Ethical Trading Initiative

Mandatory human rights and environmental due diligence

Guidance on navigating emerging legislation

Contents

Introduction

This ETI Guidance on mandatory Human Rights and Environmental Due Diligence (mHREDD), developed in partnership with Ardea International, is grounded in ETI's mission to advance human rights in global supply chains by working in partnership with business, trade unions, and civil society. Developed to help companies navigate emerging mHREDD legislation, this Guidance also supports businesses in aligning with international standards – most notably the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. These frameworks, form the foundation for effective due diligence and responsible business conduct.

As regulatory expectations grow – through instruments such as the EU Corporate Sustainability Due Diligence Directive (CSDDD), the Corporate Sustainability Reporting Directive (CSRD), and the EU Forced Labour Regulation (EUFLR) – this Guidance equips companies to anticipate change and respond in a way that is credible, practical and rights respecting.

mHREDD is not a not a tick-box exercise. It is a continuous process built on transparency, shared responsibility, and meaningful engagement with those most affected. It must be rooted in a genuine commitment to respecting human rights throughout the value chain. This means going beyond top-down risk management to embed due diligence into core business functions, particularly procurement, and shaped by dialogue with workers, trade unions, and other stakeholders.

This Guidance is designed to provide a set of practical and actionable steps that companies can take to build internal capacity and demonstrate compliance with applicable legislation.

ETI provides support, guidance and resources for proactive organisations to move beyond compliance and become actors that drive positive change in global supply chains.

Executive summary

ETI Guidance on Mandatory Human Rights and Environmental Due Diligence (mHREDD).

This Guidance provides businesses with a practical guide to align their operations with mandatory human rights and environmental due diligence (mHREDD) legislation. It addresses the requirements of key EU regulations, including:

▸ The Corporate Sustainability Due Diligence Directive (CSDDD);

▸ The Corporate Sustainability Reporting Directive (CSRD); and

▸ The Forced Labour Regulation (EUFLR).

While grounded in legislative requirements, the Guidance also supports companies in using mHREDD as a lever to strengthen responsible business conduct and advance respect for human rights and environmental standards across global supply chains.

By breaking down legislative requirements into actionable steps, the Guidance enables businesses to integrate these requirements into their operations effectively. These steps are intended not only to support legal compliance, but also to encourage more effective, risk-based and impact-focused due diligence aligned with international human rights standards.
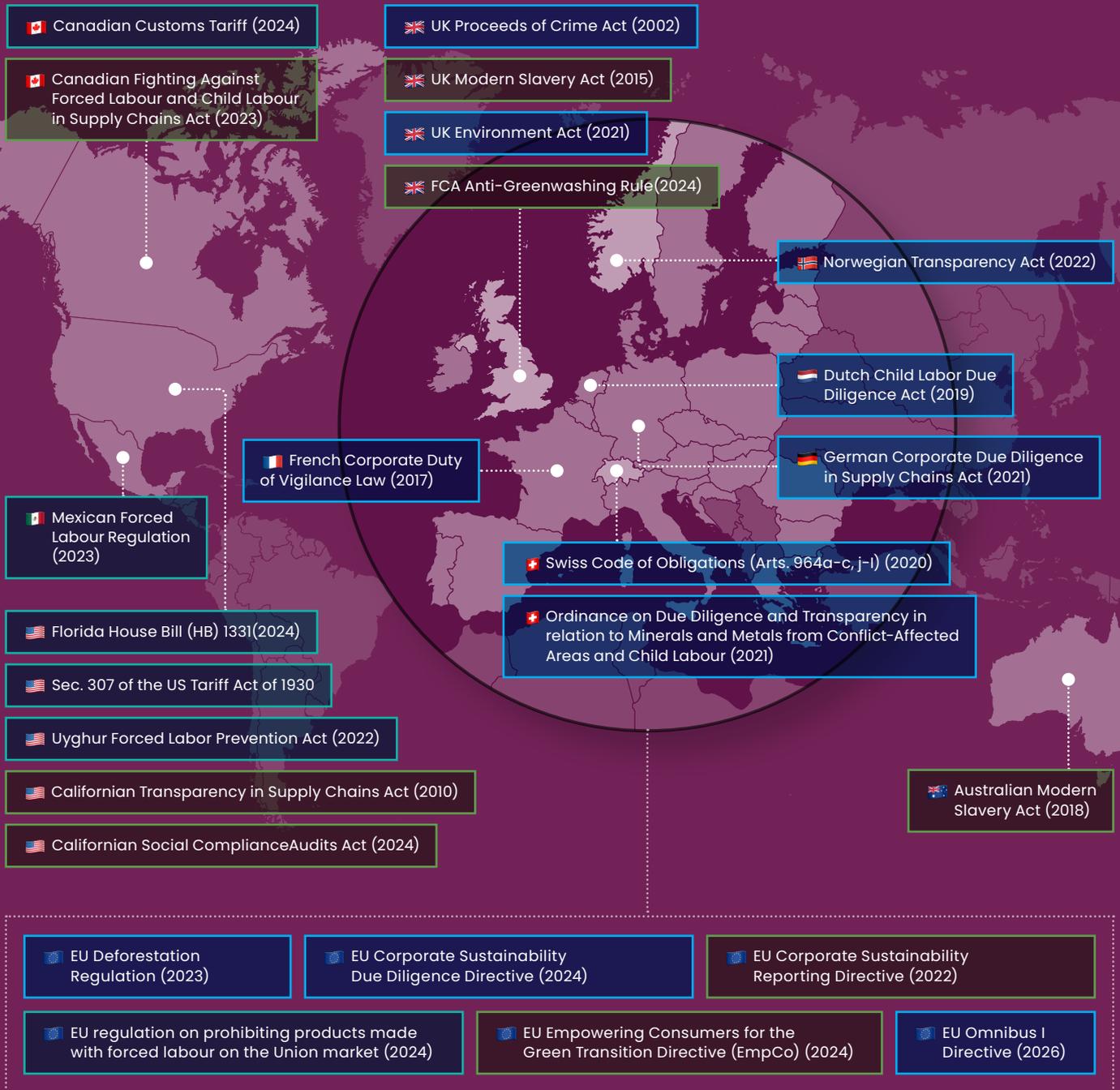
The Guidance consists of three sections:

1 **Legislative summary:** This section delivers an analysis of the CSDDD, CSRD, and EUFLR, focusing on the fundamental compliance obligations. It covers the legislative scope, due diligence and reporting requirements, and penalties for non-compliance.

2 **Internal coordination guidance:** Meeting mHREDD requirements demands strong internal collaboration. This section of the Guidance provides clear recommendations for establishing effective coordination across internal teams. It outlines the roles and responsibilities of key stakeholders, offers strategies for eliminating silos, and guides businesses in building the capacity of their teams.

3 **Step-by-step guidance to meet mHREDD expectations:** To facilitate practical implementation, this section offers a detailed roadmap covering essential aspects of HRDD in the context of mHREDD legislation. Each step is designed to guide companies in building robust systems and policies that align with legislative requirements and better practices. In doing so, the Guidance reflects ETI's commitment to mHREDD as a tool for driving stronger respect for human rights and the environment, beyond minimum compliance obligations. Beyond meeting legislative requirements, the roadmap supports companies in embedding due diligence processes that contribute to continuous improvement and more meaningful human rights outcomes.

Legislation overview

HREDD legislation 2026

Developed in partnership with Ardea International

- ● Disclosure and reporting legislation
- ● Legislation addressing human rights in global trade
- ● Legislation requiring action on due diligence

🇨🇦 Canadian Customs Tariff (2024)

🇨🇦 Canadian Fighting Against Forced Labour and Child Labour in Supply Chains Act (2023)

🇬🇧 UK Proceeds of Crime Act (2002)

🇬🇧 UK Modern Slavery Act (2015)

🇬🇧 UK Environment Act (2021)

🇬🇧 FCA Anti-Greenwashing Rule(2024)

🇳🇴 Norwegian Transparency Act (2022)

🇳🇱 Dutch Child Labor Due Diligence Act (2019)

🇫🇷 French Corporate Duty of Vigilance Law (2017)

🇩🇪 German Corporate Due Diligence in Supply Chains Act (2021)

🇲🇽 Mexican Forced Labour Regulation (2023)

🇨🇭 Swiss Code of Obligations (Arts. 964a-c, j-l) (2020)

🇨🇭 Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (2021)

🇺🇸 Florida House Bill (HB) 1331(2024)

🇺🇸 Sec. 307 of the US Tariff Act of 1930

🇺🇸 Uyghur Forced Labor Prevention Act (2022)

🇺🇸 Californian Transparency in Supply Chains Act (2010)

🇺🇸 Californian Social ComplianceAudits Act (2024)

🇦🇺 Australian Modern Slavery Act (2018)

🇪🇺 EU Deforestation Regulation (2023)

🇪🇺 EU Corporate Sustainability Due Diligence Directive (2024)

🇪🇺 EU Corporate Sustainability Reporting Directive (2022)

🇪🇺 EU regulation on prohibiting products made with forced labour on the Union market (2024)

🇪🇺 EU Empowering Consumers for the Green Transition Directive (EmpCo) (2024)

🇪🇺 EU Omnibus I Directive (2026)

Note: Dates indicate the year in which the legislation was, or is expected to be, adopted or passed into law.

What's new in the EU Sustainability Omnibus Packages?

The packages amend several cornerstone laws, including the:

▸ Corporate Sustainability Reporting Directive (CSRD)

▸ Corporate Sustainability Due Diligence Directive (CSDDD)

▸ EU Taxonomy Regulation

▸ Carbon Border Adjustment Mechanism (CBAM)

▸ InvestEU Regulation

The Omnibus packages delay the application of corporate sustainability reporting (CSRD) and due diligence (CSDDD) requirements and specifically postpone:

▸ By **two years**, the entry into application of the CSRD requirements for large companies and listed SMEs.

▸ To **26 July 2028**, the transposition deadline of the CSDDD. Companies will have to comply with the new measures by July 2029.

In December 2025, the European Parliament approved the provisional political agreement on the Omnibus I – COM(2025)081 Directive amending the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), and on 24 February 2026, the Council of the European Union formally adopted the agreed text, which substantially narrows the scope of both CSRD and CSDDD and reduces certain compliance burdens compared with the original frameworks.

Key outcomes include:

▸ **Scope reduction:** CSRD reporting obligations will apply only to companies with more than 1,000 employees and €450 million net turnover, while CSDDD will apply only to EU companies with more than 5,000 employees and €1.5 billion annual turnover and non-EU companies with more than €1.5 billion net turnover in the EU.

▸ **Climate obligations scale back:** The mandatory requirement to adopt and implement climate transition plans has been removed from CSDDD, with climate considerations remaining largely confined to reporting.

- **Clear limits on information requests to business partners:** Both CSRD and CSDDD now limit companies' ability to request sustainability information from business partners. Companies are expected to rely on reasonably available information.

- **More limited risk-based due diligence under CSDDD:** The agreed text adopts a risk-based approach, focusing due diligence efforts on direct and established business relationships, and requiring companies to extend due diligence to other parts of the value chain only where objective and verifiable information identified through risk scoping indicates actual or potential adverse human rights or environmental impacts.

- **Removal of the harmonised EU civil liability regime (CSDDD):** Although the Omnibus I revision sets maximum fines for businesses to 3% of net worldwide turnover, the originally proposed harmonised civil liability framework has been removed. Civil liability for breaches of due diligence obligations is left to national legal systems.

- **Sector-specific reporting standards no longer mandatory and simplification of existing standards (CSRD):** While sector-specific standards may still be developed, their use is no longer compulsory, reducing data-collection complexity. The existing European Sustainability Reporting Standards (ESRS) will be revised by the European Financial Reporting Advisory Group (EFRAG) to reduce the number of data points and prioritise key metrics.

Why out of scope companies should pay attention to CSDDD, CSRD, and EUFLR

Even if your company is not directly within the legislative scope of the CSDDD, CSRD, or EUFLR, it is crucial to understand their requirements. Many of your customers who are in-scope for these regulations will need detailed information from their suppliers to meet their compliance obligations. This means you may be asked to provide data on your operations, supply chain practices, and sustainability efforts. Staying informed and prepared will not only support your customers but also position your business as a reliable and proactive partner in the evolving regulatory landscape.

Expectations for responsible business

Regardless of legal thresholds, ETI expects responsible businesses to carry out systematic, risk-based due diligence on human rights and the environment, engage meaningfully with workers and other rightsholders, and take action to prevent and address harm where it occurs. Strong due diligence remains a critical part of responsible business conduct, not simply a regulatory obligation.

At ETI, we will continue advocating for legislation in line with our consulted position and working with companies, NGOs, and trade unions to ensure businesses committed to human rights are supported to address their impacts through robust due diligence, meaningful stakeholder engagement, and credible multistakeholder collaboration.

1. Legislation summary

Summary of key EU directives and regulations

The European Union continues to advance regulations that promote sustainable practices and protect human rights. Three key instruments in this framework are the CSDDD, the CSRD, and the EUFLR. Below is an overview of their purpose.

▶ **Corporate Sustainability Due Diligence Directive (CSDDD)**

The CSDDD seeks to ensure companies operating in the EU proactively address human rights and environmental risks throughout their chain of activities. This includes identifying, preventing, and mitigating their impacts.

▶ **Corporate Sustainability Reporting Directive (CSRD)**

The CSRD enhances transparency in corporate reporting by requiring detailed disclosure of sustainability-related information. Its goal is to inform stakeholders, including investors, about the environmental and social impacts of business activities.

▶ **The EU Forced Labour Regulation (EUFLR)**

The EUFLR aims to ensure that products tainted by forced labour, at any stage of their supply chains, are eliminated from the EU market. This involves identifying, prohibiting, and removing such products to uphold human dignity and promote ethical trade practices.

CSDDD
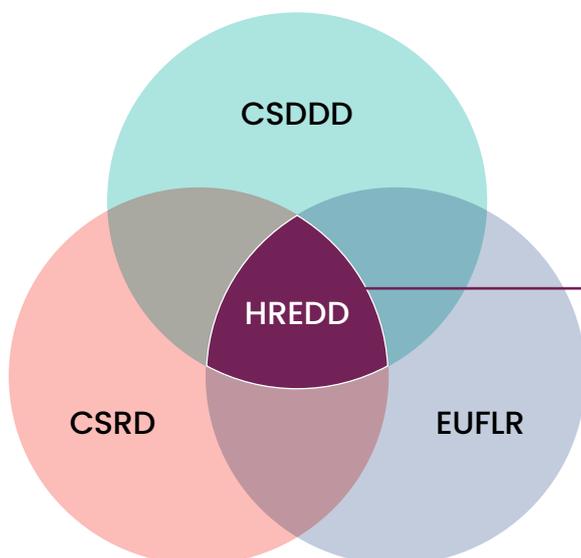
HREDD

CSRD

EUFLR

HREDD is a pivotal element within the intersecting frameworks of CSDDD, CSRD and EU FLR. By implementing HREDD, organisations can identify, mitigate, and prevent risks tied to human rights breaches and environmental impact across their operations and supply chains. This ensures compliance while laying a strong foundation for transparent and reliable reporting, driving accountability and fostering ethical, sustainable practices.

1.1 CSDDD

Purpose	▶ Enhances corporate accountability by imposing responsibilities on in-scope businesses to conduct risk-based due diligence regarding their adverse human rights and environmental impacts in their operations and relevant parts of their value chains, with a view to preventing, mitigating, and addressing such impacts.
Scope	▶ EU companies with more than 5,000 employees and more than €1.5 billion net turnover, and non-EU companies with more than €1.5 billion net turnover in the EU.
Policy commitment and governance	▶ Companies must adopt a due diligence policy, covering the strategy, responsibilities, and integration of human rights and environmental due diligence.
Mapping supply chains and business relationships	▶ Companies must structure their due diligence on a risk-based basis, allocating resources and actions to areas of their operations and business relationships that pose the greatest risk of adverse impacts. ▶ Companies must identify where human rights or environmental impacts are most likely and severe. This process informs risk prioritisation and directs where deeper assessments and interventions are needed.
Risk analysis and prioritisation	▶ Companies must identify, assess, and address actual and potential adverse human rights and environmental impacts across their operations and value chain as per a risk-based analysis. ▶ A risk-based approach is required, focusing on severity and likelihood.
Mitigative action plans	▶ Companies are required to prevent or mitigate potential impacts, including adapting own operations, amending contracts, supporting suppliers, or suspending/terminating relationships if needed.
Remediation processes and complaints mechanisms	▶ When causing or contributing to harm, companies must provide a or cooperate in a remediation process and establish accessible complaints and notification mechanisms for affected people and legitimate interest groups.
Stakeholder engagement	▶ Companies must engage in meaningful consultation with affected stakeholders or their representatives.
Ongoing monitoring and verification	▶ Required to monitor the effectiveness of due diligence measures, using appropriate indicators. Monitoring systems must be proportionate and adapted to identified risks.

Continuous improvement	▶ Due diligence is to be treated as a dynamic, ongoing process — companies must regularly review and improve their processes to adapt to evolving risks and conditions.

Stakeholder engagement

▶ Companies must meaningfully engage with affected stakeholders, including workers, communities, and their representatives, throughout certain parts of the due diligence process, namely at the identification stage, for the development of action plans and when designing remediation measures.

Policy and management integration

▶ Due diligence must be embedded into the company's business operations and risk management systems, with clearly defined responsibilities and internal governance arrangements across relevant functions.

▶ Companies must maintain accurate documentation.

Grievance and remedy

▶ Companies must provide or enable remediation for actual adverse impacts they cause or contribute to.

▶ Grievance mechanisms must be made available to affected stakeholders.

▶ Companies may ensure business partners also offer or contribute to remedy where applicable.

▶ Remedies may include financial compensation, rehabilitation, or guarantees of non-repetition depending on the harm.

Supervisory enforcement

▶ Authorities can request information and investigate compliance with due diligence obligations.

▶ May act on their own or in response to substantiated concerns.

▶ Can order companies to stop infringements and take remedial action.

▶ May impose penalties (Article 27) and adopt interim measures for urgent harm.

▶ Cross-border inspections require cooperation with other national authorities.

▶ Companies must be given time to remedy, but penalties/civil claims apply according to national law.

Civil liability

▶ Civil liability for failure to comply with due diligence obligations is governed by the national law of relevant EU member states.

Penalties

▶ The CSDDD requires penalties to be effective, proportionate, and dissuasive to ensure companies comply with their due diligence obligations.

▶ Fines must be effective, proportionate, and dissuasive, with a maximum of 3% of the company's net worldwide turnover.

1.2 CSRD

Purpose	▸ Strengthens the rules concerning the social and environmental information companies must report by amending EU Directive 2013/34 on annual financial statements.
Scope	▸ EU companies with more than 1,000 employees and €450 million net turnover. EU subsidiaries or branches of third-country companies that generate a net turnover of more than €150 million in the EU.
Policy commitment and governance	▸ Companies must disclose their sustainability strategy, including policies, targets, and governance structures (e.g. board oversight, management roles). They must show how sustainability is integrated into their overall strategy. Companies subject to the CSRD have to report according to European Sustainability Reporting Standards (ESRS).
Mapping supply chains and business relationships	▸ Companies must report on risks and opportunities that occur throughout their chain of activities, including assessing their own practices to identify how their practices may be causing, contributing or being directly linked to negative impacts as per their materiality assessment.
Risk analysis and prioritisation	▸ Based on the double materiality principle,[1] companies must assess and disclose actual and potential sustainability impacts and financial risks. ESRS 1 and topical ESRS standards guide how to assess and prioritise risks.
Mitigative action plans	▸ Companies must report on actions taken to mitigate material impacts and risks, including sustainability targets, progress, and time-bound plans. This includes both policy-level responses and operational measures including, for example, amending purchasing practices.
Remediation processes and complaints mechanisms	▸ While CSRD is less prescriptive than CSDDD, it requires disclosure of mechanisms for handling grievances, stakeholder feedback, and remediation efforts related to adverse sustainability impacts.
Stakeholder engagement	▸ Companies must explain how stakeholders are engaged during the materiality assessment[2] and policy development processes. This includes dialogue with affected communities, workers, internal staff and interest groups.
Ongoing monitoring and verification	▸ Requires reporting on progress over time, including key performance indicators (KPIs) and targets.

1 Double materiality principle: companies must report both the effects of their activities on sustainability factors – including environmental, social, and employee matters, respect for human rights, and anti-corruption and anti-bribery issues – and how these factors affect their activities.

2 Materiality assessment is the process of identifying, refining, and assessing numerous potential environmental, social and governance issues that could affect the business, and/or its stakeholders, and condensing them into a short-list of topics that inform company strategy, targets, and reporting. *(KPMG, 2014)*

Continuous improvement	▶ Companies must report annually, enabling tracking of year-on-year improvements in sustainability performance. They must also reflect on how they evolve practices in light of outcomes, stakeholder input, or changing risks.
Requirements around specific rights and issues	▶ The CSRD (via the ESRSs) requires detailed disclosures on:
	▷ Climate-related matters (mitigation and adaptation), including greenhouse gas emissions (ESRS E1).
	▷ Social and governance matters where material, including working conditions, labour rights, health & safety, equality, and diversity (subset of ESRS S1).
	▷ Other environmental or social impacts, business conduct, and human rights-related topics may be disclosed if material and reasonably available.
	▷ All disclosures are subject to the double materiality principle.
Penalties	▶ Member States must define and enforce "effective, proportionate, and dissuasive" penalties. These may include:
	▷ Administrative fines
	▷ Enforcement actions by financial authorities
	▷ Public naming or correction orders for non-compliance
	▶ Penalties are defined under the revised Accounting Directive (Article 25) as amended by CSRD.

1.3 EUFLR

Scope	▶ The FLR applies to all products imported into or exported from the EU, including online sales.
Definition of forced labour	▶ The FLR defines forced labour as per the International Labour Organization (ILO) Convention No. 29, meaning all work or service extracted from any person under the menace of any penalty and for which the said person has not offered themselves voluntarily.
Prohibition	▶ The FLR prohibits economic operators from placing or making available on the EU market, or exporting from the EU, any product made with forced labour.
Enforcement	▶ The Regulation grants broad supervisory powers to the European Commission and national authorities.
Due diligence	▶ While the FLR does not impose specific due diligence requirements, companies may review risks of forced labour in their value chains with heightened scrutiny to ensure that they are compliant with the legislation.
No customs or other formalities	▶ The Regulation does not currently impose customs or other due diligence statement formalities.

2. Internal coordination

Why is internal coordination key? To embed HREDD effectively, employees must understand their roles and responsibilities. Instead of working in 'silos', an organisation should ensure that it tackles the effort collaboratively. Where roles are delegated and defined, organisations will avoid duplication of efforts and competing requirements.

2.1 Defining internal stakeholder roles

Establishing clear roles and responsibilities is critical to ensure compliance with mHREDD legislation, such as the CSDDD, CSRD, and EUFLR. By engaging relevant stakeholders effectively, companies can create a cohesive approach to meeting these requirements. Mapping key stakeholders is crucial for determining how specific HREDD laws apply to the company and ensuring an accurate understanding of compliance obligations. A diverse range of stakeholders can play a part:

Executive leadership
Leaders must set the tone and demonstrate commitment to human rights and environmental standards. They should align the company's strategic objectives with mHREDD obligations, empower teams, and allocate sufficient resources for compliance efforts.

Human resources (HR)
HR can oversee ethical labour practices, manage worker engagement initiatives, and ensure policies align with local legislation. They are also instrumental in learning and development through training programmes.

Legal and compliance teams
These teams should break down legal requirements into actionable tasks, monitor regulatory changes, and oversee due diligence frameworks in alignment with CSDDD, CSRD, and EUFLR.

Procurement and commercial supply chain teams
By mapping supply chains and collaborating with suppliers, procurement teams can ensure transparency and identify risks. In addition, procurement and commercial teams are crucial in understanding how purchasing practices can drive human rights risks – and what can be done make purchasing practices more responsible. If present, dedicated human rights and environmental supply chain experts should work in tandem with commercial procurement specialists such as buyers and merchandisers.

Operations and risk management
Operational leaders can embed human rights and environmental considerations into day-to-day processes, while risk teams assess and monitor vulnerabilities.

2.2 Eliminating silos and establishing coordination structures

Fragmented communication and isolated workflows can derail compliance efforts. To create an integrated approach, companies need robust internal coordination:

▶ Create a cross-functional group

Form a governance body with representatives from all relevant departments. This group can facilitate regular discussions, address overlaps or gaps in accountability, and unify the company's strategy to meet HREDD requirements.

▶ Develop centralised reporting systems

Adopt digital tools that streamline collection, tracking, and reporting of data related to human rights and environmental practices. Centralised systems ensure all teams access consistent, real-time information.

▶ Define clear objectives

Map out processes to delineate decision-making roles and approval pathways to meet mHREDD requirements. Make sure every team member understands the flow of information and their responsibilities.

▶ Host regular check-ins

Institute routine meetings to align departments on progress and challenges. These forums foster transparency and offer opportunities to troubleshoot emerging issues collaboratively.

2.3 Guiding conversations with stakeholders to determine legislation's applicability

To align with mHREDD legislation effectively, businesses must first identify whether the laws apply to their operations. This process requires purposeful conversations with key stakeholders. Here's how to facilitate these discussions:

▶ **Prepare stakeholder briefs**

Before meetings, provide concise summaries of the legislation, focusing on applicability thresholds such as turnover, geographic presence, or industry classification. This ensures that participants come prepared with a baseline understanding.

▶ **Ask targeted questions**

The individual(s) within an organisation with responsibility for carrying out HRDD should tailor questions to relevant personnel/teams within their organisation to elicit specific insights, for example:

▷ Senior leaders: *"Can you share an overview of our operations by region and identify high-risk areas for human rights and environmental compliance concerns?"*

▷ Finance teams: *"Does our organisation meet the financial thresholds or European subsidiaries that might trigger applicability under CSRD?"*

▷ Human Resources teams: *"What is our average number of employees over the previous year [including temporary workers]?"*

▶ **Set clear objectives**

At the start of each conversation, outline what needs to be achieved, such as verifying operational scope or pinpointing high-risk areas. Keeping stakeholders focused ensures efficient use of their expertise.

▶ **Use visual tools**

Present flow charts, maps, or matrices that delineate legislative applicability criteria. Visually mapping complex requirements helps participants grasp their role in the larger compliance process and promotes more focused discussions.

▶ **Document and follow-up**

Record key takeaways, decisions, and unresolved questions. Share these outcomes with all participants and establish clear next steps for further analysis or information gathering.

2.4 Guiding internal stakeholder engagement to understand legislative requirements

When the laws' applicability is confirmed, focus shifts to understanding specific requirements. Here's how to lead these discussions effectively:

▶ **Organise smaller group sessions tailored to the needs of different departments**

For instance:

▷ Legal teams discuss legal interpretations, reporting obligations, and timelines.

▷ Procurement teams focus on supplier transparency, supplier risk assessments, and due diligence mechanisms.

▷ HR teams review workforce-related compliance, such as recruitment practices.

These focused discussions foster deeper understanding and allow experts to raise pertinent concerns.

▶ **Adopt a collaborative, problem-solving approach**

Frame meetings as opportunities to solve challenges together. For example:

▷ *"What tools or data sources do we need to perform supplier assessments?"*

▷ *"How can we align our recruitment processes with the requirements of EU Forced Labour Regulation?"*

▶ **Encourage two-way learning**

Recognise that compliance may require input from those on the ground. Legal teams can explain regulatory obligations to operational staff, while supply chain managers or buying teams can share practical insights into supplier dynamics or procurement processes.

▶ Use real-life scenarios

Introduce real-life scenarios or hypothetical situations to clarify legal demands. For example, simulate the steps to assess potential forced labour risks in a procurement contract. This approach enables stakeholders to grasp their specific actions clearly.

Scenario example: Forced labour risks in a procurement contract

A company is considering a contract with a supplier in a region flagged for labour rights concerns. During the due diligence process, procurement identifies potential risks related to forced labour in the supplier's operations. Actions stakeholders might consider:

▷ **Initial screening:** Using a risk assessment tool to evaluate the supplier's compliance with labour laws and industry standards. High-risk indicators prompt further investigation.

▷ **Request documentation:** Request the supplier's code of conduct, recent audits, and worker grievance mechanisms to assess their practices. At this stage, the company may take the decision to discard the potential supplier if they are unable to provide adequate information to evidence their risk mitigation measures.

▷ **Audits:** If concerns remain but the company is willing to proceed despite the identified risk, the company arranges independent on-site audits to verify working conditions and employer-employee relations. Triangulate these findings with other sources of information.

▷ **Engage with local multi-stakeholder initiatives:** Investigate the presence of credible local multi-stakeholder initiatives (e.g., involving NGOs, trade unions, government bodies) that focus on labour rights. Participation in or alignment with such initiatives can provide additional oversight, support remediation efforts, and enhance the supplier's accountability.

▷ **Contractual safeguards:** Before proceeding, the company includes strict contractual clauses, such as obligations to eliminate forced labour, continuous monitoring, and compliance reporting.

▷ **Learning and development:** Work with the supplier to develop training on labour rights and sustainable practices to mitigate long-term risks.

2.5 Building internal stakeholder capacity around mHREDD

Understanding the intricacies of mHREDD legislation and its operational implications is essential. To build competency across key stakeholder groups (for example those set out under 'Roles and Responsibilities'), companies can:

▸ **Provide tailored training programmes**

Develop role-specific training to address the unique responsibilities of each stakeholder group. For example, train procurement teams on risk assessments in the supply chain, while HR teams focus on internal forced labour detection and prevention.

▸ **Draw on external expertise**

Engage with specialists, consultants, or reputable industry organisations who focus on HREDD compliance. Their expertise can address critical knowledge gaps by offering practical guidance, real-world examples, and benchmarking opportunities.

▸ **Distribute practical resources**

Create accessible guides, FAQs, and checklists that break down complex legislative demands into actionable steps. Equip teams with easy-reference tools to enhance their efficiency.

▸ **Foster a culture of continuous learning**

Encourage open dialogue, feedback sessions, and cross-departmental knowledge-sharing to maintain a proactive stance. Highlight successes and lessons learned to build a sense of accountability and shared achievement.

2.6 Roles and responsibilities

▶ **Role**

A role defines the specific functions or duties assigned to a position or team within the organisation. It outlines what is expected of individuals or groups in terms of their contribution to achieving organisational goals, particularly in relation to human rights and environmental due diligence (HREDD).

▶ **Responsibility**

A responsibility refers to the actions or tasks that individuals or teams must perform to fulfil their roles. It includes the practical steps and measures required to ensure compliance with HREDD principles and to drive continuous improvement.

2.6.1 Board and executive leadership

Role	▶ Ensure strategic oversight of HREDD compliance and broader sustainability goals.
	▶ Set the tone for organisational commitment to human rights and environmental due diligence.
	▶ Approve and track progress on compliance policies and frameworks.
	▶ Act as the primary internal and external representative for HREDD-related commitments.
	▶ Foster collaboration across procurement, HR, legal, and sustainability teams to ensure a unified approach to compliance.
Responsibility	▶ Ensure the board has the appropriate skills and access to information to oversee human rights and environmental issues.
	▶ Regularly review reports on compliance activities, audit/risk assessment findings, and risk mitigation strategies to ensure alignment with organisational objectives.
	▶ Champion the publication of progress reports and disclosures to meet stakeholder and regulatory expectations.
	▶ Allocate sufficient funding, tools, and personnel to execute compliance activities effectively.
	▶ Act as the highest point of escalation for HREDD-related issues, ensuring timely and decisive action.

2.6.2 Senior management

Role
- ▶ Provide senior management and the board with guidance on strategies and their implementation, focusing on human rights and environmental risks and impacts.
- ▶ Oversee the company's legal operations to ensure compliance with HREDD requirements and alignment with broader sustainability goals.
- ▶ Prepare disclosures and reports on HREDD, ensuring they showcase continuous progress and reflect the company's ethical commitments.
- ▶ Develop and implement processes to manage breaches of contract clauses relating to human rights or environmental violations.

Responsibility
- ▶ Approve human rights and environmental due diligence policies and ensure alignment with legal requirements and industry standards.
- ▶ Communicate the importance of addressing human rights and environmental risks and impacts throughout the organisation.
- ▶ Allocate resources to support the integration of responsible purchasing practices, including supplier engagement and capacity-building initiatives.
- ▶ Monitor and evaluate the impact of purchasing practices on human rights and environmental risks, using KPIs and regular reporting to drive accountability and improvement.

2.6.3 General counsel

Role
- ▶ Contribute to setting the company's ethical standards, ensuring they extend beyond legal compliance to include human rights and environmental stewardship.
- ▶ Ensure contract terms and tender documents include clauses addressing human rights and environmental risks.
- ▶ Counsel the board on risks and opportunities related to human rights and environmental due diligence.

Responsibility
- ▶ Provide senior management and the board with guidance on strategies and their implementation, focusing on human rights and environmental risks.
- ▶ Oversee the company's legal operations to ensure compliance with HREDD requirements and alignment with broader sustainability goals.
- ▶ Prepare disclosures and reports on HREDD, ensuring they meet legal requirements and reflect the company's ethical commitments.
- ▶ Develop and implement processes to manage breaches of contract clauses relating to human rights or environmental violations.

2.6.4 Human resources

Role
- ▶ Ensure proper contracts are in place for employees and contracted workers, upholding human rights and environmental policies.
- ▶ Promote a culture of fairness, respect, and non-discrimination.
- ▶ Identify and facilitate appropriate training programmes that align with human rights and environmental objectives.

Responsibility
- ▶ Act as a central figure in upholding employee rights across the organisation.
- ▶ Develop and execute training initiatives aimed at equipping employees with the knowledge to support HREDD goals.
- ▶ Ensure effective systems are in place to address employee grievances professionally and fairly.
- ▶ Regularly review and update whistleblowing policies to ensure they support transparency and accountability.

2.6.5 Procurement

Role
- ▶ Recognise indicators of human rights abuses and environmental harm in the supply chain.
- ▶ Develop a comprehensive understanding of the organisation's supply chain, including areas of risk and opportunity.
- ▶ Uphold compliance with the organisation's HREDD policies and procedures throughout the procurement process.

Responsibility
- ▶ Lead and manage sourcing operations with a focus on integrating HREDD principles into procurement decisions.
- ▶ Assess the impact of the companies purchasing practices on human rights impacts at supplier sites.
- ▶ Implement responsible purchasing practices, such as:
- ▶ Providing accurate forecasts and reasonable lead times to suppliers.
- ▶ Ensuring payment terms are fair, transparent, and timely to support suppliers' financial stability.
- ▶ Avoiding last-minute order changes or pricing below production costs, which can lead to excessive overtime or low wages for workers.
- ▶ Actively engage with suppliers to co-create solutions for improving labour standards and environmental sustainability.
- ▶ Monitor and report on the impact of purchasing practices, using KPIs and feedback mechanisms to drive continuous improvement.

3. Step-by-step guidance to meet mHREDD expectations

This section of the Guidance is designed to provide an actionable roadmap for alignment with HREDD regulations. It breaks down the core elements of compliance, offering tailored recommendations. The Guidance covers the following topics:

1. **Policy commitment & governance:** Strengthening your organisation's foundational commitments to human rights and environmental due diligence.

2. **Mapping supply chains & business relationships:** Gaining visibility across your supply chain to identify risks and ensure responsible practices.

3. **Risk prioritisation and analysis:** Identifying and prioritising critical human rights and environmental risks that require intervention.

4. **Mitigative action plans:** Developing and implementing strategies to minimise risks and prevent harm effectively.

5. **Remediation processes & complaints mechanisms:** Creating systems to address grievances, remediate harm, and ensure access to justice for affected stakeholders.

6. **Meaningful stakeholder engagement:** Building strong partnerships through meaningful communication with stakeholders.

7. **Ongoing monitoring & verification:** Establishing systems to regularly assess compliance, track progress, and ensure the effectiveness of due diligence efforts.

8. **Continuous improvement:** Ensuring your policies, processes, and actions evolve in response to new risks, learnings, good and better practices.

For each of these aspects, the Guidance provides recommendations to help implement and refine due diligence systems in line with the CSDDD, CSRD, and EUFLR.

3.1 Compliance guidance: Policy commitment and governance

Robust policies and governance structures provide the foundation for identifying, assessing, and managing risks related to human rights and environmental harm.

3.1.1 Policy commitment and governance in legislation

CSDDD ▸ Integrate due diligence into overall company policies and risk management systems.

CSRD ▸ Requires organisations to:

▹ Disclose their policies related to material sustainability topics, demonstrating how they are addressed.

▹ Incorporate sustainability metrics into corporate reporting structures.

▹ Implement internal controls to ensure accuracy of sustainability data and narratives.

▹ Engage with external auditors for verification of sustainability reports.

EUFLR ▸ Does not explicitly require specific policies to be in place.

3.1.2 How to implement effective HREDD policies

▸ **Develop clear and comprehensive policies**

Draft clear policies covering human rights and environmental sustainability, ensuring they comply with the requirements of all three regulations. Align commitments with international standards, such as the UNGPs, and include these within documentation. Regularly review and update policies to reflect changes in regulations and industry practices.

▸ **Assign responsibilities and build accountability**

Appoint a senior leader or team to oversee HREDD and ensure coherence across the organisation. Establish cross-functional teams to fully integrate these responsibilities. Ensure the board of directors regularly addresses human rights, environmental and sustainability risk and policy oversight to uphold accountability at the highest level.

▸ **Ensure transparency and accountability**

Collect and analyse both qualitative and quantitative data to monitor progress and policy effectiveness and inform continuous improvement. Organisations should also review their internal and public reporting structures to ensure that critical compliance information is appropriately passed onto senior leadership.

▸ **Collaborate with external stakeholders**

See for more information on stakeholder engagement.

▶ **Monitor and enhance governance mechanisms**

Regularly reviewing governance mechanisms is essential to maintaining an effective approach to HREDD compliance. Organisations must ensure that policies and procedures are not only well-established, but also frequently updated to reflect evolving legislation, industry standards, and emerging risks. This process should include assessing the effectiveness of existing frameworks, identifying gaps, and making necessary enhancements.

3.1.3 Key considerations under legislation

CSDDD
▶ Ensure that due diligence is integrated into all relevant corporate policies

▶ Assign responsibility for HREDD within the organisation.

CSRD
▶ Consider whether the organisations' existing policies encompass all material topics that have been identified by the company, such as forced or child labour, or anti-discrimination.

▶ Strengthen reporting structures to ensure that accurate sustainability data is reported internally.

▶ Assign responsibility for risk management and reporting within the organisation.

EUFLR
▶ Does not explicitly require specific policies to be in place.

3.2 Mapping supply chains and business relationships

Mapping supply chains and business relationships enables companies to identify potential human rights and environmental risks throughout their operations, ensuring a comprehensive view of their impacts.

3.2.1 Mapping supply chains and business relationships in legislation

CSDDD ▸ Mandates businesses to conduct a risk-based scoping exercise of their supply chains to identify, prevent, and mitigate adverse human rights and environmental impacts.

CSRD ▸ Requires organisations to include comprehensive information about their supply chains, including impacts and risks, in their sustainability reporting.

EUFLR ▸ Applies to all aspects of a product (and its components') life cycle. Organisations should map their supply chains to trace potential instances of forced labour, ensuring that no products or services linked to such practices enter the market. While supply chain mapping is not mandated by law, businesses must engage in this process. This exercise is essential for identifying issues related to forced and child labour within the supply chain and addressing them. By doing so, organisations can mitigate the risk of their products being subject to import bans.

3.2.2 How to map supply chains and business relationships effectively

▸ **Identify key stakeholders and business partners**

The first step is to identify all key stakeholders within the supply chain. Start by creating a detailed list of every supplier, subcontractor, and business partner. Consideration should be given on how to identify suppliers beyond tier 1. Categorise them based on their function, location, and involvement within your operations. Engage directly with these stakeholders to collect accurate information about their practices and ensure they understand, and are equipped to meet, requirements and their role in supply chain compliance.

▸ **Leverage technology and tools**

Utilising technology effectively is critical in the mapping process. Supply chain management software, blockchain technology, and data analytics platforms can significantly enhance transparency. These tools enable you to track the origins of products and materials and simplify data collection. However, it is vital to address reliability risks, such as potential data inaccuracies or system failures that could disrupt operations. Implementing robust safeguards and regular system audits can mitigate these risks and strengthen the reliability of your technological tools.

Ensure data accuracy and integrity

Develop protocols and training for maintaining accurate and reliable data. Establish clear processes for collecting, verifying, and updating information from all tiers of your supply chain. Seek evidence such as certifications, audit reports, on-site visits and triangulation of data sources to validate supplier claims. Regularly review and update this data to ensure it reflects any operational changes or newly identified risks, keeping the data relevant and trustworthy.

Foster collaboration across the supply chain

Strong collaboration with supply chain partners is crucial for effective mapping. Build trust with your suppliers and establish open lines of communication. Share goals and expectations while offering training to ensure partners understand the importance of meeting them and are supported and equipped to do so. Joint initiatives can facilitate collective progress across the entire supply chain.

Promote transparency and public accountability

Share findings from your supply chain mapping activities and disclose any risks and mitigation actions. Publishing sustainability reports or public statements helps build trust with stakeholders and shows your commitment to ethical business practices.

Commit to continuous improvement

Supply chain mapping is an ongoing process. Regularly revisit your methods to adapt to changing regulations, evolving risks, and technological advancements. Learn from past experiences and apply these insights to enhance risk mapping. A commitment to continuous improvement ensures resilience and sustained compliance over time.

3.2.3 Key considerations under legislation

CSDDD
- Requires companies to identify, prevent, and mitigate actual or potential adverse impacts on human rights and the environment across their entire supply chain.
- Mandates detailed mapping of supply chains and business relationships, where there is plausible information of risks or adverse impacts.

CSRD
- Obligates companies to report on their sustainability impacts, including how their supply chain relationships align with environmental and social objectives.

EUFLR
- Does not directly mandate specific steps like supply chain mapping or due diligence. To avoid potential import bans, companies are expected to take proactive measures such as conducting thorough supply chain mapping to identify risks of forced labor.

3.2.4 Sample questions for EUFLR supplier assessments

This sample supplier questionnaire is designed to support businesses in applying the EUFLR across their supply chains. While companies cannot achieve effective due diligence solely by requiring suppliers to complete questionnaires, this tool is a starting point to identify risks, promote accountability, and ensure ethical practices extend beyond tier 1 suppliers.

Section 1: Understanding the EUFLR

▸ Are you familiar with the requirements outlined in the EUFLR?

▸ Have you received training or guidance on how the Regulation applies to your business operations?

▸ Do you have a designated person or team responsible for understanding and implementing compliance measures related to this Regulation?

Section 2: Compliance measures

▸ What policies and procedures have you implemented to identify and prevent forced labour within your operations?

▸ How do you monitor your organisation's compliance with the EUFLR?

▸ Have you conducted a risk assessment to identify areas in your supply chain where forced labour risks may be present?

▸ What due diligence processes are in place to ensure compliance with the regulation?

Section 3: Supplier engagement and cascading requirements

▸ Do you clearly communicate your expectations regarding forced labour compliance to your suppliers?

▸ Do you require suppliers to provide evidence of their compliance with the EUFLR? If yes, what forms of evidence do you request?

Section 4: Monitoring and tracking compliance

▸ How do you track compliance with forced labour requirements across your supply chain?

▸ Are regular audits, assessments, or reviews conducted to verify compliance among your suppliers?

▸ What actions do you take if non-compliance with EUFLR is identified in your supply chain?

Section 5: Continuous improvement and collaboration

▸ Are you currently working with external organisations, such as NGOs or other businesses, to strengthen compliance efforts regarding forced labour?

▸ How do you support learning and development for suppliers to help them meet EUFLR requirements?

▸ What mechanisms do you have in place to encourage transparency and collaboration within your supply chain on forced labour issues?

3.2.5 Sample questions for companies to address when undertaking supply chain mapping

This questionnaire is a tool designed to enhance supply chain mapping efforts by identifying all entities within your value chain.

Section 1: Supplier identification and general information

▸ What are your primary goods or services, and where are they sourced or manufactured?

▸ Are there any subcontractors or secondary suppliers that contribute to the goods or services you provide? If yes, please list them.

Section 2: Upstream supply chain mapping

▸ Can you provide a list of your direct suppliers (tier 1), including their locations, contact details, and products/materials they supply to you?

▸ What visibility do you have into the operations of your direct suppliers?

▸ Do your tier 1 suppliers source any materials or services from their own suppliers?
If yes, can you share any information about these?

Section 3: Traceability and flow of goods

▸ Can you outline the key stages in your supply chain from raw materials to finished goods?

▸ Are all materials and services in your supply chain traceable to their origin? If no, what steps are being taken to improve traceability?

Section 4: Risk assessment and responsibility

▸ Have you identified any high-risk areas or vulnerable supply chain nodes beyond tier 1?
If yes, please specify.

3.2.6 HREDD questions for supplier assessments

Every company operates in a unique context. The size, industry, and geographic reach of your business will shape the way you approach HREDD to comply with the CSDDD, CSRD, and EUFLR. Below is a set of adaptable questions designed to guide your assessment of suppliers while allowing customisation for your specific circumstances.

⤿ **Useful sources:** Responsible purchasing practices, Ethical Trading Initiative

Section 1: Human Rights – examples set out below. Bear in mind the ETI Base Code

Policy commitment

▸ Do you have a human rights policy in place?

Child labour and forced labour

▸ How do you address instances of child labour or forced labour in your operations and supply chain?

▸ What processes do you have in place to identify and address risks of worker exploitation, including excessive working hours and underpayment?

Equality

▸ Do you have policies ensuring non-discrimination based on gender, race, ethnicity, religion, disability, or other characteristics?

▸ What mechanisms have you developed to protect vulnerable groups, including migrant workers?

Section 2: Grievances

▸ How do rightsholders raise concerns or grievances?

▸ Can you demonstrate how complaints are resolved, ensuring there is no retaliation?

Section 4: Labour practices

Employment contracts and conditions

▸ Are all workers provided with clear, written contracts in a language they understand?

▸ Do you regularly audit your wage practices to ensure fair compensation for all workers, at least meeting legal minimums or fair living wages?

▸ Do you monitor working hours to ensure they comply with national laws and/or collective agreements and that overtime is voluntary and paid at a premium rate?

Health and safety

▸ How do you establish and maintain safe working environments for all employees?

▸ Can you provide evidence of occupational health and safety training procedures?

Learning and development

▸ Do you offer opportunities for skill development and training aimed at improving workers' livelihoods and well-being?

Section 5: Environmental impact

Environmental performance

▶ How do you measure, monitor, and report your environmental impact, particularly in areas such as energy use, water consumption, and greenhouse gas emissions?

▶ Can you document efforts to reduce waste, manage hazardous materials, and promote principles of circularity within your operations?

Biodiversity and resource use

▶ How are you addressing potential impacts on biodiversity and natural ecosystems?

▶ Do you actively manage sustainable sourcing of raw materials?

Companies are encouraged to adapt these questions, aligning them with their industry's specific salient risks and challenges. For example:

▶ A retail company may prioritise sourcing transparency and labour conditions in garment factories.

▶ A technology firm could focus on the responsible sourcing of raw materials like cobalt.

3.2.7 Key considerations under legislation

CSDDD
▶ Map the entire supply chain to identify all entities, including indirect suppliers, that could pose human rights or environmental risks.

▶ Assess business relationships at all tiers to evaluate their practices.

▶ Where readily available information exist, engage with suppliers across tiers to improve transparency and create a robust flow of information.

CSRD
▶ Collect detailed information on the sustainability impacts of your supply chain relationships, focusing on high-risk or significant contributors.

▶ Map analyse supplier relationships to ensure alignment with objectives.

▶ Create a transparent process to track and report supplier performance on sustainability and compliance metrics.

▶ Collaborate with suppliers to improve data quality and information sharing.

EUFLR
▶ Perform supply chain mapping to pinpoint all tiers, especially regions or suppliers at high risk for forced labour practices.

▶ Evaluate business relationships to understand their working conditions, sourcing processes, and compliance policies.

▶ Develop traceability mechanisms to link goods and materials back to their source, ensuring documentation for all supply chain entities.

▶ Foster partnerships with suppliers to implement corrective actions and promote forced-labour-free operations through shared accountability.

3.3 Risk analysis and prioritisation

Risk analysis and prioritisation enables organisations to identify, evaluate, and address the most pressing human rights and environmental risks.

3.3.1 Risk analysis and prioritisation in legislation

CSDDD
- Requires identifying and addressing salient human rights and environmental risks across the chain of activities.
- Focuses on prioritising risks based on severity and likelihood of harm.
- Mandates integrating risk assessments into broader due diligence frameworks.

CSRD
- Does not require a 'saliency' assessment as defined by the UNGPs. However, organisations are required to identify the most material human rights and environmental risks for reporting purposes.
- Obligates companies to disclose how they identify and manage risks in sustainability reports.

EUFLR
- Not a legal requirement, but EUFLR may require targeted assessments to identify risks and prioritise high-risk regions and sectors for scrutiny and corrective actions.

3.3.2 How to implement effective risk analysis and prioritisation

▶ **Identify Key Impacts**

Begin by mapping out all areas within your operations and supply chains that could pose potential risks to human rights and the environment. Use internationally recognised standards, such as the OECD Guidelines and the UNGPs , as benchmarks for identifying risks. Focus on high-risk sectors and geographies, regions with weak governance, and parts of the supply chain with limited oversight.

Map potentially impacted people, paying specific attention to vulnerable individuals and groups, and being aware of intersecting forms of vulnerability.

Identify impacts, both actual and potential, related to all company activities. Separate impacts by site, activity and areas, and under human rights issues for a clearer view.

▶ **Conduct targeted risk assessments**

Next, perform targeted risk assessments focused on high-risk sectors and regions. Carefully consider industries like agriculture, textiles, or mining, which are often linked to human rights impacts and environmental damage. Tailor risk assessments to regulatory priorities or specific concerns. This allows you to allocate resources to priority areas. Publicly available databases can provide a useful starting point for assessing risks associated with regions or sectors. For example:

▷ Global Slavery Index (Walk Free)

▷ Verité – Forced Labour Commodity Atlas

▷ ITUC Global Rights Index

▷ ACLED – Armed Conflict Location & Event Data Project

▶ **Engage stakeholders**

Internally, involve commercial, procurement, legal, and compliance departments to bring diverse expertise into the process. Externally, consult suppliers, workers, trade unions, local communities, and NGOs to gain a site-level perspective on potential risks. Stakeholder feedback will provide deeper insights and help capture impacts that might otherwise be overlooked.

▶ **Prioritise risks**

Prioritisation ensures that your resources are focused on addressing the most significant risks first. Rank risks and impacts based on their scope, scale, and irremediability (collectively, these are referred to in the UNGPs as 'saliency' criteria). Then consider the likelihood of the risk occurring and the company's ability to influence change. For instance, risks that could lead to severe human rights violations or irreversible environmental damage should take precedence. Ensure that prioritisation decisions are documented clearly to demonstrate compliance with regulatory expectations.

▶ **Monitor and review progress**

Risk analyses are not a one-time activity. Establish mechanisms to reassess identified risks periodically as human rights risks can emerge and evolve rapidly due to a range of internal and external factors. Where crises occur reassessment is crucial to understanding new potential and actual risks which can be heightened during conflict, disasters, economic instability or civil unrest. Regular audits, supplier assessments, and stakeholder feedback can provide useful performance insights. Additionally, stay updated with regulatory changes and emerging risks to refine your strategies.

3.3.3 Key considerations under legislation

CSDDD
- ▶ Establish a robust process to identify and prioritise the most significant risks across your supply chain.
- ▶ Develop and implement actionable plans to mitigate high-priority risks effectively.
- ▶ Ensure continuous monitoring and updates to due diligence practices in response to findings or changing conditions.

CSRD
- ▶ Integrate risk analyses into sustainability reporting processes, in line with the process set out in the ESRS.
- ▶ Clearly document risk management efforts, including mitigation strategies and measurable outcomes.

EUFLR
- ▶ Conduct detailed assessments to identify the potential presence of forced labour within high-risk regions of your supply chain.
- ▶ Implement supplier engagement programmes to address and rectify any detected risks.
- ▶ Regularly audit and verify compliance with forced labour standards to avoid penalties and reputational damage.

3.4 Mitigative action plans

Mitigative action plans are pivotal in addressing identified risks, specifying measures to prevent or mitigate human rights violations and environmental harm.

3.4.1 Mitigative action plans in legislation

CSDDD
- ▶ Mandates the development and implementation of actions to address identified risks and ensure follow-up measures are taken.
- ▶ Companies must monitor the effectiveness of these plans regularly and make adjustments as needed to improve outcomes.

CSRD
- ▶ Obliges companies to publicly disclose their strategies, including mitigative action plans, for addressing sustainability risks and impacts.
- ▶ Ensures that reported information includes the effectiveness of these plans in mitigating risks and achieving sustainability objectives.

EUFLR
- ▶ Does not mandate mitigative actions. However, these actions will be vital for organisations to ensure that their goods are not subjected to bans.

3.4.2 How to implement mitigative action plans

▶ **Foster shared responsibility**

Recognise that addressing human rights and environmental risks is a shared responsibility. Collaborate with suppliers, partners, and other stakeholders to build collective capacity for risk mitigation. Provide support to suppliers through training, resources, and shared tools to help them meet and exceed international standards. Similarly, ensure your organisation takes accountability for its role in creating or perpetuating risks, such as through purchasing practices, unrealistic deadlines, or cost pressures. Promote a culture of mutual accountability by establishing joint initiatives, such as industry-wide working groups or multi-stakeholder partnerships, to tackle systemic issues. By fostering shared responsibility, you can create a more equitable and sustainable approach to risk management.

▶ **Prioritise mitigation efforts**

Adopt a risk-based approach to focus resources on the most salient risks. Devote attention to mitigating risks that directly impact workers, communities, and the environment. Ensure your priorities align with the specifications set out in HREDD legislation and assess your organisation's and its suppliers' capacity to tackle these risks. Consider your expertise, budgetary constraints, and operational abilities when determining feasibility.

Engage and consult stakeholders

Develop partnerships with suppliers, employees, communities, and industry colleagues to co-create effective solutions informed by local realities. Establish accessible forums such as surveys, interviews, and focus groups to collect meaningful input on risk mitigation strategies. It is essential to include vulnerable groups, such as migrant workers or underrepresented communities, ensuring their perspectives are considered during planning.

Meaningful engagement requires companies to engage with stakeholders in a way that enables genuine two-way dialogue on the issues of greatest importance to human rights and to the stakeholders themselves and, vitally, leads to meaningful action.

Develop and formalise action plans

Define clear, measurable, timebound objectives for your mitigative action plans, ensuring that they directly address your salient risks. Translate these objectives into specific, actionable steps, including supplier training programmes, updated grievance mechanisms, revised procurement policies, or transitioning to sustainable sourcing practices. Set both short- and long-term timelines to monitor and drive progress and assign well-defined roles and responsibilities to ensure clear accountability.

Integrate plans into operations

Update internal policies to incorporate mitigation actions, embedding them into codes of conduct, procurement activities, and governance frameworks. Provide targeted training to staff and suppliers to enhance awareness and adherence to the action plan. Allocate adequate resources, including budgets and personnel, to support implementation.

Set measurable goals and metrics

Establish clear performance indicators to monitor progress, such as the number of grievances raised and resolved effectively, the number of workers covered by collective bargaining agreements, the number of suppliers with an active trade union, or measurable environmental improvements. Ensure these metrics align with the reporting obligations of HREDD regulations.

Monitor progress and adjust plans

Regularly review plans to evaluate their effectiveness and ensure they are meeting objectives. Be prepared to adapt plans to address new risks or changing contexts, maintaining a flexible approach.

Communicate outcomes

Communicate progress openly with employees, stakeholders, and regulators. Highlight key successes and outline areas for ongoing improvement. Transparency and regular updates will inspire confidence in your organisation's commitment to mitigating human rights and environmental risks.

Ensure continuous learning and improvement

Analyse lessons learned from each implementation cycle to strengthen future mitigation strategies. Embed successful measures into long-term policies, ensuring they become a fundamental part of your organisation's approach to governance and risk management.

Supplier issue resolution plan template

Description of the issue: Provide a detailed description of the non-conformance or issue, including how it was identified (e.g., audit, inspection, supplier evaluation).

Objectives of corrective action: Outline the company's expectations and desired outcomes. Examples may include improving compliance with standards, eliminating recurrence of the issue, or meeting specific performance benchmarks.

Corrective actions to be taken by the supplier: Detail actionable steps the supplier must take to address the issue. This should include a reference to the company's role in supporting the supplier to conduct collective actions.

Roles and responsibilities: Define who will oversee or execute each action step. It is important to note that a collaborative approach should be taken and actions should be shared between the company and the supplier on a holistic basis.

Timeline and deadline: Establish clear deadlines for completing specific tasks and achieving overall objectives.

Monitoring and progress tracking: Establish a method to monitor implementation and evaluate progress.

Verification and closure: State the criteria and process for verifying that all corrective actions are executed.

3.4.3 Key considerations in legislation

CSDDD
▶ Develop a detailed action plan to address identified risks and adverse impacts, prioritising the most severe issues.

▶ Where possible, collaborate with suppliers and stakeholders to implement targeted mitigation measures.

▶ Monitor the effectiveness of mitigative actions continuously and adapt strategies as new risks emerge.

▶ Incorporate training programmes for employees and suppliers.

CSRD
▶ Establish clear procedures for mitigating sustainability risks tied to supply chain operations.

▶ Document remedial actions taken to address significant sustainability issues and include updates in periodic reports.

▶ Engage with suppliers to ensure their compliance with the company's mitigative objectives and sustainability goals.

▶ Utilise KPIs to assess the impact of mitigative plans and identify further areas for improvement.

EUFLR
▶ Formulate specific corrective actions to address instances of forced labour, including supplier training and restructuring contracts.

▶ Work with high-risk suppliers to create and enforce operational changes aimed at eliminating forced labour risks.

3.5 Remediation processes and complaints mechanisms

Robust remediation processes and complaints mechanisms provide accessible channels for affected stakeholders to report grievances related to human rights violations and environmental harm.

3.5.1 Remediation processes and complaints mechanisms in legislation

CSDDD
- ▸ Mandates that businesses establish effective grievance mechanisms accessible to stakeholders, including workers and communities.
- ▸ Requires remediation processes to address identified adverse impacts on human rights or the environment.

CSRD
- ▸ Calls for businesses to disclose how they manage complaints and remediate sustainability-related issues across their supply chain.
- ▸ Requires companies to report on the effectiveness of these mechanisms in addressing stakeholder concerns.

EUFLR
- ▸ Does not impose a direct requirement for remediation processes or complaints mechanisms. However, businesses must investigate forced labour risks, which often involves responding to complaints and providing remedies in cases of non-compliance. These mechanisms also help demonstrate due diligence if goods are scrutinised under the regulation.

3.5.2 How to implement remediation processes and complaints mechanisms

▶ **Design accessible mechanisms**

To be effective, grievance mechanisms must be accessible, trusted, and designed with the people they are meant to serve, especially workers in supply chains. Aligning with international standards like the UN Guiding Principles on Business and Human Rights, companies should ensure their processes are safe, fair, and responsive. Crucially, meaningful engagement with workers, unions, and affected communities is essential in designing and evaluating grievance mechanisms. This ensures they reflect real needs and lead to outcomes that are legitimate and accepted. A top-down or checkbox approach risks undermining the mechanism's effectiveness and the company's credibility.

Embed GMs into company culture by securing senior management buy-in and integrating them into everyday business operations. Support supplier ownership by offering sustained guidance, resources, and technical support (e.g. using the Oxfam Business Advisory Service Grievance Mechanism Toolkit).

Make filing grievances simple, with options for anonymity to protect complainants from retaliation. Leverage digital tools like online portals or apps to enhance accessibility, and ensure physical mechanisms are in place for those without digital access. Examples of mechanisms include toll-free hotlines available 24/7, suggestion boxes placed in accessible and safe locations, community liaison officers who serve as direct points of contact for concerns, and mobile applications. Several options should be made available and crucially, it's the workers' themselves who should be in the driver's seat for identifying which types of mechanisms work for them. Their voices can be gathered by e.g. setting up Grievance Committees for ongoing oversight and worker-appointed grievance officers. It is also important to ensure diverse representation, including migrants, women, and temporary staff, through democratic election of worker representatives. Provide training for workers, managers, and grievance officers on rights, GM procedures, and safe reporting, and introduce gender-sensitive practices, such as female grievance officers and private spaces for sensitive disclosures.

▶ **Ensure fairness and impartiality**

Develop clear procedures for handling complaints in a fair and consistent manner. Establish a dedicated team and designate independent third-party mediators to ensure impartiality in investigations and resolutions. Be transparent about the process, from acknowledgment of a complaint to resolution, and commit to timelines that minimise delays.

▶ **Engage stakeholders**

Collaborate with stakeholders to understand their needs and expectations for the mechanism. Seek input on its design, implementation, and operation to ensure it is fit for purpose. Conduct outreach campaigns to make all stakeholders aware of the available remediation processes, explaining how they work and how to access them.

▶ **Address complaints effectively**

Ensure that all grievances are addressed through a structured and meaningful process. Investigate complaints thoroughly, bringing in relevant and independent expertise where needed. Develop tailored remedies, in consultation with affected stakeholders and their representatives, that address the specific harm experienced, whether through financial compensation, programmatic changes, or other corrective actions. Prioritise remedies that restore rights or remedy harm in ways that are sustainable and respectful of human dignity.

▸ Monitor effectiveness

Set up a system for tracking how complaints are received, processed, and resolved. Regularly evaluate data on the types of issues raised and the resolution times to identify potential bottlenecks or patterns of recurring grievances. Use this analysis to improve the mechanism's efficiency and responsiveness and to inform risk assessment and mapping. Independent audits or third-party reviews can provide additional credibility and highlight areas for improvement.

▸ Promote transparency and communication

Report on the outcomes of your complaints and remediation processes in an open and publicly accessible manner. Aggregate and anonymise data where necessary to protect confidentiality, but share the steps taken to address issues and provide examples of successful resolutions.

▸ Foster continuous improvement

Periodically review and adapt your remediation mechanisms to ensure they remain effective and relevant. Gather feedback from users and stakeholders to identify gaps or potential enhancements, and stay informed on new regulatory developments and industry standards. Organisations should review their grievance mechanisms against the UNGP Effectiveness Criteria for Operational Level Grievance Mechanisms.

3.5.3 When should a business provide remedy?

Understanding impact and responsibility:

If the business has...		Then the business should...	
...caused (or may cause) the harm	>	...**cease or prevent** the action causing the harm...	...and remediate the harm.
...contributed to (or may contribute to) the harm...	>	...**cease or prevent** the action contributing to the harm; and cease or build leverage to **mitigate** the risk that any remaining impact contributes or recurs to the greatest extent possible...	...and contribute to the remediation of the harm.
...identified linkage between the harm and its operations, production or services, but no contribution...	>	...use or **build leverage to seek to mitigate** the risk of the impact continuing or recurring.	

United Nations Human Rights Council (2011) *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework.*

3.5.4 Key considerations under legislation

CSDDD
- Establish accessible grievance mechanisms open to a wide range of stakeholders.
- Develop a structured remediation process to address identified complaints, prioritising transparency and fairness.
- Engage with affected stakeholders to co-design solutions that directly address their grievances and ensure meaningful outcomes.
- Monitor the implementation of remediation measures, documenting progress and updating processes based on stakeholder feedback.

CSRD
- Implement robust complaint-handling systems aligned with sustainability goals to address supply chain-related concerns.
- Create transparent reporting mechanisms to share how complaints are managed and resolved, ensuring stakeholder trust.
- Collaborate with suppliers to develop complementary grievance mechanisms, covering all tiers of the supply chain.
- Track and report the effectiveness of remediation processes in achieving sustainability objectives and resolving stakeholder issues.

EUFLR
- Provide a clear and confidential pathway for workers and stakeholders to report concerns related to forced labour practices.
- Design a remediation framework to address instances of forced labour.
- Work closely with suppliers and local authorities to ensure that all reported forced labour cases are investigated and resolved.

3.5.5 Remediation case study

An audit report from an independent body revealed that one of the company's tier 1 suppliers, responsible for a large portion of its coffee beans, was indirectly involved in unethical labour practices. The issue was traced to a tier 2 supplier, a farm in a remote region, where workers were found to have been unpaid for several months.

This farm, though not directly contracted by the company, played a crucial role in the supply chain. The investigation uncovered that the farm's management had failed to pay wages to workers on time. The farm's management had reportedly misused funds that were intended for wages to cover other debts, leaving the workers in a vulnerable position.

Linkage: There is nothing to explicitly suggest that the company has caused or contributed to the conditions on the farm, but it is likely to be linked to the impact through a supplier. The company should, at a minimum, use its leverage to encourage the entity that did cause or contribute to the impact to prevent or mitigate its recurrence, and to provide remedy.

The company should also investigate how this impact occurred without the company's knowledge. Further investigation may even suggest that the company's failings contributed to the harm. For example, this may highlight gaps in the risk mapping or stakeholder engagement process. Remedial actions to prevent reoccurance are therefore not limited to the supplier and should include internal actions to be taken by the company.

Remediation case study response plan:

Step 1 Step 2 Step 3 Step 4 Step 5 Step 6

▶ **Step 1:** **Assess cause, contribute, linkage.** In this instance, the Company is removed from the impact by two steps and has not contributed to the non-payment of wages on the farm.

▶ **Step 2:** **Determine the type and level of response required by the company.** This issue does not concern an immediate threat to workers' lives, but it is a serious breach of local law and international standards.

▶ **Step 3:** **Design the remediation action plan.** Communication should be established with the rightsholder to assure them that their issue is being dealt with. If possible, provide a timeframe for the remediation action plan to be created and implemented. Design an action plan with remedial steps to address the identified impacts.

▶ **Step 4:** **Monitoring.** A follow-up should be booked in line with the timeframe set out in the remediation action plan to review steps taken to remedy the issue.

▶ **Step 5:** **Closing the incident.** Review the action plan's effectiveness and close the incident or escalate. This should involve communication with the affected stakeholders(s) to ensure that they are satisfied with the outcome.

▶ **Step 6:** **Report and document lessons learned.** A final report should be compiled and documented.

3.5.6 Effectiveness criteria for operational-level grievance mechanisms

⌄ Criteria	⌄ Explanation
Legitimate	▸ Trustworthy & accountable for the fair conduct of the grievance process
Accessible	▸ Widely known and accessible to all potentially affected stakeholders, including groups that face barriers of any kind (eg linguistic, cultural, physical etc)
Predictable	▸ Clear procedures, outcomes and timeframes
Equitable	▸ Fair access to information, advice and expertise
Transparent	▸ Keeping people informed about the progress of grievances and ensuring transparency about the mechanism's performance
Rights-compatible	▸ Outcomes and remedies must conform with internationally recognised rights
Source of continous learning	▸ Identification of lessons for: 　▹ (i) improving the mechanism 　▹ (ii) preventing future harm
Based on engagement and dialogue	▸ Consulting 'users' on the mechanism's design and performance

United Nations Human Rights Council (2011) *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework.* United Nations Human Rights Office of the High Commissioner (OHCHR), Principle 31.

3.6 Meaningful stakeholder engagement

Engaging meaningfully and transparently with stakeholders, including workers, communities, and industry actors, strengthens trust and mitigates risks.

3.6.1 Stakeholder engagement in legislation

CSDDD
- Where possible, engage with vulnerable stakeholders to understand and mitigate potential human rights abuses.
- Where possible, establish clear dialogue with partners across supply chain tiers to ensure ethical practices.

CSRD
- Where possible, transparently report stakeholder engagement efforts, including challenges, risks, and outcomes.
- Where possible, prioritise the voices of high-risk groups and create publicly available disclosures.

EUFLR
- Where possible, work with stakeholders to eliminate forced labour risks.
- Where possible, engage workers' communities as part of efforts to assess working conditions and promote fair practices.

3.6.2 How to implement meaningful stakeholder engagement

▸ **Identify and categorise stakeholders**

Begin by mapping out all relevant stakeholders. Key stakeholders can include rightsholders (for example: workers, farmers, fishers, miners and impacted community members); their legitimate representatives (trade unions at all levels, community leaders/representatives and in some cases NGOs); business partners (suppliers, partners and service providers) and governments (local, regional, national). Group stakeholders into categories based on their roles, locations, and their level of leverage, influence or vulnerability in relation to your business activities to prioritise engagement strategies.

▸ **Develop a clear stakeholder engagement strategy**

Create a structured engagement plan that defines your objectives, identifies key topics for discussion, and establishes a timeline for interaction. Your plan should address the following:

▷ **Purpose of engagement:** Understand and mitigate risks, build partnerships, or co-develop solutions.

▷ **Modes of communication:** Engage personally (meetings, interviews), collectively (local forums), or digitally (emails, online surveys).

▷ **Frequency:** Regular engagement fosters trust; align the frequency with the stakeholders' needs and regulatory reporting periods.

▶ **Ensure open and inclusive communication**

Stakeholder engagement must encourage transparency, accessibility, and inclusivity.

▷ Avoid one-way communications; instead, foster two-way dialogue.

▷ Provide information about your company's compliance obligations and expectations in multiple formats and languages.

▷ Actively seek stakeholder feedback and act on it

▷ Support vulnerable groups, such as marginalised workers or community members, by creating safe channels for communication.

It is recommended that companies adhere to five principles for meaningful stakeholder engagement in the design and implementation of human rights due diligence processes. The five principles are characterized as Legitimacy, Accessibility, Safety, Equitability, and Respect (LASER). These are overarching principles align with the International Soft Law Framework on RBC, while providing further context on defining the parameters of meaningful stakeholder engagement.

See the **STITCH Framework on Meaningful Stakeholder Engagement** for further guidance.

▶ **Conduct stakeholder-specific risk assessments**

Evaluate risks associated with each stakeholder group. Look beyond immediate operations to consider systemic challenges and risks that might go unnoticed, such as:

▷ Exploitation risks (e.g., forced labour, child labour) among your workforce.

▷ Environmental degradation impacting communities near your supply chain sites.

▷ Supplier compliance with labour and sustainability standards.

Refer to frameworks like the OECD Guidelines and the UN Guiding Principles for further guidance.

▶ **Create collaborative solutions**

Collaborate with stakeholders to address areas of concern. When sourcing from countries with limited NGO or trade union presence, consider alternative approaches to ensure meaningful engagement with legitimate representatives. Engage with local community leaders who hold influence and insights into regional dynamics and collaborate with international organisations with subject-matter expertise for guidance and support. Additionally, build direct and open communication channels with workers and rightsholders to understand their concerns first-hand. Providing training or establishing worker committees can also foster trust and empower employees, but only in the absence of legitimate trade unions.

3.6.3 Key considerations under legislation

CSDDD
- ▸ Where possible, engage with vulnerable stakeholders to understand and mitigate potential human rights abuses.
- ▸ Where possible, establish clear dialogue with partners across supply chain tiers to ensure ethical practices.

CSRD
- ▸ Where possible, transparently report stakeholder engagement efforts, including challenges, risks, and outcomes.
- ▸ Where possible, prioritise the voices of high-risk groups and create publicly available disclosures.

EUFLR
- ▸ Where possible, work with stakeholders to eliminate forced labour risks.
- ▸ Where possible, engage workers' communities as part of efforts to assess working conditions and promote fair practices.

3.6.4 Stakeholder engagement questions for engaging NGOs and trade unions

The objective of engaging NGOs and trade unions should be a two-way process and not extractive. Companies should be prepared to actively listen, act on feedback, and provide updates on how stakeholder input has influenced our decisions and practices. This approach should be guided by principles of legitimacy, inclusivity, and transparency, as outlined in frameworks such as the STITCH MSE Framework. As part of the process, companies should seek to assess the legitimacy of a given NGO or trade union.

▸ **Insights on risks and priority areas**
- ▹ From your experience, what are the most significant human rights or environmental risks associated with industries like ours?
- ▹ Are there areas of the supply chain where risks are more prevalent or harder to identify?
- ▹ What emerging issues should we anticipate as we improve HREDD compliance?

▸ **Strengthening practices and stakeholder engagement**
- ▹ How can we improve our processes to engage impacted rightsholders more effectively?
- ▹ Are there specific practices or tools you recommend to help us identify and address risks beyond tier one suppliers?
- ▹ What barriers or challenges do you think prevent companies from achieving meaningful engagement, and how can these be overcome?

Designing collaborative solutions

▷ Are there frameworks or benchmarks we should use to guide the design and implementation of our due diligence measures?

▷ How can we work together to build supplier capacity and promote sustainable practices throughout the supply chain?

Assessing progress and ensuring transparency

▷ What types of information or metrics would you expect to see in our reports on due diligence progress and outcomes?

▷ What mechanisms can we use to ensure that we continue receiving consistent, constructive feedback on our HREDD efforts?

To assess the legitimacy of a given NGO or organisation

▷ Which rights-holders are the NGO/organisation potentially representing? Is this limited to a particular group, region, or worksite or does the NGO/organisation represent specific rights or interests at the national, regional, or global level?

▷ Are the rights-holders aware of the NGO/organisation, and do they perceive it as representing their rights or interests?

▷ Does the NGO/organisation maintain direct and consistent engagement with the rights-holders? This could involve including rights-holders themselves in its governance structure and/or the design and implementation of programmes?

▷ Who is not represented by this NGO/organisation? Which group does not appear to have a voice in this NGO/organisation?

▷ How is the NGO/organisation constituted and governed? Are there any actual or perceived conflicts of interest arising from the board membership or appointed trustees?

3.7 Ongoing monitoring and verification

Establishing robust systems for ongoing monitoring and verification is essential to ensuring compliance with legal frameworks over time.

3.7.1 Ongoing monitoring and verification in legislation

CSDDD
▸ Obligates companies to establish mechanisms for regular monitoring of HREDD practices to detect and address human rights and environmental risks.

CSRD
▸ Mandates ongoing monitoring and evaluation of sustainability performance by companies. This includes tracking performance against targets, reviewing processes, and adjusting strategies to address new risks and opportunities.

EUFLR
▸ Emphasises the importance of traceability and documentation to verify that no forced labour is present in supply chains. Monitoring systems are critical for maintaining compliance and ensuring accurate records.

3.7.2 How to implement ongoing monitoring and verification

▸ **Develop a comprehensive monitoring plan**

Define the objectives of your monitoring activities in line with legislative requirements. Focus on priority areas and identify performance indicators to measure progress effectively.

Create a detailed timeline that incorporates regular assessments and reviews across your operations and supply chains. Pay special attention to high-risk sectors and regions. Integrate these activities into a work plan and revise it periodically to respond to emerging risks or changes in the regulatory landscape.

▶ Strengthen data collection and analysis

Implement tools like supply chain management software and blockchain technology to enhance traceability and transparency. Complement digital tools with on-the-ground data collection processes. Gather supplier certifications, audit results, and feedback from workers and communities to build a holistic view of your supply chain's performance. Use analytical insights from this data to identify trends and refine strategies.

▶ Use a variety of monitoring approaches

Adopt a balanced and comprehensive approach to monitoring, combining multiple methods to gain a holistic understanding of risks and challenges. While audits and inspections remain valuable tools, they should be part of a broader, continuous due diligence process.

Establish a structured process to carry out audits and inspections, focusing on high-risk suppliers and operations. Combine on-site visits with remote inspections to balance efficiency with thoroughness. Document outcomes thoroughly and use these findings to take targeted corrective actions, scheduling follow-up reviews to ensure identified issues are resolved.

Do not to rely solely on audits or third-party data. Complement these efforts with internal assessments for a deeper understanding of operational challenges. Engage directly with workers and their representatives to gain firsthand perspectives, and cross-verify findings using alternative data sources such as community feedback or independent research. By integrating diverse monitoring approaches, you can foster transparency, reinforce accountability, and encourage a culture of continuous improvement.

▶ Engage stakeholders in monitoring processes

Facilitate meaningful involvement from key stakeholders like workers, local communities, and civil society organisations. Develop communication channels that allow stakeholders to share insights and raise concerns. Methods such as interviews, surveys, and consultation forums are valuable tools for gathering information directly from those most affected by business operations.

It is important to note that stakeholder engagement is not meaningful unless it involves ongoing two-way communication and tangible action. Ensure that feedback is not only collected but also acted upon, with clear follow-up steps and updates provided to stakeholders. This continuous dialogue builds trust, demonstrates accountability, and ensures that stakeholder perspectives are genuinely integrated into decision-making and risk mitigation efforts.

▶ Track progress and take action for improvement

Compare operational performance against pre-determined benchmarks aligned with international standards like the OECD Guidelines and UNGPs. Use the findings to craft comprehensive reports documenting key achievements and unresolved challenges. Regular reporting supports transparency and allows for constructive dialogue with stakeholders.

Engage third-party auditors where appropriate to validate monitoring efforts. External validation enhances credibility and helps reinforce your organisation's commitment

▶ **Train staff and adapt systems to changing contexts**

Provide ongoing training to employees and suppliers, ensuring they understand compliance standards, monitoring protocols, and legislative requirements. Stay adaptable by regularly evaluating and upgrading your monitoring systems.

Examples of training that could be provided include:

For suppliers:

▷ Workshops on ethical sourcing to support understanding and compliance with human rights and labour standards;

▷ Training sessions on detecting and addressing risks of forced labour within supply chains;

▷ Environmental sustainability workshops focused on reducing waste and promoting responsible resource use; and

▷ Webinars on complying with regulations and understanding how suppliers will be monitored as part of compliance measures.

For employees:

▷ Training on ethical purchasing practices for buyers, emphasising the importance of fair pricing, realistic deadlines, shared responsibility and minimising undue pressure on suppliers;

▷ Sessions on identifying and mitigating human rights and environmental risks within the value chain;

▷ Workshops on fostering inclusive workplace practices and promoting diversity and equity; and

▷ Environmental awareness training to encourage sustainable practices across operations.

By providing tailored training for both employees and suppliers, organisations can distribute responsibility more equitably, build capacity across the value chain, and foster a shared commitment to ethical and sustainable practices.

3.7.3 Key considerations under legislation

CSDDD
▶ Evaluate operations and supply chains regularly to uncover human rights and environmental risks.

▶ Enforce corrective actions rigorously to maintain compliance and improve ethical standards.

CSRD
▶ Maintain detailed and accurate data for inclusion in sustainability reports.

▶ Demonstrate monitoring systems that effectively identify, track, and mitigate risks.

▶ Keep stakeholders informed through regular updates on progress and impacts.

EUFLR
▶ Develop systems for full supply chain traceability to prevent the presence of forced labour.

▶ Keep meticulous records covering all goods and materials in the supply chain.

▶ Actively collaborate with suppliers to create solutions that prioritise shared accountability and eliminate forced labour risks.

3.8 Continuous improvement

Embedding continuous improvement into your organisation's policies and processes is vital for maintaining good HREDD practices and ensuring your practices improve over time.

3.8.1 Continuous improvement in legislation

CSDDD
▸ Encourages companies to continuously evaluate and update their policies and practices to address emerging risks and improve supplier accountability. This ensures alignment with evolving human rights and environmental standards.

CSRD
▸ Companies must regularly update their sustainability disclosures and improve their reporting processes, aligning with evolving standards and stakeholder expectations. This includes implementing due diligence measures, monitoring their effectiveness, and adapting strategies to address new risks and opportunities.

EUFLR
▸ Does not explicitly mandate continuous improvement but highlights its relevance in maintaining up-to-date traceability mechanisms and adapting to new forced labour risks. Continuous improvement ensures companies remain proactive and compliant.

3.8.2 How to implement continuous improvement

▶ **Create a framework for regular policy reviews**

Establish a structured process to periodically review the policies governing your organisation's human rights and sustainability practices. Schedule annual or bi-annual policy reviews to align with changes in regulations. Ensure alignment of policies that are relevant to HREDD, for example child labour policies, migrant worker policies, sustainability policies. During each review, consider feedback from stakeholders, audit results, and insights from monitoring activities to identify gaps or areas for enhancement. Build a team responsible for proposing policy updates to address the evolving risk landscape effectively.

▶ **Develop systems for ongoing risk assessment**

Integrate a continuous risk assessment mechanism into your operations. Use both qualitative and quantitative methods to evaluate the impact of new risks as geopolitical shifts, climate change, or labour market issues emerge. Stay vigilant by monitoring developments in regions or sectors where your supply chain operates. Consistently updating risk profiles enables organisations to implement mitigation strategies quickly and efficiently.

▶ **Implement a process for capturing and integrating learnings**

Encourage open communication channels to capture insights from monitoring activities, audits, stakeholder feedback, and incident investigations. Create internal platforms where employees can document lessons learned and recommend adjustments to current practices. Work towards adopting a culture of learning, where corrective actions are not just reactive but feed into long-term improvements. For example, integrate findings into training materials for employees and suppliers to reduce the likelihood of similar issues recurring.

▶ **Strengthen collaboration with industry peers and stakeholders**

Partner with other organisations, multi-stakeholder initiatives, trade bodies, and civil society groups to share knowledge and develop sector-wide solutions. Collaborate on research projects, attend industry forums, and actively participate in initiatives focused on sustainability and ethical practices. Engaging in these collective efforts not only helps refine your strategies but also signals your organisation's commitment to driving systemic change.

▶ **Report progress and communicate updates transparently**

Document improvements in your practices and their outcomes as part of your reporting obligations under legislation. Provide clear insight into actions taken, challenges overcome, and positive impacts achieved. Transparency in reporting not only helps meet legal requirements but also builds trust with investors, workers, and other stakeholders.

3.8.3 Key considerations under legislation

CSDDD
- ▶ Ensure internal policies are routinely updated to address emerging risks.
- ▶ Continuously evaluate supply chain practices to adapt to new operational challenges.
- ▶ Incorporate learnings to strengthen mechanisms for risk mitigation.

CSRD
- ▶ Reflect improvements in due diligence processes in comprehensive sustainability reports.
- ▶ Highlight progress on how evolving risks are identified and addressed transparently.
- ▶ Use disclosures to demonstrate commitment to adaptability and innovation in sustainability efforts

EUFLR
- ▶ Update traceability mechanisms to respond rapidly to forced labour risks as they arise.
- ▶ Ensure continuous dialogue with suppliers to refine processes and collectively address human rights issues.
- ▶ Leverage technology to maintain up-to-date documentation of supply chain practices and forced labour risk.

Conclusion:
Key recommendations

To enhance meeting mHREDD requirements, and to use due diligence as a driver of improved human rights and environmental outcomes, businesses should focus on the following cross-cutting priorities:

▸ **Establish strong governance frameworks**

  ▹ Adopt clear policies on human rights and environmental due diligence, aligned with international standards.

  ▹ Define roles and responsibilities across executive leadership, legal, HR, procurement, and other key functions. Integrate human rights and environmental governance into board oversight and strategic decision-making to ensure accountability for both regulatory compliance and the effectiveness of due diligence in preventing and addressing adverse impacts.

▸ **Map and monitor supply chains**

  ▹ Conduct comprehensive mapping of supply chains, including all tiers, to identify potential human rights and environmental risks.

  ▹ Utilise technology such as data analytics and traceability tools to enhance transparency and track risks effectively and to inform more targeted and impactful prevention and remediation strategies.

▸ **Prioritise risk assessment and mitigation**

  ▹ Implement risk-based approaches to identify and assess salient risks, focusing on severity, likelihood, and capacity to influence change.

  ▹ Develop and execute tailored mitigative action plans, with measurable goals and clear timelines, to address identified risks.

▸ **Engage stakeholders meaningfully**

  ▹ Maintain open, inclusive dialogue with stakeholders, prioritising rightsholders (workers and communities) and their legitimate representatives such as trade unions, to inform policies and processes.

  ▹ Support vulnerable groups through accessible grievance mechanisms and integrate their feedback into decision-making. Feedback from stakeholders should be used not only to inform compliance processes, but to strengthen the quality and effectiveness of due diligence and contribute to meaningful improvements for rightsholders.

Ensure effective remediation

- Establish accessible, transparent complaints mechanisms to address grievances and ensure timely, fair remediation of harm in line with the effectiveness criteria.

- Engage directly with affected parties to develop and implement corrective actions that restore impacted rights and conditions and reduce the risk of recurrence.

Strengthen reporting and transparency

- Develop robust systems for collecting and disclosing sustainability-related data in compliance with reporting requirements. Regularly publish updates on progress, challenges, and areas for improvement to build stakeholder trust and credibility.

Promote continuous improvement

- Regularly review and update policies, processes, and practices to reflect evolving legislation, risks, and industry best practices.

- Foster a learning culture through training, learning and development, and collaboration with MSIs, external stakeholders and industry peers to strengthen collective approaches to addressing systemic human rights and environmental risks.

Leverage technology and innovation

- Review the capabilities of technologies like blockchain, artificial intelligence, and advanced analytics to enhance risk management.

- Use digital tools to streamline monitoring, reporting, and traceability activities.

Ensure effective due diligence frameworks are in place

- Ensure frameworks and processes are properly documented and embedded across the organisations.

- Monitor the effectiveness of the frameworks including their impact on preventing, mitigating and remediating harm, and ensure that legal compliance obligations that change are integrated into the process.

- Frameworks should support due diligence as an ongoing, risk-based and impact-focused process, rather than a one-off compliance exercise.

Taken together, these priorities support businesses in meeting mHREDD obligations while embedding due diligence as a continuous, impact-focused process that advances respect for human rights and the environment across global supply chains.

Ethical Trading Initiative

ETI is a leading alliance of NGOs, trade unions, and companies advancing human rights in supply chains.

Our vision is of a world of work that protects human rights, ensures dignity for all, provides opportunity and is free of exploitation and abuse.

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