomes to expect. Most importantly, keep people updated throughout, so they're never left wondering what's going on.

4. Triggering effectiveness: from complaints to actions

As required by the CSDDD, validated complaints must lead to identifying negative impacts (Article 8) and trigger appropriate responses (Articles 10, 11, and 12). Keep complainants informed about what actions are being taken and why, so they see the process making a difference.

Corporate Responsibilities in Grievance Handling

Grievance handling is about taking responsibility, responding appropriately, and ensuring a fair process. Under the CSDDD, companies are tasked with a range of obligations to make their grievance mechanisms effective, credible, and compliant.

- ✓ **Setting up robust processes:** To handle grievances effectively, companies need to build strong internal systems that ensure every complaint is managed with efficiency, sensitivity, and transparency. Here's what setting up robust processes involves:
 - **Structured workflows** — Establish clear procedures, assign responsibilities, and set deadlines to ensure accountability and timely resolution.

- **Employee training** — Equip teams with legal knowledge, active listening skills, and strategies for handling sensitive cases fairly.
 - **Technology integration** — Use case management tools to track, organize, and analyze grievances efficiently.
 - **Values-driven approach** — Align grievance processes with sustainability commitments to reinforce transparency and continuous improvement.
- ✓ **Responding to complaints:** Handling a grievance properly is what truly matters — how a company responds determines trust and credibility. An effective response process involves promptly acknowledging and tracking complaints to ensure they are taken seriously and not overlooked. Engaging directly with complainants fosters transparency and allows for collaborative problem-solving.

Once a decision is made, companies must clearly explain the reasoning behind it and any corrective actions taken. By managing grievances with openness and accountability, businesses strengthen stakeholder trust and reinforce their commitment to responsible practices.

- ✓ **Taking corrective action:** When a valid grievance arises, companies must take action by integrating it into their broader due diligence obligations. This means using grievances to identify actual or potential adverse impacts (Article 8) and addressing them through concrete mitigation or remedial measures (Articles 10, 11, and 12). Effective grievance mechanisms turn complaints into meaningful corrective actions, such as revising policies, improving processes, or providing compensation.
- ✓ **Strengthening partnerships through industry initiatives:** Collaborative grievance mechanisms are game changers for addressing complex, systemic issues that go beyond the scope of individual companies. Many industries have developed multi-stakeholder initiatives (MSIs) and sector-wide grievance systems to pool resources, share best practices, and tackle challenges collectively. These mechanisms enhance credibility, ensure consistency across the sector, and often address problems at their root.

Why Multi-Stakeholder Grievance Mechanisms Work

Have these reasons in mind:

1. **Pooling resources:** By joining forces, companies can reduce the costs and effort involved in setting up and maintaining grievance systems.
2. **Consistent standards:** Industry-wide systems establish uniform expectations, ensuring all participants adhere to the same rules and principles.
3. **Greater reach:** Collective mechanisms often have broader geographic and operational coverage, enabling them to address issues in regions or supply chains where individual companies may lack direct influence.

4. **Stakeholder buy-in:** Collaborative initiatives often involve NGOs, worker representatives, and community organisations, increasing trust and legitimacy.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **Effective mechanisms build trust and mitigate risks:** Providing clear channels for grievances helps companies address issues before they escalate, strengthening relationships with stakeholders and improving due diligence.
- ✓ **Protection and accessibility matter:** Confidentiality, anti-retaliation policies, and multilingual, multi-channel access ensure that all affected individuals and their representatives can safely raise concerns.
- ✓ **Turning complaints into action is key:** Valid complaints must trigger meaningful corrective or remedial measures under Articles 10, 11, and 12, ensuring continuous improvement and accountability.
- ✓ **Industry-wide grievance mechanisms enhance impact:** Collaborative initiatives help companies address systemic issues more effectively by pooling resources, setting consistent standards, and expanding access to redress.

In the next chapter, we'll explore how to monitor, measure, and communicate due diligence efforts effectively.

Reporting obligations

Advantages for your business

Doing it in a smart way

Chapter 14

Watch, Learn, and Report — Monitoring and Communicating Due Diligence

Monitoring and communicating due diligence efforts are the backbone of any responsible and transparent business operation. It is about learning from the past, staying informed about the present, and preparing for the future. By continuously monitoring the effectiveness of their due diligence measures and sharing the results, companies can identify risks, improve their processes, and maintain trust with stakeholders.

In this chapter, we'll explore why monitoring and communicating are essential, break down the requirements of CSDDD, and provide insights on how to integrate these processes into your operations seamlessly.



What the Law Says

Under the CSDDD, companies must regularly assess the effectiveness of their efforts to identify, prevent, mitigate, and address adverse impacts (Article 15). These assessments must occur at least annually, as well as after significant changes or when new risks arise. Additionally, companies are required to communicate their findings through an annual statement (Article 16), detailing risks identified, actions taken, and outcomes achieved. This statement must be clear, accessible, and aligned with broader sustainability reporting standards, ensuring transparency and accountability.

The Importance of Monitoring

Monitoring due diligence is a critical tool for ensuring that your company's actions match its commitments. By keeping a close eye on how due diligence measures are implemented and their real-world effectiveness, businesses can identify gaps, adapt to changing conditions, and build resilience. Here's why monitoring matters:

- ✓ **Continuous improvement:** Monitoring creates a feedback loop, enabling companies to refine their processes based on lessons learned and new insights. It's not about getting it perfect the first time but constantly improving.
- ✓ **Risk management:** Regular assessments help identify new risks, whether they stem from operational changes, shifts in the supply chain, or broader external factors like regulatory updates or geopolitical events.
- ✓ **Stakeholder confidence:** Transparent and effective monitoring reassures stakeholders — whether they're employees, investors, or affected rightsholders — that your company is committed to addressing adverse impacts.



Monitoring is the “health check” for due diligence. It's how you ensure your policies and measures stay relevant in a fast-changing world.

Key Requirements for Monitoring

Monitoring due diligence efforts is a vital part of ensuring that companies can identify and address adverse impacts effectively. It's not enough to set processes in motion; businesses must continuously assess their operations, subsidiaries, and business partners to ensure their measures are working as intended. This involves defining the scope of monitoring, determining how often assessments should be conducted, and using reliable indicators to evaluate effectiveness. By systematically monitoring companies can adapt to changes, improve their processes, and stay ahead of risks.



What the Law Says

Article 15 of the CSDDD requires companies to:

- ✓ Monitor their due diligence processes periodically to ensure they are adequate and effective.
- ✓ Conduct assessments at least once every 12 months and whenever there are significant changes or new risks.
- ✓ Include qualitative and quantitative indicators in their monitoring.
- ✓ Use assessment results to update their due diligence policies and actions, integrating stakeholder feedback wherever relevant.

Scope of Monitoring

Monitoring is about knowing exactly what's happening across your business. To do this right, you'll need to focus on these key areas:

- ✓ **Your own operations:** Keep an eye on what's going on inside your company. Whether it's your production line, HR policies, or procurement processes, everything under your control needs to be assessed.
- ✓ **Your subsidiaries:** Your subsidiaries also need to follow your due diligence rules. Make sure their practices align with your commitments.
- ✓ **Your business partners:** Suppliers, contractors, and others in your value chain are part of the picture, too. You're responsible for monitoring the wider network where risks could lurk.



Your responsibility doesn't stop at your office door. Monitoring the entire value chain is the only way to catch risks that might otherwise slip through the cracks.

Frequency and Trigger Points

Monitoring isn't a "set it and forget it" task. It's an ongoing process that needs to be regular and flexible enough to adapt to new situations. Here's how to keep it on track:

- ✓ **Annual check-ins:** At a bare minimum, plan for a full review of your due diligence measures every year. This keeps you on top of any issues that might have cropped up.
- ✓ **Big changes, big reviews:** Launching a new product, entering a new market, or switching suppliers? These are all signs that it's time to take another look at your processes.
- ✓ **When risks pop up:** Got a tip-off about new risks or issues? Jump into action and reassess your measures before small problems become big ones.



Think of monitoring as your business's health check — do it often and adjust when something changes to stay in top shape.



Monitoring without follow-through is like driving with your eyes closed. Use the challenges as opportunities to innovate and strengthen your processes.

Communicating Due Diligence Efforts

Transparency is at the heart of effective due diligence. By reporting on their actions and progress, businesses can demonstrate accountability, build trust, and meet stakeholder expectations. But communicating due diligence is about ensuring the information is clear, timely, and aligned with broader reporting frameworks.



Reporting is an opportunity to show stakeholders how your company is creating positive change.

Here, you'll learn what makes communication effective, starting with the importance of clear reporting. We'll dive into the key requirements for annual statements, breaking down what needs to be included, when and how to publish it, and which companies are exempt. From there, we'll look ahead to future developments, including how delegated acts will shape reporting standards. Finally, we'll tackle common challenges companies face in communicating due diligence and share practical best practices to overcome them.



What the Law Says

Under **Article 16**, companies must:

- ✓ Publish an annual statement detailing their due diligence efforts and outcomes.
- ✓ Ensure the statement is available in at least one official EU language of the Member State where the company is supervised, and, if necessary, in a language commonly used in international business.
- ✓ Publish the report within 12 months of the financial year-end.
- ✓ Align their reporting with broader sustainability frameworks to avoid duplication while maintaining the minimum obligations set by the Directive.
- ✓ Exemptions apply to companies already subject to other sustainability reporting requirements, such as the Corporate Sustainability Reporting Directive (CSRD).

Understanding the Importance of Communicating

Communicating your due diligence efforts is a cornerstone of building trust, accountability, and credibility. When stakeholders, from investors to communities, understand your company's actions and their impact, they are more likely to support and engage with your business.



Poor communication — or the lack of it — can lead to mistrust, suspicion, and missed opportunities, even if your actual due diligence efforts are strong.

Here's why effective communication matters:

- ✓ **Demonstrating accountability:** By sharing your progress and challenges, you show that your company is serious about its commitments and willing to be held accountable. This builds confidence among stakeholders.

- ✓ **Building stakeholder trust:** Transparent communication fosters trust with employees, customers, investors, and communities. It shows you're not hiding anything and actively working to improve.
- ✓ **Strengthening competitive advantage:** Companies that communicate their sustainability and due diligence efforts clearly often gain a market edge. Investors prioritise transparent businesses, and consumers are more loyal to brands they trust.
- ✓ **Driving internal engagement:** Reporting efforts can motivate your employees, aligning teams behind shared goals and encouraging everyone to play their part in due diligence success.

Key Requirements for Reporting

Effective communication is about meeting specific requirements to ensure transparency and compliance. Reporting due diligence efforts involves following clear rules to inform stakeholders and regulators alike. Let's break down the key components.

Annual Statements: What to Include

At the core of communicating due diligence efforts is the *annual statement*, which must provide stakeholders with a detailed overview of your actions. The statement should include:

- ✓ **Description of due diligence:** Outline the processes your company uses to identify, prevent, mitigate, and address adverse impacts.
- ✓ **Identified risks and impacts:** Highlight actual and potential risks, with information on how they were discovered.
- ✓ **Actions taken:** Share the measures you've implemented to address identified risks, including mitigation or remediation efforts.
- ✓ **Outcomes and improvements:** Detail the results of your actions, including how effective they were and any lessons learned setting targets for the next cycle(s).



Use clear and concise language to ensure your report is easy to understand, even for stakeholders who aren't experts in due diligence.

Timing and Language Requirements

Publishing your annual statement is subject to clear timelines and language standards:

- ✓ **Timing:** Your report must be published within 12 months of the end of the financial year, or earlier if aligned with the publication of financial statements.
- ✓ **Language:** The statement must be available in:

- At least one official EU language used in the Member State of the supervisory authority.
- A language that is customary in international business if necessary (e.g., English).



Meeting these timing and language requirements ensures your report is both accessible and compliant.

Exemptions for Reporting

Not all companies are subject to the reporting requirements outlined in Article 16. Exemptions apply if your company is already reporting under:

- ✓ The Corporate Sustainability Reporting Directive (CSRD), particularly Articles 19a, 29a, or 40a.
- ✓ Additional sustainability frameworks like the SFDR Regulation (EU 2019/2088) for certain financial institutions.



If your company qualifies for an exemption, it's important to confirm that your existing reporting covers the minimum requirements set out under the Directive.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **Monitoring ensures continuous improvement:** Regular assessments help companies refine their due diligence processes, adapt to new risks, and improve performance over time.
- ✓ **Annual reporting is a legal requirement:** Article 16 of the CSDDD mandates companies to publish an annual statement detailing identified risks, actions taken, and outcomes achieved.
- ✓ **Stakeholder trust depends on transparency:** Clear, honest reporting fosters confidence among employees, investors, and communities, strengthening business relationships.
- ✓ **Integrating monitoring and reporting streamlines compliance:** Aligning these processes with frameworks like the CSRD, EU Deforestation Regulation, and Battery Regulation helps businesses avoid duplication and enhance efficiency.
- ✓ **Proactive adaptation keeps companies ahead of regulations:** Staying informed about evolving legal requirements ensures compliance and positions businesses as leaders in responsible corporate conduct.

In the next chapter, we'll dive into the special topics of the CSDDD, covering key areas that require extra attention.

Small and medium enterprises (SMEs) and chain of activities

Third-party assurance and enhanced due diligence

Civil liability

Chapter 15

Understanding the Special Topics in CSDDD

You’ve made it this far — congratulations! By now, you should have a firm grasp of due diligence (7), policies (8), impact assessments (9), measures (10), remediation (11), stakeholder engagement (12), grievance mechanisms (13), and monitoring & reporting (14). But before you go into the next part, we need to dive into some special topics that could make or break your due diligence strategy.

In this chapter, we’re zooming in on five key areas that require extra attention under the Corporate Sustainability Due Diligence Directive (CSDDD):

1. **The chain of activities:** Your responsibility doesn’t stop at your direct suppliers — it extends across your entire value chain.
2. **Third-party assurance:** Proving that your due diligence efforts are credible is crucial, even if external verification isn’t mandatory.
3. **Civil liability:** Companies can be held accountable for harm caused by human rights or environmental violations if they fail to take appropriate due diligence measures. This includes potential legal claims from affected stakeholders.
4. **Enhanced due diligence and civil liability:** High-risk sectors require extra measures, and failure to comply could result in lawsuits and financial penalties.

Understanding these areas will help future-proof your business, strengthen risk management, and ensure compliance with both legal requirements and stakeholder expectations. Ready? Let’s dive in!

The Chain of Activities: Beyond Your Direct Operations

The CSDDD extends to your entire chain of activities, from raw material sourcing to distribution.

What Is a Chain of Activities?

Think of it as your business ecosystem. Your operations don't exist in isolation; they rely on upstream and downstream partners to function.

- ✓ **Upstream partners:** all entities that contribute to the creation of your products or services.
- ✓ **Downstream partners:** all those responsible for getting your products or services to the end consumer.



The directive expects companies to conduct due diligence both on direct suppliers and on partners within the chain of activities.

The Legal Definition of “Chain of Activities”

The CSDDD defines *chain of activities* explicitly in Article 3, ensuring businesses understand their obligations.



What the Law Says

Article 3(g) of the CSDDD defines ‘chain of activities’ as follows:

- ✓ **Upstream activities:** These relate to the production of goods or the provision of services by a company and include design, extraction, sourcing, manufacture, transport, storage, and supply of raw materials, products, or parts.
- ✓ **Downstream activities:** These cover distribution, transport, and storage of a company's products when conducted on its behalf. However, it excludes exports subject to EU export controls (e.g., weapons, munitions).

This means that your responsibility doesn't end at your direct suppliers — you are accountable for how sustainability risks are managed throughout your supply chain in connection with your own business.



According to Article 29, your company won't be held liable if the damage was caused solely by your business partners in the chain of activities. This means that if the activities in question were not connected to products and services for you, those actions are not under your responsibility.

Managing Risks in the Chain of Activities

With this expanded scope, companies must identify and mitigate risks in their entire chain of activities. Here's how:

- ✓ **Risk mapping:** Identify the most critical risk areas — forced labour, deforestation, CO2 emissions, etc. (that depend on your business context.)
- ✓ **Supplier codes of conduct:** Establish clear sustainability expectations and require compliance from your partners.
- ✓ **Leverage and influence:** Collaborate with suppliers instead of just passing the burden downstream.



What the Law Says

Article 10 of the CSDDD specifies that due diligence must extend to direct and indirect partners within the chain of activities.

By actively managing risks beyond your direct operations, your company can ensure compliance, protect its reputation, and contribute to a more sustainable global economy.

Third-Party Assurance: Who Watches the Watchers?

Even with the best intentions, how do you prove that your due diligence efforts are credible? That's where third-party assurance comes in.

Definition of Independent Third-Party Verification in CSDDD

According to the Corporate Sustainability Due Diligence Directive (CSDDD), independent third-party verification is defined as follows:



What the Law Says

“Independent third-party verification means verification of the compliance by a company, or parts of its chain of activities, with human rights and environmental requirements resulting from this Directive by an expert that is:

- ✓ Objective and completely independent from the company
- ✓ Free from any conflicts of interest and external influence
- ✓ Experienced and competent in environmental or human rights matters, depending on the nature of the adverse impact
- ✓ Accountable for the quality and reliability of the verification.”

Under the CSDDD, third-party verifiers can be organizations or individuals that demonstrate independence, meaning they must be free from any conflicts of interest or influence from the companies they assess. They must also possess proven expertise in human rights or environmental matters, ensuring they are qualified to evaluate compliance with the Directive’s standards. These verifiers can include accredited auditing firms, NGOs, consultancies, or other entities with a strong track record in sustainability, human rights due diligence, or environmental compliance. Crucially, they must provide reliable, high-quality verification to ensure accountability throughout the process.

Why should you consider it?

- ✓ **Credibility boost:** Investors, customers, and regulators take your due diligence more seriously when an objective third party confirms it.
- ✓ **Regulatory readiness:** While not mandatory under CSDDD, some laws such as the CSRD and industry standards may require external verification.
- ✓ **Continuous improvement:** External experts can spot gaps and offer solutions, helping you strengthen your approach over time.



Third-party verification does not replace your company’s responsibility. Even if you use external auditors, you’re still liable if things go wrong. It’s a tool — not a shield!

Civil Liability: The Price of Non-Compliance

If you don’t take due diligence seriously, civil liability could mean lawsuits, reputational damage, and financial penalties. Under the CSDDD, companies that fail to meet their obligations can be held accountable for harm caused by their actions — or lack thereof.

More importantly, civil liability is an important component to advance human rights and environmental protection. When companies know they can be held legally responsible for the damage they cause, they're more likely to act responsibly in the first place.

When Can You Be Held Liable?

Your company could be held responsible if:

- ✓ You intentionally or negligently fail to comply with due diligence obligations, leading to harm.
- ✓ You contribute to human rights or environmental violations through intention or negligence.
- ✓ You ignore warnings or fail to act on known risks within your chain of activities.



What the Law Says

According to Article 29 of the CSDDD, companies can be held liable if their failure to implement due diligence measures results in harm to an individual or legal entity. However, a company cannot be held liable if the damage was caused **only** by its business partners.

What Compensation Can Victims Seek?

Victims of corporate negligence have the right to full compensation for damages suffered. However, punitive or excessive compensation (such as multiple damages) is not allowed under the directive. Compensation can cover:

- ✓ **Physical or psychological harm** (e.g., workplace injuries, toxic exposure).
- ✓ **Economic loss** (e.g., lost wages due to forced labour violations).
- ✓ **Environmental damage** that affects communities or livelihoods. Additionally, claimants can seek injunctive measures — legal orders requiring a company to stop harmful practices.

How to Protect Your Business

To avoid legal trouble, your business should adopt a proactive approach to due diligence:

- ✓ **Robust documentation:** Keep records of due diligence efforts to prove compliance. This includes risk assessments, supplier audits, and corrective actions.
- ✓ **Clear contracts:** Ensure supply chain partners commit to responsible business practices by including strong due diligence clauses in contracts.

- ✓ **Proactive remediation:** If an issue arises, take immediate steps to remedy the harm before it escalates into a lawsuit.



If a company causes harm due to inadequate due diligence, victims have the right to seek compensation — and lawsuits could be expensive, both in financial terms and in reputational damage too.

Key Legal Safeguards

To ensure victims have access to justice, the CSDDD requires:

- ✓ A minimum five-year limitation period for claims (starting when the harm is discovered, not when it occurs).
- ✓ The ability for trade unions, NGOs, and human rights groups to file claims on behalf of victims.
- ✓ Protection against prohibitively high legal costs, ensuring claimants can afford to pursue justice.
- ✓ Rules on disclosure of evidence, allowing courts to order companies to provide key information if claimants can show plausible grounds for their case.
- ✓ Joint and several liability, meaning that if a company and its subsidiary or business partner both contributed to harm, they can be held jointly accountable.

Enhanced Due Diligence: When Standard Due Diligence Isn't Enough

If due diligence is the opposite of negligence, when you already have hints that you are facing a challenging context, you need to do more than the basic. After all, if the road is ice — or if it is raining a lot — driving with regular care is not enough, you need special focus to avoid bad stuff from happening.



Journalists, watchdog groups, government agencies, and NGOs love a good investigation — especially when it involves companies operating in high-risk areas — and they're good at it. If your company operates in challenging environments, don't be surprised if tough questions or a detailed report suddenly put the spotlight on your operations. The best way to stay prepared?

Enhanced due diligence. When you know your risks and impacts and take proactive steps to address them, you're making sure you're not caught off guard by uncomfortable truths.

Some business environments come with higher risks that require extra scrutiny and responsibility — they are called challenging contexts. These include:

- ✓ **High-risk and opaque supply chains**, where tracing materials back to their source is difficult.
- ✓ **Countries and regions with weak governance**, where laws on human rights and environmental protection are poorly enforced.
- ✓ **Areas with discriminatory policies** targeting ethnic, gender, political, or other minority groups.
- ✓ **Regions affected by extreme poverty**, where economic desperation increases risks of exploitation.
- ✓ **Conflict and post-conflict zones**, where instability fosters human rights abuses and environmental destruction.

Operating in these challenging contexts doesn't mean you should avoid them — it means you need enhanced due diligence. The CSDDD mandates a systematic, risk-based approach to due diligence in high-risk scenarios. This protects human rights and the environment as it safeguards your business from legal, financial, and reputational damage.



It might be the case the best decision is to leave a place of operation or a business relationship. You see this in the Chapter 10 on Measures where we talk about “responsible disengagement”.

What Does Enhanced Due Diligence Mean?

Enhanced due diligence is about going deeper and being more proactive in identifying and mitigating risks. Instead of relying on surface-level checks, businesses must analyse risks and impacts systematically and act decisively. Key elements include:

- ✓ **Risk identification and analysis:** Conducting thorough assessments of operations, suppliers, and business partners to detect human rights and environmental risks early.
- ✓ **Expert support:** Leveraging specialists in human rights, environmental law, and sector-specific risks to enhance due diligence strategies and decision-making.
- ✓ **On-site audits and field assessments:** Visiting factories, farms, and mines first-hand — especially in high-risk areas — to ensure compliance with ethical standards.
- ✓ **Stronger stakeholder engagement:** Collaborating with local communities, workers' organisations, and NGOs to understand the real impacts of business activities.
- ✓ **Heightened grievance mechanisms:** Establishing secure and accessible channels for workers and affected individuals to report issues without fear of retaliation.
- ✓ **Clear risk prioritisation:** Tackling the most severe and likely adverse impacts first, rather than spreading resources too thinly.



Löning — Human Rights & Responsible Business can help you apply structured, expert-led approaches to enhanced due diligence. With proficient, native speaker of over 20 languages in the team from diverse nationalities and a vast network of local-based experts, Löning is ready to support your business in this

process. This kind of expert insight goes beyond mere compliance ensuring is understands your risk and actively contribute to better working conditions and environmental protection.

Expertise and Systematic Approach: The Keys to Success

Effective enhanced due diligence relies on expertise and a structured process rather than ad-hoc solutions. Companies that integrate deep analysis, external expertise, and systematic procedures into their due diligence practices are best positioned to manage risks responsibly.

- ✓ **In-house knowledge & training:** Building internal expertise by training employees to detect risks and implement ethical business practices.
- ✓ **Third-party assessments & certifications:** Partnering with independent auditors and certification bodies to verify responsible sourcing and ethical labour practices.
- ✓ **Industry collaboration:** Engaging in multi-stakeholder initiatives and sector-wide efforts to address systemic risks that no single company can solve alone.
- ✓ **Use of digital solutions:** Leveraging data analytics, real-time monitoring, and blockchain tools to track compliance and improve risk visibility.



Enhanced due diligence is a way to build a more resilient, ethical, and sustainable business that benefits people, the planet, and you!

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **Chain of activities extends due diligence obligations:** Companies must assess risks not only among direct suppliers but across a longer part of their value chain, including both upstream and some downstream partners.
- ✓ **Third-party assurance boosts credibility but does not remove liability:** Independent verification can enhance transparency and stakeholder trust, but companies remain responsible for compliance.
- ✓ **Civil liability is a reality for non-compliance:** If a company's failure to conduct due diligence leads to harm, it may face legal claims, reputational damage, and financial penalties.
- ✓ **Enhanced due diligence is required in high-risk contexts:** Businesses operating in sectors or regions with heightened risks must go beyond standard due diligence to mitigate potential human rights and environmental violations.

In the part and chapter you will learn all about the smart tools that will help you implement due diligence efficiently and effectively.

Part IV

A guide to CSDDD and Beyond with the osapiens HUB for Due Dilligence



IN THIS PART ...

Technology is transforming compliance, and the *osapiens HUB* is at the forefront of this shift. This section walks you through key implementation steps, from integrating data to automating due diligence, helping you manage risks efficiently and generate compliance reports with confidence.

How onboarding works in the osapiens HUB

Why data integration is key for handling supply chain due diligence

How role management simplifies compliance

Chapter 16

Laying the Groundwork — Onboarding and Integrating Data for Effortless Compliance

Welcome to Part IV! After reviewing the legal details of the world of HREDD and supply chain due diligence, you're now ready to focus on how to apply these requirements in practice. Part IV of this book is all about showing you how to put a robust supply chain due diligence system in place and automate related processes in an efficient way using the osapiens HUB. But we don't want to be rude, so let us quickly introduce ourselves, so you know who osapiens is, what we actually do and why we do it!

So, "Sapiens" is Latin for "the wise one", and the little "o" stands for *omnes simul*, which means "one out of many". This reflects our core philosophy of bringing all elements together as one. osapiens unites multiple ESG requirements, compliance topics and data sources in one central platform — just as *omnes simul* represents the idea of many coming together as one. By simplifying complexity, we help companies make smart, informed and data-driven decisions — because everything works better when it's connected.

In recent years, there have been big changes around making supply chains more sustainable and protecting human rights. Companies can't ignore these issues anymore because new laws are holding them accountable.

For example, Germany's Due Diligence Act sets rules for businesses to monitor their supply chains for human rights abuses and environmental harm. Other countries like Norway, Switzerland, and France have followed with their own laws, like the Norwegian Transparency Act, the Swiss Supply Chain Act, and France's Loi de Vigilance.

But it's not just these countries. The EU's Corporate Sustainability Due Diligence Directive (CSDDD) is set to introduce common supply chain regulations across EU member states, aiming to ensure companies take responsibility for sustainability and human rights.

And it doesn't stop there — there's also the CSRD, Corporate Carbon Footprint, Product Carbon Footprint, tons of product compliance rules, the European Deforestation Regulation, and more. If you've read this far, you've probably come across all of these.

And as if to underscore the ever-evolving nature of the ESG landscape, the EU has recently introduced the “Simplification Omnibus” proposal, aiming to ease corporate sustainability reporting and supply chain transparency rules to enhance Europe's global competitiveness. So stay tuned for more ESG changes, and rest assured that we, together with our legal expert partners, will always adjust our solutions to meet regulatory requirements — ensuring you can stay compliant in an easy and automated way.

In short, businesses need to act now because governments around the world are demanding more transparency and accountability.

- ✓ Business is changing — a lot. Companies will soon be legally required to check if their supply chains are ethical and sustainable. Ignoring it is not an option anymore.
- ✓ Tracking everything is a must. Businesses need to find out where their materials come from, how workers are treated, and what environmental impact they have.
- ✓ Failing to collect and organize this information properly can lead to serious consequences, including fines, lawsuits, and damage to a company's reputation.

There's no avoiding the need for transparent supply chains anymore — but don't worry, with the right plan, it's totally manageable. (Hint: if you're reading this, you've already got that plan in front of you.)

At osapiens, we know that sustainability reporting and compliance aren't just about following the rules — they're key parts of running a responsible, future-ready business. Our mission is to help companies gain the transparency and efficiency they need to make smart decisions, hit their sustainability goals, and keep up with ever-changing regulations.

Since we started in 2018, we've built a diverse team from over 40 countries, bringing together a wide range of expertise to create practical solutions for compliance challenges. We get that managing sustainability data can feel overwhelming, which is why we focus on making the process simple and effective. Our goal is to give businesses an easy way to stay compliant while adapting to global standards.

The osapiens HUB is an all-in-one platform designed to help organizations weave sustainability into their daily operations. It automates key compliance tasks like data collection, risk assessment, reporting, and monitoring. It's flexible enough to meet the unique needs of different industries and regions, allowing businesses to customize their approach.

We also partner with trusted organizations to make sure our solutions are rock-solid.

Technology is a big part of what we do. Using AI and other advanced tools, we help companies stay ahead of regulatory changes, spot potential compliance risks, and take action before they become problems. Whether you're working to meet the requirements of various supply chain due diligence laws or tackling areas like product safety, cybersecurity, financial due diligence, or supply chain transparency, our Due Diligence solution has you covered.

The osapiens HUB also supports a wide range of ESG-related needs, from CSRD and EUDR to product compliance and beyond. Our aim is to seamlessly connect all the relevant laws and guidelines tailored to the specific reports your company needs to generate.

We believe compliance shouldn't be a burden — it's an opportunity to improve operations and build trust with stakeholders. Our team is here to support you every step of the way, ensuring your compliance efforts are efficient, actionable, and aligned with your business goals.

But as we know, when companies talk about supply chain due diligence, their concerns go far beyond just compliance and ESG. The world is changing fast — geopolitical tensions, financial risks, cyber threats, and supply chain disruptions are making it harder than ever for businesses to stay on top of things. It's not just about following rules; it's about keeping operations running smoothly, staying competitive, and avoiding costly surprises.

That's why we've built a platform that helps businesses collect and manage data effortlessly, integrate different reporting standards, and get real-time insights into supply chain risks. Our centralized ESG cockpit makes it easy to track key metrics, stay compliant, and make smart decisions — without drowning in complexity.

Throughout this book, you'll find more insights on these challenges, along with practical steps to strengthen your supply chain and prepare for the future.

Okay, enough about us. Let's dive into how you can fulfill various supply chain due diligence requirements and what to watch out for along the way!

Introduction to Practical Implementation of Supply Chain Due Diligence Compliance with the osapiens HUB

In the chapters ahead, we will guide you through each step of setting up a successful risk management process that aligns with supply chain due diligence and CSDDD requirements.

1. We start with the abstract risk analysis, which helps you understand potential risks within your supply chain at a high level.
2. We'll show you how to build a detailed risk file for your suppliers, using tools like self-evaluation questionnaires and certificates to gather important information — also known as the concrete risk analysis.
3. We'll also help you create a 360-degree view of your supply chain risks by integrating additional layers of monitoring, such as grievance mechanisms and news screening. These tools help you stay updated on any new risks or incidents with your suppliers.
4. You'll learn how you can use the data you've collected to generate compliance reports for different laws and regulations in the HREDD space and beyond.

So by now you have probably noticed that the osapiens HUB isn't just for CSDDD compliance to name the biggest directive out there, at least for the time being.

If you're the type who likes to tackle multiple challenges at once, you'll be glad to know it can also help you expand your risk management to cover other important areas like

- ✓ cybersecurity (you've probably heard of NIS 2),
- ✓ sanction lists,
- ✓ financial ratings,
- ✓ product compliance, and
- ✓ really any other risk dimension that is important to your business!



We'll even show you how to customize the tool to meet your industry's or country's specific needs by adding your own risk categories, providing a more flexible and comprehensive approach to managing supply chain risks.

Are you ready to start your supply chain due diligence journey? Because you're about to set the foundation for building an effective risk management system that not only meets CSDDD and other HREDD requirements but also helps your business manage a much wider range of supply chain risks. Let's get started!

How the osapiens HUB Onboarding Process Works

When you sign up for the osapiens HUB or one of its solutions, we've designed the onboarding process to be smooth and efficient for your team. You'll get a dedicated onboarding manager from osapiens who will guide you through every step, making sure everything aligns with your business needs.

During onboarding workshops (see Figure 16.1), different osapiens experts will join based on the topic being covered. We'll also make sure the right people from your team are involved, so no one's time is wasted. We're not here to create 'this could've been an email' meetings.

For example, your IT team's time is probably limited and their schedules are packed. That's why they'll only need to join data and IT-focused workshops — no unnecessary meetings. The same goes for other teams who might only interact with the tool occasionally. This way, you can manage your resources more effectively.

Here's a quick overview of what the different workshops will cover and what you'll get out of them. Of course, there will be some 'homework' between sessions to provide the necessary input from your side for each topic.

1. Kick-off & Initial Setup

The onboarding begins with a kick-off workshop, where we set expectations and define the project scope. You'll provide your business partner master data via an Excel template, which will be uploaded into the osapiens HUB, for now. In case you want to set up an integration like the REST API or the SAP Connector, we'll schedule a separate workshop for that with your colleagues from IT.

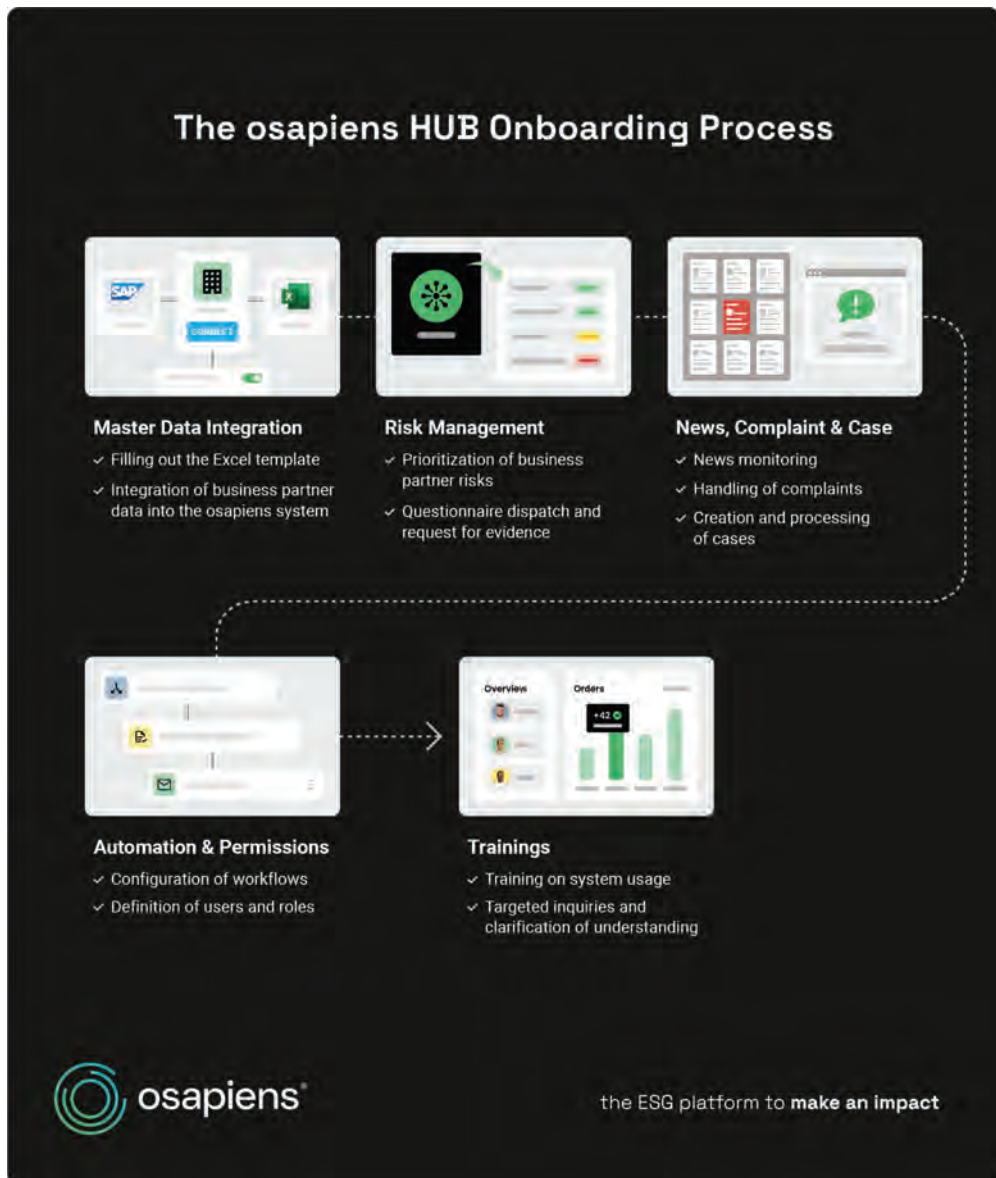


Figure 16.1: osapiens Onboarding Workshops

2. Risk Management Setup

After your data is uploaded, we focus on setting up your risk management processes. This includes configuring workflows for risk mitigation, defining roles, and setting permissions.

3. News, Complaints, and Case Management

In this workshop, you'll learn how to manage so-called substantiated knowledge, such as news updates, complaints, and cases within the system. Our experts will guide you through the processes for staying on top of relevant news, managing any complaints that arise, and handling cases efficiently. You'll be trained on how to use these tools to track and resolve issues effectively.

4. Automation and Permissions

We'll help you set up automated workflows to ensure the right people are notified when action is needed. We'll also help you define user roles and permissions so that responsibilities are clear within your organization.

5. Training Sessions

Our onboarding team will provide you with insightful training sessions, where you'll get a deep dive into the features and functionality of the osapiens HUB. These sessions are interactive and allow you to practice using the system. Throughout the training, you'll also have the opportunity to ask questions and get hands-on experience in the demo environment.

6. Go Live & Ongoing Support

After the training, you'll be ready to go live! The osapiens team will provide full support during the launch, and we'll be there to help with any questions afterward. You'll also have access to our help center and ticketing platform for ongoing support. On top of that, we offer additional resources such as webinars and literature to ensure your team stays up-to-date with the system's features.



During onboarding, make sure to involve the right people from your team based on the specific workshops. For example, your IT team should participate in workshops focused on data integration and system configurations. This ensures that the onboarding process is efficient and doesn't take up unnecessary resources.

Sounds too good to be true, right? Okay, we admit, there are some parts where you need to take action and do your homework, but we provide the framework and necessary support to make sure your onboarding is a success. Here's what we promise we'll do:

- ✓ **Providing a dedicated onboarding manager:** Your dedicated onboarding manager will guide you through each step, ensuring everything is set up to your needs.
- ✓ **Facilitating workshops:** Our experts will conduct focused workshops on topics such as data integration, risk management, and compliance.
- ✓ **Offering full support:** We'll be there to help with any questions, assist in troubleshooting, and offer continued support even after the onboarding process is complete.
- ✓ **Providing continuous education:** You'll also have access to additional resources, like webinars, to keep your knowledge current.

Now let's get to the part where you'll need to roll up your sleeves. These are the steps we can't do for you because, well, we're not you!

- ✓ **Providing business partner data:** Your team is responsible for supplying the necessary business partner data via the Excel template or through your ERP system.
- ✓ **Engaging in workshops:** You and your team should attend the workshops conducted by osapiens. These workshops are designed to cover specific topics, so the participants may vary depending on the topic.
- ✓ **Defining risk management needs:** Work closely with osapiens to customize your risk management setup based on your business needs.
- ✓ **Participating actively:** Throughout the onboarding, it's important that you actively participate, provide feedback, and follow up on any questions or concerns to ensure a smooth transition.

The key benefits of the onboarding process

Starting with a new system can feel overwhelming, but we've got you covered. Our onboarding process is designed to make things easy for you and your team. With personalized support and hands-on training, we'll help you get up and running smoothly.

- ✓ **Personalized support:** Your dedicated onboarding manager from osapiens will be there to guide you through every step.
- ✓ **Clear structure:** All your business partner data, workflows, and processes will be set up according to your specifications.
- ✓ **Comprehensive training:** You'll gain hands-on experience during training sessions, making sure your team is fully prepared to use the system.
- ✓ **Seamless transition:** Once the onboarding is complete, your team will be ready to manage your supply chain risks and compliance effectively.

This process makes sure you're fully ready to use the osapiens HUB for managing risks and compliance in your supply chain, with ongoing support to help you succeed long-term.

Now that we all understand how important a well-planned onboarding process is, let's go over the key steps to set the foundation for compliance. This includes setting up integrations, identifying the data you need, and assigning roles and permissions within your team.

How Data Integration Works in the osapiens HUB

A risk management without data is like a car without an engine — it doesn't really work and it would be pretty pointless having, right? So, collecting and integrating important business data is essential to get your risk management up and running. Luckily, there are different

ways of integrating this data into the platform, deepening on what your current setup and status quo is.

1. **Data collection from your ERP system:** The osapiens HUB connects directly to your existing ERP system, ensuring that all relevant master data — such as business partner details, contact information, and other business partner data — is easily integrated. Whether you're using Excel upload templates available within the tool, our REST API, or the SAP connector, the system makes it easy to pull this data into the HUB (see Figure 16.2).
 - **Excel upload:** If you prefer using Excel files, simply upload them into the system. You will find templates to download in the tool to make the process even easier. This is a great option if you have structured data in spreadsheets that you'd like to migrate into the HUB for further processing and analysis.
 - **REST API integration:** For a more automated and seamless data flow, you can use our REST API to integrate your business data directly from your ERP system to the osapiens HUB. This method ensures real-time data updates, keeping your system always in sync.
 - **SAP connector:** If you're using SAP, the osapiens HUB can connect directly through our certified SAP connector. As an add-on within SAP, it's built right into your SAP system, making it easy to transfer all your ERP data, like master data and business partner details. This setup helps reduce manual work and keeps your data perfectly synced

It's up to you which method you choose although during the first steps of the onboarding process we usually would start with an excel upload of a first number of business partners to get things going.

2. **Data processing and organization:** Once you upload the data, the osapiens HUB automatically processes and organizes it. It creates profiles for your business partners, analyzes the data, and calculates a risk score in real time. This way, you get detailed business partner profiles with key information to help you get started right away.
3. **Seamless use across the platform:** After the data is in the system, you can use it right away across different features in the osapiens HUB. Whether you're checking business partner risks, managing certificates and documents, or creating reports, the data is instantly ready to go.
4. **Customization for your needs:** You can also tweak how the osapiens HUB handles and shows your data to fit your company's needs. For example, you can organize your business partners by region, industry, or risk level and many other filters. This helps you set up workflows and trigger actions based on those categories. These filters can also be saved as a personalized view, making it easy to find relevant information quickly.
5. **Real-time updates and synchronization:** Our system keeps your data updated in real time by syncing directly with your ERP. So, whenever something changes in your ERP — whether someone updates it manually or the system does it automatically — those changes show up right away in the osapiens HUB. This way, your business partner info and risk reports are always accurate and up-to-date, without any delays. If you prefer not to automatically update your data, that's no problem either.

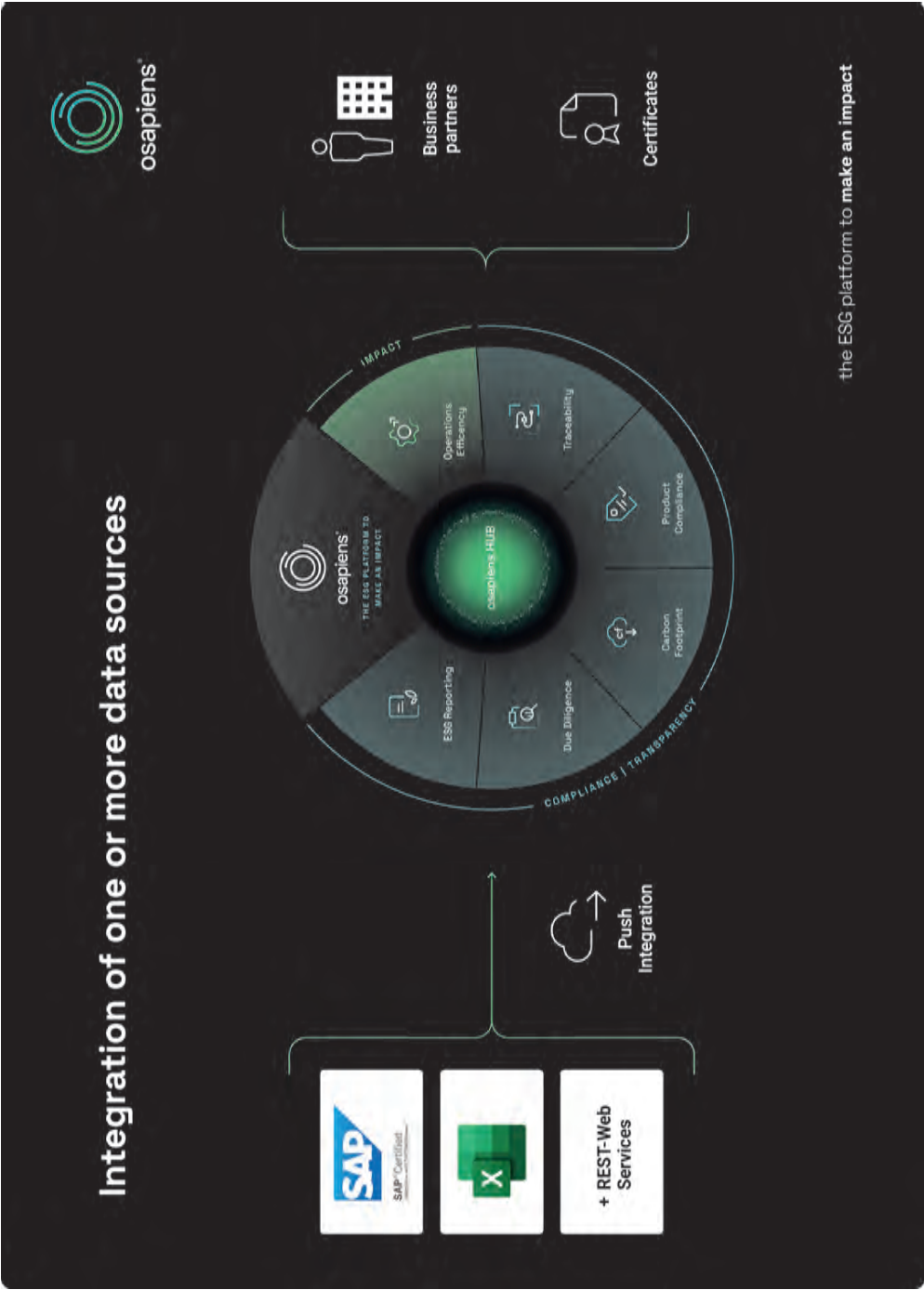


Figure 16.2: Possible Integration Setups



The osapiens HUB offers flexible integration options, including Excel uploads, a REST API, and the certified SAP connector. Choose the method that best fits your business to ensure smooth, real-time data synchronization with your ERP system.

By using these integration methods, the osapiens HUB helps centralize your business data, making it easy to use for risk management, compliance tracking, and more. The more accurate and consistent your data input is, the more efficient and effective your risk and compliance processes will be.

Now that you have an idea of how to integrate relevant master data into the osapiens HUB, you're probably wondering: What specific data do I need to transfer for the system to work properly? Let's break it down.

1. Master data

These are the essential details about your business partners, suppliers, and other stakeholders. The main fields include:

- **Supplier ID:** A unique identifier for each supplier.
- **Name:** The name of the business partner.
- **Address:** The physical location of the business partner.
- **Country:** The country of the supplier.
- **Contact information:** This includes phone number, email, and language preferences, so you can easily get in touch.

These data fields help you set up and manage business partner profiles in the system.

2. Risk analysis data

For assessing potential risks in your supply chain, these additional fields are needed:

- **Industry sector (NACE Codes):** This helps categorize suppliers based on their industry and related risks. We can also help you enrich your data with NACE Codes if you don't have them (Psst.. very few companies do have them!).
- **Annual trade volume and annual revenue of the business partner:** This enables our tool to automatically calculate the leverage you have over the business partner — very useful information when it comes to the extent of preventive and remedial measures.

3. Certificates

If you already have certificates and evidences for your business partners in your ERP, you can upload them to the osapiens HUB. These can automatically improve the business partner's risk score, depending on the type of certificate. Suppliers can also add certificates later through questionnaires, or they can be pulled automatically if you have an Amfori BSCI (a social auditing report) license, thanks to our integration with Amfori.

Understanding Role Management and Authorization in the osapiens HUB for Due Diligence

Setting up role management is one of the first key steps in the osapiens HUB for Due Diligence. This helps you assign responsibilities and permissions within your team, making sure the right people have access to the right data and tools. During onboarding, you'll join workshops with our onboarding manager and subject-matter experts who will guide you through this process, ensuring it fits your company's structure and needs.

But what exactly are authorizations and roles?

- ✓ **Authorization** defines what a user can do within the system. It could be anything from viewing data, editing information, or even deleting records. It's the power assigned to a role.
- ✓ **Roles** represent the different functions within your team. They come with specific authorizations that determine what level of access a person has to various features. For example, someone with a 'Compliance Officer' role might be able to manage complaints but wouldn't have permission to modify master data

Why Do You Need Roles?

- ✓ **Error prevention:** By restricting certain actions, such as deleting important data, roles ensure that only authorized individuals can perform sensitive tasks.
- ✓ **Separation of responsibilities:** Assigning roles helps divide responsibilities among your team members, which ensures that tasks are clearly assigned and reduces the risk of conflicts of interest.



Make sure to review and update roles periodically, especially when there are changes in your team structure. This ensures the right people have the right access at all times.

Predefined Roles in osapiens HUB

The osapiens HUB offers several predefined roles to help you get started quickly (see Figure 16.3). These roles are designed to match common tasks and responsibilities within a company, but you can easily customize them to fit your specific needs. Some predefined roles include

- ✓ **Admin:** Full access to all areas of the system.
- ✓ **Purchasing:** Focus on business partner data, risk analysis, and case management.
- ✓ **Compliance officer:** Handles complaints, news monitoring, and compliance tasks.
- ✓ **Auditor:** Read-only access for overseeing data without making changes.

Predefined Roles in the osapiens HUB for Due Dilligence	
ROLE	Focus & description
Admin	<ul style="list-style-type: none"> ✓ Full access, allowed to perform all actions and manage all areas without limitations
Purchasing (extended)	Business partner data <ul style="list-style-type: none"> ✓ Inspection and implementation of the risk analysis ✓ Creating and assigning cases ✓ Additional authorization for user administration, business partner groups, workflows
Purchasing	Business partner data <ul style="list-style-type: none"> ✓ Inspection and implementation of the risk analysis ✓ Processing of cases after assignment
Compliance Officer	Complaints and case management <ul style="list-style-type: none"> ✓ Insight into the complaints system and distribution of complaints ✓ Creation of cases and assignment of processors
Auditor	<ul style="list-style-type: none"> ✓ Read-only authorization for each area
Master data maintenance	<ul style="list-style-type: none"> ✓ Correction/maintenance of master data
Whistleblower processing	Case management <ul style="list-style-type: none"> ✓ Access to the whistleblower system ✓ Processing of cases after assignment to whistleblower category
Processing LKSG	Case management <ul style="list-style-type: none"> ✓ Insight into the complaints system ✓ Processing of cases after allocation to LkSG categories
User administration	<ul style="list-style-type: none"> ✓ Editing, adding etc. of users
Report author	<ul style="list-style-type: none"> ✓ Generating the BAFA report
osapiens-Support-Admin	<ul style="list-style-type: none"> ✓ Support only, no view of complaints & cases in the productive system

Figure 16.3: Pre-defined Roles in the osapiens HUB for Due Diligence

- ✓ **Whistleblower officer:** Manages whistleblower cases and compliance reporting.
- ✓ **Report author:** Responsible for generating compliance reports.

How to Assign Roles

In your onboarding workshop, we'll guide you through the process of defining and assigning roles. You will:

1. **Define roles:** Based on your company's needs and team structure.
2. **Assign permissions:** Decide who gets access to which features and data.
3. **Customize roles:** Modify the roles as needed to fit your workflow.



Role management is an essential part of your company's initial setup in the osapiens HUB. Take the time to assign responsibilities carefully during the onboarding process to avoid future access or workflow issues.

Benefits of Role Management

Managing roles the right way can make your life a whole lot easier. When everyone knows what they're responsible for and has the right level of access, things run smoothly, securely, and efficiently. Here's why role management is a game-changer for your team.

- ✓ **Increased security:** Role management limits access to sensitive data, reducing the chance of errors or unauthorized changes.
- ✓ **Clear responsibility allocation:** It makes it clear who is responsible for what, ensuring nothing falls through the cracks.
- ✓ **Efficiency:** Customizing roles helps to streamline processes, enabling your team to focus on their tasks without overlap.



By setting up role management properly, you ensure that your team members have the necessary permissions to carry out their tasks effectively and securely. This makes the entire compliance process more efficient and manageable, and helps your company stay on top of its due diligence requirements.

Key Takeaways

Here's a quick recap of the key points from this chapter:

- ✓ **Onboarding Support with Workshops and Dedicated Onboarding Manager:** The onboarding process includes a series of workshops led by a dedicated onboarding manager. These sessions will guide you through key steps like setting up integrations, identifying the data you need, and defining roles and authorizations within your team.

- ✓ **ERP data integration:** Integrating your ERP system with the osapiens HUB ensures that all your important business data — like master data, supplier information, and financials — is centralized and streamlined for easier management and better efficiency.
- ✓ **Master data, risk analysis data & certifications:** Key details like supplier number, name, contact information, industry sector, annual trade volume, supplier revenue, and certificates are crucial for setting up and managing business partner profiles, assessing risks, and ensuring compliance.
- ✓ **Predefined roles:** osapiens HUB provides predefined roles such as Admin, Compliance Officer, Auditor, and Report Author, which can be customized to your needs.

In the next chapter, we'll take a closer look at how a solid abstract risk analysis lays the groundwork for effective risk management.

Why a solid risk analysis is key for CSDDD compliance

Abstract vs. concrete risk analysis explained

Automating risk assessment with the osapiens HUB

Chapter 17

The Power of a Solid Risk Analysis

Congratulations! Setting up the integration and getting your master data ready is a huge step you've already taken on your way to responsible and transparent supply chain management! This lays the foundation for successful risk management and enables our workflow module to handle the heavy lifting. When it comes to implementing supply chain due diligence, having a reliable partner with proven expertise can make all the difference. That's where osapiens comes in. We've successfully supported over 1.000 customers in achieving compliance with Germany's Supply Chain Due Diligence Act (LkSG). This German law was one of the first national supply chain acts and shares many of the same goals as the CSDDD, as well as other related national laws for supply chain due diligence. In short, we have the experience and know-how to help you navigate these requirements with confidence.

Our expertise has helped numerous companies to establish strong foundations for sustainable and effective supply chain management. We're here to ensure that the process feels less overwhelming and more manageable.

At the heart of our approach is the osapiens HUB for Due Diligence. Designed to be user-friendly and efficient, the HUB simplifies compliance by automating complex processes and staying up-to-date with regulatory changes. With features like real-time legal updates and a focus on ease of use, the HUB ensures you remain compliant as regulatory clarity evolves, especially looking at the new Omnibus proposal. Whether your company is large or small, our solution helps make risk analysis and compliance as smooth and straightforward as possible.



Did You Know? osapiens has partnered with over 1.000 companies in Germany to meet the requirements of the German Due Diligence Act (LkSG). This experience is our foundation for supporting companies across Europe in navigating CSDDD compliance with confidence.

Why Start with a Risk Analysis?

The risk analysis is a very crucial step when tackling supply chain due diligence, such as in the CSDDD and related national laws, for example. It helps you to figure out where to start, identify potential “black sheep” in your supply chain, and implement measures where they make the most sense. Think of it as your compass to success for responsible sourcing and supply chain management.

Let’s imagine you’re planning an ambitious trip to sail around the world. At first glance, your boat seems to be in great condition — the sails look strong, the engine runs, and the hull is spotless. But instead of setting off immediately, you hire a marine surveyor to do a thorough inspection. He discovers that the rigging, which looks fine to the untrained eye, is worn and could fail under high winds. Armed with this information you replace the rigging before setting sail and avoid a potential disaster in the middle of the ocean. Meanwhile, you save time and money by not fixing parts of the boat that don’t need attention.

This is essentially what the abstract risk analysis is — a diagnostic run by a professional (let’s call them osapiens for this example). It identifies the weak points in your supply chain and allows you to focus on high-risk suppliers. This abstract risk analysis even happens in real time, so you’re ready to set sail and start your journey in no time.

The Basics: Abstract vs. Concrete Risk Analysis

Let’s start with the basics of risk analysis. The current supply chain laws and directives out there require you to conduct two types of risk analyses: an abstract and a concrete one.

1. The abstract risk analysis

This step provides a broad, high-level evaluation of potential risks across your entire value chain. It helps you identify areas where adverse human rights or environmental impacts are most likely to occur, allowing you to focus your compliance efforts more effectively. The analysis considers several critical aspects, including:

- **Key risk areas**, which can include factors such as:
 - Specific regions that are known for higher risks related to human rights or environmental issues
 - Industries that have historically been prone to compliance challenges
 - Operations that involve complex supply chains or higher levels of regulatory scrutiny
- **Data sources**, which should be reliable and widely recognized, such as:
 - Country and industry indices that provide a general risk overview
 - NGO reports that highlight critical issues within supply chains
 - Other publicly available data that offer insights into potential risks across various sectors

By leveraging these sources, businesses can gain valuable insights into the most risk-prone areas and develop appropriate mitigation strategies.

2. The concrete risk analysis:

Once the abstract risk analysis has highlighted high-risk areas, the next step is to carry out a more detailed and focused evaluation. This phase helps businesses gain deeper insights into the identified risks, providing a clearer understanding of the potential challenges ahead. A thorough concrete risk analysis involves:

- **Collecting detailed information, which can be achieved through:**
 - Self-assessment questionnaires sent to suppliers to gather specific compliance data
 - Supplier certificates that verify compliance with regulatory and industry standards
- **Engaging stakeholders, which helps to:**
 - Determine the actual scope of identified risks and prioritize them accordingly
 - Assess the severity of potential compliance issues and decide on appropriate corrective actions

This deeper level of analysis helps you take proactive steps to ensure compliance with regulatory requirements and reduce potential risks in their supply chains. For more details on how to conduct a concrete risk analysis, check out Chapter 18.

At osapiens, we stick closely to the requirements of the regulations, so our tool is designed to guide you through both steps seamlessly. Now, let's dive into the details of how you can easily conduct these risk analyses, starting with the abstract risk analysis in this chapter.



✓ **Abstract risk analysis:** This is your first step, providing a big-picture view of risks based on general data like the country and industry of each supplier. It's automated and AI- powered, so you just need basic information to get started.

✓ **Concrete risk analysis:** Once you've got the big picture, this is where you zoom in on specific suppliers, checking their certifications or asking them to fill out questionnaires to confirm compliance.

In this chapter, we'll focus on abstract risk analysis. Think of it as the initial scan that tells you where to dig deeper later.

How the Abstract Risk Analysis Works with the osapiens HUB

So, what does an abstract risk analysis actually look like in practice? With the osapiens HUB, it's a mostly automated process that uses artificial intelligence to gather and analyze data from various sources.



The abstract risk analysis isn't a "one and done" kind of task — it's something you need to revisit regularly. Think of it as ongoing maintenance for your business.

It's not a report you can just file away and forget about. It's a regular risk analysis that need to be updated at least once per year. This process works by using business partner master data, which is why it's often called the master data-based risk analysis.

It all starts with Master Data

To kick off your risk analysis, you need your business partners' master data in the osapiens HUB for Due Diligence. You can get started by uploading your business partners' master data using our easy-to-fill Excel template or, for a more automated approach, you can use one of our integration options, like our certified SAP connector or REST API, to streamline the process.

For the Master data, start with the basics: where they're located, what industry they're in, and any identifying details. Here's what you absolutely need to have on hand:

Master Data We Can't Live Without

To get the most accurate risk assessment, it's essential to have a few key pieces of information about your business partners. These core data points form the foundation of your risk analysis and ensure you have a clear understanding of potential risks in your supply chain.

- ✓ **Business partner ID and name:** Pulled straight from your ERP system.
- ✓ **Supplier location:** What country are they in? (This helps identify location-specific risks.)
- ✓ **Supplier industry:** What industry are they in? NACE codes are especially useful here (don't worry, the software can help assign these automatically).
- ✓ **Incomplete data = incomplete analysis.** Missing even one essential piece of master data can create gaps in your risk analysis. Double-check that your supplier data is accurate and up-to-date before you begin.
- ✓ **Context matters!** Don't just rely on country information — understand your suppliers' unique circumstances. For example, a supplier in the same country might face very different risks depending on the industry they work in!

Nice-to-Have Data (a.k.a. Bonuses)

Want to supercharge your risk analysis? Add these extras:

- ✓ **Contact details:** At least one person to reach out to at your business partner. Why? This makes it easy to request information, send questionnaires, reminders, and more — automatically.
- ✓ **Revenue info:** Knowing your supplier's annual revenue and your trade volume with them is super helpful. The tool can calculate your **leverage** (a fancy way of saying how much influence you have over them) and suggest actions to take.

✓ **More details:** For a complete set of master data, you can also add extras like:

- Business Partner Identifiers (e.g., DUNS number, VAT number & more)
- Number of employees
- Website links
- Connections to other business partners, like parent companies, subsidiaries or Tier N business partners (you can find more information on Tier N business partners in Chapter 20).



Save yourself time and headaches by automating data collection wherever possible. Tools like the osapiens HUB can automatically assign NACE codes, send reminders, and even calculate leverage based on the data you provide. Data providers like Dun and Bradstreet (official osapiens Partner) can enrich your master data with information on annual revenue, number of employees, DUNS number and many more). The more you automate, the less manual work you'll have to do — and the fewer the chances for errors!

Risk Scoring Made Easy

Once the master data of suppliers has been added to the tool, our software taps into over 3,000 external sources, such as country and industry risk databases, and calculates a risk score from 0 to 6 for each supplier in real time. This number tells you at a glance whether you're looking at a low, medium, or high-risk supplier.



The osapiens HUB is continuously scanning trusted databases for country and industry risks, so you'll get up-to-date risk scores without hours of research. And don't worry — you're in control of how often the risk scores get updated to fit your needs.

With the risk score calculated, the software automatically groups business partners into low, medium, and high-risk categories. This way, you can see where the biggest risks might be without digging through every single supplier manually (see Figure 17.1: Risk Scoring and Grouping).

In the business partner profile, you can always find a clear breakdown of how the risk score was calculated and all the sources used.



One major benefit of this transparency is that, in case of an audit, you'll have all the proof you need, ready and clear, without lifting a finger.

Unpacking the Risk Score

You now have the abstract risk scores calculated for your business partners, but let's have a closer look to understand how these scores are built. It's not just a single risk score based on the supplier's industry and location — it's actually made up of several risk scores across

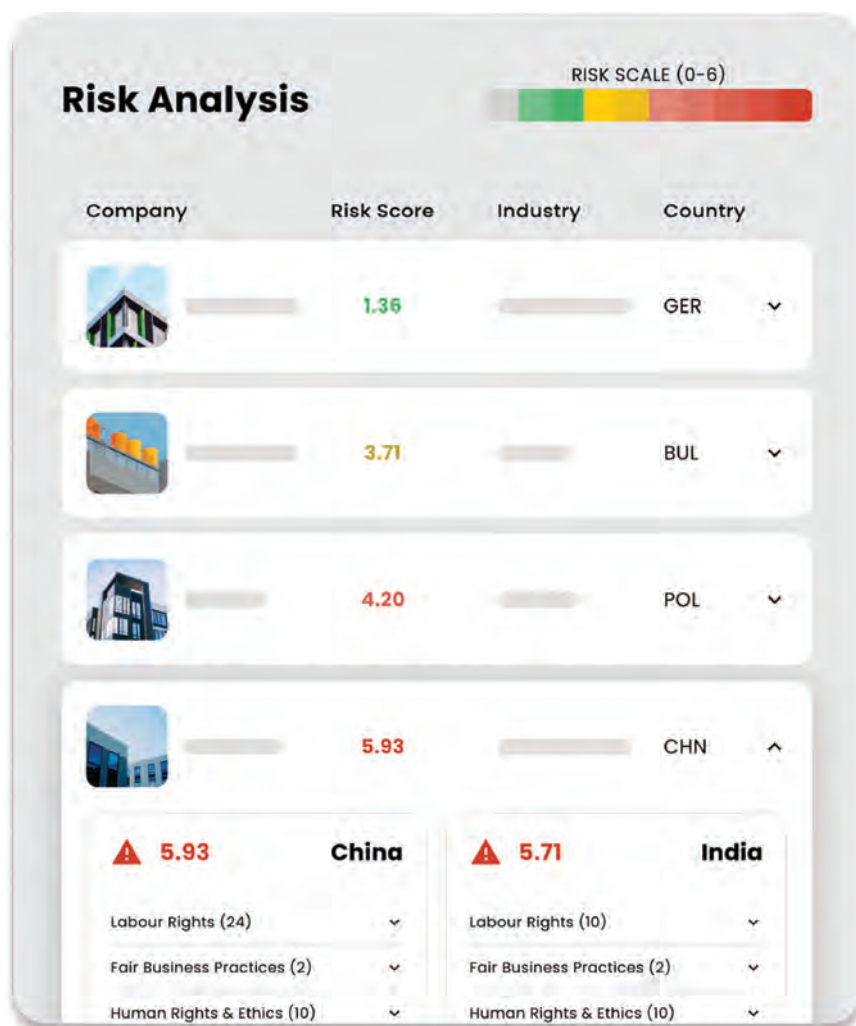


Figure 17.1: Risk Scoring and Grouping

different categories covering human rights, environmental, as well as governance risks (as an example, see Figure 17.2: CSDDD Risk Categories). These individual scores are weighted to create the overall risk score.

Configuring Risk Categories

The osapiens HUB for Due Diligence comes with a standard setup for risk score and risk source configuration which uses a weighting designed by our partner law firm, but you can tweak these to match your company's specific needs. Plus, you can set red flags for the categories that are absolute deal-breakers for you and maybe are even high-risk categories within your industry. For example, if your business partner operate in an industry where jobs can be dangerous at times, you might want to put a red flag on occupational safety.

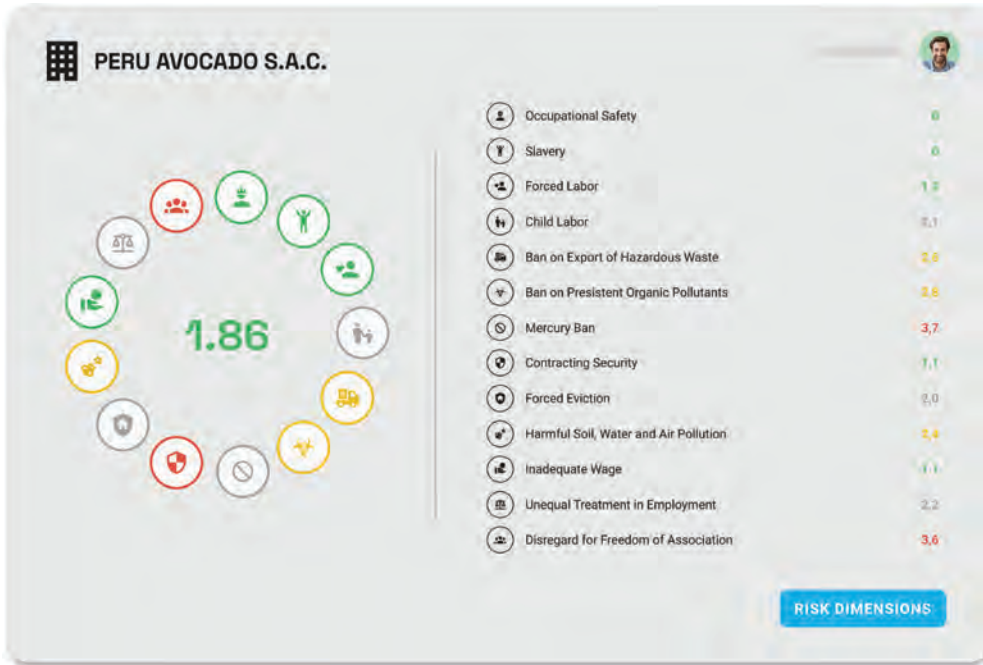


Figure 17.2: CSDDD Risk Categories



Avoid setting all risk categories to maximum priority. This can create “risk overload”, making it hard to identify truly high-priority issues. Stick with the main risk areas relevant to your industry and let the software guide you.

You can even create your own risk dimensions based on the areas where you’d like to gain more insights from your business partners. This will be explained in Chapter 24.

The Role of Artificial Intelligence (AI) in the Abstract Risk Analysis

Let’s talk a bit about the magic behind the curtain. The osapiens HUB uses our in-house AI to power the risk analysis, which means it’s scanning and processing huge amounts of data continuously. Here’s what that means for you:

- ✓ **Automated Data Analysis:** Our AI analyzes data from thousands of sources, including risk reports, complaint records, and global rankings.
- ✓ **Regular Updates:** The tool isn’t static; it refreshes itself. You can set how often you want the risk scores to update (daily, monthly, yearly, you name it). This way, if a supplier’s risk status changes, you’ll know.



Set your risk update frequency based on your industry needs. Fast-paced industries may need daily updates, while others might only need monthly checks. The osapiens HUB for Due Diligence lets you choose, so set what works best for you.

Essential Steps for Running an Abstract Risk Analysis

It all sounds really easy, right? Well, it is! Here's a step-by-step recap of how the abstract risk analysis takes place:

1. **Upload business partner data:** Start by uploading your business partners' master data. This includes basic information like their names, addresses, and industry codes (NACE codes, which the software can help assign).
2. **Receive risk scores in real time:** With the upload of the master data, the software runs the analysis, calculating scores for each supplier based on their country, industry, and other factors in real time.
3. **Review and prioritize:** Check out the results, with business partners grouped by risk level. High-risk suppliers are the ones you'll want to focus on in the next steps, while low-risk ones can be monitored without immediate action.
4. **Set up regular updates:** Decide how often you want the analysis to refresh. This keeps your data current without requiring you to start from scratch every time.
5. **Adjust settings if needed:** The tool comes with pre-selected sources and settings, but you can customize these. For example, you can prioritize certain risk categories over others or even change the sources that are used per category.



Regularly updating your data and risk assessments keeps your compliance efforts on track as suppliers or regulations change. The osapiens HUB takes care of these tasks for you, so you can focus on the bigger picture while working with ready-to-use insights and results.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **The abstract risk analysis** gives you a high-level view of potential risks in your supply chain.
- ✓ **The osapiens HUB for Due Diligence** makes it easy by fully automating the abstract risk analysis and risk scoring, so you can focus on the suppliers that need attention.
- ✓ **This analysis provides a foundation** for deeper, more specific checks as you work through your compliance requirements.

In the next chapter, you will learn all about the concrete risk analysis — the step where you get detailed with each supplier and verify their compliance through certifications, questionnaires, and more.

Conducting a concrete risk analysis

Using questionnaires and certificates

Automating the risk assessment process

Chapter 18

Building Your Risk File with Suppliers

Now that you've grouped your business partners into high, medium, and low-risk categories based on their industry and location using the abstract risk analysis, it's time to take a closer look at your high-risk suppliers first. This is where the concrete risk analysis comes in, allowing you to gather detailed information and verify the actual risks your suppliers might face.

The Abstract and the Concrete Risk Analysis

Just to recap, the abstract risk analysis provides a broad overview of risk factors — think of it as a map of your suppliers' general risk exposure based on their industry and location. However, it doesn't go as deep as the specific practices or circumstances of individual suppliers. That's why the concrete risk analysis is so important: It zooms in on those suppliers, confirming if the risks flagged in the abstract analysis are actually present, and gathers additional details to give you a full picture of each supplier's risk profile.

Focus on High-Risk Suppliers

Start with the suppliers that showed up as high-risk based on their location and industry. These business partners might be located in countries with higher human rights concerns or industries more prone to environmental damage. But here's the thing: location and industry alone don't tell the full story.



A textile supplier in Bangladesh might have the most employee-friendly factory and culture, yet because of the broader risks in the textile industry and Bangladesh itself, they would likely show up as a high-risk supplier in the abstract analysis. This is where a self-evaluation questionnaire lets your supplier share all

the important info and evidence, showing that they're following human rights and environmental guidelines.

That's where the concrete risk analysis comes in. You want to create a waterproof supplier profile that will pass any audit because you gathered all information necessary. By sending targeted questionnaires to these suppliers, you give them a chance to clarify their specific situation, provide certificates or other evidence, and respond to questions you may have. This step helps you to ensure that their actual operations and compliance practices align with your expectations.

Streamlined Questionnaires for Efficiency

When reaching out to your business partners for more information on the risks flagged in their abstract risk assessment, keep it simple! No one wants to fill out a long questionnaire full of irrelevant questions.

For example,

- ✓ asking a German supplier about their policies on child labor is probably not necessary.
- ✓ if your supplier already has Fair Labor Accreditation certificate, you can skip questions about human rights — those are already covered!

This is, of course, also the case for other official certificates that are applicable in the context of CSDDD.



Keep things as short and sweet as possible, but make sure it's detailed enough to give you the information you need. It's all about being relevant and efficient!

The goal is to build a good, relevant relationship with your business partner. So, focus on asking only the questions that matter based on their location and industry. Along with questionnaires, request any relevant certificates or evidence that help create a complete picture of their operations.

Quick Checklist: Reaching Out to Business Partners

- ✓ **Focus on relevance:** Only ask questions that relate to the supplier's location and industry.
- ✓ **Keep it short:** Avoid long, unnecessary questionnaires. Stick to the essentials!
- ✓ **Request certificates:** Ask for any relevant certifications (e.g., fair labor accreditation) to verify their practices and shorten the questionnaires as suppliers are answering to it.
- ✓ **Skip redundant questions:** If a certificate already covers a topic (e.g., human rights), don't ask about it again.
- ✓ **Be efficient:** Ensure your requests are clear, to the point, and as brief as possible without sacrificing the details you need.

Sounds like a lot of work? To be honest, if you were to do all this manually, you would probably need a whole team of people taking care of supply chain due diligence questionnaires, depending on the number of suppliers that you have. The good news is that the osapiens HUB takes care of everything for you. It makes this process easy by automatically sending pre-defined dynamic questionnaires tailored to the risks identified during the abstract risk analysis. This makes sure that your suppliers only receive questions that are directly relevant to their specific situation. In other words, you won't overwhelm your suppliers with unnecessary paperwork. The tool also automatically reminds business partners if they haven't filled them out and even updates their risk scores based on their responses.

Additionally, the tool offers over 35 different questionnaire templates, all available in more than 27 languages. These templates were designed by our legal partner, Graf von Westphalen, experts in compliance, supply chain management, and international trade. The questionnaires are customized to meet the specific requirements of each supplier, ensuring they can easily understand and respond to the requests.



Using self-evaluation questionnaires in the supplier's native language has been shown to significantly increase response rates, especially in non-EU countries. This is key to ensuring that you get accurate and timely information from all your suppliers.

How We Make Things Easy For Your Business Partners

You're probably thinking: "I can't just send questionnaires to all my high-risk business partners and have them spend all day filling out Excel forms — they'll just laugh at me!"

And you're right to be concerned — if you and your business partners were doing this manually, it would be a nightmare. But with osapiens it's a whole different story. Your suppliers won't have to deal with paper or Excel sheets. We've made it as easy as possible for them so everything can be done efficiently.

Here's how it works:

1. **Sending the questionnaire:** The tool sends your suppliers a link to the questionnaire along with a pre-written email template (which you can customize).
2. **Filling it out in the browser:** The supplier can simply fill out the questionnaire right in their browser (available in 27 languages).
3. **Optional supplier portal:** If they prefer, they can create a free account on the osapiens supplier portal. This portal is also in 27 languages and comes with lots of benefits:

Advantages of the supplier portal are:

- ✓ Suppliers can add certificates and other proof of compliance to their profile.
- ✓ They can save their answers and use them for future questionnaires.
- ✓ If they get similar requests from other osapiens users, their previous answers and documents will be automatically filled in.

- ✓ One portal for everything: If you're using other osapiens tools like the HUB for EUDR, CBAM, or the Product Compliance Browser, suppliers can manage all related requests in one place — their supplier portal.
- ✓ Unlike other systems out there, osapiens is completely free for your business partners. They won't pay a thing.

Using Certificates to Make Everyone's Life Easier

Here's great news for you: If you already have existing certificates from your business partners in your ERP system, you're in luck! This is a huge time-saver. When you upload your master data, the system will automatically take these certificates into account when calculating your supplier's risk score and save the information to the business partner profile.

This means that in many cases, your business partners won't even need to fill out questionnaires if they've already provided you with the right certifications or evidences before.



Certificates provide a fast, easy, and secure way to enrich your business partner's profile and calculate their risk score, as are more official than relying on suppliers' responses to questionnaires, ensuring more reliable data. They are therefore a key part of building a comprehensive business partner risk profile and should be prioritized for better accuracy and efficiency.

What About Expiring Certificates?

Now, you might be thinking, "That sounds great, but certificates have an expiry date. I'll have to do this all over again later, right?" Well, not quite!

The tool automatically sends email reminders to your suppliers when their certificate is about to expire. The reminder includes a link where they can upload the new certificate easily. That way, their risk profile and risk score stay up-to-date without you having to manually take action.

Certificate Prediction and Verification

If you thought that was all the automation we offer, we've got more for you. The osapiens HUB can also help you enrich your business partner profiles with relevant certificates in a completely automated way.

Here are four great features that you are going to love:

1. Certificate Crawling

No need to manually search for your supplier's certificates. The system can soon automatically detect and retrieve certificates if they were published on the business partner website. This speeds up your assessments and makes the onboarding process a breeze.

2. AI Certificate Suggestions

Don't worry about sifting through endless documents! Simplify and accelerate the completion of questionnaires with AI-driven suggestions for relevant certificates, minimizing manual input and errors. This minimizes the time spent on manual entries and reduces the chances of mistakes.

3. Certificate Database Integration

You can skip the step where you ask suppliers for their certificates by integrating with online certification databases. For example, if you have a license with Amfori, an official certification database, the system will automatically retrieve relevant certificates from their database, enriching the supplier's data and updating their risk analysis without needing extra input from your supplier.

4. AI Authenticity-Check

Worried about fake certificates? AI-powered authenticity checks cross-check certificates against trusted authorities to make sure they're genuine. This adds an extra layer of security, so you can rest assured that the certificates are valid and reliable.

Why is this awesome?

- ✓ **Speed:** No more waiting for suppliers to manually send certificates. Everything is automatically found and uploaded.
- ✓ **Accuracy:** AI helps you find and verify certificates quickly, reducing human error.
- ✓ **Security:** The authenticity check ensures that the certificates you're working with are real and reliable.



Next to transferring certificates from your ERP or asking for them in questionnaires, you can also have our tool automatically retrieve certificates through website crawling or database integrations. An AI-powered authenticity check ensures they're genuine.

Simplifying Certification Management with the Certificate Overview

Ever wish you could see all your business partners' certificates in one place? With the HUB's certificate overview, soon you can! This feature lets you quickly find out which supplier has uploaded which certificates, all neatly organized for you across business partners. With this feature, you can filter through various suppliers to see exactly which certificates they have uploaded. The filters can be customized to show certificates based on their status, so you can quickly identify any suppliers that are missing certificates that are important to you. This makes it much easier to track which certifications are up to date and which ones may need attention. The certificate overview also allows you to organize the information in a way that suits your needs, giving you full control over the process. By using these filters, you

can manage multiple suppliers and their certificates with minimal effort t. This feature is especially useful for businesses that work with many suppliers and need a clear view of their compliance status. It streamlines the process, ensuring that no important certificate is overlooked. The ability to track and manage certifications across business partners in one place helps reduce errors and saves time. With everything in one place, you will no longer need to search through different files or systems. In short, the certificate overview is an essential tool for efficiently managing certifications across your business partners.

With great power comes great responsibility

You’ve probably heard the famous line “With great power comes great responsibility” from Uncle Ben in Spider-Man. Well, when it comes to your supply chain, there’s definitely some truth to it. But let’s not get too dramatic — no need for superhero capes here!

What’s really important is understanding your leverage over your business partners. The more leverage you have, the more effort you should put into improving things when you spot a risk. Think of leverage like influence. The more influence you have, the more you can push for change.



Leverage in Action

Let’s break it down with some examples:

- ✓ **Banana supplier:** Let’s say you buy 50% of this supplier’s yearly sales. That means you’re a big customer to them! If you ask them to improve their policies, upgrade their equipment, or train their employees better, they’re likely to listen because you’re such an important part of their business. Your requests have real power.
- ✓ **Apple supplier:** Now, imagine you buy less than 1% of a different supplier’s yearly revenue. In this case, they’re not going to be as invested in what you ask them to do. Your influence is much smaller. They may not make the same changes just because you asked.

How osapiens Helps You Understand Leverage

The osapiens HUB for Due Diligence automatically calculates the leverage you have over each supplier based on two factors: your annual trade volume and their annual revenue. This is really useful because it helps you understand how much influence you can actually exert.

The tool highlights this leverage throughout your workflow. So, when you're reviewing a supplier's profile or working on a case, you'll always see your leverage in important spots, making sure you know how much responsibility your company has.



Your leverage over suppliers is determined by how much you buy from them. The more you purchase, the more influence you have to encourage changes. The osapiens HUB calculates this leverage for you, showing how much influence you have with each supplier.

Business Monitor Module gives a complete picture

The business monitor gives you a two-dimensional view of your business partners. Instead of just looking at the risk score, it also takes into account how much leverage you have over each supplier. This gives you a more complete understanding of the situation.

To make it even easier, we use a heat map (see Figure 18.1) to show you where action is most needed. This lets you see which suppliers you should prioritize based on both their risk and your leverage. You'll be able to figure out where to focus your efforts first — and where you might have a little more time to address less pressing risks.



The Business Monitor module helps you prioritize suppliers by both their risk level and your leverage, making it easier to take action where it matters most.

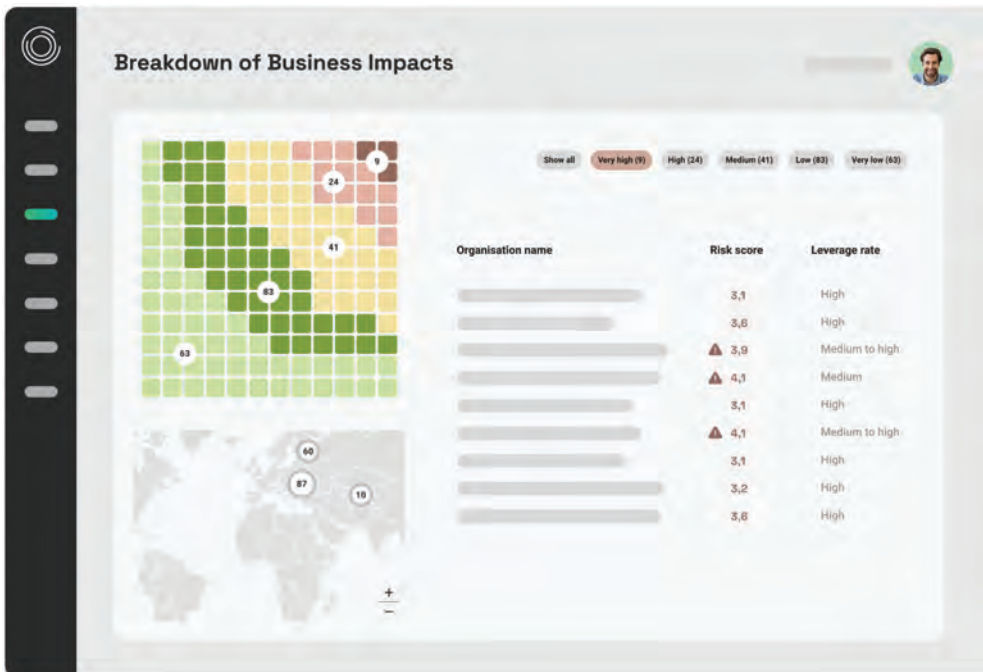


Figure 18.1: Business Partner Heat Map

Bringing it all together: The Business Partner Profile

Now that you know how to gather all the important information from your business partners, the question is: How does it all come together?

That's where the business partner profile plays a key role. This profile gives you a complete overview of your business partner, bringing together all the relevant details about them and your relationship with them in one place. It makes it easy to access everything you need at a glance (see Figure 18.2).

Key Insights from Your Business Partner Profile

Your business partner profile is your go-to resource for tracking and managing business partner compliance. It brings together all critical data points — ranging from master data to risk assessments — allowing you to stay informed and make data-driven decisions effortlessly.

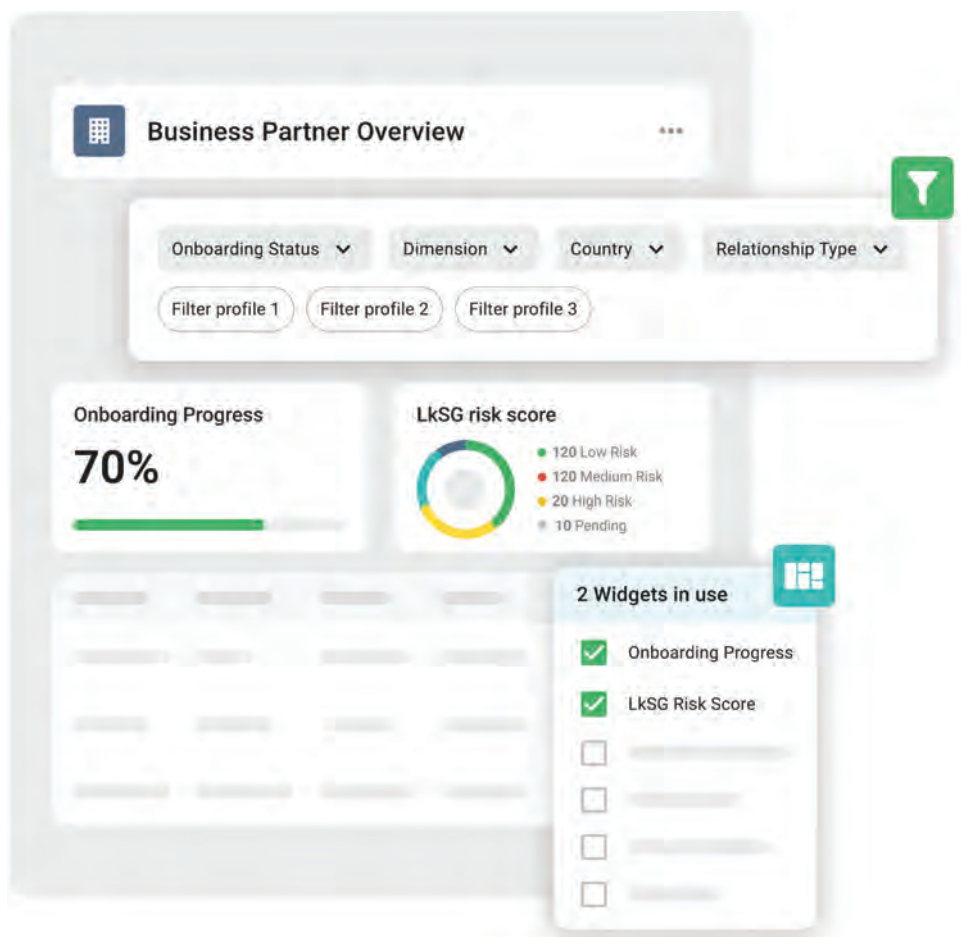


Figure 18.2: The Business

- ✓ **Master Data:** This tab pulls all the key details about your business partner directly from your ERP system: name, address, location, and more. Simple and straightforward.
- ✓ **Overview:** Here, you'll see the current risk score of your business partner, including the impact of their certificates and questionnaires. Plus, there's a change log that keeps track of everything, so you've got audit-proof documentation.
- ✓ **Abstract Risks:** This section shows where the AI has identified potential risks based on your supplier's location and industry, using data from official sources.
- ✓ **Evidence:** All the evidence available for this business partner, along with how these certificates or documents influence the risk score.
- ✓ **Questionnaires:** A list of questionnaires sent to the supplier, with their status (sent, in progress, completed, with score, etc.).
- ✓ **News Monitor:** This feature tracks any news articles related to the supplier and relevant risk categories identified by the AI. (Check out more in Chapter 4)
- ✓ **Complaints:** Displays any complaints about the business partner that came through the integrated complaint management system. (More details in Chapter 4)
- ✓ **Relationship:** Displays the leverage you have over the supplier and your dependency on them. These factors help determine the risk mitigation measures and the potential consequences of any identified risks.
- ✓ **Sneak Peak:** Should you also plan to use our solution for product compliance, you will also see the products that the business partner supplies you with, as well as their compliance status with relevant product compliance requirements.

By building a risk file with your supplier using all this data, you'll be able to predict risks, make informed decisions, and spot potential non-compliance — all in an easy and automated way. What's even better is that you don't need to check this constantly, as the osapiens HUB for Due Diligence will send you notifications whenever your input is needed. No news is good news!

Thinking Outside the Box: Supply Chain Due Diligence and beyond

The osapiens HUB for Due Diligence doesn't just gather all the relevant information for your business partner on supply chain due diligence in their profile — it can do a lot more if you want it to. With integrations from providers like Dun & Bradstreet, it can automatically add business partner structures. Plus, it can perform sanction list screenings and financial screenings to complete the profile.

And that's just the beginning. Beyond general supply chain due diligence, such as CSDDD for example, you can add many other risk dimensions that are important to your business or common in your industry. From the German Due Diligence Act, the Norwegian Transparency Act, NIS 2, Data Protection, and more, you can also create your own custom risk dimensions and set up related information requests from your suppliers to make their profiles even more complete (see Figure 18.3. Psst, if you're curious to learn more, Chapter 24 dives into all the details!)

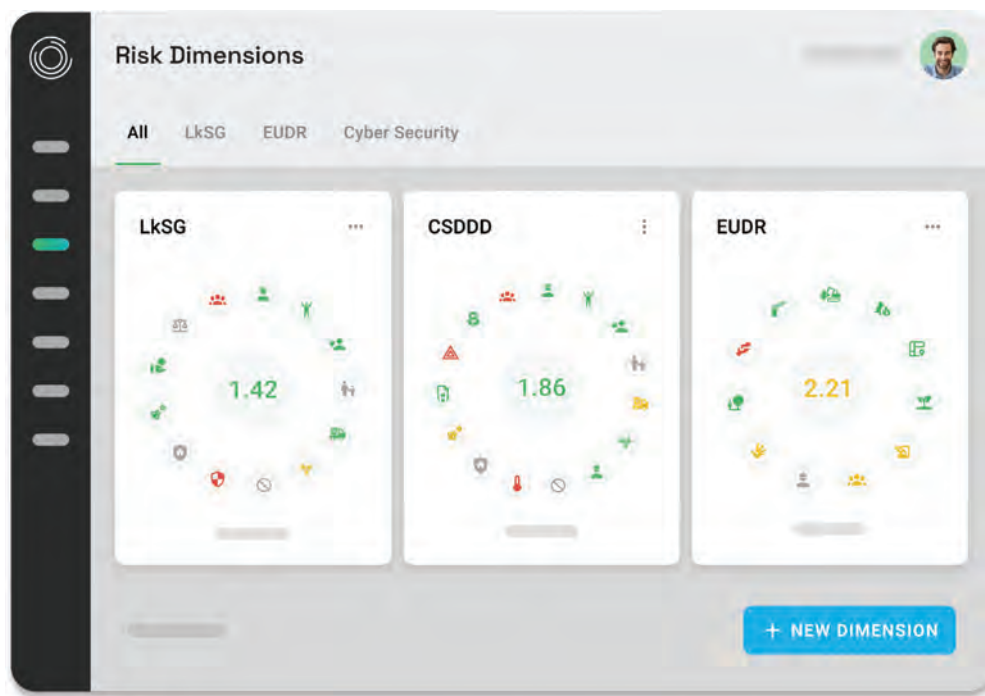


Figure 18.3: Risk Dimensions in the Business Partner Profile (nicer image to be added)

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **Focus on high-risk suppliers:** Start with suppliers flagged as high-risk based on location and industry, but dive deeper to understand the specific risks they face.
- ✓ **Concrete risk analysis:** Use targeted questionnaires to gather specific details from suppliers, ensuring their actual practices align with your expectations and compliance standards.
- ✓ **Streamlined process:** Keep questionnaires relevant and concise. Only ask questions that matter to avoid overwhelming suppliers with unnecessary paperwork.
- ✓ **Automation makes it easy:** The osapiens HUB automates much of the process, including sending questionnaires and reminders, updating risk scores, and offering pre-configured templates in multiple languages.
- ✓ **Using certificates:** Certificates are automatically considered when calculating risk scores, saving time and effort.

In the next chapter, you will learn how to get a 360-degree view by bringing grievance mechanisms and news into the picture to enhance your supplier risk assessments further.

Managing complaints with a grievance mechanism

Monitoring supplier-related news automatically

Handling risk updates and taking action

Chapter 19

The 360° View: Keeping Tabs on News and Grievance

As you know, in many regulatory frameworks related to supply chain due diligence requirements don't stop at just abstract and concrete risk analysis. Let's take the CSDDD as an example here. The goal is to get a complete picture of your business partners. This means you not only gather information from official sources, indices, and questionnaires, but you also allow whistleblowers to flag incidents anytime. And for those who want to stay even more on top of things, keeping an eye on the news is a great way to enhance your business partner's risk file further.



Article 14 of the CSDDD requires companies to establish easily accessible procedures for individuals and organizations to raise concerns about potential or actual negative impacts on human rights and the environment.

The rules around these procedures are very clear. They must be

- ✓ **Fair:** Ensure that complaints are treated impartially.
- ✓ **Publicly available:** Everyone should know about these procedures.
- ✓ **Accessible:** Anyone can use them, with no barriers.
- ✓ **Predictable:** The process should be clear, so people know what to expect.
- ✓ **Transparent:** Clear about how complaints will be handled and the decisions made.

These procedures must address how to handle complaints, even if they turn out to be unfounded. The company is also required to inform worker representatives and trade unions about how complaints are managed.

When a complaint is well-founded, the company must treat it as a real adverse impact and act accordingly, following the due diligence requirements in place.

Companies should also set up systems that allow people to notify them of potential issues easily. These notifications can be submitted anonymously or confidentially, ensuring that whistleblowers are protected.



- ✓ CSDDD requires accessible, fair, and transparent procedures for whistleblowers to raise concerns about human rights and environmental impacts.
- ✓ Complaints can be submitted anonymously or confidentially, ensuring whistleblower protection.
- ✓ This not planned to change in case the Omnibus Proposal is accepted

Receiving and Managing Complaints: An Easy Yet Effective Grievance Mechanism

As part of the CSDDD and German Supply Chain Act requirements, the osapiens HUB for Due Diligence includes an integrated complaint management system. This grievance mechanism consists of two main parts and a follow-up.

1. **The online form:** Whistleblowers can easily fill this out to report any concerns.
2. **Your mailbox:** Whenever a new complaint is submitted via the form, it will automatically appear in your mailbox for review.
3. **Case management:** This is where relevant complaint and news articles will be managed in cases, including risk mitigation measures and their effectiveness (see Chapter 21).

This system makes it easy for individuals to raise concerns and for you to manage complaints efficiently.

Handling Whistleblower Complaints: A Step-by-Step Process

Whether it's workers raising an issue in a factory or someone spotting potential environmental violations, it's important to have a clear, accessible system in place. Let's go through the functionalities and the process in the osapiens HUB's integrated grievance mechanism and show you how to manage complaints with ease and accuracy.



Imagine a whistleblower wants to flag an incident at a textile factory where one of your direct or indirect business partners works. Maybe they make clothes, and because of the **label** on the T-shirt, they know that you're the company your partner is producing for. At the factory in China, the workers deal with dangerous chemicals and dyes, but there's no protective gear to shield them. The workers have raised concerns many times, especially when people have ended up in the hospital, but nothing has been done.

Because these T-shirts are being made for your company, the workers should be able to easily contact you. According to **CSDDD** guidelines, they should be able to use an online complaint form.

The osapiens HUB Grievance Mechanism

The complaint form in the osapiens HUB (figure 19.1) was developed with our partner lawyers and meets all regulatory requirements:

- ✓ **Customizable design:** You can add your own logo, colors, and branding elements to match your company's look. Make sure the form is easy to find on your website.
- ✓ **User-friendly:** The goal is to make the process as simple and accessible as possible. That's why the form is available in 27 languages, so whistleblowers can submit complaints in their native language or a language they're comfortable with.

Figure 19.1: The Whistleblower Online Form

- ✓ **Extra help:** The form comes with a chatbot to help whistleblowers fill out the form, even if they're unsure how to write. If needed, they can also record a voice note instead of typing out their complaint. The voice is distorted to protect the whistleblower's anonymity.

The form itself is designed to be self-explanatory, with clear sections and mandatory fields marked for easy navigation.



The complaint form must be easily accessible on your website to encourage whistleblowers to report issues confidently and transparently.

What the Whistleblower Can Submit

In the online whistleblower form (see Figure 19.1), whistleblowers can

- ✓ **Assign categories** (like human rights or environmental rights).
- ✓ **Provide details of the incident** including a description, business partner names, their relationship with the business partner, and even upload media as evidence.
- ✓ **Choose to submit the complaint anonymously or using a pseudonym.** Even if they choose anonymity, they can still access the status of their complaint and communicate with you via chat — **anonymously**.

After it's submitted, they'll receive a **tracking number** to monitor the status of their complaint. They can also communicate further through the **chat feature**.



Making the form available in multiple languages and including a chatbot for extra assistance ensures more people can easily submit their complaints without barriers, especially when they are unsure about writing.

Translation and Communication

To make sure everyone is on the same page, the system can translate any chat messages or complaint details into the language set by the user — 27 languages are supported. This makes communication smooth for everyone involved.

Receiving Complaints and Taking Action

After the complaint is submitted, it immediately appears in your inbox, and a responsible person is notified. The system's AI will have already scanned the complaint and tried to categorize it into a risk area (like occupational safety in our example). The AI will also suggest which business partner might be involved and provide other helpful details.

This helps the responsible person to quickly assess the severity of the complaint and understand the parties involved. He or she can read through the complaint (translated into his or her preferred language), view any uploaded media, and, if needed, start an anonymous conversation with the whistleblower.



AI categorization is helpful for sorting complaints, but it's important to **verify** the details before taking further action. Always ensure the complaint is relevant and accurate, as the AI might not catch every nuance, especially in complex or unclear cases.

If the person responsible determines that the complaint is legitimate (and not spam), they can open a case to handle the situation. This could involve taking steps like risk mitigation. (We dive deeper into this process in Chapter 21.)

Streamlining Compliance: Covering the Whistleblower Directive Simultaneously

If your company falls under the scope of the CSDDD, it's likely you're also covered by the Whistleblower Directive. If that's the case, and you want to streamline things, the osapiens grievance mechanism (aka the complaints module) can help. Based on customer feedback and with input from our lawyers, we expanded our integrated complaint management system to not only help you comply with the CSDDD requirements for grievance mechanisms, but also to handle internal complaints as outlined by the European Whistleblowing Directive.

That means the whistleblowing form in the osapiens HUB can include categories for both CSDDD-related complaints (like human rights and environmental issues) and internal complaints (such as fraud, corruption, theft, privacy, and more). You can assign these internal complaints to a different person than the ones handling the supply chain issues, ensuring that each type of complaint is handled by the right team, keeping things organized and compliant.

Customizing the Whistleblower Form: Your Brand and Legal Requirements

With the **osapiens HUB** whistleblower form, you can easily personalize both the **branding** and the **content** to match your company's needs.

✓ Customizing branding:

- **Logo and branding:** You can upload your company's logo and choose from a variety of background designs to ensure the form aligns with your corporate identity. Whether you prefer a dotted or solid background or want to use your brand colors, the design is fully customizable to give the whistleblower form a professional and recognizable look.
- **Custom imprint and privacy policy:** Add your custom data privacy policy, imprint, and even a code of procedure to ensure transparency and compliance with

the legal requirements. You can provide links to these policies directly on the form to make sure your whistleblowers are fully informed about how their data will be handled.

✓ Customizing content:

- **Risk categories:** The form allows you to define specific risk categories relevant to your company, such as human rights violations, corruption, fraud, or environmental risks. These categories can be easily adjusted to cover both supply chain complaints and internal complaints, ensuring you can handle any issue appropriately.
- **Custom fields for complaints:** Depending on your requirements, you can also add new sections or custom fields to allow whistleblowers to submit detailed information. These could include areas such as descriptions of the issue, affected parties, evidence upload, and optional anonymity settings.



This flexibility ensures that the whistleblower form is not only compliant with the CSDDD but is also tailored to your company's specific needs, making the complaint process as clear and effective as possible.

Keeping an Eye on News: An Extra Layer of Protection

Another crucial way to monitor risks is by staying up to date with the news related to your suppliers or any companies in your supply chain. This can be a time-consuming task if you need someone in your company to manually track every mention of a supplier in the media, especially when it comes to issues related to human rights violations or environmental breaches.

That's where artificial intelligence (AI) steps in. The osapiens HUB for Due Diligence uses AI to automatically scan global news sources for mentions of risks related to your suppliers. You don't have to read every article yourself. The system will filter through news and only show you relevant articles based on two simple criteria (see Figure 19.2):

- ✓ Your business partner is mentioned in the article.
- ✓ The article involves a risk category protected by the CSDDD, such as violations of human rights or environmental concerns.

Not only can you monitor for HREDD-related risks, but our tool lets you also extend your monitoring to more than 70 additional risk categories that could impact your supply chain. These might include things like corruption, product safety, cybersecurity risks, natural disasters, supply chain disruptions, and many more. You can customize your monitoring to include any risk category that's most important to your business, so the system keeps an eye on the issues that matter most to you.

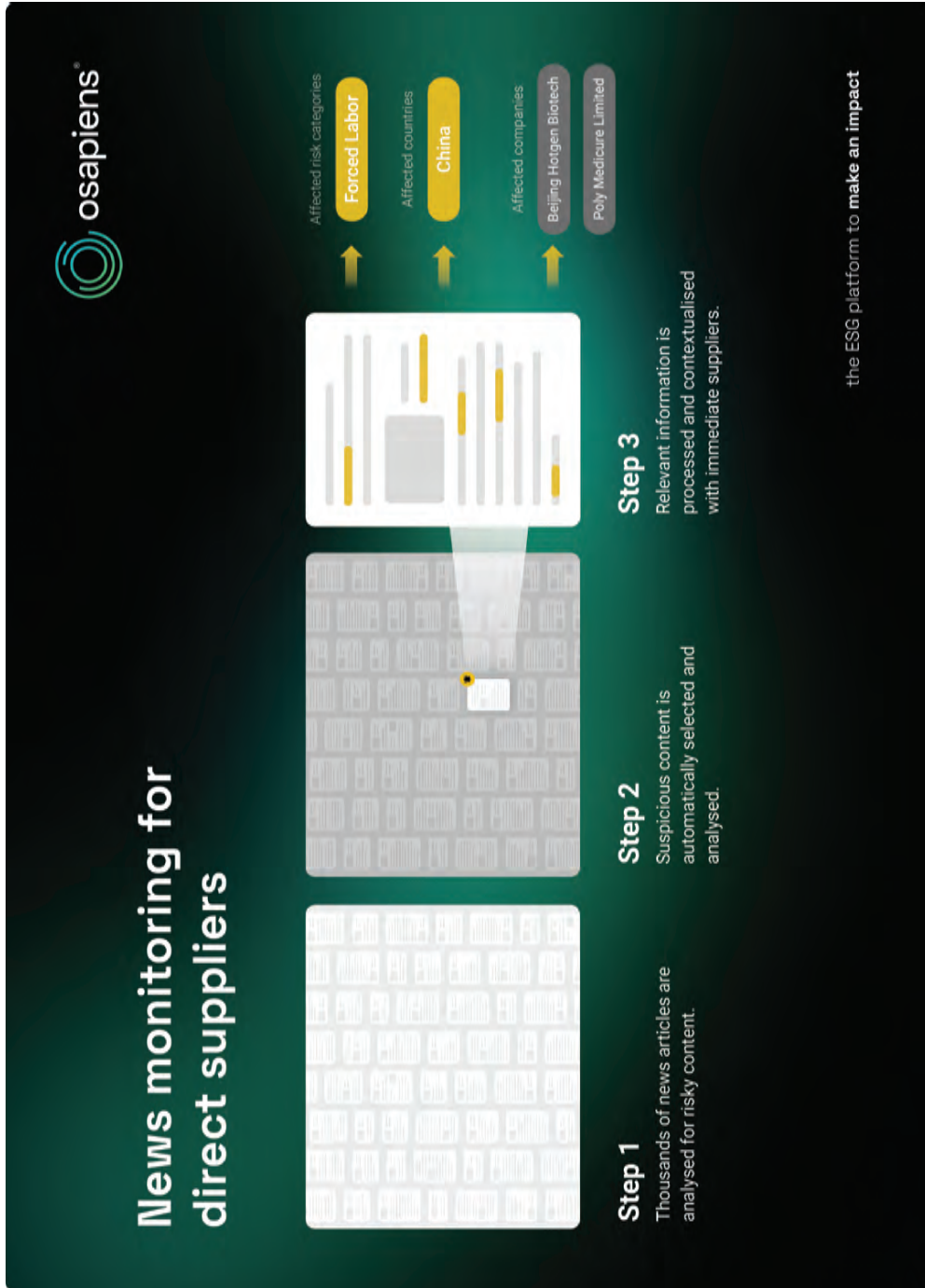


Figure 19.2: News Monitoring Criteria



Customizing your news monitoring to include more than 70 risk categories can help you track more than just CSDDD-related issues — extend your monitoring to areas that matter most to your business, like corruption, product safety, or even cybersecurity risks.

Benefits of Implementing Automated News Tracking

The beauty of this system is that it makes monitoring risks much easier and much more efficient. Instead of manually tracking every news article, the tool does the tedious work by scanning global sources and only flagging relevant articles. Whenever a matching news article is found, the person responsible in your organization will be automatically notified, ensuring a timely response to potential issues.



Although the system automatically scans news and flags relevant articles, always verify the details of the story before taking action. AI helps identify potential risks, but human judgment is necessary for accurate assessment.

For example, the system could automatically open a case in your workflow for the relevant team member to start working on risk analysis and mitigation measures. These risk mitigation measures could include sending out questionnaires to the supplier, conducting audits, providing supplier training, or even re-evaluating your relationship with them. If you want to ensure better documentation and tracking of the issue, you can assign a due date for action and start risk mitigation steps. (We dive into case management and risk mitigation in Chapter 21.)

Handling Incoming News Articles

When a news article is detected, there are a couple of possible scenarios for what happens next:

1. **It's not relevant:** The responsible person reads the article and determines that it doesn't apply to your business. Maybe it mentions a global manufacturing company, but the article discusses a violation at their Indian facility. If your relationship is only with their French subsidiary, this might not be relevant to you. In this case, the article is marked as "Not Relevant," and the person responsible can add a note explaining why. This keeps your workflow organized and ensures resources aren't wasted on issues that don't apply to you.



Always ensure the relevance of the article to your business. Verify the details before marking it as "Not Relevant" to avoid missing out on important information.

2. **It's relevant:** If the responsible person believes the article highlights a real concern, they can start a risk analysis. If a case hasn't been automatically opened by the system, they can open one themselves, invite colleagues to collaborate, and start looking at risk mitigation measures. These measures might include questionnaires for suppliers, audits, training sessions, or even legal action if the risk is severe.

Why You'll Love the News Monitor: Transforming Risk Management

The news monitor in the osapiens HUB for Due Diligence is designed to make your news tracking and risk management process much smoother and more efficient. With an intuitive, inbox-style interface, the “News Monitor” helps you easily manage and act on relevant news articles that impact your business. It groups related news together, so you can quickly navigate and stay on top of developments.

Additionally, with severity indicators, you can identify and focus on the most critical updates first, ensuring you address urgent risks immediately. The “News Monitor” feature allows you to track specific topics, keeping you informed of the latest trends and changes as they unfold. By providing you with a simple yet powerful tool to monitor news and risks, the news monitor helps you to stay proactive, responsive, and always in control of your supply chain and risk management strategy (see Figure 19.3).

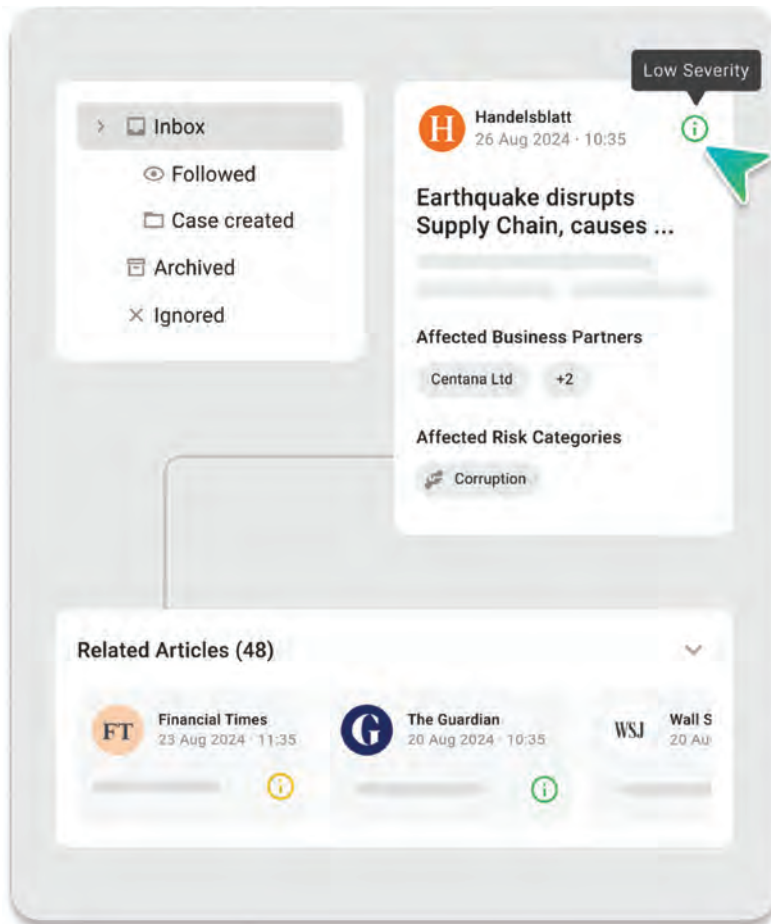


Figure 19.3: News Monitor in the osapiens HUB for Due Diligence

Why Automated Risk Score Updates Are Not Always Desirable

You might wonder why the risk score isn't updated automatically when a news article is detected or when a complaint is received. Here's why:

- ✓ **Media sensationalism:** We all know that the media can sometimes overstate or misrepresent certain issues. If your colleague has not double-checked the article about the global manufacturing company, the system might have updated the risk score unnecessarily. This could lead to unnecessary risk analysis for a situation that doesn't even apply to your supplier.
- ✓ **Spam complaints:** Complaints can sometimes be irrelevant or even spam. With complaints, it's essential to get in touch with the whistleblower and ask for more information before acting. If the tool were to automatically update the risk score based on an unclear or unfounded complaint, you could waste time and resources on something that doesn't require action.

After all the facts are clear and the situation is verified, you can then adjust the risk score. This process, along with case management, is something we cover in more detail in Chapter 21.

Key Takeaways

Here's a quick recap of this chapter:

- ✓ **Whistleblower mechanisms:** As per various regulatory guidelines, companies must implement accessible and fair grievance mechanisms to allow whistleblowers to flag potential or actual human rights and environmental violations. These systems must be transparent, predictable, and protect whistleblower anonymity.
- ✓ **Complaint management module:** The osapiens HUB for Due Diligence simplifies grievance management by integrating a customizable, user-friendly whistleblower form. Whistleblowers can report issues in 27 languages, upload evidence, and choose to remain anonymous. The system automatically categorizes complaints and triggers notifications to responsible teams.
- ✓ **AI for risk monitoring:** The system uses AI to scan news articles for mentions of your business partners, flagging only those relevant to your supply chain risks. It covers over 70 risk categories, extending beyond the realm of HREDD to areas like corruption, cybersecurity and natural disasters.
- ✓ **Risk score management:** While AI helps identify relevant complaints and news, risk scores aren't updated automatically. This ensures that only verified and relevant information triggers changes, avoiding unnecessary actions.

In the next chapter, we dive into Tier N Risks and Supply Chain Mapping before tackling risk mitigation and case management.

Mapping Tier N suppliers efficiently

Visualizing supply chain risks

Engaging suppliers to mitigate risks

Chapter 20

Addressing Tier N Risks in Your Supply Chain

In today's world, companies are held more accountable for the negative impacts their operations have on human rights, the environment, and governance. These issues can arise at any stage of the value chain — from the raw materials used, to production processes, all the way to the products being sold.

A significant challenge for companies under CSDDD is addressing Tier N risks. These are serious, high-impact risks that could result in significant harm. To effectively manage these risks, companies need to map out their supply chains thoroughly. This means analyzing every part of the process — from the extraction of raw materials to production and distribution — to identify any potential negative effects.

However, mapping your supply chain is not a task that can be done overnight. It takes time to gather all the necessary information, especially for large enterprises with complex global supply chains. The CSDDD does not expect companies to have their entire supply chain mapped out tomorrow but does expect them to make their best effort to do so. This is likely also the reason why the EU Commission's Omnibus Proposal aims to no longer include Tier-N requirements, in case it does get approved by the European Parliament and Council of the European Union.



The CSDDD does not expect companies to have their supply chain fully mapped out instantly. Instead, companies are required to make a reasonable effort to map their supply chain over time. Although full transparency is the goal, the focus is on continuous improvement and best efforts to identify and manage risks.

If the Omnibus Proposal is approved, Tier-N supply chain management may no longer be a mandatory component of supply chain due diligence.

With this new Omnibus proposal on the table, we know that the indirect supply chain will likely be excluded from CSDDD requirements. However, Tier-N visibility is still a big deal

for many businesses when it comes to ensuring supply chain stability. That's why indirect supply chains continue to be a key focus for us as well, aiming to provide businesses with greater transparency into their supply chains.

One of our core solutions is track and trace, which allows us to track products on an item level within supply chains. Additionally, we have experience in tracing the source of raw materials, particularly with the European Deforestation Regulation (EUDR), where companies need to assess geolocation data of the land plots where raw materials used in their output goods were harvested. Our EUDR solution and Product Compliance solution both manage supplier requests and risk assessments at the product level. This expertise gives us unique insight into navigating complex supply chains and puts us in a strong position to comply with the CSDDD's requirements for Tier-N supply chain transparency. Our team is working closely with our legal experts to interpret the new regulations, so we can help our customers be ready to comply with the CSDDD long before it officially takes effect — or with the Omnibus alternative on the horizon.

In this chapter, we provide you with the tools and strategies to help you identify and address Tier N risks, ensuring your company remains compliant with the current CSDDD requirements.

Mapping Tier N Business Partners and Visualizing your Supply Chains

You know how one of the biggest headaches companies have with CSDD is figuring out who all their Tier N business partners are? It's always the first thing people ask us about. And honestly, it makes sense. Most of our customers have super complex supply chains with tons of players involved, and let's be real — nobody wants to hand over all their supply chain info because they're trying to protect their own interests.

And here's the thing: Even we at osapiens can't just snap our fingers and make supply chains appear out of nowhere. If someone tells you they can, they're totally bluffing. You need data — tons of it. And to be honest, most business partners aren't exactly lining up to share that kind of info willingly. It's just how it is.

But the good news is, with the osapiens HUB, we've got a few different ways to gather that information. So, although it's not magic, it's definitely a starting point that makes the process a whole lot easier by either integrating existing data on Tier N supplier from your ERP, by gathering Tier-N information from your direct suppliers in an automated way, or by leveraging our AI-powered auto-suggestions for Tier-N supply chains (see figure 20.1).



It's helpful to ask suppliers for Tier N supply chain information early on, for example via questionnaires. Additionally, consider including contractual clauses that require suppliers to provide such information in the future. This proactive approach ensures you're well-prepared and that your business partners are not caught off guard when you request such information in the future.

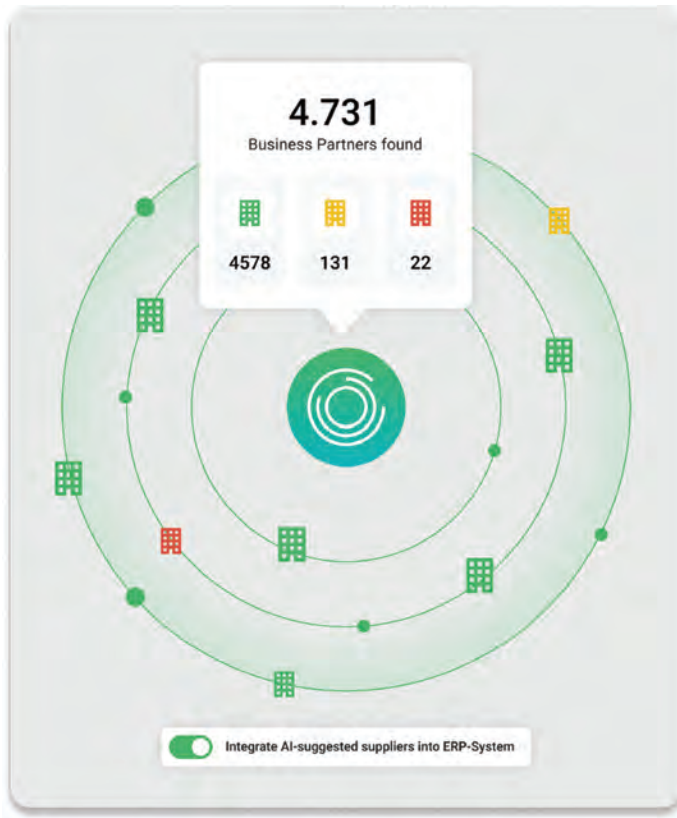


Figure 20.1: Automated Tier N Business Partner Suggestion

Visualizing Your Supply Chain Risks

After the information has been added to your osapiens account, the abstract risk analysis for Tier-N business partners will occur in real time, just as it does with your direct business partners. This process takes into account the industry and location of each business partner. An abstract risk score will then be calculated, enabling you to get an immediate overview of potential risks in your supply chain.

With the profiles created and the abstract risks calculated, you'll gain access to a comprehensive supply chain visualization. This feature displays the risks associated with the different tiers of suppliers in your network. You'll have a 360° Supply Chain View, which means you can visualize your supply chain in an interactive, user-friendly chart. This chart not only gives you a clear picture of your supply chain's structure but also highlights the inheritance of risks across different tiers, making it easier for you to identify potential vulnerabilities early on (see Figure 20.2).

This real-time analysis and visualization offers major benefits for your company:

1. **Increased transparency:** Get a clear, interactive view of your entire supply chain, so you can easily spot risks no matter where they're hiding — across all tiers.

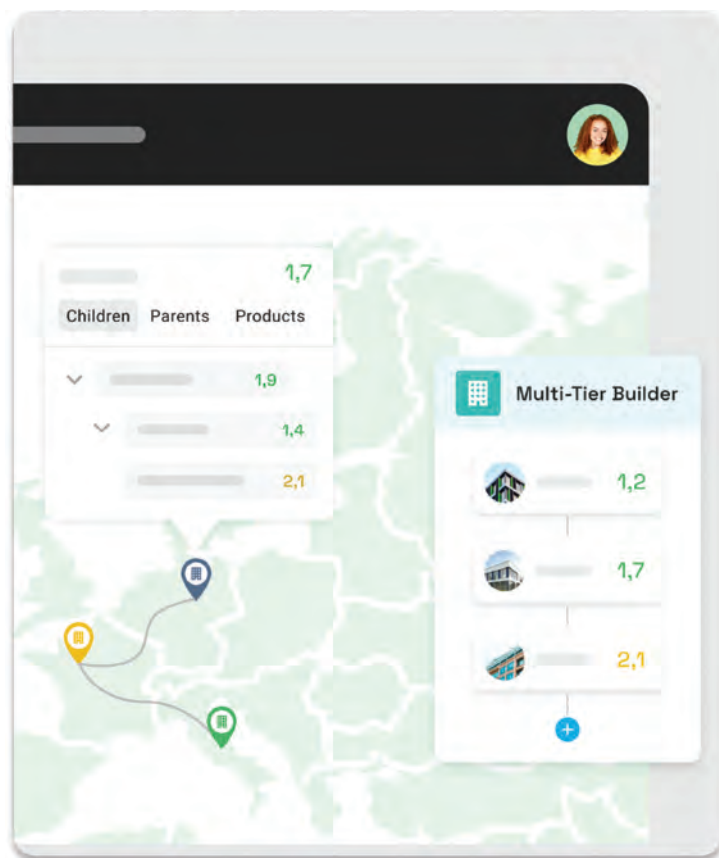


Figure 20.2: Supply Chain Visualization

2. **Quick risk identification:** You'll be able to spot and tackle potential issues quicker, giving you the chance to jump in and take action before risks turn into real problems.
3. **Better decision-making:** Having a full picture of the risks in your supply chain means you can make smarter decisions about how to manage and reduce those risks effectively.
4. **Compliance confidence:** Being able to visualize and track risks in your supply chain helps you stay on top of compliance with regulations like the CSDDD, making sure you're meeting all the legal requirements without the hassle.

This tool helps you maintain control over your supply chain by allowing you to address potential issues proactively before they escalate into significant risks.

Of course, you don't need to actively monitor Tier N supply chain risks yourself. Our tool will automatically send you notifications whenever a risk is identified, and your input is required. The system makes sure you are alerted when action is needed, so you can address potential issues in a timely manner and maintain effective risk management across your supply chain.

Inheriting Tier N Supply Chain Risks to Direct Partners

In order to quickly identify which parts of your supply chain might hold a high risk, it's recommended to inherit the risks of the Tier N supply chain to the risk of the direct business partner. This means the risk of your direct business partner will reflect the risk of their supply chain (see Figure 20.3).

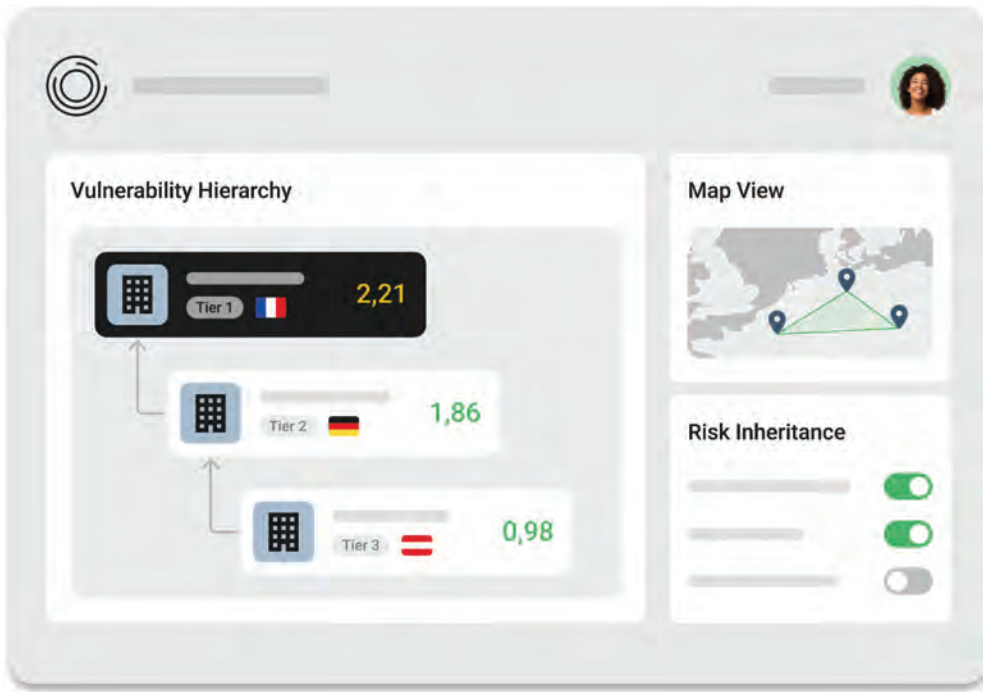


Figure 20.3: Supply Chain Risk Inheritance



Here's an example: If you have a French wholesale company that provides you with chocolate for your shops, the risk of this direct French business partner is likely low, considering their industry and location. However, when gathering information on their Tier N supply chain and calculating abstract risks, the risks may differ depending on the supplier's location. A cocoa farmer from the Ivory Coast, for instance, will likely have a higher risk score than the French wholesale company. That's why you can inherit risks automatically within the supply chain, so the risk score of your French direct business partner reflects the potential risks within their entire supply chain.

This approach allows you to spot high-risk areas within your supply chain more easily, without having to review every individual Tier N supplier. It also saves time and resources by focusing on the most relevant risks, helping you prioritize mitigation efforts. Overall, it enhances your ability to manage supply chain risks efficiently and ensures you remain compliant with regulatory requirements.

Engaging with Suppliers to Anticipate Tier N Risks

You can anticipate risks within your Tier N supply chains by proactively engaging with your direct suppliers. This means reaching out to them early and asking the right questions to better understand how they monitor their own supply chains. For example, you can send a questionnaire to ask if they also conduct risk analyses for their suppliers, whether they gather relevant certifications, and if they perform audits when necessary.

The osapiens HUB makes this easy by offering standard questionnaire templates for supply chain information. These templates are ready to use and can be customized to fit your specific needs. You can adjust them to include extra questions based on certain supplier groups or particular risks you want to explore in more detail. If your direct business partner already conducts their own risk assessments and audits, it signals a lower risk for you. If they don't, and you're the first one to ask about risk management, that's an important red flag that might indicate higher risk.



It's a good idea to start using these questionnaires early in your relationship with suppliers. This way, you can set the right expectations and gather the necessary information upfront, helping you manage risks more effectively in the long run.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **Mapping Tier N supply chains:** Gathering information about Tier N suppliers is crucial for managing supply chain risks. Use a combination of ERP data, questionnaires, and AI suggestions to map out the Tier N supply chain effectively.
- ✓ **Proactively engage with suppliers:** Start early by asking your suppliers about their Tier N supply chains. Use questionnaires to gather insights and include contractual clauses that ensure your suppliers will provide such information moving forward.
- ✓ **Automated risk analysis:** With the osapiens HUB, the risk analysis of your Tier N supply chain happens automatically, based on industry and location, providing you with a quick overview of potential risks.
- ✓ **360° supply chain visualization:** With the supply chain visualization feature, you get a comprehensive, interactive chart of your entire supply chain. It helps you quickly identify high-risk areas and make smarter, more informed decisions to manage those risks effectively.
- ✓ **Risk inheritance:** By inheriting the risks of Tier N suppliers to your direct business partners, you simplify the process of identifying and addressing high-risk areas, saving time and resources.

In the next chapter, we dive into risk mitigation and case management, providing you with the tools and strategies to reduce risks across your supply chain effectively.

Implementing effective risk mitigation measures

Tracking and managing compliance cases

Evaluating the success of risk mitigation measures

Chapter 21

Measures That Matter: Tackling Risks and Tracking Solutions

Now that you know how to spot risks at different stages of your supply chain, what's next? Whether you're dealing with abstract or concrete risks, or they've come from whistleblowers, direct partners, or even indirect ones — any relevant case will require follow-up and action.

Identifying a risk is really just the beginning. The real challenge — and where most of the work actually happens — is managing that risk and deciding what steps to take to reduce or eliminate it. This is also the point where a lot of companies realize that risk analysis itself isn't the biggest part of compliance. Identifying a risk is one thing, but figuring out what to do about it is where it gets complex.

What you do next really depends on several factors — your relationship with the business partner, the specific circumstances of the risk, and many other details and factors that are often very case-specific. That's why having a software tool in place makes a huge difference. Depending on the tool and its functionality, it can help track mitigation measures so you can stay on top of things and see exactly how each action is progressing. That way, you can make sure everything is moving in the right direction and nothing falls through the cracks.

Before we dive into how you can actually implement and track these risk mitigation measures in practice, take a step back. It's important to understand what the CSDDD expects from you when it comes to risk mitigation because it's a key part of the directive.

Risk Mitigation Under in Supply Chain Due Diligence: What You Need to Do

Regulatory frameworks such as the CSDDD require companies to not just identify risks but also take action to prevent or minimize any negative impacts. Here's a recap on the most important criteria that your risk mitigation strategy needs to cover:

1. **Prevent and minimize risks.** First things first, companies need to take steps to stop any potential harm before it happens. This means putting policies and systems in place to catch and address risks early. It's about making sure you're staying ahead of problems, not waiting for them to escalate.
2. **Create corrective action plans.** If a risk does happen, and it's something you can't fully fix right away, you'll need a plan. This action plan should explain how you're going to deal with the issue, how long it will take, and what steps will be involved.
3. **Work with your partners.** Instead of immediately cutting ties, it's important to talk to your suppliers and business partners to resolve issues. Open, honest conversations can help prevent bigger problems and save valuable relationships.
4. **Use your influence.** If you have power in the supply chain, whether through your contracts or your market share, use it! Your company's influence and leverage can help ensure your business partners are doing their part to prevent risks too.
5. **As a last resort, end relationships.** If nothing works, you might have to stop working with certain partners. This should be a last resort, but if risks can't be reduced or fixed, it might be the only option.

By following these steps, you can show that you're making your best effort to protect people and the environment.

Balancing Automation and Human Judgment in Risk Mitigation

When companies are identifying and assessing risks, they need to consider a variety of factors. This includes things like the company's own situation, how the business operates, and the geography or local context where the risks are happening. Essentially, this means that human judgment is needed to assess the risks properly, and you can't just rely on automated systems alone.

Taking the CSDDD as an example here, it doesn't want everything to be handled automatically, it does allow you to set up standard risk mitigation processes that follow your company policies. This way, you can automate parts of the process but still keep human oversight to make sure everything is being handled correctly. We talk more about how this can be handled in the osapiens HUB later in the chapter.

Using Your Leverage to Mitigate Risks

Supply Chain Acts such as the German Supply Chain Act or the CSDDD often talks about leverage — the influence you have over your business partners — and how you can and should use it to help prevent and mitigate risks. If your business partner is causing an adverse impact in the supply chain, but you’re not directly responsible, you can still use your leverage to make a difference. This might include things like using your market power, setting pre-qualification requirements, or linking business incentives to better human rights and environmental performance. You can also increase your influence by working together with other business partners or directly engaging with the partner responsible for the impact.

When you create your supplier profile, you can add key information to your business partner’s master data, some of which will allow the osapiens HUB to automatically calculate your leverage over that business partner. With this info, the tool not only tells you the level of influence you have, but also gives you a clear overview of which suppliers are most critical. This means you’ll know where you have the most power, allowing you to focus your efforts where you can make the biggest improvements quickly.



Regularly review your leverage across business partners to ensure you’re prioritizing your efforts where you can have the greatest impact. Focus on the suppliers where you have strong influence and address others when the timing and leverage align for success.

Our integrated Business Monitor module (mentioned in Chapter 18) provides you with that overview, clearly highlighting business partners where you have a high impact and also listing those that you might want to put on hold for now because your leverage probably doesn’t allow for easily achieved results (see Figure 21.1).

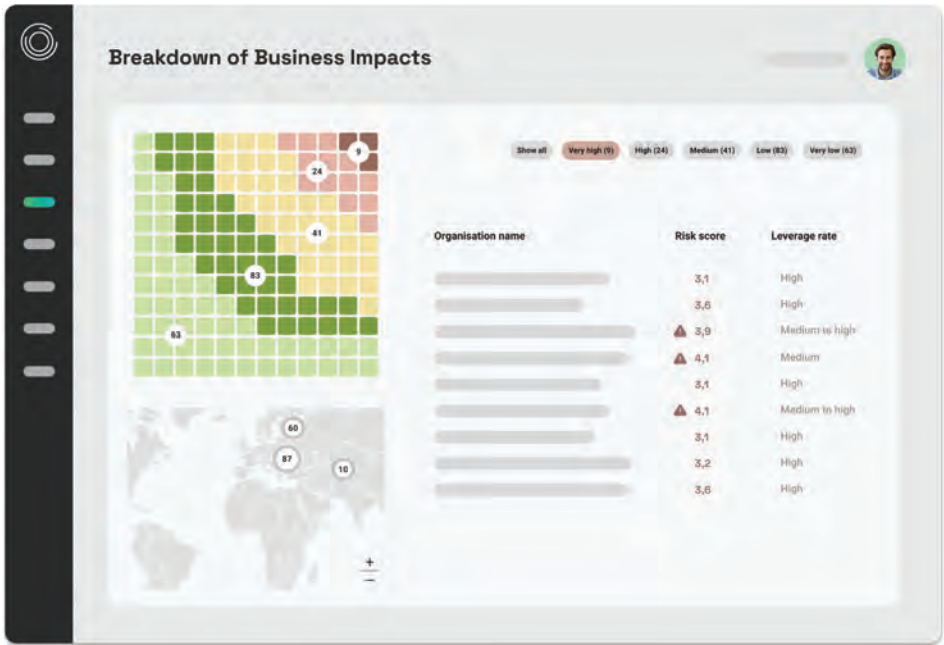


Figure 21.1: Business Monitor

Automated Notifications and Proactive Alerts

Apart from the Business Monitor, which checks where you need to take urgent action, you also always be notified when your input is needed. There's no need for you to search through the system for risks or red flags — the tool does this for you automatically. When a potential risk is detected or when your attention is required, the system sends notifications to all the relevant users responsible for that area so they can take the necessary actions.

This ensures that you're always in the loop, and crucial issues are addressed promptly without you having to track everything manually.

Case Management for Efficient Risk Mitigation

Risks that need your attention can show up in all sorts of ways, and they're not always easy to predict. For example, it could be a high risk score that remains stubbornly high, even after your business partner submits a complete self-evaluation form, maybe even adding certain certificates — just maybe not the ones needed. This might signal that something isn't adding up beneath the surface. Or maybe you come across a news article suggesting that one of your direct partners is involved in unethical practices, like child labor, environmental violations, or other serious misconduct. In some cases, the risk might hit even closer to home, like receiving a complaint directly from a factory, farm, or another site within your supply chain — maybe from an employee, a whistleblower, or a local community affected by operations.

The key thing to remember is that each of these situations is unique. They're not just checkboxes you can tick off with a standard response. Every case requires careful, individualized attention because the context matters. You need to take the time to thoroughly assess the issue — understand the root cause, the parties involved, and the potential impact on your supply chain and beyond. You've got to thoroughly assess what's going on and put risk mitigation measures in place that fit the specific situation. That's how you make sure you're not just checking boxes but actually managing risks effectively.

After you've got a clear picture, that's when you can implement risk mitigation measures that are tailored to the specific situation. It's not about applying generic solutions, but rather taking targeted actions that address the problem effectively. This approach not only helps you manage risks more responsibly but also strengthens the integrity and resilience of your entire supply chain.

To keep everything organized, track progress, and document every step, the osapiens HUB includes a built-in Case Management module. This module allows you to manage and monitor risks that need attention. It also includes a catalog of risk mitigation measures, so you can easily implement the necessary actions and document everything accordingly.

Why is this important? When complying with supply chain due diligence and HREDD regulations, it's crucial to show that you're actively addressing risks and not just ignoring them.

Because these regulatory frameworks often require companies to make a “best effort” (instead of ensuring complete compliance), it’s important that you take action whenever a risk arises, even if the situation doesn’t immediately warrant drastic changes, and that you can provide potential auditors with a waterproof audit trail.



Doing nothing is the worst thing you can do. Documenting your actions is essential to demonstrate your efforts in addressing risks and fulfilling your due diligence obligations.

Why You Will Love the Case Management Module

The Case Management module is built to make risk management and the implementation of risk mitigation measures simpler and more efficient, helping you stay on top of potential issues without getting lost in the details. It’s designed to streamline the entire process, from clarifying risks to tracking how they’re being handled. These are the top three benefits you gain from using it:

- ✓ **Clarity and control:** By having all the key details in one place, you can quickly assess risks and take the appropriate action, making your risk management more efficient.
- ✓ **Proactive approach:** The automated case management ensures you never miss a risk, providing a real-time view of situations that need attention.
- ✓ **Improved documentation:** With automatic tracking of all actions taken and decisions made, you’ll have a clear, documented history of risk management, which is essential for audits and compliance purposes. In the osapiens HUB, this is called the change log.

Case Management: Tracking and Managing Risks

Now that you’re familiar with all the reasons why the Case Management module is such a valuable tool — and the benefits it brings — you might be wondering how it actually works in practice.

Think of your supply chain as a busy airport, with planes (representing your suppliers and partners) constantly taking off, landing, and moving around. Now, risks are like unexpected issues that pop up — maybe a plane has a mechanical problem, bad weather is approaching, or a security concern arises.

In a well-run airport, there’s an air traffic control tower keeping an eye on everything. They don’t wait for a pilot to call in with a problem — they’ve got radar systems that automatically spot issues in real time. When something pops up, they open a case right away. It’s logged, tracked, and monitored from start to finish, with all the important details recorded in one place — what happened, what’s being done about it, and what the current status is.

That’s exactly how case management works. As soon as a risk is identified, a case is created automatically to track it. No need to do this manually unless you want to — it’s all handled

seamlessly. The case is then assigned to the right person within your organization, ensuring that the responsibility is clear from the start. No sticky notes, no lost emails — just a clear, organized record of the issue. You can easily see what’s going on, what actions have been taken, and what still needs attention. This way, nothing gets overlooked, and you’re always in control, just like air traffic control keeps the airport running smoothly and safely.

This assignment of cases to the right people happens through the workflow module, which is designed to keep things running smoothly and efficiently. We go into more detail about how that works in Chapter 23, but for now, just know that the process is streamlined to save you time and make sure every risk is managed properly from the moment it’s detected.

Each case includes important details, such as

- ✓ **Priority and status:** Whether the case is urgent and where it stands
- ✓ **Business partner:** The supplier or partner involved
- ✓ **Due date:** The deadline to take action
- ✓ **Risk details:** The nature of the risk (for example, from a complaint or news article)
- ✓ **Sources and countries:** Where the risk was identified
- ✓ **Assigned person:** The person responsible for addressing the case

The person assigned to the case will first see an overview, which provides these key details. Then, they can dive into tabs like Case Related Items, where they can see complaints or news articles that triggered the case. The Affected Business Partner tab shows detailed info on the business partner, including contact information and the leverage you have over them (see Figure 21.2).



Your efforts to address risks should depend on how much influence you have over a supplier. The greater the leverage, the more effort you should put in.

Assessing Risks Based on the Information at Hand

The Risk Management tab (Figure 21.3) is one of the most important sections. Here, you can manually set the risk level based on the information you’ve gathered. For example, if you’ve received a complaint about poor working conditions and have photos as proof, you may set the risk for occupational safety as high until remedial actions are taken.

Within the Risk Management tab, you assess several factors:

- ✓ **Intensity:** How bad would the damage be if the risk happens?
- ✓ **Probability:** How likely is the risk to occur, based on past events?
- ✓ **Persons Affected:** How many people are at risk compared to how many could be affected?
- ✓ **Own Contribution:** How much did your company contribute to the risk?

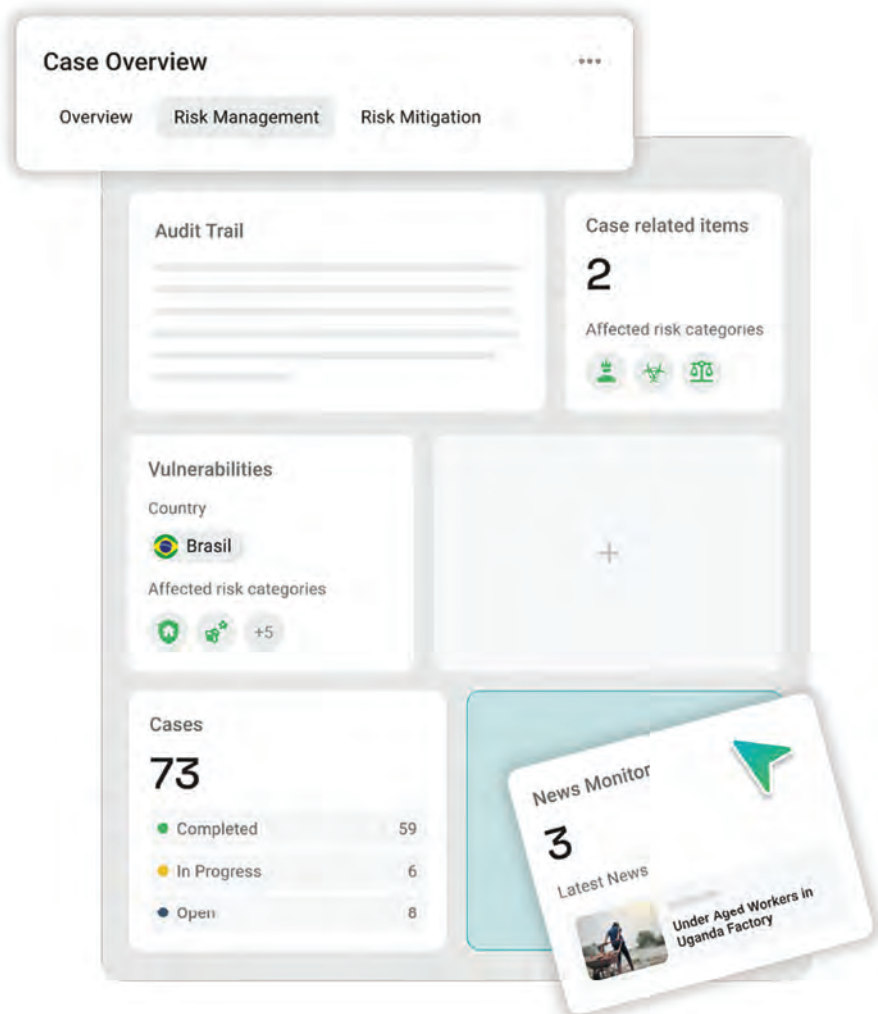


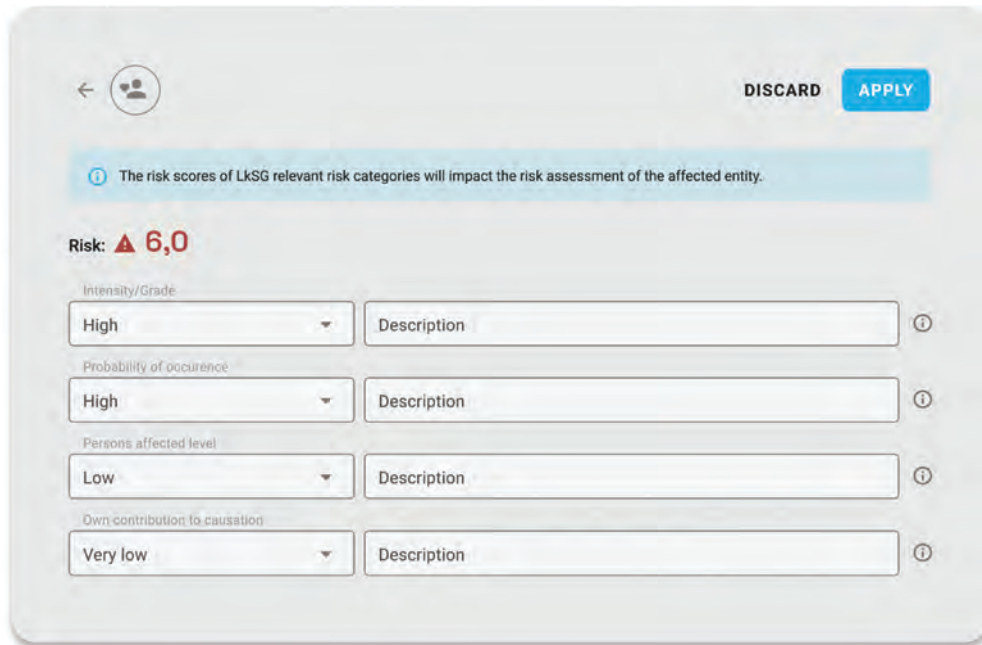
Figure 21.2: Case Overview and Tabs


After filling out these categories, the system will calculate the overall risk score for you.



Always update the case with new information as it comes in. This ensures the risk assessment remains accurate and helps you stay on top of what needs to be done, maintaining a proactive stance in managing potential risks effectively.

You can also adjust multiple risk categories at the same time if the situation requires it, ensuring that all relevant information is kept and documented in the same place — the case — so everything remains organized and easily accessible.



←  **DISCARD** **APPLY**

The risk scores of LkSG relevant risk categories will impact the risk assessment of the affected entity.

Risk: ▲ 6,0





Intensity/Grade	High	Description	
Probability of occurrence	High	Description	
Persons affected level	Low	Description	
Own contribution to causation	Very low	Description	

Figure 21.3: Risk Management within a Case

Risk Mitigation Measures and Evaluating Their Outcome

After identifying a risk and creating a case, the next step is to implement the right risk mitigation measures. This can seem overwhelming, but the tool provides you with a catalog of suggested actions tailored to the situation. The tool helps you select the most effective measures based on the specific risk you've identified, whether it's a compliance issue, environmental concern, or human rights violation. These measures can often be used as preventive and/or remedial measures, depending on the situation (see Figure 21.4).

After you've chosen a measure, it's crucial to monitor and evaluate its effectiveness. This step ensures that the action taken actually addresses the risk and achieves the desired outcomes. Evaluation can include follow-up actions such as additional questionnaires, audits, or ongoing supplier engagement. If the measure isn't working as expected, adjustments should be made to improve the approach.

Here's the process in a nutshell:

- ✓ **Identify the risk:** A risk is flagged, and a case is opened.
- ✓ **Choose mitigation measures:** The tool suggests relevant actions from a predefined catalog.
- ✓ **Evaluate outcomes:** After implementing measures, evaluate their effectiveness and adjust the risk management for the affected risk positions.

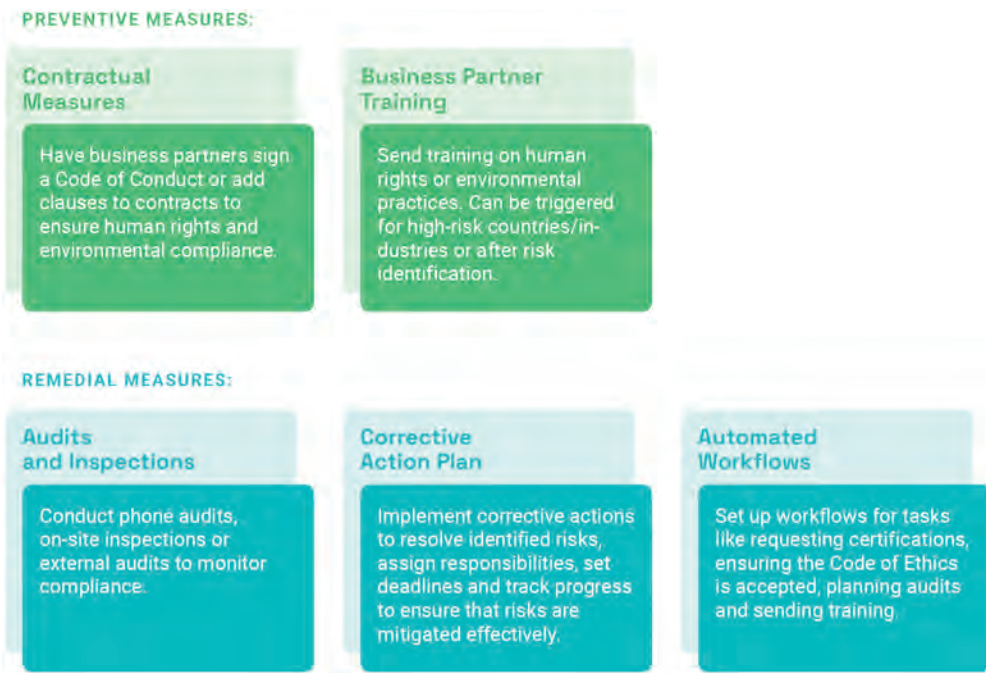


Figure 21.4: Risk Mitigation Measures

Risk Mitigation Measures: Simplified

Within the risk mitigation measure catalogue, you can choose from different kinds of actions to reduce and prevent risks. For example, one type of measure is contractual. This could include having your business partners sign a new Code of Conduct or adding clauses to existing contracts that require them to comply with human rights and environmental standards. These measures work well as preventive steps, even before risks have been identified. You might decide to implement this with all business partners in high-risk countries and industries, or across your entire supplier base.



Contractual measures help you manage expectations early on and ensure everyone is aligned with your company's standards before problems arise.

Another preventive measure could be business partner trainings. These can be sent out in advance to suppliers in high-risk industries or countries, or as an initial response when a potential risk is identified. The tool offers video-based supplier training, but can also be extended with an add-on by our partner, Funk Consulting. This add-on provides expert-developed interactive training sessions on HREDD topics. The interactive format ensures that the content is well understood and internalized. If completed successfully, suppliers will receive a certification on the respective topic that can automatically influence the risk score in a positive way.



Business partner training offers an effective way to address risks proactively and ensures business partners understand compliance requirements.

After a risk has been validated, control measures come into play. These are typically used after a risk has been identified. Control measures can include actions such as phone audits, on-site inspections, and external audits. When selecting a control measure, you can assign responsibilities to team members, ensuring everyone knows their role. You can also add specific steps as an action plan within the process and set deadlines, allowing the tool to track progress and notify assignees when deadlines are approaching. This means you don't have to actively stay on top of every detail — the tool creates a to-do list for you and ensures that no steps are missed.

You also have the flexibility to add any other risk mitigation measures that align with your company policies and risk management strategy. Additionally, you can automate risk mitigation to a certain extent by creating automated preventive or remedial workflows. These workflows are available for your team to use whenever they are assigned to a risk mitigation case. For example, automated workflows can include tasks like requesting common certifications from your business partners, ensuring they accept the Code of Ethics, planning phone audits (with internal approval), or sending training on specific risk positions, such as forced labor. These automated workflows streamline the entire process, ensuring that necessary actions are taken in a timely and efficient manner. (Chapter 23 covers everything on workflows and automation.)



Automating workflows helps maintain consistency and ensures that risk mitigation is handled efficiently and promptly.

Collaborative Case Management in the osapiens HUB

In the osapiens HUB, after a case is opened, the responsible person can collaborate with others by inviting colleagues to join the process. This way, everyone can provide valuable input and help manage the situation effectively.

Each case comes with a change log that automatically tracks all changes made, providing an audit-proof history of actions. On top of that, users can add their own documentation to the case, such as certificates, audit reports, or any other relevant documents. This helps keep everything organized and ensures that all supporting materials are in one place.

As the case progresses, you can also use the to-do list to check off tasks and add new steps with deadlines, ensuring that everyone knows exactly what needs to be done next. This collaborative approach allows better communication and tracking throughout the risk mitigation process, making it easy to monitor progress and ensuring that all necessary steps are completed in a timely and organized manner.

Evaluating the Effectiveness of Measures

After you've implemented a risk mitigation measure, it's super important to check whether it's working. Just because a measure is in place doesn't mean it's having the desired impact. You need to make sure it's actually solving the problem and achieving the goal you set out.

How long it takes to see results so you can evaluate the effectiveness of the measures taken will depend on the measure itself. Some actions, like business partner training, can be done quickly. Others, like creating a corrective action plan, may take months to fully implement. But that's okay — it's about finding the right solution and giving it time to work.



Remember, most of the supply chain acts out there don't expect you to fix everything overnight. You don't have to immediately cut ties with a business partner just because an issue arises. What matters is that you identify the risk, take appropriate action, and follow through. Documentation is essential at every step to ensure transparency and compliance.

For example, if you find out that one of your suppliers isn't providing protective gear for their workers, you don't have to stop working with them right away. Instead, you could create a corrective action plan. This plan could set clear steps to make sure safety becomes a priority for the supplier in the near future. By doing so, you help protect workers and reduce risks without abruptly ending the partnership.

It's also essential to document your evaluations and track the results of your actions. This ongoing evaluation ensures your risk mitigation strategies stay relevant and effective, helping you maintain compliance and adapt to evolving risks. It also ensures that your operations and supply chain align with human rights and environmental standards, as required by the directive.

After a measure is completed, its status can be updated. You can also decide whether the measure impacts the risk score for the related category and add comments or notes for documentation purposes. If the measure should affect the business partner's risk score (for example, occupational safety), you can set the new score based on the outcome, considering intensity, probability, persons affected, and your contribution. The system will show both the "before and after" risk score, along with a timeline graph and a change log documenting every step and change made (see Figure 21.5).

By carefully implementing and monitoring risk mitigation measures, you can ensure that you are not only complying with the various regulatory frameworks for ethical supply chains but also fostering responsible business practices throughout your supply chains.

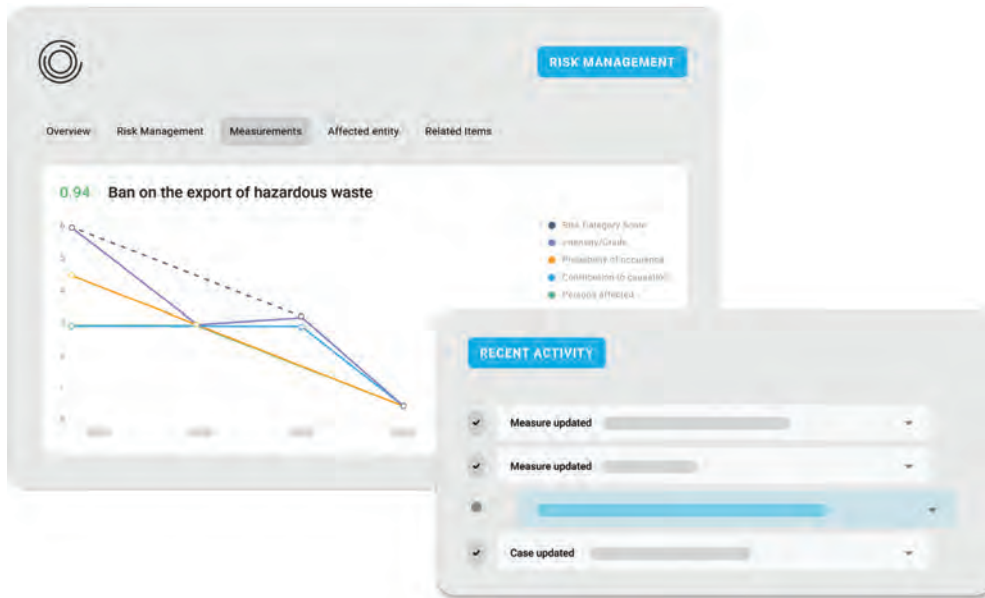


Figure 21.5: Tracking Effectiveness of Measures within the Case

Key Takeaways

Here's a quick recap of this chapter:

- ✓ **Preventive measures:** Use contractual measures like a Code of Conduct and training programs to address risks early, even before they're identified.
- ✓ **Control measures:** Implement audits, inspections, and assign tasks to monitor and track ongoing risks effectively.
- ✓ **Automated risk mitigation:** Automate workflows for routine tasks like requesting relevant certifications and ensuring compliance, streamlining the process.
- ✓ **Collaborative case management:** Work together with colleagues, track progress, and document every step, ensuring everything stays organized and timely.
- ✓ **Evaluating effectiveness:** Once a measure is implemented, always assess its impact, making adjustments as necessary to keep the risk management process effective.

In the next chapter, we explore how to create detailed compliance reports with the data you've gathered.

Filtering and extracting compliance data

Customizing reports for different regulations

Chapter 22

From Data to Deliverable: Creating Compliance Reports with Confidence

Now that you've completed your due diligence process by assessing risks, evaluating high-risk suppliers, implementing mitigation measures, and documenting all of the results, the next step is creating reports for the different regulatory frameworks for supply chain due diligence that you are affected by. This is the critical phase where you consolidate all the data you've gathered, analyze it in line with compliance requirements, and prepare the report that meets regulatory expectations. With the osapiens HUB for Due Diligence, you can streamline this process and focus on what matters most — ensuring that your report is accurate, timely, and compliant.

Although the osapiens HUB doesn't automatically generate full reports for you (because it's not a reporting software solution), it provides a comprehensive suite of tools to help you filter, extract, and export the data you need, making it much easier for you to compile your reports. This flexibility means that you can extract the exact data you need, whether for CSDDD compliance, sustainability reports, or other custom regulatory requirements (see Figure 22.1). The data extraction process is efficient, reducing the manual work and improving the quality of the reports you generate.

Creating a compliance report for regulations like the CSDDD or CSRD might sound like it should be straightforward, but in reality, it's a complex task. As you prepare these reports, you need to gather and filter data from different sources. CSDDD requires detailed reporting on human rights risks, like forced labor or child labor, whereas CSRD focuses on environmental and social issues, such as pollution, resource depletion, and overall sustainability practices.

However, these often reports don't follow a common standard and are heavily customized, which makes using a software tool for automatic report generation difficult. Typically, they involve



Figure 22.1: Filtering and Exporting Data for Compliance Reports

- ✓ **Custom branding:** The reports need to match your company's branding guidelines, from logos to colors and fonts, which vary greatly from company to company.
- ✓ **Custom layouts:** Different stakeholders may require specific layouts, whether it's for internal teams, investors, or regulatory bodies.
- ✓ **Custom file format:** You might need the report in a specific file format, such as a PDF, Excel spreadsheet, or even an interactive dashboard, which requires different configurations.
- ✓ **Custom context:** The data and its presentation often need to be tailored based on the business context, target audience, and specific requirements of the regulation you're reporting on.
- ✓ **Custom stakeholders:** The audience for the report will vary, with different stakeholders requiring different focuses or information depth, and this must be reflected in the report.
- ✓ **Custom company policies:** Each company has its own policies on how to report and disclose information, whether regarding risk assessment, mitigation strategies, or supplier management.

Given all these variations, creating a report automatically using a tool can be a challenge. The osapiens HUB streamlines the reporting process by centralizing all the necessary data in one place. Although it doesn't create the whole report automatically, it does something far more important — putting together all relevant data based on your specific needs for each report. It allows you to filter, extract, and export the necessary information, which you can then use to create customized reports.

Designed with user-friendliness in mind, the system ensures that even when dealing with complex regulations, compliance reporting remains organized and efficient. With its intuitive framework, the osapiens HUB helps you compile your report without the burden of tedious administrative work, enabling you to focus on meeting compliance requirements.

Filtering Data for Custom Reports

One of the most useful features in the osapiens HUB is its data filtering capability. You don't need to sift through a huge amount of irrelevant data when creating your report. The HUB allows you to filter and extract data based on specific parameters like geographical regions, supplier risk levels, environmental impact, and other relevant factors. By using these filters, you can ensure that your report is directly focused on the topics you need to address, making the process more efficient.

For example, if you're creating a regional risk report, you can filter the data to focus specifically on suppliers located in high-risk regions. This allows you to narrow it down to the most pressing issues in the supply chain and develop focused risk mitigation strategies. The filtered data will help you identify trends and problem areas, so you can address them head-on.



If you're working on a sustainability report, the HUB allows you to extract supplier risk profiles related to environmental impact or compliance with environmental regulations. This data can then be included in the Responsible Sourcing section of the report, where you can showcase how you are addressing sustainability in your supply chain.

Customizing Reports for Different Regulatory Needs

Every business operates in different regulatory environments, which means that compliance reporting must be flexible to accommodate various rules. The osapiens HUB recognizes this and gives you the ability to customize your compliance reports to fit the specific requirements of any regulation. Whether you're working with CSDDD, LkSG (the German Supply Chain Due Diligence Act), or any other regulation, the system allows you to tailor your reports so they meet the exact regulatory criteria.

You can pull data from various sources within the system — supplier questionnaires, risk assessments, audits, and even ongoing monitoring of suppliers through the case management function. This gives you the ability to create one report that meets the criteria of multiple regulatory frameworks. Instead of manually searching for relevant data or crafting individual reports for each regulation, the osapiens HUB organizes and structures everything in one place, helping you quickly assemble and export the data needed for each specific requirement.



Customizing reports in the osapiens HUB means you can meet the compliance requirements of different regulatory frameworks without reinventing the wheel. The system is flexible enough to generate a report that aligns with the requirements of CSDDD, LkSG, and others, saving you time and effort.

Managing Multiple Regulations Simultaneously

Compliance with multiple regulations is common for companies that operate globally or in multiple industries. However, different regulations often have different rules about what should be included in the reports and how it should be presented. With the osapiens HUB, you can easily manage multiple compliance regulations simultaneously. Additionally, our customizable dashboards offer role- and policy-specific views, ensuring that every user sees the most relevant and actionable insights tailored to their responsibilities.

The system allows you to track and organize your data based on different regulatory requirements. Whether you need to report on human rights issues, environmental risks, or financial transparency, the osapiens HUB keeps everything organized in one place.

All the data you collect across different solution within the osapiens HUB will be consolidated into a new ESG cockpit, offering a single source of truth for tracking key sustainability metrics. With real-time access to KPIs, businesses can monitor their progress, compare performance against industry benchmarks, and make data-driven decisions — not just for regulatory compliance but also for operational efficiency and competitive advantage.

Our goal is simple: Capture data once and use it seamlessly across various reporting and compliance requirements. This means businesses can not only meet legal obligations but also leverage insights for risk management, strategic planning, and sustainability improvements.

Our platform ensures that companies can generate various reports effortlessly, adapting to different regulatory and internal needs. This enables a comprehensive, data-driven approach that supports long-term sustainability goals.



For CSDDD compliance, you may need to report on how you are addressing human rights risks in your supply chain, such as child labor or forced labor. For CSRD, the focus might shift to environmental issues, such as pollution or resource depletion. However, sometimes the data requirements can overlap. For instance, some human rights topics under CSDDD, like worker conditions or supplier responsibility, can also be useful data for the CSRD reporting, particularly in the context of Social Standards (ESRS) that address similar themes of social sustainability. By utilizing the HUB, you can address both CSDDD and CSRD requirements simultaneously, ensuring your reports are comprehensive and consistent. This approach aligns with the European Commission's Omnibus Initiative, which aims to simplify corporate reporting obligations by reducing redundancies and overlaps, thereby easing the reporting burden on companies.

Our system automatically adapts to new regulatory requirements, so you won't need to manually update your reports every time a new regulation is introduced. This makes it easier for companies to stay compliant with both existing and new regulations as they evolve.



Managing multiple regulations simultaneously can be a daunting task, but the osapiens HUB makes it easier by allowing you to create custom reports for different regulatory frameworks. By centralizing your compliance data, you reduce the time spent managing multiple reports for different regulations. You can even save each combination of filters to make them accessible quickly for a determined group of users.

Automating the Data Extraction and Reporting Process

One of the biggest benefits of the osapiens HUB is its ability to automate key aspects of the reporting process. Although it doesn't automatically generate reports from scratch, it does automate many tasks like data extraction and sorting. After you have set up your

compliance processes, the system can automatically extract the necessary data, organize it, and even remind you if anything is missing or needs attention.

For example, the HUB can automatically update your data whenever supplier risk scores change or when a new certification is required. This ensures that your reports are always up to date and reflect the most current compliance information.



If you have a Regional Risk Report focusing on suppliers from high-risk regions, the HUB will automatically update the data if there's new information on a supplier's risk score, or if a supplier's compliance status changes. This allows you to stay compliant without worrying about missing out on important updates.

Automation helps save time and effort, allowing you to focus on higher-level tasks, like assessing risk mitigation strategies or refining your due diligence process. By reducing the time spent on manual tasks, the HUB frees you up to focus on more strategic decisions.

Staying Ahead of Regulatory Changes

Keeping up with evolving regulations can be challenging. New laws are introduced and existing ones are updated regularly. The osapiens HUB is designed to adapt seamlessly to these changes, ensuring your compliance processes remain current.

Automatic Compliance Updates

When new regulations are introduced or existing ones are modified, the osapiens HUB automatically updates your reports to meet the latest requirements. This removes the need for manual adjustments, allowing you to maintain compliance efficiently.

Extensive Library of Verified Certificates

Additionally, we provide an extensive library of verified certificates across various industries. This resource enables you to assess how specific certificates impact different risk categories, supporting more informed compliance decisions.

Some key benefits of our certificate library are:

- ✓ **Time-saving:** Automated updates reduce the need for manual work.
- ✓ **Risk reduction:** Quickly understand how certificates influence compliance risks.
- ✓ **Reliable compliance:** Stay prepared for regulatory changes with minimal effort.

With the osapiens HUB and our comprehensive certificate library, managing compliance becomes a straightforward and reliable process.

Collaborating with Legal Experts

Even though the osapiens HUB simplifies the compliance reporting process, it's still important to collaborate with legal experts who can help guide you through the legal complexities. Legal professionals will ensure that your reports meet all legal standards and that you're fully compliant with the latest regulations.

The osapiens team works closely with legal experts to ensure that the platform stays aligned with current legal standards. When new regulations are introduced or laws change, legal professionals help ensure that the changes are integrated into the system, making the process easier for you.



Collaborate with your legal team to ensure that your reports are as accurate and compliant as possible. They can help you understand the finer points of complex regulations and give you peace of mind knowing your reports meet the legal requirements.

Creating Tailored Compliance Reports in a Few Easy Steps

Now that you have a clearer understanding of the key challenges in creating compliance reports and how to overcome them, we look at a practical example of compliance report creation. By following a few simple steps, you can ensure that your reports are accurate, well-structured, and aligned with regulatory requirements. The osapiens HUB simplifies this process by providing the tools you need to collect, filter, and present your data efficiently. Here are the key steps to help you create tailored compliance reports with ease:

1. **Gather your data:** Begin by collecting all the relevant data you've accumulated through the due diligence process. This includes risk assessments, supplier questionnaires, audit results, and environmental impact data. The osapiens HUB makes it easy to access this data in one place and in an organized way.
2. **Filter and customize the data:** Run custom queries to filter the data according to your reporting needs. Whether you want to focus on high-risk regions, environmental performance, or supplier compliance, the HUB allows you to filter the data accordingly. This ensures that you only include the most relevant information in your report.
3. **Generate custom metrics:** Based on the filtered data, you can develop key performance indicators (KPIs) for your report. For example, if you're working on an **Investor Report**, you could use data on supplier compliance and carbon footprints to develop KPIs for sustainable supply chain performance, such as the Percentage of Suppliers Meeting ESG Criteria.
4. **Export your data:** After your data is filtered and customized, export it in a format that suits your needs — a PDF, Excel spreadsheet, and so on. Using the tool, it's super easy to export the data to your desired format, saving you time on manual data entry.

5. **Compile the report:** After exporting the data, compile it into your final report, adjusting it according to each regulation's specific requirements. Whether it's a **Sustainability Report** or a CSDDD Report, you can ensure that it meets the necessary standards.
6. **Review and finalize:** Lastly, review your report to make sure everything is correct and complete. The osapiens HUB automatically helps ensure that the information is up to date and accurately reflects your compliance efforts.



Even though the osapiens HUB automated many parts of the process, the final report preparation still requires manual effort. Make sure you review everything to ensure it aligns with your compliance requirements.

Key Takeaways

- ✓ **Streamlined compliance reporting:** The osapiens HUB for Due Diligence simplifies compliance reporting by making data extraction, filtering, and organization more efficient.
- ✓ **Flexible report generation:** Although it doesn't create full reports automatically, it provides a structured way to gather, format and export the necessary data.
- ✓ **Reducing manual effort:** Automation features help minimize repetitive tasks, allowing teams to focus on higher-level compliance activities.
- ✓ **Regulatory alignment:** The osapiens HUB helps ensure reports meet the requirements of various regulations by keeping data up to date and tracking regulatory changes.
- ✓ **Versatile reporting capabilities:** Whether for CSDDD, Sustainability Reports, or other compliance documents, osapiens supports the compilation of accurate and timely reports.

In the next chapter, we explore how to automate tasks using the workflow builder to further streamline compliance processes.

Automating compliance tasks with workflows

Using predefined and custom workflows

Managing risk with automated notifications

Chapter 23

Letting Automation Do the Heavy Lifting

Now that you've got a handle on how to meet the requirements of different regulatory frameworks for supply chain due diligence in one go, we dive into how you can automate a lot of the tasks we've covered. We've been talking about how the osapiens HUB can do much of the work for you, and you might be thinking, "Can it really be that easy?" In this chapter, we break it down for you with the workflow builder.

When designing and developing the osapiens HUB, we had a few goals. Of course, we wanted to make our customers' lives easier in many different ways. First of all, we want to enable you to comply with ESG regulations in an easy way by collecting and analyzing relevant data. A goal that was just as important to us was to automate a lot of the time-consuming work that comes with it. So we built the workflow module to let the system take over repetitive tasks, like risk assessments, reporting, and sending communications. You can even customize it based on your existing processes that you want to automate.



Automating repetitive tasks means you can focus on the bigger picture and leave the busy work to the system, keeping everything on track without needing to constantly check in.

How Automation Works in the osapiens HUB

In the osapiens HUB, the workflow builder is your best friend when it comes to automating tasks and processes. Think of it as your tool to set up custom "to-do lists" that the system will follow automatically, so you don't have to do everything manually. From sending emails to triggering actions or keeping track of supplier compliance, our workflow builder allows you to create automated steps that are tailored to your company's needs and the rules you need to follow (see figure 23.1).

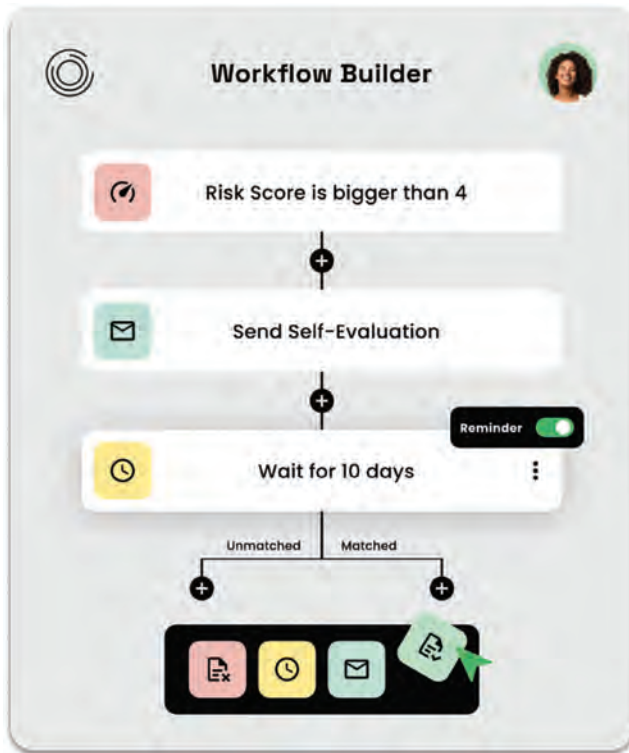


Figure 23.1: Action Flow Builder

This is how it works:

1. **Create custom workflows.** You can set up workflows that handle repetitive tasks, like sending reminders or emails to suppliers, or triggering certain actions, like updating a supplier's risk score. The system does all the work for you after you've set it up!
2. **Use existing workflow templates.** If you don't want to start from scratch but rely on our experience from more than 1,000 customer projects, you can use the integrated pre-built workflow templates that cover common tasks like sending certifications or conducting risk assessments. You can easily adjust and customize these existing templates to fit your needs, saving time while still automating important processes.
3. **Automate compliance and risk assessments.** Instead of manually checking every risk or compliance task, you can set up workflows to automatically assess risks, send out questionnaires to suppliers, or track responses, saving you time and reducing human error.
4. **Set notifications.** Want to stay updated? You can create workflows that notify the right people when an important action needs to be taken, such as when a risk score has changed or when a supplier has submitted a new certification.
5. **Get approvals automatically.** With workflows, you can set up approval processes, ensuring that a supervisor or colleague must approve a task before the next step is carried out.

Setting up workflows in the osapiens HUB is super easy (figure 23.1). You don't need to be a tech genius to do it, as our system uses a drag-and-drop interface that allows you to set up everything with ease. This means you can define when things should happen, what conditions need to be met, and what actions the system should take — all without having to touch any complicated code.

The great thing about workflows is that after they're set up, they run automatically. For example, after you add a new supplier, you can set the system to send them an onboarding questionnaire right away, and if they don't respond, it will send reminders on its own. No need for your team to intervene unless it's necessary. This is done for every new business partner you add to the system. If you want to narrow it down and tweak questionnaires based on the supplier region or maybe your trade volume with them, you can just include those criteria in the workflows for more targeted automations.



In short, the workflow builder is your personal assistant for keeping things running smoothly and automatically in the osapiens HUB.

Key Elements of the Workflow Builder

In the workflow builder, creating and modifying workflows is made super simple with several easy-to-use elements. Here's a quick breakdown of the key components, so you can understand exactly what you can do with the workflow builder and how it can help automate your tasks:

1. **Triggers:** A workflow trigger is the event that sets everything in motion. It could be something simple, like adding a new supplier, updating a risk score, or a certification deadline approaching. After that event happens, the system automatically starts the workflow to carry out the necessary actions without you needing to do anything. In other words, the trigger is like the starting pistol, signaling the rest of the process to begin.
2. **Conditions:** Think of a condition as a checkpoint. The system checks if certain criteria are met — like if a supplier is from a high-risk region. If the condition is true, the workflow moves on to the next step. If it's not met, the workflow takes a different path or doesn't proceed. This helps ensure that your workflows are focused and relevant to the task at hand, like only asking certain suppliers for specific documents or additional assessments.



Take advantage of conditions to tailor your workflows. By creating specific conditions, you make sure the right tasks are automatically applied to the right suppliers or situations, saving you time.

3. **Actions:** After the condition is met, an action happens. This could include sending an email, updating data, or performing any necessary task. Actions help keep the workflow going, like sending notifications or following up with suppliers to ensure tasks are completed.
4. **Waiting times:** Sometimes, you'll want to pause the workflow before moving to the next step. The Wait step lets you set a delay or wait for a specific event, such as giving suppliers time to respond before continuing with the next action. This ensures actions happen in the right order.



You don't have to use every step in every workflow. If you just need to start something based on an event, set the trigger and action, and you're good to go.

Using these elements, you can create workflows that are perfectly suited to different situations, automating processes based on specific needs.



Imagine you're working in a manufacturing company, collaborating with suppliers from all around the world. Naturally, you'd want to ask for different types of information from suppliers in Europe compared to those outside of Europe. In fact, you might even want to customize what you ask based on the country. No problem. The workflow builder makes it easy to set this up by sending different questionnaires to suppliers based on their region and other criteria you might want to set.

You can create a workflow that targets specific suppliers by their location. Simply add a condition that filters suppliers based on their business partner location, tag, or even business partner group. This way, you can automatically direct certain tasks or requests to suppliers from specific countries or regions, saving you time and ensuring that each group gets the right set of questions or instructions. It's a super simple way to tailor workflows to the specifics of each situation, without having to manually adjust things every time.

Workflow Wizard to Create Workflows from Scratch

Creating your own workflows from scratch might sound a little scary, but it's actually pretty simple. With the workflow wizard, you can easily create custom workflows step by step. The tool guides you by asking the right questions:

- ✓ What do you want the workflow to do? Send questionnaires, react to risks or violations, or send notifications?
- ✓ When should it trigger — when a new business partner is created, when a risk score is updated, or maybe it's a task that repeats regularly?

You can even set criteria that business partners must meet to be processed by the workflow. Plus, you can select email templates to use or add custom emails, set reminders, and decide on escalation steps. The best part is that the workflow wizard helps you through each step without any hassle, so you won't even realize you're creating a workflow until it magically appears, based on the questions you answered.

Practical Workflow Tips for Different Scenarios

Are you looking for some practical tips on how to use workflows for different scenarios? We thought so. That's why, in the following section, we share our best practice insights into

the most common scenarios and how you can easily automate them with our predefined workflow templates. Of course, if these workflows don't match your processes 100 percent, you can always use the templates as a starting point and adjust different elements as needed.

Predefined Workflows for Business Partner Onboarding

Here's how you can use workflows in the osapiens HUB to make life easier when adding new business partners.

After you create a new partner, the system automatically kicks off tasks like sending a welcome email or asking them to fill out a questionnaire. If the partner has a higher risk score, the workflow can send reminders and even create a case if they don't respond in time. You don't need to set everything up manually — just adjust a few simple settings like who should get the emails, how often reminders are sent, and how long to wait before taking action. This saves you time and makes sure things don't slip through the cracks, all while keeping your compliance on track.

Predefined Workflows after the Abstract Risk Analysis

After you've completed the abstract risk analysis, the next steps to stay on track with compliance can be fully automated.

If a business partner's risk score goes above a certain level (you can set a threshold here or use our standard set by our partner lawyers), the system automatically sends them a questionnaire to gather more details. If they don't reply, no worries — reminders are sent out, and if they still don't respond, the system will create a case to follow up (see Figure 23.2).



You only need to set up the workflow once, and from then on, the system will handle all the emailing, reminders, and case creation automatically. This way, you don't have to worry about missing anything important in your risk management process.

Predefined Workflows for the Concrete Risk Analysis

After you conduct a concrete risk analysis, a workflow can help you stay organized by automatically triggering workflows based on your business partner's actions:

- ✓ **Questionnaire Denied:** If a business partner refuses to complete a questionnaire, the system automatically opens a case for you to follow up on. This way, you won't miss any issues that need attention. The workflow is triggered when the questionnaire is denied, and the system will set a due date of 30 days and assign a high priority to the case. You just need to pick who is responsible for following up.
- ✓ **Questionnaire Completed:** After the business partner completes a questionnaire, the system checks their risk score (see Figure 23.3). If the score is higher than 3, it automatically opens a case for further action. Again, this saves you time by instantly creating a case with a 30-day due date and high priority, ready for the right person to manage.

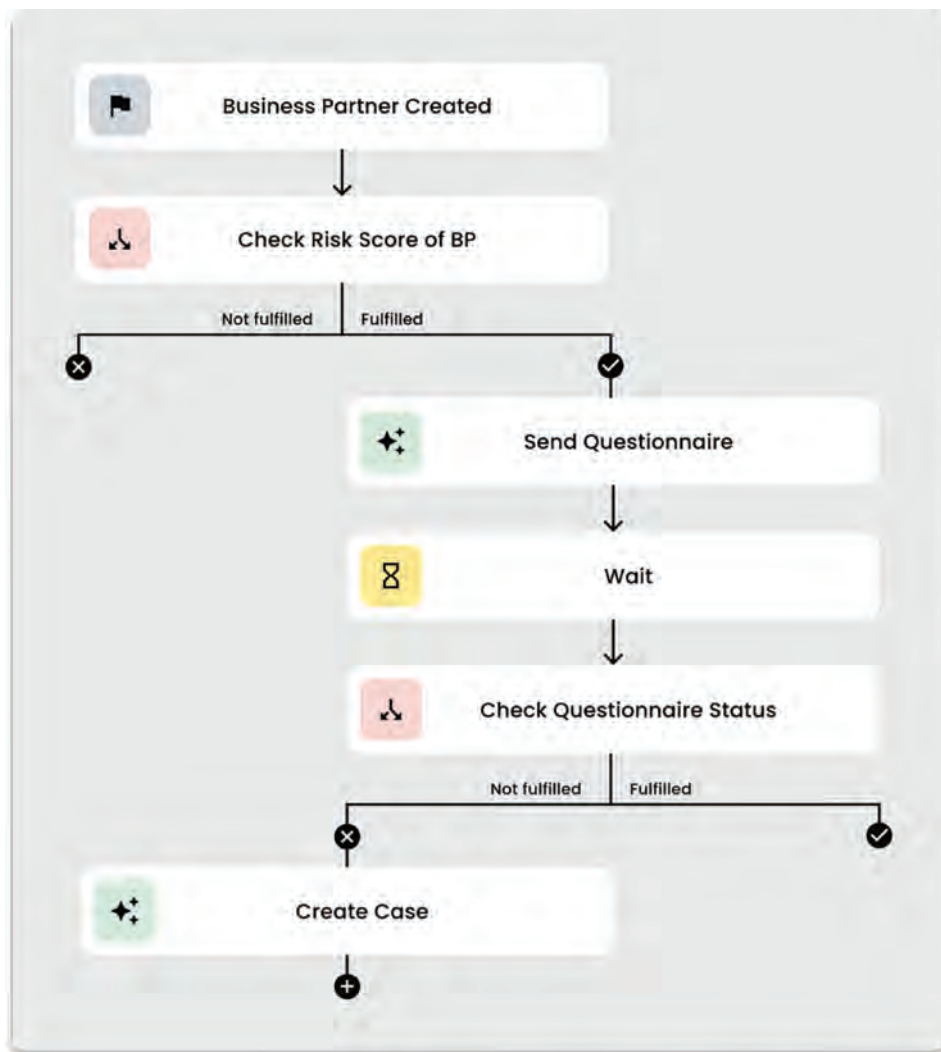


Figure 23.2: High Risk Identified - Send Self Evaluation Questionnaire

Predefined Workflows for Complaints and Cases

With the osapiens HUB, you can automate your complaint and case management processes, saving you time and ensuring that nothing slips through the cracks. Here's how the workflows can help you automate these tasks.

- ✓ **Complaint Created — Send Info Email:** When a public complaint is submitted, this workflow automatically sends you an email notification. It's triggered when a complaint is marked as "open" or "in process", so you stay in the loop right from the start (see Figure 23.4).

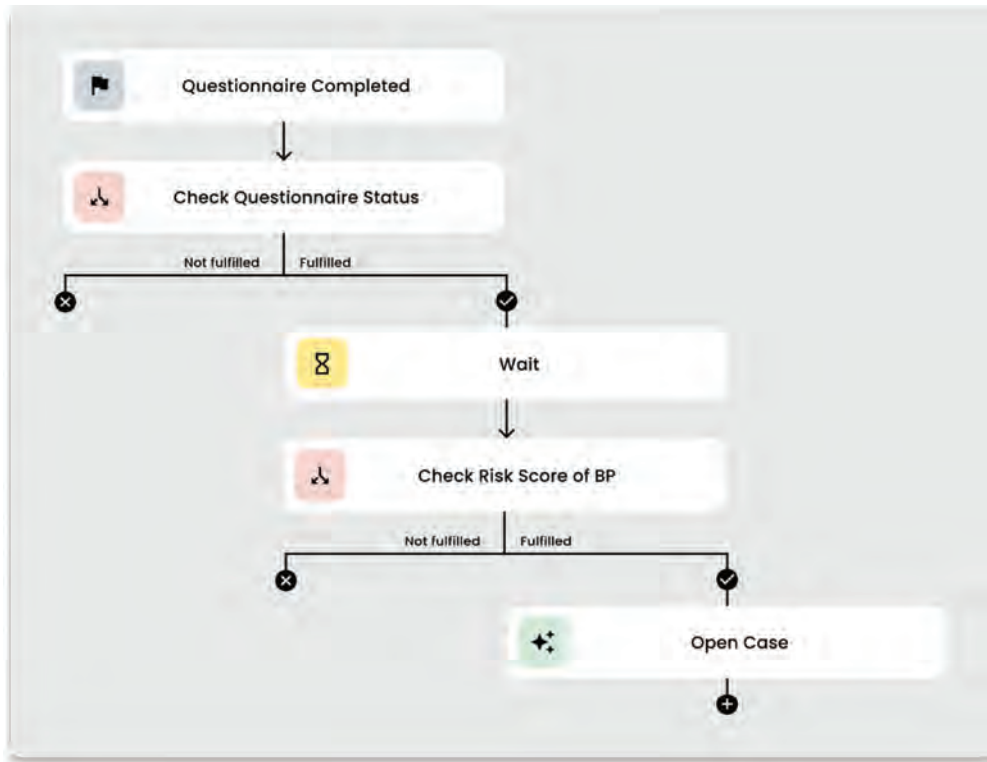


Figure 23.3: Questionnaire Completed — Risk Score Checked

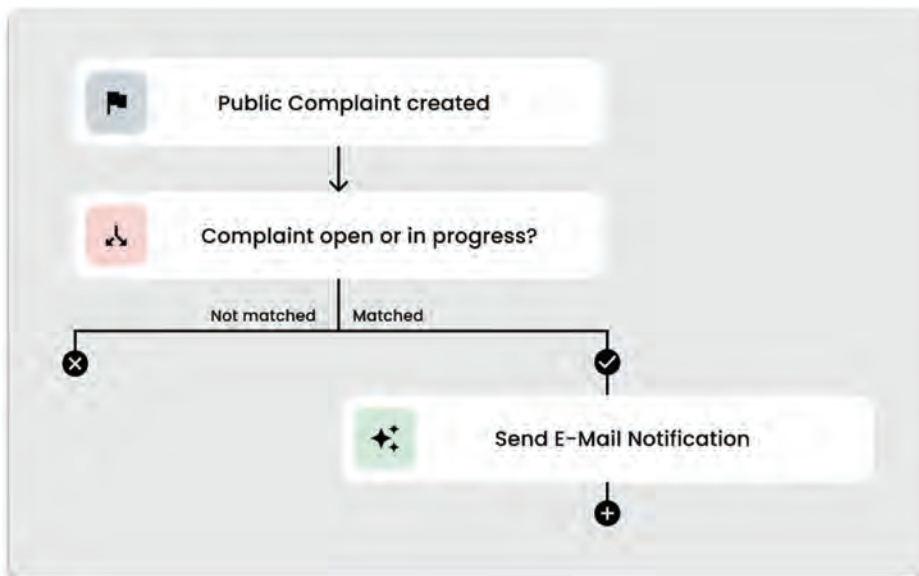


Figure 23.4: Complaint Created - Send Notification

- ✓ **Complaint Updated — Send Info Email:** If the status of the complaint changes, this workflow automatically sends you an email to keep you updated. Whether it's a change in the complaint's progress or new details, you won't miss any important updates.
- ✓ **Case Created — Send Info Email:** When a case is opened or is in process, this workflow sends an email to the relevant team members. You'll get notified right away, ensuring that the case is being handled properly.
- ✓ **Case Updated — Send Info Email:** Similar to the previous workflow, when the state of a case changes, this workflow sends out a notification to everyone involved. It keeps your team informed of any developments, ensuring everyone is on the same page.

With these automated workflows, you don't need to worry about tracking complaints or cases manually. The system does the work for you, sending notifications and keeping everyone updated, so you can focus on resolving issues quickly and efficiently.

Predefined Workflows for Evidence

After you've gathered evidence, such as certificates, for your risk analysis, it's important to keep track of the expiry dates, so you don't miss anything important. With the osapiens HUB, you can automate this process using workflows, making sure you're always up to date. Here's how it works:

1. **Certificate Expired — Send Email:** If one of your business partner's certificates expires, the system can automatically send an email to notify them. This workflow is triggered when a certificate is out of date, so you don't need to manually track expiry dates.
2. **Certificate Expired — Create a Case:** If the certificate has expired, and you need further follow-up, this workflow automatically opens a case for you. This helps you keep the process moving forward, even when things slip through the cracks.
3. **Certificate Expiring Soon — Send Email:** When a certificate is about to expire, the system can send a reminder email to your business partner in advance. This is triggered when a certificate is nearing its expiry date, so your business partners have enough time to take action.
4. **Certificate Expiring Soon — Create Case:** Similar to the previous workflow, if the certificate is about to expire and needs immediate attention, a case will automatically be created for follow-up. This ensures nothing falls through the cracks, and the issue is addressed promptly.

With these workflows, you can ensure that you stay on top of expiring certificates without manually tracking every detail. Just set them up, and the system will take care of the rest.

Benefits of Automation in the osapiens HUB

The role of AI and automation in compliance is an ongoing discussion. Because compliance is a complex and sensitive area, some aspects require human judgment. That's why it's important to strike the right balance — ensuring that human input is involved where necessary, such as evaluating complaints, reviewing new regulations, or assessing supplier risks when little information is available.

At the same time, automation has clear advantages when applied in the right areas. It can help streamline workflows, reduce manual workload, and improve consistency. The key is to use automation as a support tool, handling repetitive tasks efficiently while allowing human expertise to focus on the more nuanced and strategic aspects of compliance.

This is why we've carefully integrated automation into the system where possible, while still ensuring human involvement when needed. To achieve this, the system notifies the responsible people within the customer's organization at the right moments. When and where human interaction is required was something we carefully defined together with our partner lawyers to ensure a compliant and effective approach.

By leveraging automation in the right places, our tool offers several key advantages, including

1. **Saves time and reduces human error:** Automation eliminates the need to manually track deadlines, send reminders, or follow up with business partners. The system automatically handles these tasks for you, reducing the chances of human error and ensuring that nothing falls through the cracks.
2. **Increases efficiency:** With workflows in place, your team can focus on tasks that require human judgment, like evaluating the results of risk assessments or analyzing compliance reports. The system handles routine tasks, making your operations much more efficient.
3. **Ensures compliance:** The osapiens HUB ensures that compliance requirements are always met on time by automating essential actions like sending out questionnaires, requesting certifications, or even flagging high-risk suppliers for further investigation. These automated actions help maintain a constant state of compliance across your supply chain.
4. **Offers customizable workflows:** One of the best features of the osapiens HUB is the ability to create workflows tailored to your specific needs. Whether you're managing supplier onboarding, compliance reporting, or risk assessments, you can design workflows that align with your company's internal processes and policies. This level of customization ensures that you're working in a way that suits your business.
5. **Comes with predefined workflows:** To make the setup process even easier, osapiens HUB comes with a set of predefined workflows. These workflows cover common tasks, such as managing supplier assessments or sending reminders for overdue tasks. After the predefined workflows are set up, you can easily adjust them to match your exact needs. This helps you save time in the setup phase, so you can start using the system right away.

Email and Communication Automation

The osapiens HUB also integrates email automation. You can create email templates that automatically get sent based on specific triggers. For example, if a supplier's compliance certificate is about to expire, an automatic email reminder can be sent to the supplier, prompting them to upload the new document. These emails can be fully customized to match your company's branding and tone, ensuring consistent communication.



When setting up your workflows, think about the future and how you might need to adjust them as your business grows. It's always better to start with scalable, flexible workflows that can evolve as your company's needs change.

Key Takeaways

Here's a quick recap of the main points from this chapter:

- ✓ **Automating risk management:** The osapiens HUB allows you to automate many of the tasks involved in risk management, making your work more efficient and ensuring no steps are missed.
- ✓ **Workflow builder:** The Workflow Builder simplifies creating and adjusting workflows, helping you automate processes like sending emails, performing risk assessments, and managing supplier compliance.
- ✓ **Predefined workflows:** You can make use of the predefined workflows in the osapiens HUB to quickly set up common tasks, such as onboarding business partners, assessing risks, and handling complaints.
- ✓ **Notifications and case creation:** Automation includes sending notifications for important actions and automatically creating cases if certain criteria are met, such as when a supplier doesn't respond to a questionnaire.
- ✓ **Customizable and scalable workflows:** You can create workflows tailored to your business's specific needs, and these workflows can grow with your business.

Next, we explore how the osapiens HUB can help you manage additional compliance requirements beyond supply chain due diligence, including sanction lists, cybersecurity, financial screenings, product compliance, and more.

Expanding compliance beyond CSDDD

Customizing risk categories for your needs

Managing product and cybersecurity compliance

Chapter 24

Expanding Compliance Management: Beyond CSDDD with the osapiens HUB for Due Diligence

Now that you've learned what the osapiens HUB for Due Diligence can do for your HREDD compliance, you might be thinking: "Wait a minute, now that I've got all this business partner data in here, I can send questionnaires, calculate risk scores ... wouldn't it be amazing if I could also check them for other regulations and critical risk areas that are important to my business?" Well, you're in luck, because we thought the same thing!

Beyond ESG Compliance: Why Supply Chain Due Diligence is Becoming Increasingly Important

With the changes happening in today's world — geopolitical instability, economic uncertainty, and shifting global trade dynamics — the ability to maintain resilient supply chains has become a major challenge for businesses. Supply chains are expected to function reliably at all times, yet they are increasingly at risk from a wide range of disruptions.

When we look at current geopolitical events and global developments, it becomes clear that the ability to anticipate and respond to risks is more important than ever. Businesses must ask themselves: Where are my supply chains under pressure? Where do potential risks exist?

These risks go beyond just operational or regulatory concerns. They extend to geopolitical risks, corruption, financial risks and cybersecurity threats — all of which can have far-reaching consequences for a company's ability to operate smoothly.

The increasing focus on circular economy practices is another factor reshaping supply chains. Companies are looking for ways to ensure they have consistent access to raw materials, reduce dependency on unstable supply sources, and improve overall resource efficiency.

Regardless of regulatory frameworks, businesses must act to identify and mitigate risks in order to remain competitive and resilient in an unpredictable world.

Why Is This Becoming More Important?

Supply chains have always been exposed to risks, but recent global developments have made them even harder to manage. Some key challenges include:

- ✓ Geopolitical conflicts affecting trade routes and access to critical materials.
- ✓ Cyber threats that can compromise operations and disrupt supply chains.
- ✓ Financial instability among suppliers, increasing the risk of shortages.
- ✓ Extreme weather events and natural disasters impacting production and logistics.

The reality is that many risks exist beyond a company's direct suppliers — often several tiers down the supply chain. Traditional monitoring methods struggle to provide full visibility, making it difficult for companies to anticipate disruptions and react in time.

How Technology Helps

With supply chains spanning multiple regions and industries, manually tracking and assessing risks is no longer feasible. This is why companies are turning to AI-powered platforms that aggregate, structure, and analyze risk data in real-time.

With the right tools, businesses can:

- ✓ Monitor suppliers and sub-suppliers continuously
- ✓ Identify risks early and prevent disruptions
- ✓ Leverage real-time data to make informed decisions
- ✓ Improve supply chain resilience and operational efficiency

Supply chain due diligence is no longer just about compliance — it's about ensuring business continuity, stability, and adaptability in an unpredictable world. Organizations that invest in data-driven risk management will not only mitigate disruptions but also gain a competitive advantage by making smarter, faster, and more informed decisions.

So what does this mean for us as a software provider? It means we need to be as flexible as possible, ensuring that we can enable our customers to collect and process data in a way that supports compliance with existing ESG regulations while also being adaptable enough to meet additional standards as they evolve.

That's why the osapiens HUB isn't just for compliance with HREDD related frameworks, such as the CSDDD — it's a powerful tool for managing supply chain and business partner risks across the board if you need it to be. Remember that you can also just use the osapiens HUB for Due Diligence just for your CSDDD needs, even with out-of-the-box templates without customization if you want a super simple yet effective setup.



Keep in mind that compliance doesn't stop at CSDDD. The osapiens HUB helps you expand your compliance efforts to other regulations with ease, reducing manual work and increasing efficiency.

When we first created our Due Diligence Solution, it was primarily focused on helping companies comply with the German Supply Chain Due Diligence Act (LkSG). But as more and more regulations popped up, we quickly realized that our tool could do much more than just address the German law. Expanding it to cover CSDDD requirements was an absolute no-brainer, and we also made sure it could handle national laws already in place that follow the CSDDD requirements, like the Norwegian Transparency Act and the Swiss Supply Chain Act (VSoTr). But there's even more to it. We realized that focusing only on CSDDD and the German Supply Chain Act would miss a lot of other important compliance opportunities (see Figure 24.1), so we made the tool even more flexible to cover a wider range of regulations.

With the osapiens HUB for Due Diligence, you can get a complete picture of your business partners. Not only can you meet standard compliance requirements, but you can also create your own custom risk categories tailored to your specific needs. In this chapter, we show you how easy it is to add these to your system.

To help you cover more regulatory requirements and add your own risk criteria, we started by expanding the thirteen risk categories from the German Supply Chain Act to more than seventy-five categories. These include things like natural disaster, cybersecurity, supply chain disruption, fraud, money laundering, and much more.

Standard and Tailored Risk Categories: Customize Your Compliance Framework

Let's begin with the standard risk categories. These are already set up for you to use, or you can customize them to fit your needs!

Standard Risk Dimensions

We're talking about the German Supply Chain Due Diligence Act, the Swiss Supply Chain Act (VoStr), and the Norwegian Transparency Act — three national laws that focus on making sure human rights are protected in the supply chain. Although the Swiss law (VoStr) is pretty



Figure 24.1: Limited Assessment of Suppliers

straightforward and mainly focuses on conflict minerals and child labor; the Norwegian law goes a bit deeper.

Here's a breakdown of the key requirements of each law:

✓ **Swiss Supply Chain Act (VoSTr):**

- **Conflict minerals:** Companies need to make sure the materials they use, like tin, tungsten, or gold, don't come from areas where there's a lot of conflict or human rights violations.
- **Child labor:** Companies must make sure there's no child labor in their supply chains. Basically, no kids should be working instead of going to school.

✓ Norwegian Transparency Act:

- **Human rights:** This law makes sure companies respect basic human rights in their supply chains. That means treating workers fairly and with dignity.
- **Fair working conditions:** Companies need to ensure their supply chains are safe, workers are paid fairly, and no one's being exploited.

✓ German Supply Chain Due Diligence Act (LkSG):

- **Child labor:** Just like the others, this law makes sure there's no child labor in the supply chains.
- **Forced labor:** No forced labor allowed. Companies must ensure workers aren't being coerced or trapped into working against their will.
- **Health and safety:** Companies must make sure their supply chains are safe and workers aren't exposed to harmful working conditions.
- **Environmental protection:** Companies need to make sure their operations don't harm the environment, like polluting or destroying ecosystems.

As you can see, the German Supply Chain Due Diligence Act (LkSG) is the toughest of the bunch (no surprises there, right?). However, all these laws — Swiss, Norwegian, and German — actually cover very similar areas in terms of supply chains. That's why we've created standard risk categories for them, as well as for the CSDDD, which can be populated with an "abstract risk score." This score comes from AI that scans publicly available data like country and industry reports, government documents, and NGO publications. As you know, if you want to dig deeper, you can use questionnaires to get more detailed information from your suppliers and then calculate a concrete risk score. So, whether you need a quick overview or more in-depth data, you've got options.



When you need more detailed data, don't hesitate to dive deeper with questionnaires. The AI gives you an abstract risk score, but the questionnaire will help you refine and validate that information.

Adding your own risk dimensions

Beyond the standard risk categories, you can also make the system fit your specific needs by creating your own custom risk dimensions. This means you can add individual risk categories and even connect them to AI-powered data to get an automatic, abstract risk score based on the sources you choose to connect. If you're looking to ask your suppliers specific questions, you can also copy and adjust existing questionnaire templates — or create your own — so they match your custom risk dimensions.



Imagine you're buying automotive parts for vehicles. You might want to create a custom risk dimension for Quality Control and Reliability and would likely add the following risk categories to your newly created risk dimension:

- **Quality assurance:** Check **certifications** like ISO 9001 and testing procedures.

- **Historical performance:** Look at past performance — delays or defective parts could signal future risks.
- **Defect rates:** Track defects and supplier responses to avoid future problems.

This way you ensure the parts you use meet your quality standards and reduce the risk of adding poor quality parts into your vehicles that might cause you problems in the future.

After you've set everything up, you can check the business partner profiles to see an overview of all the custom risk dimensions you've created. And don't worry, you'll have full control over which groups of business partners these dimensions apply to, ensuring that suppliers only fill out questionnaires relevant to their industry, the products they provide, and the specific risks that apply to them (see Figure 24.2). This way, you can keep your compliance precise and avoid unnecessary tasks for your suppliers!

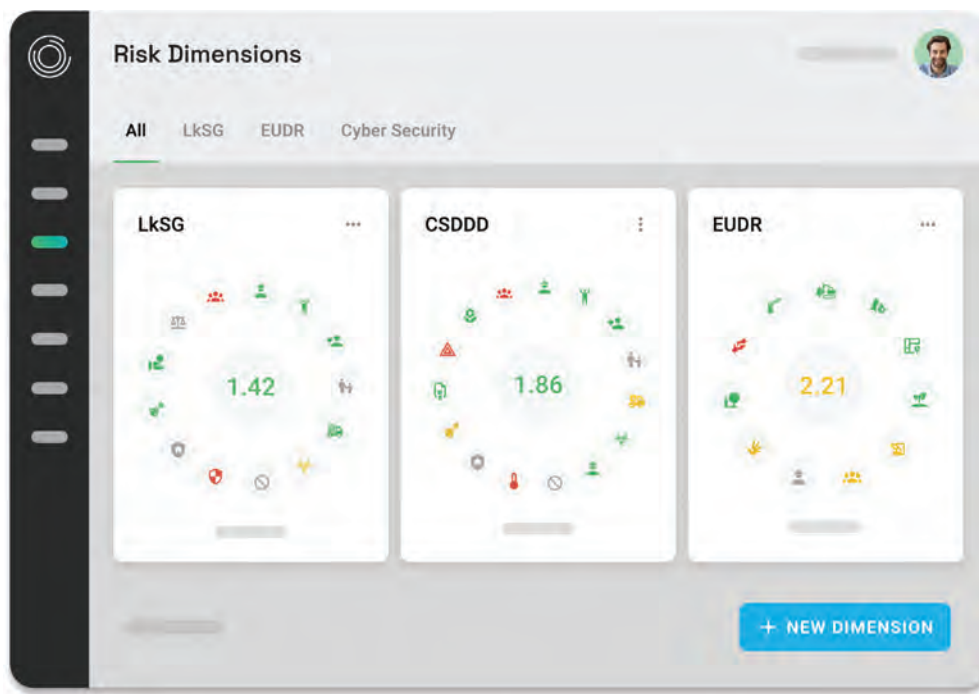


Figure 24.2: Risk Analysis with the Right Perspective

Add-On Dimension: NIS 2

Along with all the standard risk categories for CSDDD compliance, we've also added **cybersecurity** as a priority for our customers. This means you'll now be able to meet **NIS-2** requirements too, with a risk dimension and questionnaires that we developed together with our partner, Viccon Consulting.

NIS-2 is a new EU directive focused on improving cybersecurity across critical sectors. It requires companies to take extra steps to protect their networks and services, including assessing the cybersecurity risks of their suppliers. This helps secure the whole supply chain and prevent vulnerabilities.

Key Points about NIS-2

The NIS-2 directive is a significant update to cybersecurity regulations in the EU, aiming to enhance resilience across critical sectors. Below are the key aspects you need to know to stay compliant and prepared.

1. What's it about?

- NIS-2 strengthens cybersecurity laws in the EU.
- It requires companies to assess cybersecurity risks from their suppliers and service providers.
- More sectors are now included, and penalties for not complying are harsher.

2. Timeline:

- The directive started in January 2023.
- Some countries (like Belgium and Italy) have already made it law, whereas others are still working on it.
- Companies must show they've implemented the necessary processes by 2027 or 2028.

NIS 2 in the osapiens HUB for Due Diligence

In the osapiens HUB for Due Diligence, you can use the standard NIS-2 risk dimension to meet the directive's requirements. To make sure you stay compliant, we've teamed up with Viccon Consulting, a company from Germany that specializes in security management. They focus on cybersecurity and digital transformation, helping businesses build cybersecurity strategies, support their digital shifts, and weave security into their operations.

Now, see how easy it is to stay NIS-2 compliant using our tool (see Figure 24.3).

1. **NIS-2 risk dimension and abstract risk analysis:** The system introduces a new NIS-2 risk dimension focused on cybersecurity. This dimension uses AI to calculate each supplier's cybersecurity risk, based on their country and NACE code, giving you an overview of potential vulnerabilities in your supply chain.
2. **Questionnaire for concrete risk analysis:** A specialized NIS-2 questionnaire helps you gather detailed information from suppliers with high abstract cybersecurity risks. It covers areas like security management, incident management, crisis management, and more, ensuring you're on top of your cybersecurity compliance.



Figure 24.3: NIS 2 Compliance with the osapiens HUB for Due Diligence



As with all our standard risk dimensions, you have a ready-to-use NIS-2 questionnaire created by experts that you can start using right away — no need to create one from scratch.

3. **Incident reporting and management:** The osapiens HUB has a complaints page tailored to NIS 2 requirements, where suppliers can report incidents, including IT system failures. These incidents can be tracked, and case management ensures the right measures are taken to address any cybersecurity risks.
4. **Workflow support and measures:** Based on questionnaire responses and incident reports, the system can create cases and automate workflows to ensure timely resolution, reducing manual effort and improving efficiency.

With these features, osapiens HUB for Due Diligence helps you seamlessly integrate NIS-2 compliance into your due diligence processes, providing a clear view of cybersecurity risks in your supply chain and making compliance management more efficient.

Enhanced News Screening

With the new risk categories we added, you can now explore a whole world of news in our news monitor (quite literally). You can check thousands of news sources from all around the globe — not just for the risks related to CSDDD, but also for more than 75 other risk categories in the tool. By selecting only the categories that matter to you, the extended news screening lets you customize your risk analysis and focus on exactly the news that fits your needs. This helps you stay ahead of potential threats, like supply chain disruptions, cybersecurity issues, or changes in regulations, ensuring you're always informed and ready to act.



Keep your news filters focused on the most relevant risk categories for your business — this way, you'll be able to zero in on the information that really matters and avoid unnecessary noise!

Enhanced Whistleblower Form for EU Whistleblower Directive Compliance

The EU Whistleblower Directive is a law that makes it easier for people to report bad or illegal things happening at work without fearing retaliation. It encourages transparency and accountability, ensuring everyone follows the rules. Companies with 50 or more employees must provide a safe, confidential way for employees to report issues, and protect whistleblowers from harm.

The Whistleblower Directive works similarly to the grievance mechanism for CSDDD but covers different topics. That's why, in the osapiens HUB for Due Diligence, you can easily add the necessary categories for the Whistleblower Directive to the whistleblower form in the integrated complaint management system, so you can comply with more than one law at once.

When a complaint comes in, the system automatically detects whether it's an internal whistleblower complaint (Whistleblower Directive) or an external complaint related to CSDDD. It then assigns the complaint to the right person responsible in your organization. You can also control access to whistleblower complaints, ensuring that only specific, trained individuals within your organization can view them, as these internal complaints can be quite sensitive.



Always make sure that only authorized and trained individuals have access to whistleblower complaints. Sensitive information should be handled with care!

Geopolitical Risk Map

In today's world, businesses are facing more and more challenges when it comes to managing risks in their supply chains, especially when it comes to geopolitical issues. Companies often fail to implement effective geostrategic measures for a few key reasons:

1. **Lack of insight** into how a company's business model and supply chain are affected by geopolitical developments.
2. **Information and complexity overload** makes it hard to stay on top of everything.
3. **Lack of capacity** to act quickly and effectively in response to these growing risks.

As these risks increase, it's becoming more important for companies to take targeted action to manage geopolitical supply chain risks. The good news is that with the osapiens HUB for Due Diligence, you can easily track and manage these risks, ensuring that your business stays ahead of potential disruptions.



Keep an eye on how these geopolitical risks evolve over time, and adjust your strategies as needed to protect your business from unexpected disruptions.

We have teamed up with Agora Strategy, a strategic advisory focused on assessing and advising on global geopolitical developments, to bring you a powerful tool that helps you track and manage geopolitical risks in your supply chain. This means you can monitor things like political instability, trade restrictions, and other global issues that could affect your business. By using a mix of more than 30 risk indicators and insights from more than 300 geopolitical experts, the tool gives you a country-specific risk score for each supplier, so you can spot problems before they happen and take action (see Figure 24.4).

It's super easy to use and works seamlessly with the rest of the osapiens system, making it simple to add geopolitical risk tracking to your existing processes. The goal is to help you stay ahead of potential disruptions and keep your supply chain running smoothly, even when the world outside is uncertain.



You can use the tool's country-specific risk scores to easily identify which suppliers might need more attention when it comes to geopolitical risks. You can then make smarter decisions based on this data.



Figure 24.4: Country Specific Risk Score for Geopolitical Risks

Integrating Dun & Bradstreet for Enhanced Business Partner Data

In the osapiens HUB for Due Diligence, you can use Dun & Bradstreet data to perform an in-depth screening of your business partners. To get started, you'll need to sign up for certain D&B packages and provide the necessary API key to connect your account to the osapiens HUB.

After this connection is activated, you can screen partners based on several factors, such as their ownership structure, personnel, and organizational relationships. You can customize your screening with various D&B packages like company entity resolution, ownership insights, and others to access detailed information.

For a smoother experience, the system also allows you to view the screening results directly in the Business Partner Profile, making it easy to track and manage data related to your partners.

Sanctions Lists

In the osapiens HUB, you can scan various sanctions lists daily to ensure your business partners are compliant. If you need additional sources, it's possible to add them — just make sure to check with us. By the way, the sanctions lists are updated daily to ensure they stay current and accurate. The sanction list screening also appears in the business partner profile (see figure 24.5), but of course, you can also opt in for receiving notifications for when a sanction is found. You can also easily spot sanctioned business partners by filtering the business partner list by Sanctions Found.

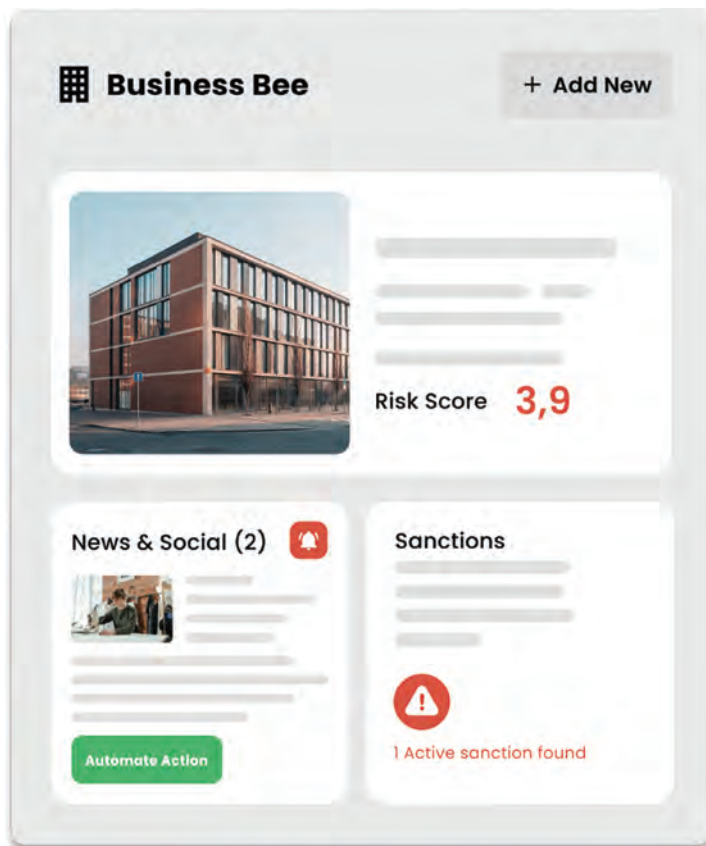


Figure 24.5: Sanction List Screening in Business Partner Profile

When a sanction is found, you can easily click a link to view the specific sanctions list and get more details.

- ✓ If you want to take action, you can open a case and begin working on the next steps.
- ✓ If for any reason you decide the sanction isn't relevant, you can choose to ignore it, but make sure to leave a reason for documentation, so everything is tracked properly.

Without D&B integration, the sanctions list check is performed only on the direct supplier. However, with D&B integration, sanctions are checked for all companies linked to the direct supplier, as well as any connected people and owners.

Financial Screenings

In the business partner profile, you can also track a supplier's financial health to see if they might run into trouble or even go bankrupt. This is important because if a supplier suddenly can't deliver anymore, it can seriously impact your business — especially if they provide niche products or are a key part of your supply chain. By checking their creditworthiness and financial stability, you can estimate the risk of supply disruptions before they happen. This way, you won't be caught off guard if a supplier starts struggling financially. Instead, you can take action early, such as finding backup suppliers or adjusting your purchasing strategy. Even for standard products, knowing a supplier's risk level helps you avoid last-minute surprises and keep your supply chain running smoothly.

Product Compliance Requirements

In addition to regulations that require you to assess risks with your business partners, there are also many rules that focus on risks related to the products you sell. These product-related rules are usually connected to the suppliers who provide those products. That's why, in the osapiens HUB for Due Diligence, we've added the Product Compliance Manager to help you meet all the product-related compliance rules.

The great thing about product compliance is that it works a lot like the other regulations. You'll still be communicating with your suppliers, asking for information, sending reminders, and checking the data they send you. With tools like the questionnaire builder, supplier portal, and workflow builder, you can automate the process and make everything run more smoothly.

In the osapiens HUB for Product Compliance, you can easily manage and track your product compliance with regulations. Follow these simple steps (see Figure 24.6):

1. Upload product data.

Upload your product data directly from your existing systems, such as SAP, or use an Excel template for manual input. Ensure that key product details — such as names, codes, and categories — are correctly entered for accurate compliance tracking.



Figure 24.6: Automating Product Compliance Requests and Evaluation

2. Assign compliance requirements.

After your products are in the system, assign compliance requirements based on specific criteria, such as CN codes or product categories. This helps ensure your products meet all the necessary regulations and industry standards.

3. Review and validate data.

Check that all assigned compliance requirements align with regulatory needs. Use built-in validation tools to identify any missing or inconsistent data, ensuring your product records are accurate and complete.

4. View compliance requirements.

Use the *list view* for a high-level summary of compliance status or the Bill of Materials (BOM) view for a detailed breakdown of each product component and its compliance status. This makes it easier to monitor compliance at different levels.

5. Monitor compliance progress.

Track compliance in real time with automated updates and alerts. The system notifies you of upcoming deadlines, expiring certificates, and non-compliant products, allowing you to take timely actions.

6. Generate compliance reports.

Export your compliance data in various formats such as PDF or Excel spreadsheets for internal audits or regulatory submissions. Customize reports to focus on specific products, compliance categories, or supplier details.

7. Take corrective actions.

Based on compliance insights, address any identified issues by requesting updated documentation or taking corrective measures. Automate notifications to suppliers to ensure compliance is maintained across your supply chain.



Use the BOM view to easily see the compliance status of every part of your product and make sure no component slips through the cracks.



Imagine your company makes e-bikes and orders the individual parts with different suppliers.

When managing product compliance for the e-bikes, you need to track compliance for each individual component (see Figure 24.7):

- ✓ **E-bike:** The complete bike must meet overall product safety standards and environmental certifications.
- ✓ **Battery:** The battery needs to comply with specific regulations such as RoHS, WEEE, and CE certifications to ensure it meets safety and environmental standards.

- ✓ **Frame:** The bike frame must meet regulations such as REACH and CE, ensuring that it is safe and doesn't contain harmful chemicals.
- ✓ **Bike computer:** The bike computer has its own set of compliance needs, including RoHS, CE, and FCC certifications, which ensure that it meets electronic and safety standards.

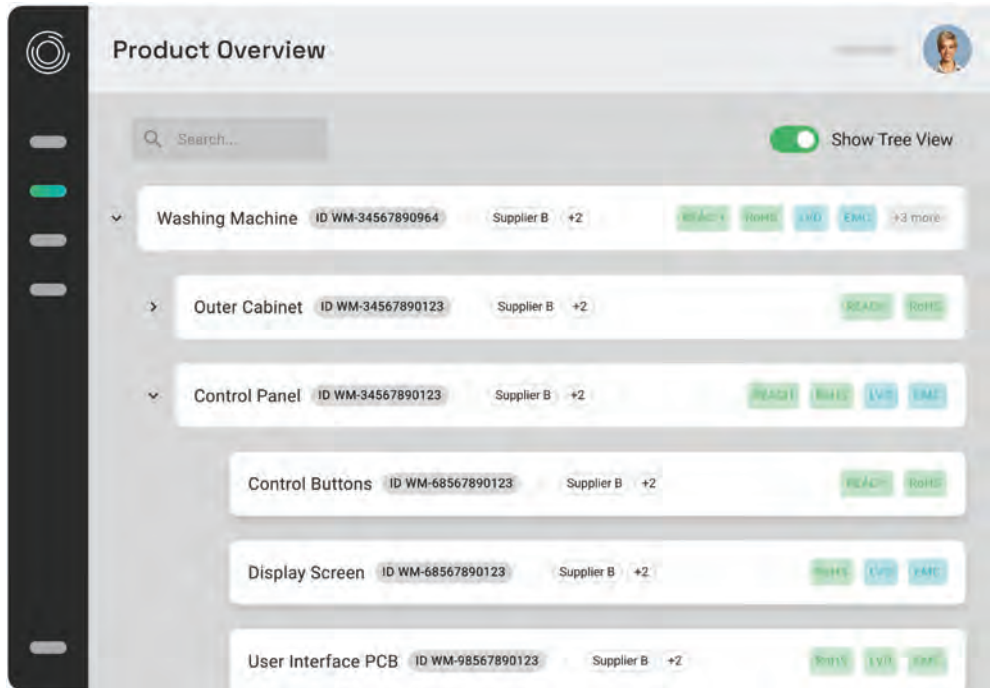


Figure 24.7: Product Compliance Overview

The Bill of Materials in the Product Compliance Browser lets you display each part of the bike along with its compliance status, so you can easily keep track of which parts are compliant with which regulations.

After the compliance rules are set, the system will send requests to your suppliers, asking them to confirm if their products meet the compliance standards. Suppliers can easily respond through the Supplier Portal (see Figure 24.8).



You'll get a clear overview of which products are compliant and which ones still need action per supplier.

The overall product compliance dashboard gives you a quick overview of all your product compliance requests. It shows how many requests you've made and their current status by product category, helping you keep track of everything in one place. This makes it super easy to follow up on any open items and stay on top of your compliance tasks.

The figure consists of two side-by-side screenshots of a software interface for product compliance.

The left screenshot, titled "Compliance Standards", shows a user profile in the top right. Below the title, there's a section for "CE Marking" with a green status indicator and options for "CEM" and "English". Below this is "Active Requirements (3)". A question asks, "Do you have a declaration of conformity for the product?" with a "Single Select" dropdown. There are "Yes" and "No" buttons, and a blue "Add Answer" button with a plus icon. Below this is an "Apply Logic" section. It shows a table with columns for "If answer is", "Show Question(s)", and "Please provide a copy of the declaration of conformity". The table has two rows: one for "Yes" and one for "No". The "No" row has a "Compliance Impact" dropdown set to "Not compliant".

The right screenshot, titled "Supplier Portal", shows a user profile in the top right. Below the title, there's a section for "Compliance Requests (8)". Below this are three product cards: "Rubber Gasket" (ID: 1234567890125), "USB-C Cable" (ID: 1234567890128), and "LED Diode" (ID: 12345678901). Below the product cards is a question: "Are the selected Products REACH compliant according to §1?" with "Yes" and "No" buttons. A green box highlights the "Yes" button, and a green arrow points to it. Below this is another question: "Are the selected Products REACH compliant according to §2?" with "Yes" and "No" buttons.

Figure 24.8: Supplier Request Options for Product Compliance

And guess what — everything is automated! Reminders, progress tracking, and even workflows for next steps are all handled by the system. This saves you time and keeps everything running smoothly without manual effort.



You can customize the compliance rules to fit your company's needs. This helps make sure you're always meeting the regulations that matter most for your products.

So, whether you're working with predefined templates or creating your own compliance rules, the osapiens HUB for Product Compliance helps you stay on top of everything with less work.

This brings us to a scenario where we can analyze a product and its supplier from multiple perspectives (see Figure 24.9):

1. **Raw materials**, considering aspects such as EUDR, carbon footprint, and CSDDD
2. **Production conditions** (EUDR, LkSG, CSDDD, and so on)
3. **Traceability** (Supply Chain Visualization, Track and Trace, Due Diligence in general, and Product Compliance)
4. **Environmental impact** (Due Diligence, Product Compliance, and carbon footprint)
5. **Factors that play a crucial role in the Digital Product Passport** and are already covered in the Global Product Safety Regulation, such as consumer transparency and recycling

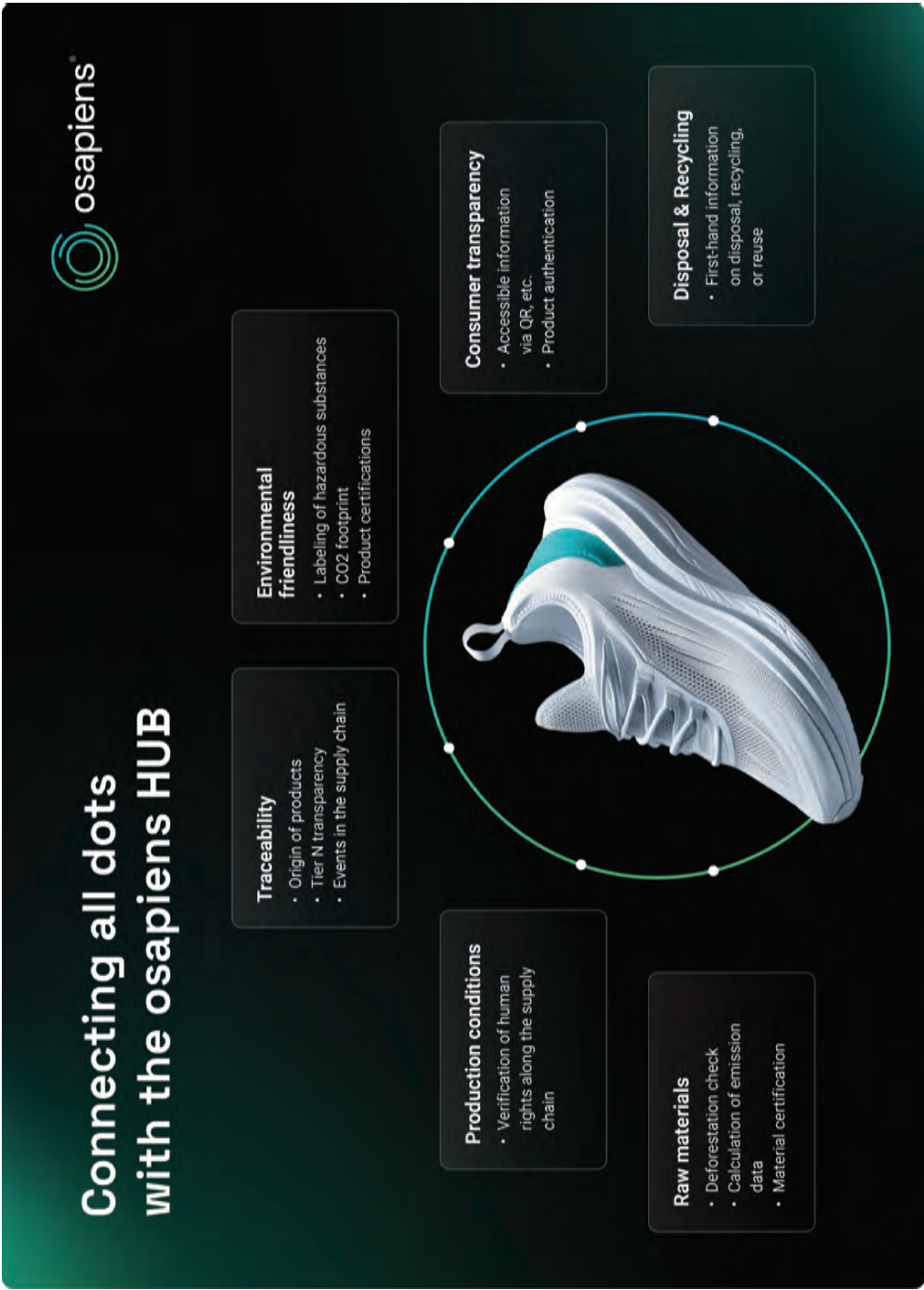


Figure 24.9: Connecting the Dots for Product Compliance

All of this information will be accessible via a digital link that consolidates all relevant product data and presents it in a way that is tailored to different stakeholders. For example, an end consumer will see a different set of information compared to a B2B buyer, ensuring that each user gets the insights that are most relevant to them.

This is just a brief overview of how you can extend your risk management beyond CSDDD compliance with the osapiens HUB for Due Diligence. Naturally, these features offer much more in-depth functionality, and we continuously expand them with additional add-ons for extended compliance. As regulations evolve and customer feedback shapes our development, we ensure the HUB stays aligned with both legal requirements and practical business needs.

Key Takeaways

Let's wrap up this chapter with the main points:

- ✓ **Expanded compliance capabilities:** The osapiens HUB allows you to manage not only CSDDD, the German Supply Chain Due Diligence Act, but also other regulations like NIS-2, product compliance, and sanctions, giving you a comprehensive tool for all-around compliance.
- ✓ **Standard and custom risk dimensions:** You can use predefined risk categories or create your own custom risk dimensions to meet specific regulatory needs, ensuring flexibility and precision in compliance management.
- ✓ **Sanction lists and financial screening:** The platform allows you to scan and check your business partners against global sanctions lists and perform financial screenings, ensuring that you stay compliant and reduce risk from potential financial crimes.
- ✓ **Geopolitical risk management:** The HUB also supports the management of geopolitical risks, enabling businesses to track potential supply chain disruptions caused by political instability or global crises.
- ✓ **Product compliance:** The Product Compliance Add-On allows for detailed tracking of product compliance including the Bill of Materials view, ensuring that all components meet regulatory requirements, including REACH, RoHS, WEEE, CE, and many more.

These features ensure that you can manage all these risks related to business partners and their products in one place, the osapiens HUB for Due Diligence, streamlining compliance and mitigating potential risks in your supply chain proactively and in an automated way.

Part V

Part of the Tens



IN THIS PART ...

Sometimes, a good list is all you need. This part features expert interviews with *osapiens HUB* users, top tips for ensuring your CSDDD implementation succeeds, capacity-building methods for business and human rights, and the ten most important online resources for corporate sustainability.

Chapter 25

Top Interviews with osapiens Customers and Partners

Sustainability isn't just about meeting regulations — it's about creating real impact. That's why we've gathered insights from both companies and partners who are actively shaping supply chain due diligence with us. These stories go beyond compliance, highlighting different approaches, challenges, and opportunities that drive innovation, resilience, and long-term success. Whether through technology, strategy, or collaboration, they show that due diligence is more than an obligation — it's a chance to create lasting change.

Agora Strategy

Successfully navigating a connected and complex world requires a deep understanding of the political landscape. Agora Strategy specializes in political risk analysis, strategic policy advisory, and international crisis management.

With a holistic consulting approach, the firm integrates political, societal, and economic factors to assess global risks. Since its founding, Agora Strategy has focused on providing strategic guidance in response to global developments.

Q1: What challenges do your customers/clients face in the area of geopolitical due diligence?

As geopolitical advisory Agora Strategy supports its clients in successfully navigating the challenges of a constantly changing international geopolitical environment.

For several years, many of our clients have faced the challenge that long-term corporate strategies and business processes are nearly impossible to sustain. Global market conditions are evolving at an unprecedented pace, making traditional long-term planning increasingly unfeasible. Instead, businesses are forced to rely on scenario-based strategies, frequently adapting them — sometimes on a quarterly basis — to keep up with shifting realities.

This volatility is particularly evident in procurement and supply chains, where trade barriers, such as US tariffs, export restrictions on critical raw materials from China, and Western sanctions, are causing supply bottlenecks. In such a rapidly changing landscape, close geopolitical monitoring is no longer optional but essential. Companies that proactively track and anticipate geopolitical shifts can adapt swiftly, mitigate risks, and secure their supply chains more effectively.

Q2: What opportunities do you see for companies affected by supply chain due diligence laws?

Supply chain due diligence laws bear additional costs for companies due to increased reporting requirements. However, they also present a valuable opportunity to enhance supply chain resilience against geopolitical risks and uncovering hidden vulnerabilities.

In the past, limited transparency of supply chain structures has been a major obstacle to effectively mitigating geopolitical risks. Now, with mandatory supply chain traceability, companies are required to collect detailed data on their supply networks. This data can serve as a critical basis for identifying country dependencies across multiple tiers and proactively addressing risks before they escalate into serious disruptions.

Q3: In your opinion, what role can the osapiens HUB play for affected companies in implementing due diligence requirements?

In today's increasingly complex supply chain environment, companies must navigate a growing array of risks and regulatory requirements. Procurement decisions are no longer driven solely by cost considerations — factors such as compliance, sustainability, and geopolitical risks now play a critical role. This presents a significant challenge, particularly for the procurement departments of mid-sized companies with international value chains.

Solutions like the osapiens HUB offer essential support by integrating multiple risk factors into a single, streamlined software platform, enabling companies to manage complexity effectively and ensure greater transparency, compliance, and resilience in their supply chains.

Q4: How does the partnership between Agora Strategy and osapiens contribute to the successful implementation of supply chain due diligence?

The Geopolitical Risk Monitoring Tool, developed by Agora Strategy and osapiens, enables companies to identify and assess geopolitical risks in their supplier countries. Leveraging the existing supplier data from the osapiens HUB, the tool generates customized risk scores for each country.

These scores are derived from a comprehensive methodology, combining 30 key indicators with qualitative insights from Agora Strategy's network of 300+ international experts on the ground. By providing data-driven risk assessments, the tool empowers companies to enhance supply chain resilience, proactively mitigate disruptions, and strengthen their strategic decision-making in an increasingly volatile global landscape.

Q5: What advice would you give to a company embarking on the journey of implementing supply chain due diligence?

A flexible and resilient geopolitical strategy is essential for companies striving to maintain a competitive edge in today's interconnected world. Geopolitical considerations must be integrated into supply chain management and investment strategies, while evaluating potential partner countries for political stability and dependability. Neglecting these factors can result in costly supply chain disruptions and poor investment decisions, ultimately compromising long-term business success.

Q6: Even though the exact requirements for supply chain due diligence are still developing, what are the key benefits of embedding due diligence practices into business operations today?

Proactive risk assessment strengthens decision-making, investor confidence, and competitive positioning, while also reducing operational costs linked to supply chain disruptions. In a time of geopolitical uncertainty, due diligence is no longer just a legal obligation — it is a strategic advantage!

VICCON

For over 20 years, VICCON GmbH has supported organizations of all sizes and industries, including those in critical infrastructure (KRITIS), in addressing security-related challenges of digital transformation.

By combining extensive experience with evolving security demands, VICCON delivers tailored, solution-oriented strategies to enhance corporate security. Taking a holistic approach, the company considers value chains, processes, people, culture, and technology to develop security policies in close dialogue with all organizational levels.

Q1: What challenges do your customers/clients face in the area of human rights and environmental due diligence?

Most of our customers face many compliance requirements — human rights and environmental due diligence are just two of them. Small and medium-sized companies in particular struggle to find the skills and manpower to manage compliance requirements, and to find the time and resources to devote to these issues.

Q2: What opportunities do you see for companies affected by supply chain due diligence laws?

Understanding your supply chain means understanding your business risks. In our interconnected and globalised world, we may be highly dependent on supply chain players — sometimes not just the first tier, but some key players further down the supply chain. If some of them fail due to reputational damage, cyber-attacks or geopolitical friction, the impact on individual companies can be severe. Understanding these risks helps to prepare for the most likely scenarios so that incidents can be dealt with quickly and with minimal impact on your business. The NIS-2 Directive, for example, extends the duty of care to include cyber risks as standard business risks in risk management to build resilience. The benefits of complying with this duty of care and having a resilience framework in place have implications for the entire global economic system.

Q3: In your opinion, what role can the osapiens HUB play for affected companies in implementing due diligence requirements?

The osapiens HUB helps you to keep track of the large number of suppliers, to quickly assess the associated compliance risks and to handle compliance requirements in a structured and transparent way. This enables any company to quickly identify unsafe collaborations or those where additional evidence is required. This can be done in a highly automated way, saving resources and manpower when dealing with a large number of suppliers.

Q4: How does the partnership between VICCON and osapiens contribute to the successful implementation of supply chain due diligence obligations?

Together we can help organisations meet the requirements of the NIS2 Directive. Information security and cybersecurity play an important role for successful businesses as our increasingly digital world becomes more vulnerable to cyber threats. The NIS2 Directive therefore aims to protect Europe's most important and critical businesses against the growing number of cyber threats. Past experience has shown that many cyber attacks come through the supply chain, which is why supply chain security plays an important role in the NIS2 requirements. Together with the osapiens due diligence hub, we help companies to understand their cyber risks related to their supply chain and beyond, i.e. by establishing business continuity management and information security management.

Q5: What advice would you give to a company embarking on the journey of implementing supply chain due diligence?

In particular, companies should sharpen their holistic view of their collaboration with suppliers and service providers. The osapiens HUB meets the requirements in a wide range of areas and helps companies to evaluate their suppliers from different perspectives. This is the only way to take a holistic view of the supply chain and ensure compliance with all due diligence requirements. A wide range of issues, such as sustainability and cyber security, should be brought together under one umbrella. This helps with navigating the compliance landscape in times of low resources.

Q6: Even though the exact requirements for supply chain due diligence are still developing, what are the key benefits of embedding due diligence practices into business operations today?

The key benefit is to understand your business risks, build resilience and ensure business continuity in the event of an incident. Failure to comply with due diligence requirements can cause enormous damage to companies — even putting them out of business. Particularly in the area of cyber security, security throughout the supply chain is critical. Building resilience means understanding who you work with and who you depend on in different ways. Assessing all your suppliers has the great advantage of identifying various risks early on, allowing you to activate possible contingency plans or establish alternative supplier relationships to maintain business continuity.

ESG Peers (ESG Peers will soon be osapeers)

ESG Peers is a dedicated platform for corporate sustainability professionals, enabling them to connect, exchange knowledge, and navigate evolving ESG challenges together.

By fostering collaboration across industries, ESG Peers helps organizations share best practices, stay informed on regulations, and drive meaningful sustainability action.

Q1: What challenges do ESG Peers users face in the area of human rights and environmental due diligence?

ESG Peers users face significant due diligence challenges, particularly around data collection, supply chain transparency, regulatory compliance and risk assessment. Many

companies struggle with a lack of standardised ESG data from suppliers, making it difficult to map complex supply chains and ensure compliance with evolving regulations such as LkSG, CSDDD and EUDR. At the same time, integrating due diligence processes into existing business operations remains a challenge, as many companies lack effective risk assessment methodologies and sufficient automation.

A major obstacle is the limited sharing of best practices across industries. While some sectors have made progress in sustainable supply chain management, others lack established frameworks, leading to fragmented approaches and inefficiencies. Companies often work in silos, missing opportunities to learn from industries facing similar ESG challenges. In addition, success stories remain scarce as companies are reluctant to share their experiences due to competitive concerns or a lack of measurable results. This lack of transparency slows down industry-wide learning and makes it difficult for companies to develop effective strategies.

By facilitating cross-industry dialogue and sharing real-world case studies, ESG Peers helps companies bridge these gaps, enabling them to more effectively address due diligence challenges.

Q2: What opportunities do you see for companies affected by supply chain due diligence laws?

Companies that proactively implement due diligence measures can gain a competitive advantage by strengthening supply chain resilience and demonstrating transparency. Clear communication of ESG efforts plays a critical role in this, as companies that effectively communicate their due diligence initiatives can differentiate themselves in the marketplace. Transparency not only reduces financial and reputational risks, but also builds trust with investors, customers and stakeholders who are increasingly demanding credible ESG commitments.

In addition, open ESG communication fosters stronger business relationships by positioning companies as reliable partners for suppliers, regulators and financial institutions. Companies that integrate ESG principles and actively communicate their progress can gain access to sustainable finance, attract long-term investors and secure strategic partnerships. In an environment of increasing due diligence, those who lead with clear, consistent ESG messaging and demonstrate their commitment through action will stay ahead of the competition.

Q3: In your opinion, what role can the osapiens HUB play for affected companies in implementing due diligence requirements?

The osapiens HUB serves as a centralised and intelligent platform that not only automates due diligence processes, but also strategically enhances them. It enables companies to efficiently collect, analyse and report on ESG data, perform AI-powered risk assessments and ensure regulatory compliance with minimal manual effort. Beyond automation, the HUB integrates holistic risk management by providing visibility across the supply chain, helping companies move from reactive compliance to a proactive ESG strategy. The platform acts as a connector between compliance, supplier engagement and sustainability goals, ensuring that due diligence is not just a regulatory checkbox, but a value-added process that builds long-term resilience.

Q4: How does the partnership between ESG Peers and osapiens contribute to the successful implementation of supply chain due diligence obligations?

The partnership between ESG Peers and osapiens goes beyond software solutions by combining technology with collaborative knowledge sharing. While the osapiens HUB provides an advanced digital infrastructure to automate and streamline compliance processes, ESG Peers extends this by creating a community-driven ecosystem where firms can share experiences, discuss regulatory developments and learn from real-world case studies.

Through this interactive exchange, companies, sustainability managers and anyone interested in ESG will not only gain practical guidance, but also benefit from a growing repository of success stories and proven strategies. This holistic approach helps companies go beyond compliance and integrate ESG into a long-term strategy, ensuring resilience and competitive advantage in an increasingly regulated global marketplace.

Q5: What advice would you give to a company embarking on the journey of implementing supply chain due diligence?

Start by mapping your supply chain and identifying high-risk areas. Engage with suppliers early to establish ESG data-sharing practices, and invest in a technology-driven solution that simplifies data collection and risk analysis. Collaborate with industry peers through platforms like ESG Peers to stay informed on best practices and emerging regulations. Most importantly, approach due diligence as a long-term strategic priority rather than a compliance burden.

Q6: Even though the exact requirements for supply chain due diligence are still developing, what are the key benefits of embedding due diligence practices into business operations today?

Integrating due diligence practices early ensures companies are well-prepared for upcoming regulations, reducing the risk of non-compliance. It enhances supply chain transparency, strengthens brand reputation, and fosters resilience against disruptions. Moreover, businesses that prioritize ESG compliance can unlock new market opportunities, attract responsible investors, and contribute to a more sustainable global economy.

Hirschvogel

Hirschvogel Group is one of the world's leading manufacturers of forged and processed steel and aluminum components, primarily for the automotive industry. With innovative solutions and advanced manufacturing technologies, Hirschvogel enables the development of more efficient, low-emission, and safer vehicles. The company's success is driven by a culture of innovation and collaboration, making it a true global player in the industry.

Q1: Where is the topic of sustainability located in your company structure? And how well do you feel specifically prepared for the CSDDD?

Placing the topic of sustainability within our company structure was not the biggest challenge, as the ESG area was already defined through the CSRD directive.

The more problematic issue was defining responsibilities for fulfilling, monitoring, and implementing due diligence obligations.

For this reason, we divided these responsibilities between two areas: ESG — monitoring and procurement — implementation.

Regarding the increased due diligence obligations of the CSDDD, we believe we can adapt the significant progress we have already made with the LkSG to the CSDDD as well.

In terms of scope, the effort remains the same, but the level of detail could pose a challenge.

Q2: What opportunities and challenges do you see for your company as a result of the CSDDD?

The biggest challenge is certainly, as mentioned before, achieving the required depth of supplier information.

This is especially difficult considering that our German and European values are often viewed with skepticism in regions outside of Europe.

For example, it is understandably challenging to convince a small 50-employee company in India to monitor its supply chain at the request of a European customer.

The opportunities presented by the CSDDD have already been captured through the LkSG — namely, the potential transparency of the supply chain.

Q3: What role does the osapiens HUB play in realizing your sustainability goals?

The osapiens HUB plays a central role in this process, as its various program features help structure our approach effectively.

In particular, the automated workflows, when used correctly, help maintain an overview of a complex supplier structure.

Additionally, the tool correctly considers and supports the necessary risk-based approach in evaluating supplier scoring.

A key highlight is the timeliness of risk sources and their application in the initial abstract risk analysis.

The HUB also ensures seamless documentation and allows for the targeted use of questionnaires for high-risk or less transparent business partners.

Q4: What requirements were decisive for you when choosing an ESG platform?

First and foremost, a comprehensible and seamless risk analysis that enables us to fulfill our due diligence obligations appropriately.

Additionally, we believe it is essential that questionnaires are created, sent, and processed in a targeted and transparent manner for both our business partners and us.

One key aspect is the highly functional complaint management system, which is not only multilingual but also truly anonymous.

Another important factor is a meaningful connection to a training program, which, even if externally linked, should be easy to use not only for our employees but also for business partners.

Last but not least, costs and service for such a platform also play a crucial role.

Compared to other well-known market competitors, these aspects are particularly attractive.

Q5: What advice would you give to a company embarking on the CSDDD journey?

The sooner a company starts implementing such a tool, the better the quality of execution will be.

Ensure timely involvement of all potentially affected departments.

Define responsible persons and their roles at an early stage.

Senior management or the executive board should clarify early on how extensive the efforts should be.

Should the company merely meet the legal requirements, or should it seize the opportunity to go beyond compliance and invest in more sustainable products, thereby also gaining a market advantage for the future?

Werner & Mertz

Werner & Mertz is a family-owned company in its fifth generation. Our brands, especially the trusted brands Frosch and Green Care Professional, have established Werner & Mertz as an innovative market leader in cleaning products, care products, and detergents. Sustainability is ambitiously driven forward by our owner through the strategic alignment of the company.

Q1: Where is the topic of sustainability located in your company structure? And how well do you feel specifically prepared for the CSDDD?

The independent Sustainability Management department reports directly to executive management and plays a central role as a staff unit. It ensures, supports, and further develops the company's holistic sustainability orientation using appropriate methods and tools. Sustainability management acts as a central driver of strategic sustainability topics, helping to further expand the pioneering position of the Werner & Mertz Group.

Within our business processes and projects, sustainability is a fundamental guiding principle. Our goal is to integrate our holistic sustainability approach and corporate culture into all business decisions. Each department contributes to translating the sustainability strategy into practice and embedding it into daily operations.

Since January 1, 2024, the German Supply Chain Due Diligence Act (LkSG) applies to companies with more than 1,000 employees. Since Werner & Mertz employs fewer than 1,000 people in Germany, it does not fall under the scope of the LkSG. However, we have

voluntarily decided to implement the requirements of the LkSG to make a responsible contribution to social and environmental sustainability and to ensure that ethical and eco-friendly practices are promoted throughout the supply chain. For us, this is a matter of principle and a fundamental aspect of sustainable economic action.

By voluntarily implementing the LkSG, we have already established all core processes for compliance with due diligence obligations. These have now become an integral part of our sustainability culture — including risk analyses, preventive measures, and reporting mechanisms. These processes provide a solid foundation for implementing future supply chain due diligence regulations and can be specifically adapted to expanded requirements.

Q2: What opportunities and challenges do you see for your company as a result of the CSDDD?

A structured due diligence process in the supply chain enables companies to identify and mitigate risks at an early stage. This not only helps to comply with legal requirements but also protects against reputational damage and potential supply chain disruptions.

At the same time, complying with high social and environmental standards offers companies the opportunity to position themselves as responsible market players. Investors, customers, and business partners increasingly expect clear ESG strategies, making companies with a strong sustainability approach more competitive in the long run.

We firmly believe that consumers are increasingly prioritizing companies that take social and ethical criteria as seriously as environmental concerns. This trust is reflected in the long-standing reputation of our Frosch brand, which has demonstrated that social and environmental responsibility can go hand in hand with economic success.

Q3: What role does the osapiens HUB play in realizing your sustainability goals?

The osapiens HUB, particularly the osapiens HUB for Due Diligence, effectively supports us in implementing our sustainability strategy and creating supply chain transparency. With this digital and automated solution, we can efficiently fulfill our due diligence obligations, monitor risks, and ensure compliance with all legal requirements.

The modules of the HUB cover the full obligations of the LkSG, enabling our company to manage compliance quickly, reliably, and in many areas, automatically.

Beyond technology, osapiens offers valuable exchange opportunities with other companies and experts — through working groups, webinars, and the Sustainability osapiens Summit. These formats encourage discussions on experiences, best practices, and solutions related to European legislation, helping us optimize and further develop our corporate processes.

Additionally, the HUB allows us to communicate directly with our stakeholders via questionnaires, which we can send out directly from the system. Suppliers can access these questionnaires without registration, submit relevant information, and upload documents free of charge. By leveraging integrated external data sources and AI, we can also screen public reports about suppliers, enhancing our risk management capabilities.

Q4: What requirements were decisive for you when choosing an ESG platform?

When selecting an ESG platform, we focused on several key criteria:

- ✓ **User-friendliness & efficiency:** We wanted a guided process with an intuitive interface, clear dashboard, automated reminders, search and filter functions, reporting tools, and data export options. These features are essential to ensuring efficiency and smooth daily operations with the software.
- ✓ **Flexibility & scalability:** The platform needed to proactively adapt to new regulations and allow for the expansion of use to additional locations, users, and languages. Furthermore, we did not want an isolated solution but rather a comprehensive ESG platform. Ideally, the platform should integrate not only LkSG/CSDDD compliance solutions but also other ESG tools and offer a certified SAP Connector to ensure long-term usability.
- ✓ **Compliance & security:** The solution needed to provide legally compliant documentation, ensure compliance with regulatory retention periods, and protect sensitive data through high security and privacy standards. Role-based access was also important to ensure that users only access relevant data and functions. In addition to technical features, we wanted a solution backed by expertise and credibility in legal and compliance matters.
- ✓ **Integration & onboarding:** We required structured onboarding, including training for employees to facilitate a seamless implementation. Personalized support was also a key factor, allowing us to adapt the platform to our company-specific needs. Furthermore, the platform needed to allow simple supplier data submission without requiring suppliers to create separate accounts.

Q5: What advice would you give to a company embarking on the CSDDD journey?

A company preparing for supply chain due diligence regulations should develop a systematic and strategic approach early on. Given the complex and dynamic regulatory landscape, it is highly recommended to collaborate closely with subject matter experts, cross-industry working groups, and exchange formats.

This proactive engagement not only helps to identify and mitigate legal and procedural risks early but also provides access to best practices and insights from other companies.

The implementation of a digital due diligence system can streamline processes, collect data efficiently, and support compliance with reporting obligations. Since multiple departments are typically involved in both the implementation and ongoing management of such a system, it is crucial to inform and engage all relevant stakeholders early in the process.

The implementation should ideally be structured as a dedicated project, with regular alignment meetings among key stakeholders to ensure clarity and accountability.

A critical first step in compliance is a thorough analysis of the company's supply chain to identify potential risks. A high-quality, well-maintained supplier database is

essential — containing full addresses, NACE codes, and up-to-date contact details. Before integrating this data into a due diligence system, it should be cleaned and verified to ensure precise and efficient risk assessments.

A phased approach to implementation is recommended, considering the individual corporate structure. This allows for better resource planning, a structured data-cleaning process, and gradual learning from initial test phases. By identifying and addressing inefficiencies early, companies can optimize workflows before rolling out the system across the entire supply chain.

Alfred Ritter GmbH & CO. KG (Ritter Sport)

As a family-owned company, Ritter Sport is committed to responsible business practices that respect people, nature, and the environment.

Founded in 1912, the company offers around 40 chocolate varieties and is sold in over 100 countries worldwide. In Germany, 99% of consumers recognize the brand.

Ritter Sport sources 100% certified sustainable cocoa through the Rainforest Alliance and Fairtrade Cocoa Program, seeing certification as just the first step toward truly sustainable cocoa.

Q1: Where is the topic of sustainability located in your company structure? And how well do you feel specifically prepared for the CSDDD?

As a family business, the issue of sustainability and leaving behind an environment worth living in for future generations is in our genes, so to speak. Sustainability is therefore practiced throughout the entire company and considered by everyone in their daily activities. In addition, our sustainability department is a direct staff unit reporting to the managing board.

It will still be a few years before the CSDDD takes effect for us. However, we have of course already done a lot of preparatory work as part of the German Supply Chain Act (LkSG). Now we are up to implement the precise requirements as efficiently as possible.

Q2: What opportunities and challenges do you see for your company as a result of the CSDDD?

Similar to other regulatory requirements, such as the German Supply Chain Act or the CSRD, we see the CSDDD as an opportunity to create a level playing field for everyone.

The EU's Corporate Sustainability Due Diligence Directive (CSDDD) presents us with both opportunities and challenges. On the one hand, we have the opportunity to continue to position our sustainability efforts and to make our supply chains more resilient. By adapting early on, we can strengthen our image, increase the trust of our customers and minimize risks in the supply chain.

At the same time, the new requirements present us with challenges. Implementation requires considerable resources, as we have to carry out comprehensive risk analyses, documentation and reporting. This is particularly complex in global supply chains, where we

have to ensure our due diligence along the entire value chain (in certain cases). With our cocoa programs, we are already very far and deeply involved in the cocoa supply chains. Now we need to embed this commitment in the requirements of the CSDDD. Nevertheless, we are convinced that early and strategic adaptation to the CSDDD will not only help us to comply with regulatory requirements in the long term but will also secure us sustainable competitive advantages and make our value chain more resilient.

Q3: What role does the osapiens HUB play in realising your sustainability goals?

We use the osapiens HUB to support us in meeting various regulatory requirements. The advantage: data can be evaluated in real time and missing information is automatically requested externally from business partners and internally from relevant departments. This reduces a great portion of the administrative workload in the sustainability department. As a result, we can concentrate more on our core activities: Continuing to work on achieving our sustainability goals!

Q4: What requirements were decisive for you when choosing an ESG platform?

For us, a holistic, future-oriented approach and a high degree of automation were and are fundamental. Interoperability and connectivity, for example with our ERP system, were also important requirements we had for the platform. If we used five different systems for five different requirements and no automatic data exchange would be possible between them, we would end up with more work than without the digital solutions.

It is also important that our business partners accept the software as much as possible and that we keep the workload for them to a minimum, for example by using standardized questionnaires.

Q5: What advice would you give to a company embarking on the CSDDD journey?

Start early and think sustainability from a strategic perspective!

Take enough time to understand the requirements of the CSDDD and get all relevant departments and especially the management board into the loop right from the start. The greater the willingness to commit at all levels in the company, the easier and more efficient it is to implement a major requirement such as the CSDDD and, above all, to create the necessary acceptance.

Ultimately, we see the CSDDD not only as a regulatory obligation, but also as an opportunity for sustainable growth and competitive advantages. Those who take a proactive approach to sustainability can minimize risks and create value and success in the long term.

Dun & Bradstreet

Dun & Bradstreet combines global data and local expertise to help clients make smarter decisions.

The company's business decisioning data and intelligent analytics enable its clients to know who to trust, where to find new opportunities, and how to manage risk

Q1: What challenges do your customers/clients face in the area of human rights and environmental due diligence?

Our customers typically have a comprehensive understanding of the various sector-specific human rights and environmental risks within their supply chains. Many have analyzed these risks and can identify theoretical risks in the upstream supply chain. However, when it comes to implementing this risk assessment in a concrete supply chain, from Tier 1 to Tier N, there is often a lack of transparency and accurate data about the individual players in the chain. This is particularly challenging because the risks often lie deeper in the supply chain, such as in cultivation and processing. Our customers are aware of the abstract risks but cannot address them concretely due to insufficient data about the companies involved.

The complexity and size of a supply chain or supply network also pose significant challenges. For example, an electronic or automotive supply chain with 30,000 direct suppliers can quickly multiply to 1 million indirect suppliers due to complex supplier interconnections. Managing this number without an automated, data-driven approach is nearly impossible and requires automated processes.

Q2: What opportunities do you see for companies affected by supply chain due diligence laws?

Initial feedback from our customers who have implemented a due diligence process (e.g., LkSG related or similar) indicates higher transparency in the supply chain, leading to more efficient risk management. Unknown risks in critical areas were identified and managed through abstract and concrete risk analysis — which has led to improved supply chain resilience. Furthermore, the applied data-based risk assessment has enhanced the strategic management of our customers' supply chains.

Q3: In your opinion, what role can the osapiens HUB play for affected companies in implementing due diligence requirements?

The osapiens HUB can automate data-driven risk management. In abstract risk analysis, by providing and comparing current risk lists, customers do not need to maintain these lists themselves. It also automates the processing of large data volumes, focusing on real risks that are identified and managed.

Q4: How does the partnership between Dun & Bradstreet and osapiens contribute to the successful implementation of supply chain due diligence obligations?

With Dun & Bradstreet's data available, customers can for example confirm that companies exist and are active. Furthermore, Dun & Bradstreet can provide a variety of up-to-date data on companies worldwide — including numerous risk information about specific companies (like ESG score, sanctions, negative press related to human rights and environmental incidents). Additionally, numerous data elements such as country codes, industry codes, and revenue figures enable abstract risk analyses.

Osapiens, in turn, maintains lists of human rights and environmental risks for each industry. At the level of concrete risk analysis, osapiens' software supports the entire workflow of a concrete risk analysis. In collaboration with Dun & Bradstreet, an offering of fully automated risk analyses can be provided.

Q5: What advice would you give to a company embarking on the journey of implementing supply chain due diligence?

It is advisable to adhere to well-established standards such as the UN Guiding Principles or the OECD Guidelines. These provide good guidance from setup to implementation and regular monitoring. From our experience with customer projects, it is crucial to have management on board. When management supports and endorses the introduction of due diligence obligations, the project is often equipped with sufficient personnel and financial resources. Projects are also more successful when departments such as Data Governance, Procurement, Compliance, and Sustainability are involved from the beginning. Complex audit processes require knowledge and data from all departments, and a collaborative, motivated partnership among departments positively impacts success. Finally, audit processes are recommended to be deeply embedded in business operations, in this case supplier management, to be part of the overall journey.

Q6: Even though the exact requirements for supply chain due diligence are still developing, what are the key benefits of embedding due diligence practices into business operations today?

Embedding due diligence practices into business operations today offers a variety of benefits:

- ✓ Optimization of internal risk management through better and more informed decisions based on deeper information
- ✓ Increase of supply chain security based on identification and evidence of risks
- ✓ Early warning system for new risks and improved resilience
- ✓ Better long-term collaboration through improved communication with suppliers
- ✓ Reputation protection, brand strength and improved public image due to more sustainable operations

Talent attraction through enhanced company reputation

Three key considerations for effective due diligence training

Building a smart training strategy in ten steps

Chapter 26

Top Ten Capacity-Building Methods for Due Diligence Success

A ship is only as good as its crew. No matter how advanced its design, without skilled sailors navigating the waters, it's bound to drift off course — or worse, sink. The same logic applies to due diligence: Even the most well-crafted policies, risk frameworks, and compliance strategies will fail if employees don't have the right knowledge and skills to apply them. If you want your company to truly benefit from due diligence — whether it's ensuring compliance, mitigating risks, improving efficiency, or controlling the impact your company has on people and the planet — you need well-trained people to make it happen.



At Löning Academy, we have developed numerous training methodologies throughout the years and have experts to support you in needs assessments, design, development and implementation of capacity building programs.

Three Key Considerations for Effective Due Diligence Training

Not all training should be the same, and not everyone in your company needs the same level of expertise. A strong due diligence system relies on a layered approach to capacity building, ensuring that people at different levels and functions receive the knowledge they need to contribute effectively. There are three key components to consider when designing your training strategy:

- ✓ **A core team of experts:** A select group of employees should receive in-depth, high-level training to handle critical functions such as coordination of due diligence process, risk analysis, stakeholder engagement, grievance mechanisms, and reporting.

These individuals act as internal specialists, guiding the company through complex due diligence challenges.

- ✓ **General training for all employees:** Everyone in the organization should have a basic understanding of due diligence, human rights, sustainability and responsible business. This ensures that all employees, regardless of role, recognize their responsibilities and how due diligence integrates into their daily work.
- ✓ **Specialized training for key functions:** Different roles require tailored training to ensure due diligence is applied where it matters most. Some examples are
 - Procurement and supplier managers must understand supply chain risks, supplier due diligence, and responsible sourcing.
 - Human resources teams need expertise in fair labor practices, workplace rights, and diversity and inclusion.
 - Security personnel should be trained on the use of force, privacy, surveillance, and human rights in security operations.
 - Senior leadership and executives must focus on the strategic implications of due diligence, legal accountability, and long-term business risks.

Building a Smart Training Strategy

In this chapter, we explore the top ten training methods to help you build an effective and scalable capacity-building strategy. There is no one-size-fits-all approach, and relying on just one method won't be enough. The most effective companies use a combination of different training formats tailored to their needs, resources, and workforce. The goal is to make due diligence part of the company's foundations, ensuring that compliance isn't just about avoiding penalties, but also about driving real business value, risk control, and positive impact. Our list goes somewhat from more traditional to more innovative; however, no style method should be overlooked or considered outdated. Different needs call for different methods.



The first three training methods are more classic and have a great track record of traditionally working. However, they are somewhat basic, can feel routine, and get reduced engagement. The best approach is to use them in combination with other methods.

Lecture-Based Training

Lecture-based training is the classic classroom-style approach where an instructor delivers structured content, either in-person or virtually. This method is great for introducing foundational concepts like human rights principles, corporate due diligence, and compliance frameworks. It allows for a focused, expert-led session where participants can listen, take notes, and ask questions. Although it ensures consistency in content delivery, it tends to be more passive, making engagement strategies like Q&A sessions essential.

Self-Paced E-Learning

Self-paced e-learning allows individuals to complete training modules at their own speed, making it a flexible and convenient option. This method typically includes online automated courses, reading materials, recorded videos, and interactive exercises. Basically, it means studying by yourself, with some guidance. It's ideal for employees who need to balance training with their daily work schedules. Although it provides accessibility and scalability, it requires self-discipline and lacks immediate instructor support.



Self-paced e-learning is a great method to use as support and to establish a good general basis in the company. By establishing a mandatory module and an additional non-mandatory module, you provide a basic level for all employees and you allow those with more interest to spontaneously develop their knowledge and skills.

Microlearning and Digital Modules

Microlearning delivers short, focused lessons through videos, podcasts, infographics, and interactive content. Designed for quick use, it helps employees learn in bite-sized segments without disrupting their workflow. This approach works well for reinforcing key concepts, providing just-in-time learning, and improving retention. However, it may not be suitable for complex topics that require deep discussion or critical thinking. It goes well in combination with all the other methods and can be the basis for ongoing learning and adaptive training, which we cover later in this chapter.



Think of microlearning as taking your vitamins or doing your stretches in the morning. On its own it is not complete, but in the mid- to long-term, it is the most transformative of all methods. The best strategy is to have microlearning for all audiences on a regular basis to boost the effects of other training.



The next three training methods are in a continuum of complexity, engagement, transformational effect, and overall fun. They require relatively more preparation time and a few hours of preferably in-person dedication. The quality of results tends to be proportionate to the time and resources allocated to the preparation phase as well as to the execution.

Interactive Workshops

Interactive workshops provide hands-on, group-based learning through activities like active learning, debates, and team discussions. This method encourages participants to engage with the material actively, helping them develop problem-solving skills and a deeper understanding of human rights and responsible business practices. Although highly engaging, workshops require skilled facilitators and careful planning to be effective.

Scenario-Based and Case Study Training

Scenario-based and case study training immerses participants in real-world dilemmas to help them understand the practical application of human rights and responsible business

concepts. By analyzing corporate failures, ethical challenges, and legal risks, employees learn to navigate complex situations and make informed decisions. This method encourages critical thinking and problem-solving but requires well-designed cases to be effective.

Gamification and Experiential Learning

Gamification integrates elements of play — such as quizzes, challenges, leaderboards, and rewards — into the learning process to boost engagement and retention. This method makes training more interactive and enjoyable, increasing motivation among participants. Experiential learning, such as simulations or real-world challenges, further enhances the learning experience by immersing employees in practical scenarios. Although effective, gamification must be thoughtfully designed to align with training objectives and to avoid alienating audiences that don't adapt well to the method.



The next three training methods are focused on driving high levels of engagement. This will require resources from leadership. The more the leadership is truly involved in company transformation, the faster and more integral you can expect it to be.

Executive Engagement and Leadership Training

Executive engagement and leadership training ensures that senior leaders actively participate in responsible business and human rights education. This method helps embed ethical decision-making at the top level, setting an example for the rest of the organization. By involving leadership in training sessions, discussions, and strategic workshops, companies reinforce their commitment to corporate responsibility.

Sustainability Champions

Champions strategy leverages the expertise and experience of employees to enhance training effectiveness. In addition to their experience, these key employees are trained as internal advocates — they help spread awareness and drive responsible business initiatives across different departments. This method fosters collaboration and long-term engagement, but requires dedicated and motivated participants.

Train-the-Trainer and Multiplication Method

The train-the-trainer and multiplication method builds internal expertise by training key employees to become knowledge carriers who then train others within their departments. This approach ensures that due diligence knowledge spreads efficiently across the company, reinforcing responsible business practices at all levels. By empowering internal trainers, companies reduce dependency on external consultants, promote continuous learning, and embed due diligence into everyday decision-making.

This method is often used in combination with sustainability champions, where trained employees take on advocacy roles to promote human rights and responsible business practices. Additionally, in the deployment phase, it will be delivered using the first six methods in this chapter.



The right balance of consistency and adaptation through time are the key factors for the success of companies in this journey. The next and final method gives you ideas for how to continue moving forward.

Ongoing Learning and Adaptive Training

Ongoing learning ensures that employees stay up to date with the latest developments in human rights, responsible business, and regulatory changes. This approach includes refresher courses, policy updates, mentorship programs, and access to continuous learning resources. Adaptive training tailors content based on employees' roles, learning progress, and emerging risks. Although effective in reinforcing knowledge, it requires long-term commitment and investment.

Chapter 27

Top Ten most important website for CSDDD and corporate sustainability

There are countless websites covering CSDDD and corporate sustainability. To help you navigate this vast landscape, we've compiled a list of the most essential ones. These resources provide key insights, guidance, and updates on supply chain due diligence and its implementation in your company. Save them in your browser favorites or keep them handy for quick access to reliable information.

Osapiens

Visit <https://www.osapiens.com/de> to learn how osapiens supports companies in meeting ESG regulations. From automating manual processes to increasing transparency and efficiency in sustainability efforts, you'll find clear and concise information here. Additionally, stay up to date with the latest white papers and legislative developments, along with insights on how the osapiens HUB can help you implement supply chain due diligence effectively.

Efrag

Visiting the efrag website is worthwhile for companies looking to stay up to date on sustainability reporting and due diligence requirements. The platform provides detailed insights into the European Sustainability Reporting Standards (esrs), answers to frequently asked questions, and guidance on implementation. Regular updates and resources help businesses navigate evolving regulatory frameworks effectively.

<https://www.efrag.org/en/about-us>

Löning Academy

Visiting the Löning academy website is highly beneficial for professionals aiming to deepen their understanding of corporate human rights and responsible business practices. The academy offers specialized training programs, workshops, and resources designed to help companies integrate human rights considerations into their operations and supply chains.

By exploring their offerings, businesses can enhance their capacity to meet due diligence requirements and promote sustainable practices.

<https://loening.org/academy/>

EUR-Lex

eur-lex is the official database for all eu laws, providing direct access to legislation, treaties, and legal documents in multiple languages.

<https://eur-lex.europa.eu>

Federal Environment Agency

The federal environment agency's knowledge platform on sustainable finance offers scientifically backed information in a well-structured format. Designed for both learners and professionals, it provides introductory and in-depth articles that help build a solid understanding of sustainable finance. By visiting this platform, users can gain insights into key financial sustainability topics, enhance their expertise, and stay updated on the latest developments in the field.

<https://www.umweltbundesamt.de/en>

UNIDO

UNIDO, the United Nations Industrial Development Organization, promotes sustainable and inclusive industrial development with a core focus on SDG 9: resilient infrastructure, sustainable industrialization, and innovation. However, its initiatives extend across all SDGs, working towards a low-emission economy, poverty reduction, and improved living standards. UNIDO supports 172 member states through technical cooperation, policy guidance, and knowledge transfer, addressing key challenges such as climate action, sustainable supply chains, and fair working conditions. Visiting the UNIDO website provides valuable insights into global sustainability efforts, industrial best practices, and international cooperation opportunities.

<https://www.unido.org/>

German Sustainability Code (DNK)

The DNK is a great starting point for companies looking to develop a sustainability strategy and navigate sustainability reporting. It provides guidance, tools, and best practices, making the reporting process more accessible. Plus, you can browse published reports from other companies to gain insights and inspiration for your own sustainability disclosures. Check it out here:

<https://www.deutscher-nachhaltigkeitskodex.de/>

European Commission

The European Commission places a strong focus on climate action, environmental protection, and biodiversity preservation, as demonstrated by the Green Deal. Keeping track of the EU's legislative developments and sustainability initiatives is essential for staying ahead of regulatory changes. Regularly visiting the European Commission's website provides valuable insights into upcoming policies, sustainability strategies, and climate action plans. Stay informed here:

https://commission.europa.eu/energy-climate-change-environment_en

osapiens Events

The osapiens events page is the place to find upcoming webinars, conferences, and networking opportunities focused on sustainability and compliance. A highlight is the yearly Sustainability osapiens Summit (SoS.25), the leading corporate sustainability event in Europe, bringing together industry leaders to shape the future of sustainable business. Explore upcoming events and register here:

<https://osapiens.com/de/events/>.

ESG PEERS (ESG Peers will soon be osapeers)

ESG PEERS is the go-to social network for corporate sustainability professionals looking to connect, exchange ideas, and stay ahead of ESG trends. Whether you want to discuss challenges, share best practices, or get insights on new regulations, ESG PEERS makes it easy to engage with like-minded experts. Simply register and start networking with professionals from various industries — all working towards a more sustainable future.

<https://esgpeers.org/>

Your essential guide to CSDDD compliance – clear, practical, and future-proof

The Corporate Sustainability Due Diligence Directive (CSDDD) introduces new responsibilities for businesses: supply chains must be transparent, human rights and environmental risks must be assessed, and due diligence processes must be documented. This book is your go-to resource for understanding these legal requirements and integrating them into your ESG strategy. Learn how to automate compliance processes, efficiently manage data, and minimize risks with the osapiens HUB. Discover proven best practices, real-world success stories, and valuable insights to build a sustainable and compliant business.

Inside...

- How to cut through the complexity of CSDDD and understand what it really means for your business
- How to efficiently streamline and automate your due diligence processes with the osapiens HUB
- How to turn best practices into everyday routines and get inspired by real-world success stories



osapiens offers software-as-a-service solutions that enable global companies to meet legal ESG requirements, automate manual processes, and maximize impact.

Go to [Dummies.com](https://dummies.com)[™]
for videos, step-by-step photos,
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