



# How to ensure inclusive and impactful CSDDD implementation

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# Implementing the Corporate Sustainability Due Diligence Directive (CSDDD)?

## How will CSDDD be implemented?

As we move from the political to the implementation phase of the CSDDD, the European Commission is currently in the process of developing the required guidance to ensure the practical application of CSDDD across Member States and businesses. The development of this guidance will involve translating CSDDD's requirements into actionable and clear operational standards while taking into account the complexities of specific sectors and global value chains.

Concretely the Commission must develop guidance on the following key aspects of CSDDD by the predetermined deadlines:

Guidance to be published by 26 January 2027	Guidance to be published by 26 July 2027
<ul style="list-style-type: none"><li>• Due diligence process</li><li>• Model contract clauses</li><li>• Risk Factor assessments</li><li>• Data and digital tools</li></ul>	<ul style="list-style-type: none"><li>• Climate transition plans</li><li>• Resource sharing</li><li>• Stakeholder engagement info</li><li>• Sector specific guidance</li></ul>

WBA supports that the European Commission brings forward its plans and consultations on this guidance in a timely fashion to allow all stakeholders the opportunity to raise their most pressing issues.

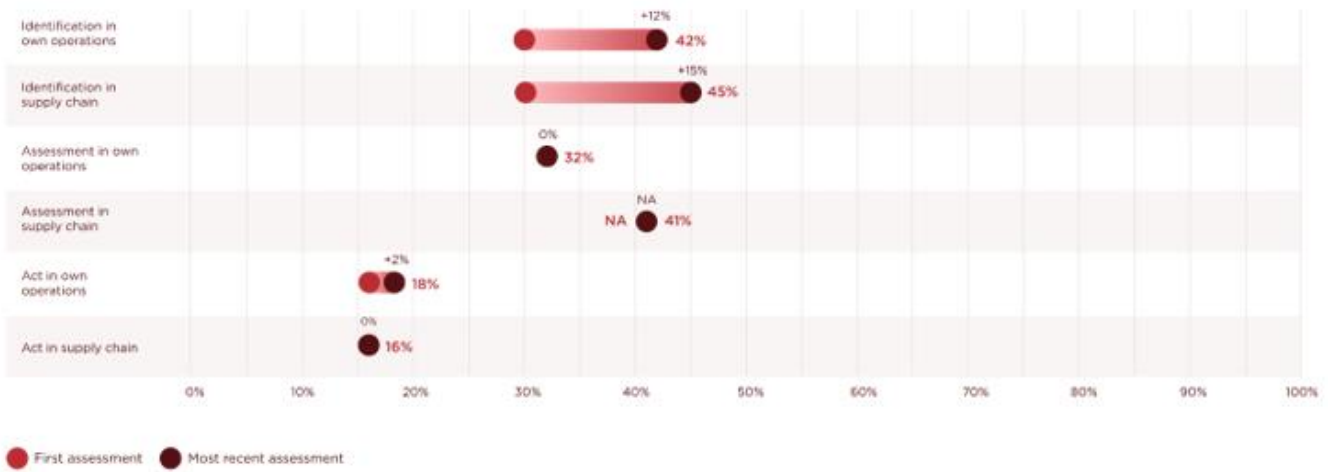
## Why do we need CSDDD to deliver on its promise?

On 15 November 2024, WBA published the "[The state of play on business and human rights: Trends and insights from five iterations of the Corporate Human Rights Benchmark \(2018–2023\)](#)". Since its launch in 2017, the Corporate Human Rights Benchmark (CHRB) has been instrumental in evaluating the progress of some of the world's largest companies in implementing the United Nations Guiding Principles on Business and Human Rights (UNGPs). Over five iterations, the CHRB data provides valuable insights not only into individual company actions but also into broader trends, gaps, and challenges in aligning business practices with human rights standards.

Based on the analysis of the CHRB data, there is clear evidence that companies' progress on addressing their human rights challenges remains uneven and too slow (see Figure 1). The CHRB evaluates companies on their human rights-related policy commitments, board-level accountability, embedding respect for human rights in company management systems, human rights due diligence (HRDD) processes, remedy and grievance mechanisms, and sector-specific human rights practices. While progress is slow across all these areas, the stagnation is most pronounced in those with, arguably, the greatest direct impact on affected stakeholders: human rights due diligence, remedy and grievance mechanisms, and sector-specific human rights practices.



## AVERAGE IMPROVEMENT IN THE CHRb PER MEASUREMENT AREA (2018 – 2023)



Despite some progress, the vast majority of companies have yet to fully implement comprehensive human rights due diligence (HRDD) processes. While companies have started implementing policy commitments regarding human rights, our analysis shows that meaningful implementation of these commitments in company processes and concrete actions to address impacts on workers and communities are still lagging. This data points to the fact that meaningful uptake of HRDD by companies has stalled and there is a need for legislative pressure to accelerate meaningful change in corporate behaviour.



# CSDDD paving the way for the increasing global *corporate accountability* movement

## UN Pact for the Future 2024

The [UN Summit of the Future](#) took place on September 21 & 22 September 2024 and aimed to address the global governance gaps essential for meeting the SDGs. The outcome of this summit, the globally endorsed '[Pact for the Future](#)', outlines actions across a wide range of issues from sustainable development to peace and security, laying a foundation to enhance multilateral frameworks for the future. Notably, *Action 55(c) of the Pact commits Member States to "encourage the private sector's contribution to addressing global challenges and strengthen its accountability towards implementing United Nations frameworks"*.

This is the first time that a UN text adopted by Member States has acknowledged the need for strengthening the accountability of the private sector towards the implementation of UN frameworks like the [Sustainable Development Goals](#) (SDGs), the Paris Agreement and the Global Biodiversity Framework. This marks a significant shift in discourse from recognising the private sector's potential in UN agreements to acknowledging its accountability in their implementation. In doing so, the agreement underscores the integration of corporate actions into the broader framework of achieving the SDGs, emphasizing that businesses have a responsibility in addressing global challenges.

By aligning corporate accountability with internationally recognised principles, the Pact sets clear expectations for companies to adopt transparent, ethical, and sustainable practices. It also lays the groundwork to strengthen the mechanisms for monitoring and enforcing corporate responsibility, providing a robust framework for governments, civil society, and investors to hold companies accountable. In doing so, it not only elevates the standards of corporate accountability but also accelerates the transition to a more equitable and sustainable global economy.

CSDDD can be seen as key leader in realising the objectives of the Pact for the Future, fostering a global transition to sustainable and responsible business practices. By mandating companies to identify, prevent, and mitigate adverse impacts on human rights and the environment throughout their value chains, the CSDDD aligns with the Pact's vision for a fair, resilient, and sustainable economy. It operationalizes the Pact's principles of accountability and systemic transformation, ensuring that corporate actors actively contribute to safeguarding ecosystems, respecting workers' rights, and addressing global inequalities. Through its binding framework, the CSDDD drives concrete actions that bridge policy aspirations with measurable outcomes, advancing the EU's commitment to sustainable development and inspiring similar frameworks globally.



# Why does CSDDD need an inclusive approach to fully realise its potential?

## How can CSDDD accelerate improvements in global value chains?

We need the CSDDD to deliver on its promise because it addresses critical gaps in corporate accountability and sustainable development that voluntary initiatives alone have failed to bridge. The interconnected global economy has made it challenging to trace and mitigate human rights abuses, environmental degradation, and unethical practices across complex value chains. Without binding rules, many companies lack the incentive to prioritize long-term sustainability over short-term profits, undermining efforts to combat climate change, protect biodiversity, and promote equitable labor standards.

CSDDD has the potential to bring transformative benefits to the most vulnerable within large company value chains, including farmers, workers, and local communities. By mandating companies to identify, prevent, and address adverse impacts on human rights and the environment, the CSDDD creates a framework for holding corporations accountable for the treatment of individuals in their value chains. This could lead to improved labour conditions, fair wages, and greater respect for land and resource rights. Moreover, it should establish a mechanism for these individuals to seek remedy for harm, ensuring that their voices are heard and grievances addressed. If implemented effectively, CSDDD could empower vulnerable groups, fostering more equitable and sustainable economic practices.

However, these positive impacts will only be realised if the implementation process prioritises the specific needs and challenges faced by impacted groups, such as farmers, workers, and local communities. The upcoming implementation guidance and subsequent enforcement must take into account the realities of the most vulnerable groups in global value chains. Implementation should ensure that companies not only comply with the regulatory requirements but also engage meaningfully with these stakeholders to understand and address their concerns. Capacity-building programmes, grievance mechanisms tailored to local contexts, and safeguards against unintended negative consequences (such as supplier exclusion) will be critical. By focusing on the needs of vulnerable groups and not simply on companies' needs to comply with the legislation, the CSDDD can drive systemic change that uplifts those most at risk while enhancing corporate accountability.

## What could an inclusive CSDDD implementation look like?

To ensure the successful implementation of the CSDDD, collaboration and proactive action are essential across all sectors. The European Commission and EU Member States must lead with an inclusive and well-resourced approach. This includes engaging international organisations, companies, and civil society in consultative processes to ensure that implementation addresses real-world challenges. Practical, sector-specific guidance developed in partnership with value chain actors can help address industry-specific risks effectively taking into account the needs of vulnerable communities will be essential.

Prioritising the inclusive involvement of value chain actors ensures that CSDDD addresses the realities of those experiencing human rights violations, environmental degradation, or unfair economic practices firsthand. Their inclusion provides invaluable insights into the specific risks, harms, and



challenges faced on the ground, enabling companies and regulators to design and enforce due diligence measures that are effective, equitable, and contextually relevant. Implementation should ensure that companies not only comply with regulatory requirements but also engage meaningfully with these stakeholders to understand and address their concerns. Capacity-building programs, grievance mechanisms tailored to local contexts, and safeguards against unintended negative consequences (such as supplier exclusion) will be critical. By focusing on the needs of vulnerable groups and not simply on companies' needs to comply with the legislation, the CSDDD can drive systemic change that uplifts those most at risk while enhancing corporate accountability.



# Why value chain actors are the key to CSDDD success: insights from WBA benchmarks

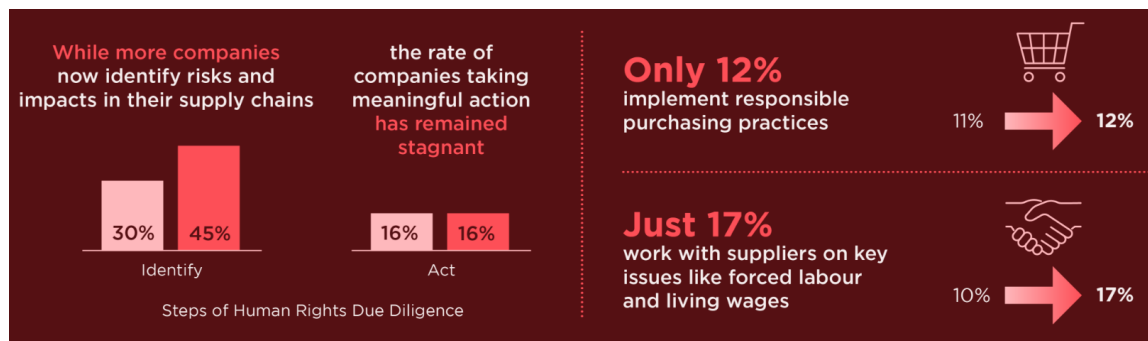
## Corporate Human Rights Benchmark

### Companies show minimal progress on engaging with their supply chain

For many companies, the most salient human rights risks exist within their global supply chains; however, managing supply chain risks and impacts is becoming increasingly complex, with risks such as forced labour, wage violations and unsafe working conditions often hidden in lower tiers. In order for companies to make any real progress on addressing human rights risks in the supply chain, they must not only set expectations for suppliers but also actively engage to provide the conditions and resources needed to meet them. Responsible purchasing is central to this. Poor practices such as late payments, short lead times and last-minute order changes put immense pressure on suppliers, making it difficult for them to maintain safe and fair conditions for workers.

The CHRБ finds that while some progress has been made on working collaboratively with suppliers, there has been minimal progress when it comes to addressing one of the root causes of human rights risks in the supply chain: poor purchasing practices. Over five years of the CHRБ, companies have met an additional 7% of requirements related to working with their suppliers on key issues like preventing forced labour and ensuring living wages. However, they still meet only 17% of the requirements in this area, on average. Meanwhile, virtually no progress has been made on implementing responsible purchasing practices, such as paying suppliers on time and avoiding last-minute changes. On average, companies have only met an additional 1% of requirements related to responsible purchasing, rising to just 12% in the most recent assessment.

This leaves a growing imbalance between buyers' expectations of suppliers and their efforts to help realise them, leaving suppliers stuck with double demands. Not only does this undermine suppliers' ability to guarantee safe working conditions, fair wages and other human rights, but it may also compel them to underreport risks and impacts for fear of jeopardising contracts. In these scenarios, supply chain workers become particularly vulnerable. If companies fail to bridge the gap between their human rights expectations and responsible purchasing practices, they risk hindering their suppliers' success – ultimately jeopardising their own human rights objectives and putting millions of supply chain workers at risk.





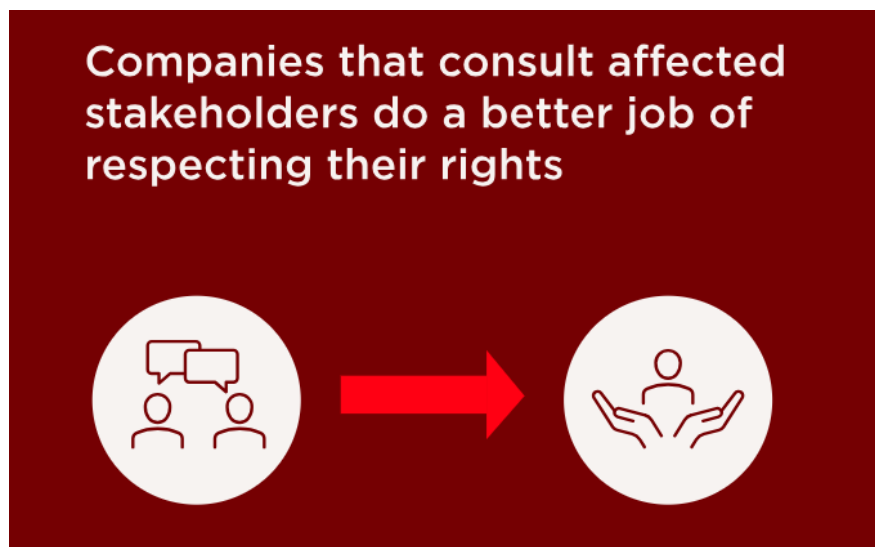
## Social Benchmark

### Engaging with affected stakeholders improves companies' human rights and decent work practices

By engaging affected stakeholders in dialogue and decision-making processes, companies gain valuable insights into the social and cultural contexts in which they operate, leading to better identification of risks and more effective strategies for mitigation. Moreover, stakeholder engagement fosters trust, transparency and accountability, thereby enhancing the company's reputation and credibility. Ultimately, robust stakeholder engagement on human rights is not only ethically imperative but also critical for ensuring the long-term sustainability and success of the private sector in an increasingly complex and interconnected world.

Despite these advantages, only 9% of companies in the [Social Benchmark](#) communicate examples of how they engage with affected or potentially affected stakeholders. Most of the examples that companies disclose are aimed at trying to understand challenges that employees, supply chain workers and communities face. Companies employ various stakeholder engagement methods to better identify issues, including employee surveys, face-to-face interviews with workers, and anonymous feedback forms from suppliers on purchasing practices. Additionally, there are examples of more targeted engagement on specific issues such as child labour and living wages where companies interview individuals such as teachers and local community leaders to gain diverse perspectives on their challenges.

Companies that engage with affected stakeholders perform better on average across every indicator in the benchmark. Similar to the overall high-performing companies, the trends are strongest across the human rights indicators, including commitments to respect human rights and human rights due diligence. The discrepancy in company performance is most pronounced on the first three steps of HRDD: the identification, assessment and integration of human rights risks and impacts. Similarly, companies that share how they consult affected stakeholders outperform their peers on grievance mechanism availability. While a majority of the 2,000 companies in the benchmark (58%) have a grievance mechanism available for either workers or external individuals to report negative impacts and seek remediation, companies that engage affected stakeholders are nearly twice as likely to have one (73%), compared to companies with no evidence of engagement (44%).



## Nature Benchmark

### Indigenous Peoples, Local Communities and human rights defenders remain forgotten

Indigenous people and local communities are at the centre of the Global Biodiversity Framework, yet less than 13% of the high-impact companies commit to respecting their rights. Human rights defenders are regularly subject to acts of violence, threats, intimidation or judicial harassment, but only 5% of companies have a policy in place to prevent such violent outcomes.

Indigenous peoples and local communities (IPLC) often live in critical ecosystems and coexist with threatened species. They manage about 40% of all terrestrial protected areas and their ecological knowledge enables a sustainable existence worldwide. However, high-impact companies assessed fail to express a clear commitment to respect indigenous peoples' rights. To carry out projects with the potential to affect IPLCs, companies must commit to obtaining free, prior and informed consent (FPIC) from them to ensure their agency in the future of their territories.

Additionally, despite the regular persecution of environmental- and human rights-defenders, the [Nature Benchmark](#) shows that only a handful of companies have a commitment to neither tolerate nor contribute to threats, intimidation or attacks against human rights defenders. This is an area that needs more attention across at-risk sectors, notably food and agriculture.

Less than 13% of companies express a clear commitment to respect Indigenous Peoples' rights



## Food and Agriculture Benchmark

### Companies are not closing farmers' and fishers' living income gaps

There is an increasing need to take sector and stakeholder specific approach to addressing company impact on global value chains. Public policy aimed at changing the conduct of large multinational corporations with respect to issues such as environmental protection, labour standards or product safety places the responsibility for compliance and adherence on large corporations and avoids any unintended consequences for smallholder farmers and small-scale suppliers.

The 350 companies in scope of the [Food and Agriculture Benchmark](#) source at least 30 different food commodities, such as coffee, cocoa and palm oil, from around 75 million small-scale producers based in 40 low- and middle-income countries. Most of these countries are impacted by persistent poverty. Thus, companies need to address farmers' income challenges. Encouragingly, 27% of companies support farmers' income stability through procurement and pricing practices. However, less than 4% of companies identify living income benchmarks or calculate living income gaps. These steps are crucial to design impactful and tailored interventions that support farming households to earn a sufficient income for a decent standard of living, while considering the diverse realities of farmers across the globe.



# Recommendations

There are proposed recommendations for governments, civil society, and businesses on engaging constructively with the Corporate Sustainability Due Diligence Directive (CSDDD) implementation:

## For the European Commission & EU member states:

- 1. Collaborate with international and civil society partners:**
  - Ensure the upcoming CSDDD implementation consultative process involves international organisations, companies, and civil society
  - Regularly engage with these stakeholders to refine regulatory frameworks to reflect the realities on the ground and address diverse concerns.
- 2. Build implementation and enforcement capacity:**
  - Establish or enhance national bodies with the necessary expertise and resources to enforce CSDDD requirements, assess compliance, and issue guidance.
  - Offer training for regulatory bodies on assessing corporate human rights and environmental compliance to ensure robust, informed enforcement.
- 3. Build out the “European Supervisory Network”**
  - Engage in regular knowledge-sharing forums with other governments to harmonize approaches, build a unified interpretation of the CSDDD, and foster globally consistent standards.
  - Develop and share practical guidance in partnership with businesses, focusing on sector-specific human rights risks and mitigation strategies.

## For civil society:

- 1. Actively participate in policymaking and consultations**
  - Engage with policymakers to represent the interests of affected communities and promote practical, human-centred approaches within the CSDDD.
  - Offer insights on emerging issues and on-the-ground impacts of corporate actions to inform more adaptive and responsive policies.
- 2. Raise awareness and conduct public outreach**
  - Raise awareness around the CSDDD’s requirements, impacts, and benefits for society to encourage public support for corporate accountability.
  - Facilitate public dialogues with business and government representatives to drive transparent implementation practices.

## For businesses:

- 1. Prepare proactively for compliance**
  - Even if not yet directly covered by CSDDD legislation, companies should begin assessing internal operations, suppliers, and processes to identify areas needing improvement.
- 2. Engage transparently with government and stakeholders**
  - Openly communicate with government bodies about specific challenges, risks, and necessary supports to meet CSDDD requirements.
  - Engage meaningfully with stakeholders, including affected communities and civil society organizations, to ensure the establishment of due diligence frameworks reflect on-the-ground realities.



## For investors

1. **Integrating CSDDD compliance into investment criteria and stewardship**
  - Prioritise investments in investee companies who are both sustainable and those demonstrating a commitment to sustainable practices and transparent value chain management. Set clear expectations that investee companies align with CSDDD or equivalent international standards as part of pre-investment due diligence.
  - Actively engage with boards and executive teams to ensure CSDDD readiness is a strategic priority. Advocate for the investee's adoption of comprehensive due diligence frameworks, robust reporting mechanisms, and effective grievance processes.
2. **Demanding transparent reporting**
  - Require investee companies to provide regular, detailed disclosures on their due diligence processes, salient human rights risks and environmental impacts. Use these insights to assess ongoing compliance and risk exposure.



# Further Reading

- [NYU Stern Center for Business and Human Rights - Setting Higher Standards: How Governments Can Regulate Corporate Human Rights Performance](#)
- [World Benchmarking Alliance - Are companies ready for the EU supply chain law?](#)
- [World Benchmarking Alliance - Linking people and planet for effective due diligence](#)
- [World Benchmarking Alliance - Transforming food systems with small-scale producers](#)
- [World Benchmarking Alliance - Social Benchmark 2024 Insights Report](#)
- [Corporate sustainability due diligence - European Commission](#)



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