Human Rights & Environmental Due Diligence (HREDD) Performance in German Business

SYNTHESIS

Cross-domain analysis of HREDD systems

in 254 German companies obligated under the LkSG, covering Governance, Risk Analysis, Prevention, Remediation, and Grievance Mechanism.

FRAMEWORK
§§4–9 LkSG
UN Guiding Principles
CSDDD (Omnibus I, 2026)

SAMPLE
254 companies · 16 sectors
3 size bands
2023/2024 reporting year

CODED
141 practices
25 effectiveness indicators
42,164 binary datapoints

CAPSTONE SYNTHESIS
ACROSS FIVE DOMAINS

Global Compact Network Germany

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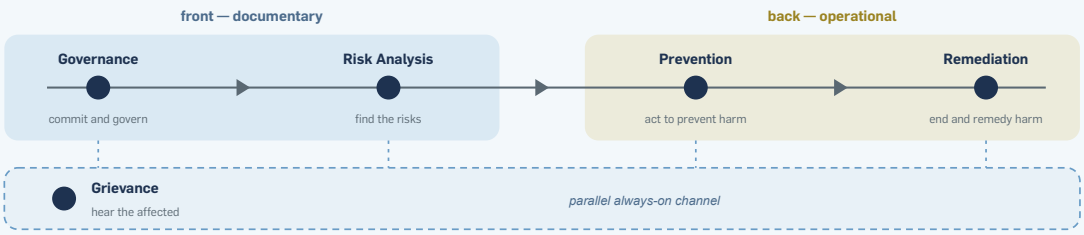
About this synthesis

This synthesis is the capstone of a six-part series. Five domain reports examine one stage of human rights and environmental due diligence each – Governance, Risk Analysis, Prevention, Remediation, and Grievance Mechanisms – practice by practice, with good-practice examples from the disclosures. This paper works across them: it asks **how the five domains relate**, **what distinguishes firms that measure effectiveness from firms that only run procedures**, and **what the pattern implies for the CSDDD transition**. All six papers draw on one dataset: 254 companies obligated under the LkSG, coded against 141 due-diligence practices and 25 effectiveness (E) indicators from their 2023/2024 disclosures.

The report runs in three parts: Part I locates HREDD maturity across domains and sectors (Sections I–IV); Part II asks what that maturity is built from (Sections V–VIII); Part III sizes the CSDDD gap (Section IX); Section X draws the conclusions for obligated firms and policymakers.

Throughout the report, the five LkSG duty areas are read as stages of one pipeline – from the **documentary duties at the front** (policies and analysis) to the **operational duties at the back** (action in the supply chain). The reading key below anchors this vocabulary; the full note is in the Appendix ("Pipeline terminology").

FIGURE 1: Reading key: the LkSG pipeline, front and back – with grievance alongside



"Front of the pipeline" = Governance and Risk Analysis; "back" = Prevention and Remediation – the reading used throughout this report. Grievance runs alongside every stage – a parallel always-on channel.

EXECUTIVE SUMMARY

CROSS-DOMAIN SYNTHESIS – HREDD PERFORMANCE IN 254 GERMAN COMPANIES

CORE FINDINGS

This synthesis integrates the five domain reports in the series, drawing on the canonical 254 × 166 binary matrix (42,164 datapoints) assembled from publicly disclosed LkSG reports for the 2023/2024 period. Read across domains, the cohort tells one story: German firms **have broadly built the procedural architecture of human-rights due diligence but rarely measure whether it works** – and the EU CSDDD, as amended by Omnibus I, raises the bar precisely where that gap lies.

THE BASELINE

HREDD capacity behaves as one interlocking system. **Strength in one domain travels with strength in the others**, and effectiveness measurement holds it together more tightly still. But the cohort thins sharply down the LkSG cascade – 97 % clear the 75 % bar[1] in Governance, only 8 % carry it through Prevention – and not one firm scores higher at the back of the pipeline (Prevention and Remediation) than the front (Governance and Risk Analysis). The **differences follow sector far more than size** (sector accounts for 28.3 % of the variation in overall performance, size band 4.5 %). Beneath all of it sits a single structural fact: procedural effort is broad (median practice adoption 67 %) while effectiveness measurement is thin (median 16 %).

Effectiveness measurement here means **evidence that a firm tracks, validates, and documents** the results of its due diligence – monitoring infrastructure rather than real-world outcomes; the 16 % median is the share of firms measuring in substance.

THE FRONTIER

The CSDDD[2] reaches the same obligations that the LkSG names, but outlines what each requires – not only **more substantiation, but effectiveness measurement as part of the duty itself**. The 166 coded practices map across the substantive CSDDD articles, with adoption high at the front (policy, integration, assessment and prioritization all 80–94 %) and falling away through the operational and effectiveness end – prevention 51 %, ending impacts 33 %, stakeholder engagement 48 %, monitoring 32 %. Under a strict reading of the directive, the **bar lands hardest where the cohort is already thinnest**: effectiveness monitoring (Art. 15).

THE GAP

Measured against three CSDDD-relevant dimensions – risk-based scope, board-level accountability, and effectiveness monitoring – and using a 60 % threshold set by this study (not prescribed by the Directive), 54 firms (21.3 %; Figure 15) clear all three. Effectiveness monitoring is the binding constraint: 99 % of firms clear the board-accountability bar and 72 % the risk-scope bar, but **only 21 % clear effectiveness monitoring** – and the 54 firms that clear it are exactly the 54 that clear all three. A second, looser lens agrees: split at the cohort's own medians, 46 % of firms sit above both axes, and the two axes rank firms almost identically, in every size band. The two headline figures are complementary – 21 % is absolute readiness, 46 % relative coherence. Read through the Bemühenspflicht, the cohort has largely built the effort architecture; what the **CSDDD raises is the effectiveness bar, and that is where the gap binds**. The maturity typology partitions the cohort accordingly: 29.5 % Comprehensive, 12.2 % Systems-Oriented, 2.4 % Outcomes-Oriented, and 55.9 % Initial.

1 A firm clears the 75 % bar in a domain when its disclosures evidence at least three-quarters of that domain's coded practices – the field-standard threshold used throughout the HREDD report series. The domain reports additionally classify firms by a Comprehensive tier (practice adoption of at least 70 % across the 141 practices, and effectiveness adoption of at least 40 % across the 25 indicators); that firm-level tier and this practice-level bar measure different things and are not in tension.

2 At the post-Omnibus thresholds: >5,000 employees, >€1.5 bn turnover; transposition by 26 July 2028, application from 26 July 2029; penalties up to 3 % of global turnover.

WHERE THE GAP SITS

The **data name the practices that most reliably mark firms on the far side of the gap**. Within each domain, the effectiveness indicator is **lifted by the substantive-depth practices** – substantive policy content, value-chain reach, affected-person input, on-site remediation support, joint and external grievance mechanisms – **not by the near-universal documentary ones**. Across domains, the strongest correlates of back-of-pipeline effectiveness sit at the front of the pipeline, in Risk Analysis and Prevention: the strongest markers of effectiveness evidence sit at the front of the pipeline – in Risk Analysis and Prevention – not in the domain where effectiveness is measured. **Industry collaboration is a substantive multiplier** independent of size – firms adopting all five collaboration practices[3] score 81 % overall against 46 % for none; the association still holds when the five collaboration practices are removed from the score itself, and holds within every size band.[4] And the smallest concrete difference separating the largest block of firms from closed-loop operation is loop closure: all 254 run a complaint procedure, 61 % analyze the data, but only 33 % close the loop back into risk analysis (Figure 13).

The closing section develops what these findings mean for obligated firms and for the CSDDD transition: how far the bar is, and which practices shorten the distance.

I. AGGREGATE DOMAIN PERFORMANCE

THE FIVE DOMAINS COMPARED

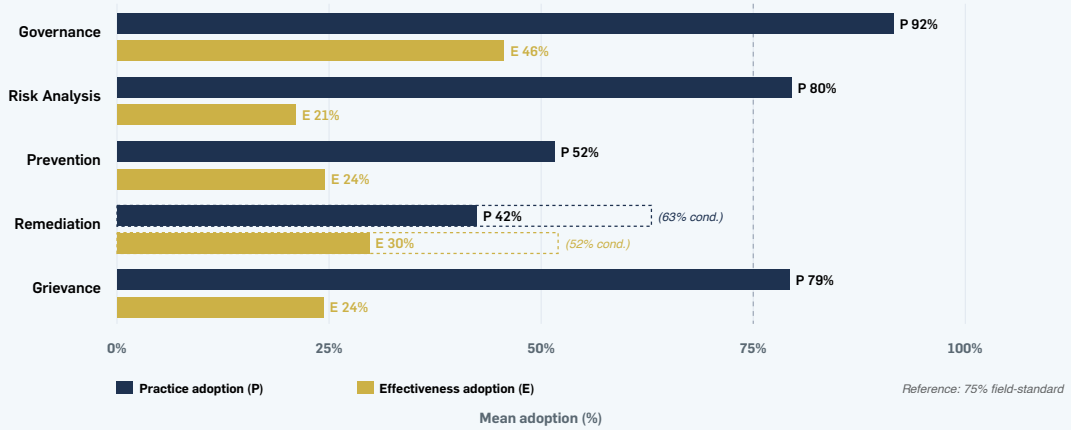
Compliance in form is abundant across the cohort: for nearly every one of the 166 coded practices, adopting firms can be found, and examples were plentiful in the domain reports; the difficulty was usually choosing among them. The aggregate question is whether that breadth of form becomes function – whether the system as built is positioned to surface risk and act on it. The domain-by-domain gradient is where that question starts.

The practice-adoption gradient across the five domains is steep (Figure 2). Governance reaches 92 %, and 247 firms (97.2 % of the cohort) clear the 75 % field-standard bar. Risk Analysis follows at 80 %. Then the floor drops: Prevention 52 %, Remediation 42 %. Grievance, at 79 %, looks like Risk Analysis in magnitude but not in shape – every firm has a complaint procedure; the **variance is in the procedural depth** around it. The Remediation rate rises to 63 % among the 99 firms with disclosure evidence of remediation activity at any tier[5] – a 21-pp lift that reflects the §7 trigger structure rather than a capacity difference.

The **effectiveness picture is consistently different and consistently lower**. Governance E-score (the highest by a wide margin) reaches 46 %; Risk Analysis effectiveness sits at 21 %; Prevention 24 %; Remediation 30 % population-wide (52 % among the 99 active remediators); Grievance 24 %. The five domain-level P–E gaps span a 46-percentage-point range, from 12.7 pp in Remediation to 58 pp in Risk Analysis.

3 The five collaboration practices: P073 Supplier Collaboration, P093 Collaborative Problem-Solving, P099 Industry Collaboration, P111 Joint Remediation, P133 Joint Complaint Mechanism.
4 A natural objection is that collaboration is itself a size proxy – that firms with capacity to participate in industry initiatives are simply the larger firms. The size-independence finding holds in the un-purified analysis as well. Collaboration intensity multiplies within each size band; it does not proxy for size.
5 Conditional denominator: the 99-firm active-remediator base – see Figure 5 and the Appendix ("Scope and reproducibility") on population and conditional denominators.

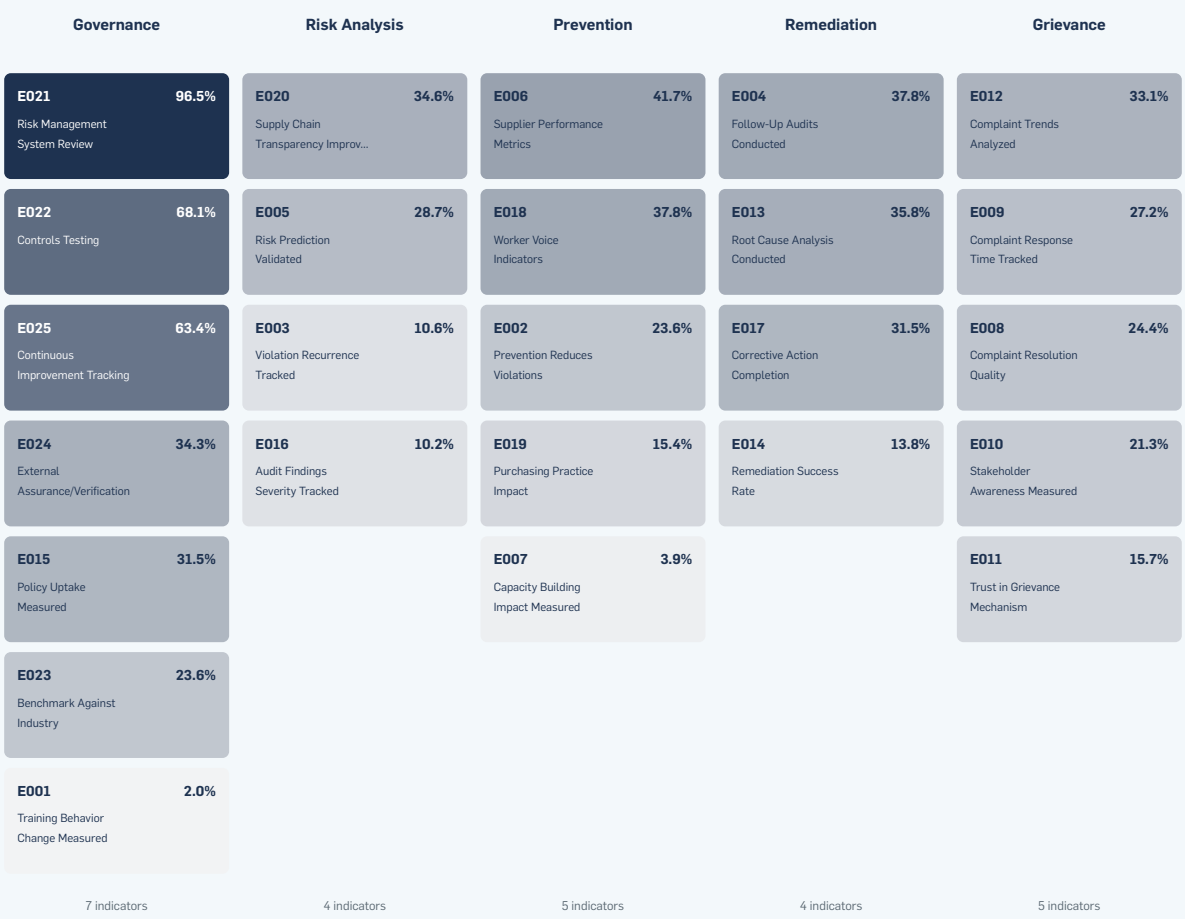
FIGURE 2: Practice and effectiveness adoption by domain (n = 254)



Solid bars: population mean (n = 254). Dashed outline on the Remediation row: mean among the 99 active remediators – the analytically appropriate denominator where §7 applies only once a violation has been detected. Because the underlying matrix is binary, each domain value is simultaneously the mean adoption rate across the domain's practices and the mean practice score across the 254 firms – the two readings are the same number.

The effectiveness metric for each domain encompasses a range of indicators, from the audit of a management system to a measured change in supplier behaviour. Figure 3 lays out all twenty-five – named, grouped as the domain reports group them, and shaded by how many firms evidence each.

FIGURE 3: The 25 effectiveness indicators by adoption rate



Each tile is one effectiveness indicator, grouped by domain under the same scoping the five domain reports use; tile shade is proportional to adoption rate, from near-white at the bottom of the range to full navy at the top. Rates span a 48-fold range, from E021 Risk Management System Review at 96.5 % to E001 Training Behaviour Change Measured at 2.0 %: the near-universal indicators evidence that a system exists, while the indicators that evidence a measured outcome sit far down the distribution. Source: canonical adoption rates, n = 254.

These indicators **capture monitoring infrastructure rather than outcomes themselves**; even the two closest to outcome claims (E002, E014) are coded from disclosed evidence, so a high E-score marks evidence of outcome rather than outcome itself (Section I details the operationalization). The co-occurrence above should be read as effort and effectiveness measurement moving together; substantive outcome is a further, separate step.

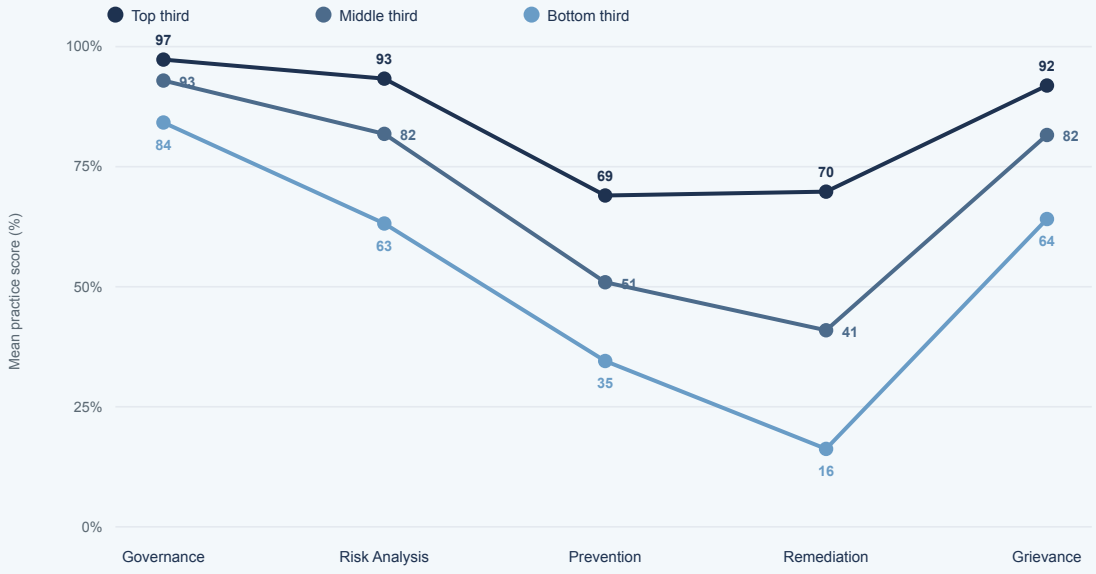
One question these aggregates leave open is whether a domain mean of 52 % describes every firm doing half or half the firms doing everything. Section III answers it at the firm level.

II. INTERNAL COHERENCE OF HREDD SYSTEMS

FIVE SCORES THAT MOVE AS ONE

The **five domain practice scores rise and fall together strongly enough to behave as one underlying scale**: obligated companies build one due-diligence capacity that spans all five domains. Figure 4 shows the shape of it – ranked into terciles, the profiles keep the same domain silhouette and rise or fall as a whole.

FIGURE 4: Domain practice profiles by overall-score tercile (n = 254)



The 254 firms are ranked by overall practice score – the plain average across all 141 practices (Table 1 assignment) – and split into thirds (n = 85/85/84). Lines show the mean domain practice score within each tercile. Source: normalized firm-level matrix, n = 254 companies.

The links are strong throughout, the thinnest being Governance–Remediation (r = 0.44); effectiveness measurement moves even more uniformly than practice adoption, so a **firm evidencing effectiveness in one domain tends to evidence it across all five**. For enforcement design, this coherence means a reviewer who finds effectiveness evidence in one domain is likely to find it across the others, and its absence is systemic.

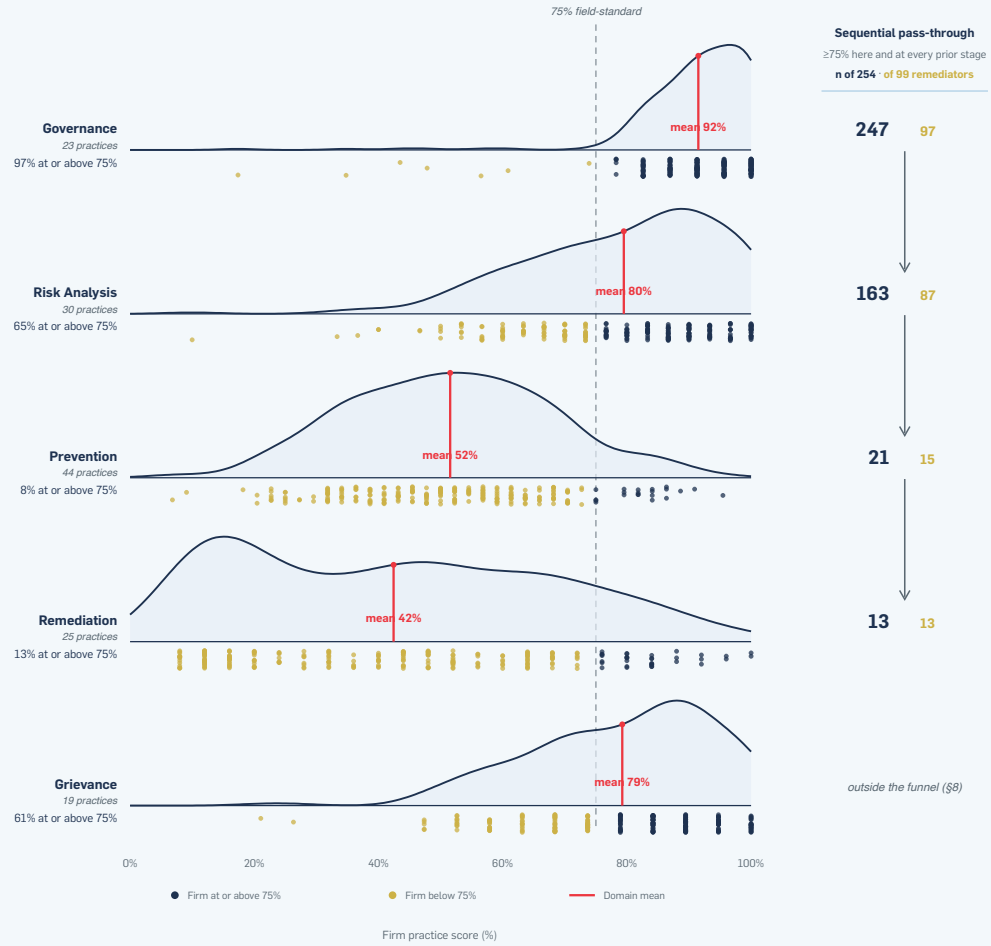
III. SYSTEMS BUILT, OPERATIONS LAGGING

THE SHAPE OF LKSG IMPLEMENTATION

The one interlocking capacity of Section II was not built evenly. It went up documentary-side first. The LkSG presents itself, and is most naturally read, as a logical cascade. §4 governance establishes responsibilities and embedded due-diligence capacity. §5 risk analysis identifies salient risks. §6 prevention and §7 remediation operationalizes the response. §8 grievance is structurally a parallel always-on channel. Reading the four sequential domains as a pipeline raises an empirical question: how many obligated firms carry their performance through the pipeline?

Figure 5 answers it against the underlying distributions: each ridge is one domain's spread of firm-level practice scores across the 254 firms, and the right-hand rail counts the firms still at or above the 75 % field-standard at each stage after clearing every prior one – for the population and, in gold, for the 99 active remediators.

FIGURE 5: Firm-level distribution of practice scores by domain, with sequential pass-through (n = 254)



Each ridge is the distribution of firm-level practice scores in one domain; navy dots mark firms at or above the 75 % field-standard, gold dots those below, and the red marker is the domain mean (n = 254). Each domain's practice count is shown beside its label; the full code lists are in Table 1 (Practice codes by primary domain). The right-hand rail carries the pipeline funnel: at each stage, the count of firms at or above the 75 % field-standard here and at every prior stage, in navy for the population (n = 254) and in gold for the 99 active remediators. Remediation duties only activate once a violation surfaces, so the population view alone would understate what triggered firms in fact build. Grievance sits outside the funnel sequence (§8).

The population series runs 247 → 163 → 21 → 13. The **break comes at Prevention**: an 87.1 % drop, with 142 of the 163 firms that cleared Risk Analysis failing to carry it through. In the end, 5.1 % of obligated firms clear every domain in sequence. On the conditional track, the funnel ends at the same 13 firms**: every firm at field-standard across the whole cascade is also an active remediator**. The funnel measures built capacity at the field-standard threshold. The implementation of the LkSG, read as a sequential cascade of practice adoption, is dominated by a cohort that has built front-of-pipeline[6] scaffolding without proportionate back-of-pipeline operations.[7]

III.1 The asymmetry is universal

For each of the 254 firms we compute a **front-of-pipeline score** (mean of Governance and Risk Analysis P-scores) and a **back-of-pipeline score** (mean of Prevention and Remediation P-scores). Every firm scores higher on the front than on the back – the mean gap is 38.5 percentage points, and 71 % of firms exceed 30 pp. Restricted to the 99 active remediators (the conditional track in Figure 5), the gap narrows to 29.0 pp but closes for none. Grievance Mechanisms are excluded from both composites on purpose: though sequentially last, the §8 mandate is documentary (setting up a complaint procedure) and Grievance adopts like the front (mean 79 %); the **asymmetry under study is documentary versus operational rather than early versus late**.

III.2 Why the cascade narrows

The asymmetry is universal. Three hypotheses, offered as interpretation rather than measured finding, may explain it.

Why the cascade narrows – three hypotheses

Documentary obligations are less costly to meet. §4 and §5 largely call for what a firm produces (a policy statement, a risk-analysis document) and the cost is bounded. §6 and §7 call for what a firm does – modifying contracts, training operations, intervening at suppliers – and the cost is open-ended.

Back-of-pipeline practice waits on a trigger. The trigger is a violation; many firms have not operated remediation at scale because none has surfaced in their reporting, so the capacity remains latent – consistent with the effort standard of the Bemühenspflicht – and showing up in the data as an asymmetric distribution of capacity across the cohort.

Figure 5 above shows both views: the population cascade (the §7 trigger absence dominates the back-of-pipeline drop) and the conditional cascade restricted to the 99 active remediators. The companion LkSG retrospective uses a complementary detection-based framing – conditioning on whether a firm reported a violation in its structured BAFA fields rather than on whether its disclosure narrative describes remediation activity – and presents the resulting tier-specific attempt and resolution rates separately.[7]

Auditing pressure has been front-loaded. BAFA's reporting obligations and external assurance providers have concentrated, in the LkSG's first reporting cycles, on the documentary base – the policy, the risk-analysis methodology, and the complaint procedure. This rebalances over time as enforcement priorities mature, and the CSDDD will explicitly extend pressure to back-of-pipeline practices through its effectiveness-monitoring requirement (Section IX). The asymmetry observable in this synthesis is a pattern of the LkSG's first reporting cycles.

6 Front- and back-of-pipeline: see the Appendix note "Pipeline terminology".

7 The synthesis paper and the companion LkSG Retrospective (Bayer & Uppapong, 2026) draw on the same 254-company corpus but use different empirical bases: the synthesis applies Database 2 (retrieval-augmented inferential coding of disclosure narrative for the 141 P-codes and 25 E-codes used here), while the retrospective applies Database 1 (programmatic extraction of structured BAFA questionnaire fields). The two coding methods produce different denominators because they measure different objects – a BAFA-checkbox extraction records what firms self-reported in structured fields, whereas inferential coding records narrative evidence of practice presence. Conditional rates and detection-based flow figures are reported in the retrospective and in the Remediation domain report; readers wanting the detection-conditional view should consult those reports. The Remediation domain report (Appendix 1) provides a side-by-side methodological reconciliation.

III.3 Sequential drop-off: most firms stop at Prevention

Read as a sequence of gaps, Figure 5 says something simple. Nearly every firm builds the paperwork stages, and **most stop where due diligence starts to demand operational work**. 97 % do clear Governance. A third of those fall away at Risk Analysis. The cliff comes at Prevention. Of the 163 firms that pass both earlier stages, 142 fall short of the same bar there. And the cliff falls inside duties that apply to each firm at all times – **prevention needs no violation to switch it on – so the gap plainly measures what firms have built**. The next stage reads differently: **remediation duties activate only once a violation surfaces**, so a **count of adopters will miss firms that stand ready but have had nothing to remediate**. What remains is one headline for the obligated cohort: Prevention is the single largest gap for the typical obligated firm to close.

IV. SECTOR COMPOSITE MATURITY

INDUSTRY CONTEXT SHAPES MATURITY MORE THAN FIRM SIZE

We computed a composite HREDD score (the plain average of the firm's overall practice and effectiveness adoption rates for each of the 25 sectors in the raw classification[8]).

IV.1 Sector and size as complementary axes

Sector membership accounts for roughly six times as much of the variation in overall HREDD scores as size band does, and adding size to sector improves the picture only modestly.

FIGURE 6: Sector maturity: procedural effort and effectiveness measurement by group

8 The five domain reports in this series consolidate the 25-sector raw classification into 16 sectors for figure presentation (six industrial sub-sectors merge into "Industrial Goods"; Chemicals with Pharmaceuticals & Biotechnology as "Chemicals & Pharma"; Software with Technology Hardware; Social Services with Research and Diversified). The figures present the 16-group aggregation; the underlying data retain the full 25-sector classification (see the Appendix note on sector aggregation).

Each sector group's mean procedural-effort score (P, navy) and effectiveness-measurement score (E, gold), ranked by composite Total. The distance between the two dots is the sector's headroom – how far procedural breadth runs ahead of measurement. The grey dashed line marks the 75 % field-standard. The grey figure beside each label is the sector's firm count (n; the sixteen sum to 254). The four multi-sector groups conceal internal spread – Industrial Goods' constituent raw sectors run from 50 % to 77 % on the composite – while per-firm positions within each sector are available in the Corporate Due Diligence Monitor.

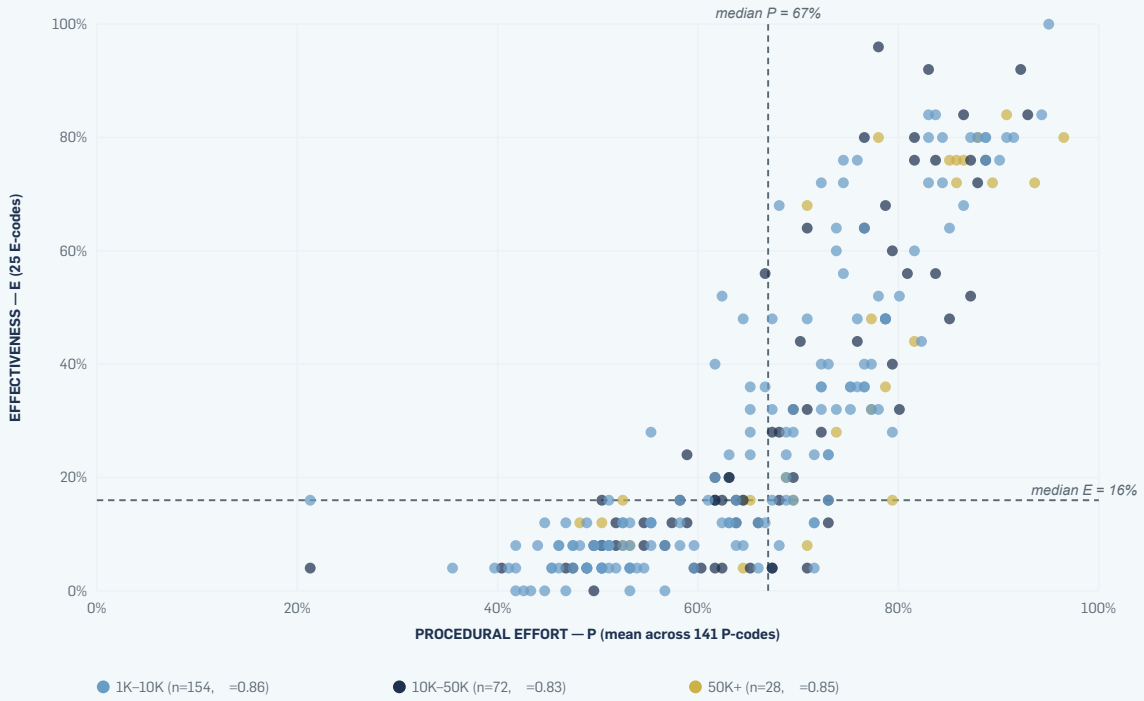
V. THE OBLIGATION TO MAKE AN EFFORT, OPERATIONALIZED

EFFORT AND RESULT MOVE TOGETHER MORE THAN THE LEGAL FRAME WOULD SUGGEST

Sections I–IV locate HREDD maturity across domains and sectors. The maturity block that follows asks what that maturity is built from, beginning with the relationship between procedural effort, and whether firms verify results.

The coupling between procedural effort and effectiveness measurement is equally tight in small, mid-sized, and large firms – the **coupling is firm-level capacity**.

FIGURE 7: Procedural effort against effectiveness measurement



One point per company, coloured by employee size band. The two axes rank together (Spearman ρ = 0.86; 0.86/0.83/0.85 within the three size bands). Dashed lines mark the cohort medians (P = 67 %, E = 16 %).

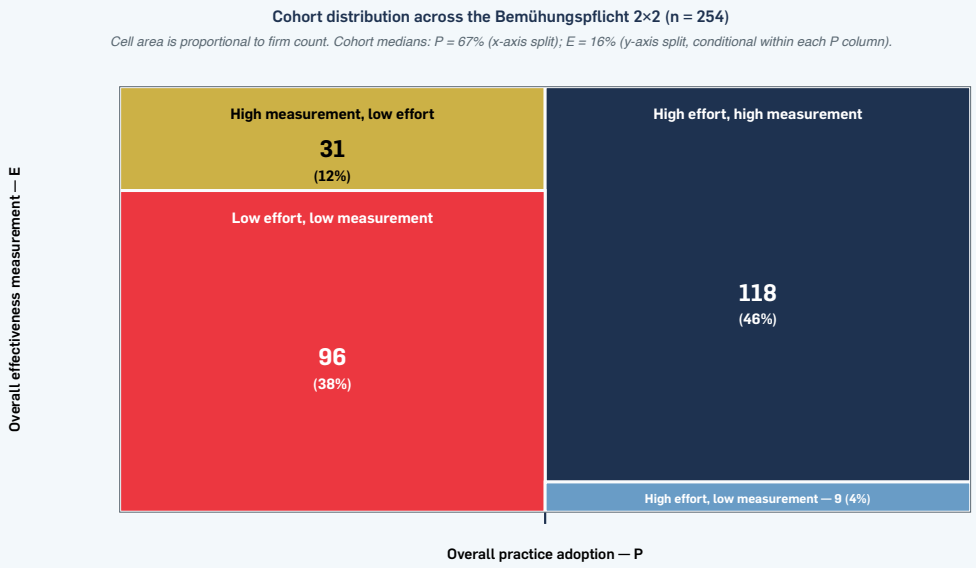
The LkSG's legal architecture rests on the obligation to make an effort *(Bemühenspflicht)*, distinct from an obligation to produce a result. The **CSDDD carries the same architecture: its due-diligence duties are obligations of means**, with civil liability fault-based rather than strict. The statutory frame distinguishes the procedural effort a firm makes (build a policy, conduct a risk analysis, set up a complaint procedure) from the substantive result the procedures may or may not produce (violations prevented, harm remediated, trust earned). **The frame protects firms from liability for outcomes outside their control while imposing genuine obligations on the procedural inputs**. Whether procedural effort and effectiveness measurement are independent firm-level investments – as the *Bemühenspflicht* frame's effort/outcome separation might invite us to assume – is the empirical question the 2×2 above answers.

Effort here is Overall_P, the firm's mean adoption rate across the 141 procedural practices (policy, risk-analysis methodology, supplier engagement, complaint procedure, remediation infrastructure); result is Overall_E, the firm's mean adoption rate across the 25 effectiveness indicators listed below.

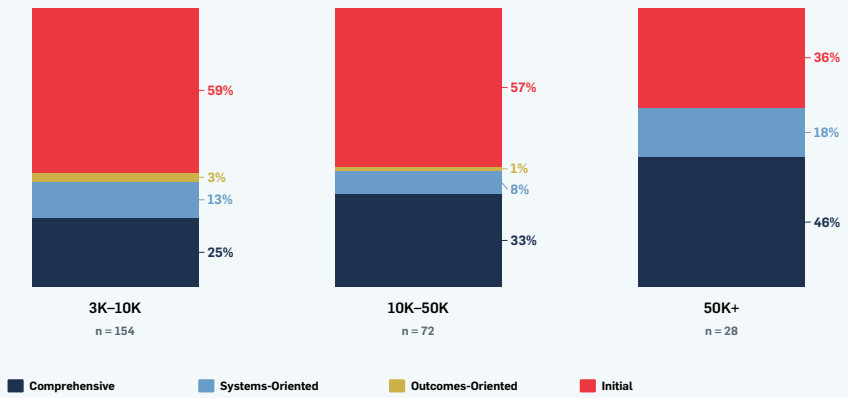
Figure 8a visualizes the split with each cell's area scaled by firm count and labelling the four quadrants in the legal frame's effort/result vocabulary.

FIGURE 8: Two partitions of the procedural-effort × effectiveness plane

(a) Relative – median-split quadrant



(b) Absolute – four-class typology by size band



Two ways of partitioning the same plane. (a) The median split (P = 67 %, E = 16 %) places 46 % of firms in the upper-right quadrant – a relative reading. (b) Absolute thresholds (Overall_P ≥ 70 %, Overall_E ≥ 40 %) sort firms into four maturity classes, shown by employee size band.

V.1 Legal frame implications

Procedural and measurement infrastructure are not independent investments: firms that build one tend to build the other, suggesting that HREDD is developed as an integrated organizational capacity. The legal frame accommodates this pattern – off-diagonal cells exist, and firms are not penalized for building procedural infrastructure without yet documenting whether it works. The data therefore show that, within the obligated cohort, what the legal frame distinguishes as effort and result are highly co-extensive in practice. **Whether these investments actually prevent violations or remediate harm, however, cannot be established from disclosure data** alone and requires outcome data beyond the reporting framework. This interpretation is consistent with the coherence finding (Section II) and the front-of-pipeline signals finding (Section VII).

V.2 Four firm types: Comprehensive to Initial

The same plane, cut at absolute thresholds (Overall_P ≥ 70 % and Overall_E ≥ 40 %) rather than at the medians, sorts the cohort into four operational types: **Comprehensive** (75 firms, 29.5 %) – high on both, and home to almost all 54 CSDDD-ready firms; **Systems-Oriented** (31, 12.2 %) – procedure without measurement, the exposed middle of Section IX; **Outcomes-Oriented** (6, 2.4 %) – the rare inverse, mostly threshold edge-cases; and **Initial** (142, 55.9 %) – below both thresholds, the modal firm and the primary target of this paper's recommendations (Figure 8b). Two of these classes carry the operational weight: the Comprehensive group is the pool a successor regime can treat as substantively compliant, while the Systems-Oriented middle is best diagnosed by loop closure (Section VIII).

VI. THE MATURITY SIGNAL

WHICH ADOPTIONS MOST RELIABLY MARK A MATURE SYSTEM

Part II asks what raises a firm's effectiveness measurement toward the CSDDD bar. Where Section V located firms by their position on the effort–measurement plane, this section asks **which specific adoptions move them across it**. The starting point from Section V is that procedural effort and effectiveness measurement move together ($\rho = 0.86$) and barely change with company size – so **what separates the firms that measure from those that do not is organizational**. This part first identifies which practices most reliably mark that organizational maturity, then distils the response into three priorities (Section X).

Four independent analyses bear on the same question – which adoptions most reliably mark a firm that has built effectiveness. The sections that follow take them in turn; read together, the four lists converge: **the practices flagged by more than one analysis are the highest-confidence markers** – the adoptions that most reliably signal a firm has already built that maturity. Six practices are identified by three or more independent analyses; the top of Figure 9 is where they surface.

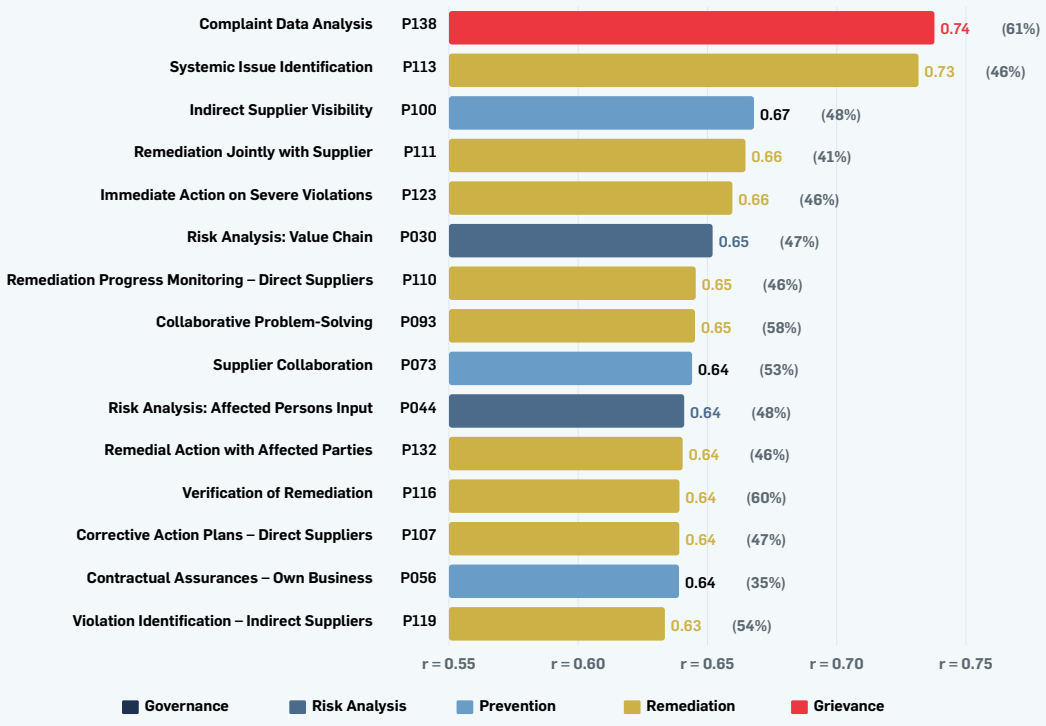
Two practices are identified by three analyses each – **value-chain risk analysis** (P030, Art. 8) and **complaint-data analysis** (P138, Art. 14) – and the convergent set as a whole sits at the substantive, mid-to-low-adoption end rather than among the near-universal documentary practices, which is where population-level differentiation is largest. The ridge identifies five further discriminating practices on a single analysis – P056 **Contractual Assurances** (Art. 10), P102 **Indirect Supplier Engagement** (Art. 10), P123 **Immediate Action on Severe Violations** (Art. 11), P132 **Remedial Action with Affected Parties** (Art. 13), and P136 **Complaint Procedure Timely Response** (Art. 14). The four sections that follow develop each analysis in turn, beginning with the signal practices.

For each of the 141 practices we measure one thing – **how strongly its presence tracks broad HREDD capacity across the rest of the architecture**. We correlate the practice with the firm's overall HREDD score, after first removing the practice from that score, so the correlation is computed against the rest of the architecture (a "leave-one-out" correlation). We call this the practice's signal. **A practice with a high signal is one whose adoption tends to co-occur with broad HREDD adoption elsewhere**. We call practices that score high on this measure signal practices: practices whose adoption is the most informative single indicator of overall maturity. A signal practice marks maturity. The analysis is cross-sectional: it shows that a practice's presence reliably indicates broad build-out, and that is the full extent of the claim. The list's use is triage: where an assessor, or a firm reading its own disclosure, should look first.

A practice with very high adoption (above 80 %) carries little discriminating power: almost every firm has it. A practice with very low adoption (below 20 %) carries unstable correlations on the available sample. We therefore restrict attention to mid-range practices (adoption between 20 % and 75 %) which are the practices on which obligated firms differ from each other.

VI.1 Top-15 by combined maturity signal

FIGURE 9: Top 15 signal practices for overall HREDD maturity



Each bar is the practice's signal: how reliably its presence accompanies broad HREDD build-out across the rest of the architecture (leave-one-out correlation; Research Design & Methods paper, note M6). Adoption in parentheses; colour marks the home domain. Six of the fifteen are identified independently by three or more of the report's five analyses.

Ranked on the two signal dimensions separately (procedural depth and substantive evidence) the two top-10 lists share only two practices; the split and its reading are set out in the Appendix beside Figure A1.

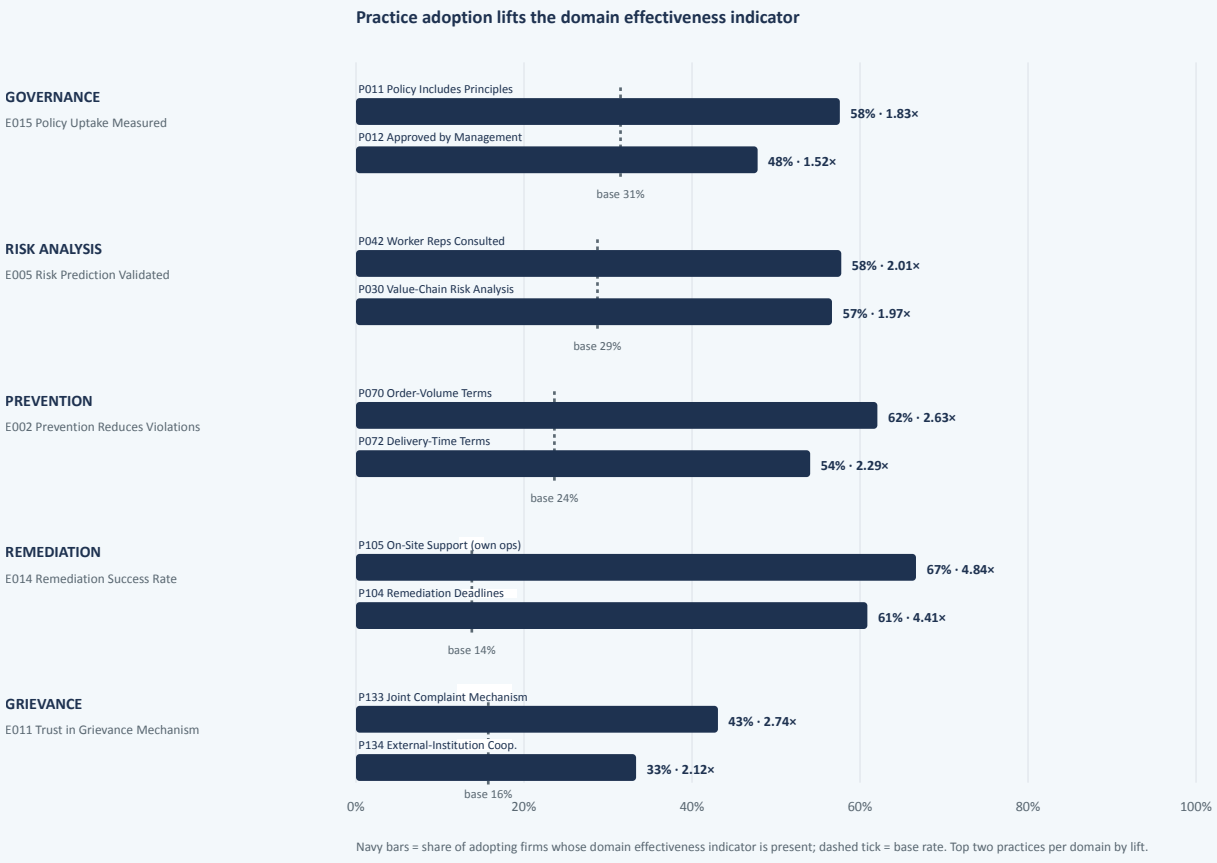
VI.2 Reading the signal list operationally

For the successor regime preparing diagnostic guidance under the CSDDD, the substantive-evidence list identifies the **practices whose absence most strongly indicates that a firm has not built the front-of-pipeline depth required to generate effectiveness evidence**. For sectoral programmes, the combined list (Figure 9) identifies the practices where sector-wide guidance would reach the largest portion of the obligated cohort.

THE SIGNAL, READ DOMAIN BY DOMAIN

The signal analysis above asks which practices indicate broad maturity. The five domain reports ask a sharper, within-domain question – which of a domain's own practices are most strongly associated with the presence of its focal effectiveness indicator. Pooled across the five reports, the same pattern recurs: within every domain, a handful of its own practices carry most of the association with the focal indicator.

FIGURE 10: Within-domain correlates of effectiveness measurement



For each domain, the two practices whose adoption most raises the rate at which that domain's focal effectiveness indicator is present (leave-one-out lift over the base rate; Research Design & Methods paper, note M6). The dashed tick marks the base rate; the bar shows the rate among adopters. For Remediation, the adopter rate is computed within the 99 firms with active §7 remediation, since E014 is defined only where a violation was detected and remediated; the base rate remains the population rate. Lift is an association, not a controlled prediction, and base rates differ across domains, so multipliers are not comparable between rows.

In every domain the association concentrates in the substantive-depth practices rather than the near-universal documentary ones – and these are systematically lower-adoption, so the markers that distinguish measuring firms are the very practices most firms have not yet built. The full within-domain analyses are in the five domain reports.

Read across domains, the practices that most reliably accompany strong effectiveness scores sit upstream, in Risk Analysis and Prevention, rather than in the domain where effectiveness is measured – the front-of-pipeline signal already described, seen from the effectiveness side. The full 5×5 grid is in the Appendix (Figure A2).

What the analysis establishes is membership in a signature. Among firms that have built mature HREDD, P056 (Contractual Assurances) is part of it – but a firm adopting it in isolation acquires the practice, and only the practice. So the reading is diagnostic. **The front-of-pipeline signals identify the practices whose absence is most informative about whether broader HREDD capacity has been built**.

VII. INDUSTRY COLLABORATION AS A LEVERAGE MULTIPLIER

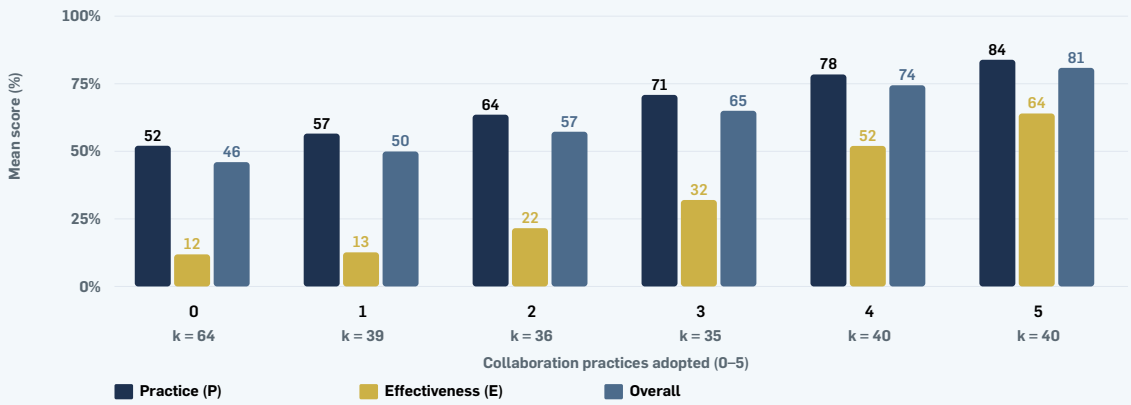
A GRADIENT WITHOUT EXCEPTIONS, IN EVERY SIZE BAND

Firms that **adopt all five of the codebook's collaboration practices score Overall HREDD around 81 %; firms that adopt none score around 46 %.** The gradient rises step by step across all six adoption counts (0 through 5), holds within every size band, and is independent of the five practices sitting inside the score they predict. Of the correlates the synthesis can quantify, **industry collaboration is among the most consistent single correlate of HREDD performance** – not as a proxy for size or sector, but as an independent dimension of how a firm builds its system.

The five practices that anchor this finding are explicitly about **working with peers, suppliers, or industry initiatives**. P073 (Supplier Collaboration) and P093 (Collaborative Problem-Solving) anchor the upstream collaborative engagement; P099 (Industry Collaboration) and P111 (Remediation Jointly with Supplier) anchor the operational supplier-side collaboration; P133 (Joint Complaint Mechanism) anchors the cross-firm grievance infrastructure. Each is **an indicator of whether a firm treats HREDD as something to do alongside other firms or alone**.

For each firm we count adoption across the five practices, producing a 0–5 collaboration intensity.

FIGURE 11: Industry collaboration and HREDD performance, by collaboration count (5 practices)



The gradient is steepest at the effectiveness end: firms adopting zero collaboration practices average 12 % on E-score; firms adopting five average 64 %. The relationship is statistically robust.[9]

The cohort is spread across the whole range: 64 firms adopt none of the five, and the remaining 190 distribute almost evenly across one to five (39, 36, 35, 40, 40). The rise holds at every step – mean effectiveness measurement rises from 12 % at zero collaborative practices through 22 % and 32 % at two and three, to 52 % and 64 % at four and five. The five practices themselves span the pipeline: two upstream engagement practices adopted by around half the cohort (P093 **Collaborative Problem-Solving**, 57.5 %; P073 **Supplier Collaboration**, 52.4 %), two operational supplier-side practices (P099 **Industry Collaboration**, 50.0 %; P111 **Remediation Jointly with Suppliers**, 40.6 %), and the rarest, cross-firm complaint infrastructure (P133 **Joint Complaint Mechanism**, 25.6 % – one firm in four).

VII.1 The mechanism

Collaboration practices have several plausible mechanisms by which they could lift overall HREDD performance. The four mechanisms in the box below are the plausible routes; separating them is a task for longitudinal data.

Why collaboration can lift performance – four mechanisms:

- **Shared fixed costs.** Joint grievance infrastructure costs a fraction per firm of building alone.
- **Shared diagnosis.** Sectoral risk analysis and joint audits surface what no single firm sees or has the leverage to extract.
- **Normalized expectations.** Once a sector builds a joint mechanism, its absence in a peer becomes visible.
- **Operational learning.** Firms collaborating on remediation share what worked.

For sectoral programmes, the gradient is operationally compelling: participation in industry collaboration shows the **largest absolute difference in effectiveness scores of any single practice cluster, and the association is independent of firm size**. The data are cross-sectional, so direction stays an open question; what they show is that collaborating firms and substantively mature firms are, to an unusual degree, the same firms.

9 The five collaboration practices are themselves components of the Overall HREDD score, which raises a partial-circularity concern: a high collaboration count contributes mechanically to a higher Overall score. To check whether the gradient is driven by this mechanical contribution, we recompute Overall with the five collaboration practices removed from the aggregate. Removing those five practices from the aggregate barely moves the correlation, and the gradient still rises at every step across all six collaboration-count groups – the association is not a bookkeeping artifact. Even against effectiveness scores alone – which share no codes with the predictor – the association stays strong, and it survives that removal test within every size band (Research Design & Methods paper, note M5)[2]. The headline relationship is partly mechanical but substantively robust.

VIII. THE FEEDBACK ARCHITECTURE

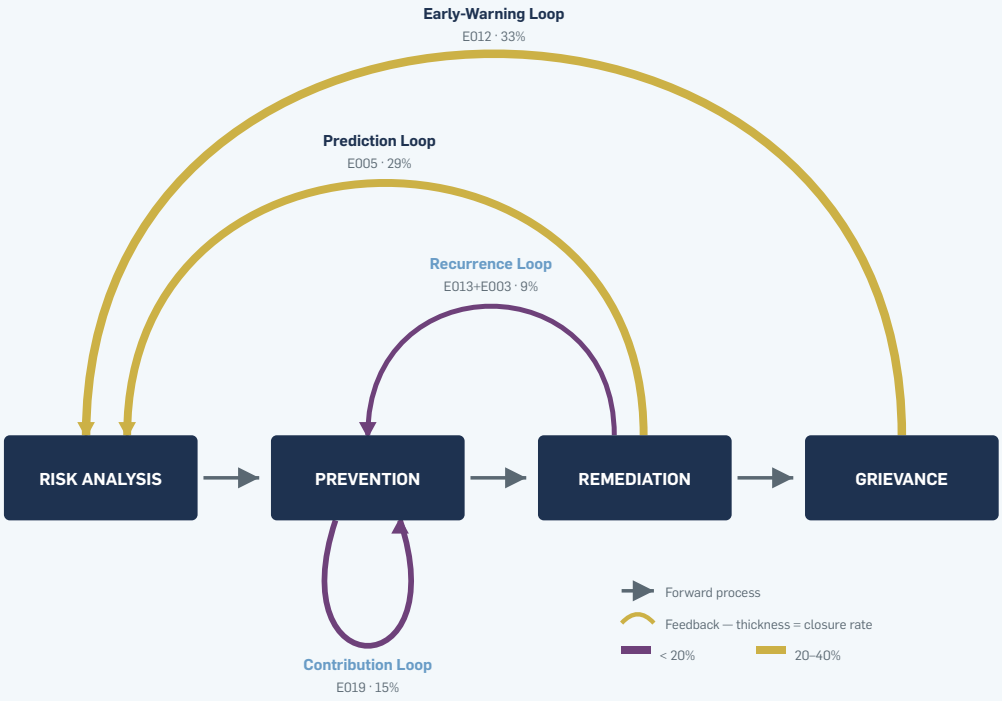
MOST FIRMS BUILT THE FORWARD PIPELINE, BUT NOT THE LOOPS THAT WOULD LET IT LEARN FROM ITS OWN RESULTS

Collaboration (Section VII) is about who a firm builds with; the feedback loops are about **whether what it builds learns from its own results**. The 166 indicators describe a forward process. Risk analysis feeds prevention, prevention is tested when a harm occurs, remediation addresses the harm, and the grievance channel stands alongside to catch what the other stages missed. Read left to right, that chain is broadly constructed across the cohort: a complaint procedure exists at virtually every firm (P124, 100 %), risk analysis is near-universal, and codes of conduct and contractual assurances are widely in place. The forward structure of due diligence is, in the main, built.

What turns a forward process into a system that *learns* is a different set of links: **the ones that run backward, where the output of a later stage updates an earlier one**. A complaint that reveals an unforeseen risk, a remediation that exposes a root cause worth designing out, an outcome that tells the firm whether its risk prediction was right – each of these is a feedback link, and each depends on a specific "bridge" indicator to carry the signal. The codebook *potentiates* at least four such loops, in the sense that the closing practice exists for each. Whether a loop is *closed* is an empirical question, and the answer is given by how many firms adopt the bridge.

On the data, the four loops are largely open: the forward links exist, but the return signal rarely flows.

FIGURE 12: The feedback architecture: forward links built, backward loops rarely closed

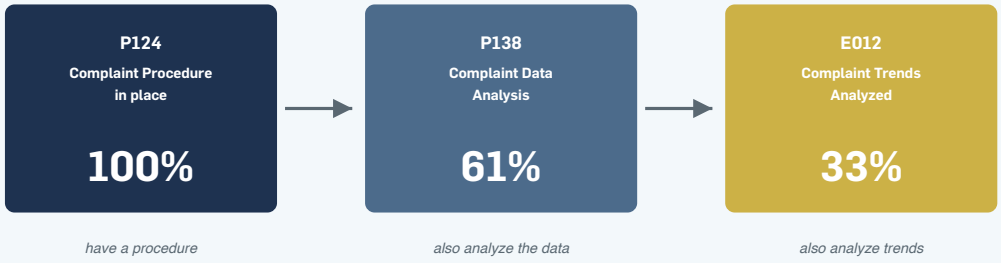


E012 complaint trends analyzed
E005 risk prediction validated
E019 purchasing-practice impact assessed
E013+E003 root cause analysis and recurrence tracking — the recurrence loop closes only when a firm adopts both (24 firms, 9%)

Each backward arc is a feedback loop; its colour and thickness encode the closure rate – the share of firms adopting the bridge indicator that would carry the signal. All four close for fewer than one firm in three; 7 firms (2.8 %) close all four, 142 (56 %) close none.

The early-warning loop – grievance to risk analysis. A complaint is an independent signal channel: it can confirm risks the firm's own analysis already flagged, and it can surface ones the analysis did not anticipate. The channel for this is well built: 71 % of firms report that complaints are considered in risk analysis (P043), on top of the universal complaint procedure. But the channel carries usable signal only when complaint data are analyzed for patterns rather than handled case by case, and pattern analysis – "complaint trends analyzed" (E012) – sits at 33 %. Figure 13 walks the cascade. The route exists; roughly one firm in three populates it – and because it is the most-built of the four loops, it is also the most readily closable.

FIGURE 13: The complaint feedback loop in the obligated cohort



All n=254. Stages are largely nested (3 firms reach stage 3 without stage 2). The loop closes at stage 3.

61 % (155 firms) analyze the data the procedure produces, but only 84 close it by also measuring complaint trends; the drop sits almost entirely between data analysis and trend measurement.

The prediction-validation loop – outcomes to the risk model. A risk model improves only if the firm checks whether the risks it flagged materialized. The indicator for this, "risk prediction validated" (E005), is adopted by 29 %. Without it, the analysis that opens every cycle is never corrected against what the cycle revealed.

The recurrence loop – remediation to prevention. After a harm, two steps convert the incident into prevention: diagnosing the root cause, and then confirming the cause does not recur. Root-cause analysis (E013) is conducted by 36 % of firms; recurrence tracking (E003), the step that verifies the fix held, by 11 %. The bottleneck is the second step – so even firms that diagnose a cause rarely close the loop by confirming the remedy worked.

The contribution loop – own purchasing to prevention. The reflexive case: a firm examines whether its own buying behaviour (pricing, lead times, order volumes) is itself a driver of the harms it is trying to prevent. The bridge indicator, "purchasing-practice impact assessed" (E019), is adopted by 15 %, and the commercial-terms practices it would inform are among the least common in the entire set. The scarcity is directional rather than general: 81 % of firms disclose using purchasing power to drive supplier compliance (P082), while the practices that point the same leverage the other way – adjusting the firm's own commercial terms, or financing supplier improvement (P086, 2 %) – are among the rarest in the coded set. These same commercial-terms practices carry the highest measured association with prevention effectiveness in the within-domain analysis (Figure 10). On the data, this is the loop with the most leverage and the least closure.

The **forward links are built; the backward links – the indicators that would let the pipeline learn from its own outputs – are adopted by between 11 % and 33 % of firms**. Firm by firm, the gap pools rather than spreads: 142 firms (56 %) close none of the four loops, 7 (2.8 %) close all four, and the remaining 105 close between one and three. (That 142 matches the size of the typology's Initial class by coincidence; the two sets share 121 firms but are not identical.) A firm that documents risk analysis, prevention, remediation, and grievance has typically built a process that runs forward only – each stage completes without measuring whether it worked in a form the next cycle can use.

This is the **practice–effectiveness gap, seen from a different angle**. The synthesis reports a strong association between procedural breadth and effectiveness measurement at the firm level, with effectiveness measurement as the scarcer of the two and the binding constraint on maturity. The feedback reading restates that finding in operational terms: **effectiveness indicators are scarce in aggregate and cluster at the points where a loop would close**. A firm can run the full forward sequence and still operate, in control-systems language, open-loop – acting without systematically sensing the result of its own action.

IX. THE CSDDD: ARTICLE MAPPING AND READINESS

THE BAR, AND THE COVERAGE GAPS

IX.1 The bar after Omnibus I

Sections I–VIII establish how HREDD maturity is structured and what builds it – ending on the feedback loops most firms leave open. The bar the cohort now faces closes them by mandate: the **CSDDD's monitoring duty (Art. 15) asks for precisely the sensing that Section VIII found missing**. This section maps the 166 practices across the directive's articles and sizes the readiness gap.

The CSDDD reaches the obligations the LkSG already names, but on a narrower population and a higher evidentiary bar. As amended by Omnibus I, it applies to companies with more than 5,000 employees and net worldwide turnover above €1.5 billion, with transposition into national law due by 26 July 2028, application from 26 July 2029, and supervisory penalties of up to 3 % of net worldwide turnover.

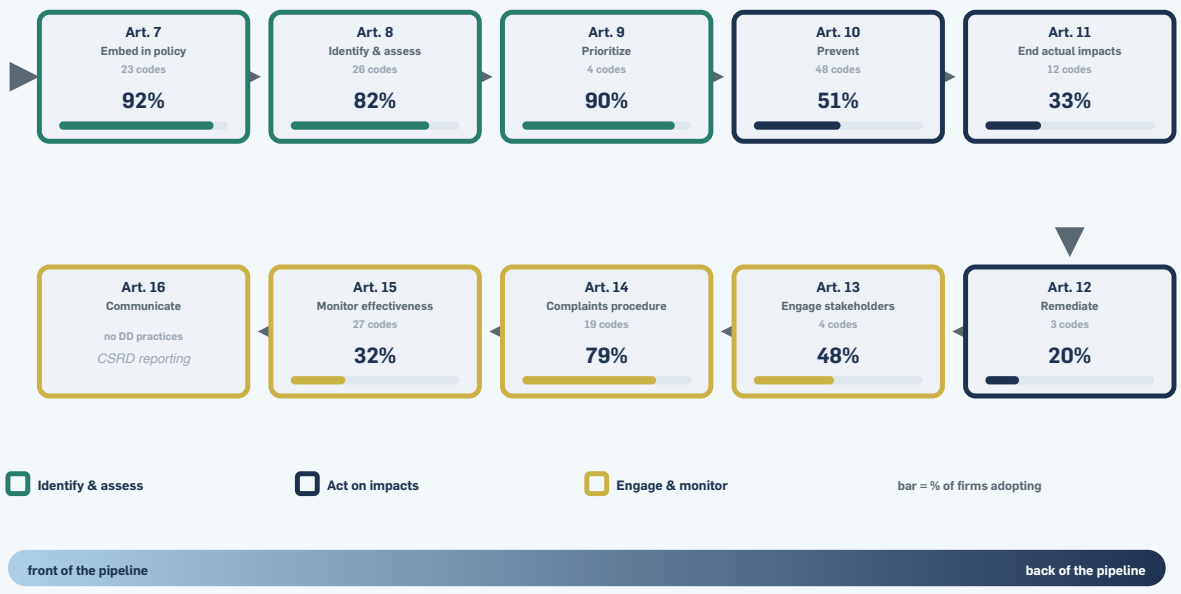
Its substantive duties run as a sequence: embedding due diligence in policies and risk-management systems (Art. 7), identifying and assessing actual and potential adverse impacts (Art. 8), prioritizing them where they cannot all be addressed at once (Art. 9), preventing potential impacts (Art. 10) and bringing actual impacts to an end (Art. 11), providing remediation (Art. 12), engaging meaningfully with affected stakeholders (Art. 13), operating a complaints procedure (Art. 14), monitoring the effectiveness of the diligence (Art. 15), and communicating publicly on it (Art. 16).

For the LkSG cohort this is **less a new architecture than a raised threshold on the same diligence cycle** – with the burden shifting from demonstrating effort to substantiating effect. The mapping that follows **locates where the cohort's existing practices already meet each duty, and where gaps remain.**

IX.2 Where the practices land

Each of the 166 coded practices is mapped to the CSDDD article whose duty it most directly evidences – the overlay reading – and Figure 14 gives the cohort's coverage of each duty under it. A stricter reading, counting only the codes that operationalize a verbatim CSDDD requirement and setting aside LkSG-specific apparatus such as the human-rights-officer construct, purely commercial procurement items, and CSRD-reporting codes, changes the picture for one article only (Art. 10, below); those codes are daggered in the Appendix crosswalk.

FIGURE 14: The CSDDD pipeline, and the cohort's coverage of each duty



Number under each duty = codes mapped to it; bar = share of firms adopting them. Overlay reading; Art. 10 strict 56%.

Each node is a CSDDD duty in pipeline sequence; the bar shows the share of firms adopting the practices mapped to that duty, under the overlay reading. Bar and outline colour mark pipeline position: green for the identify-and-assess duties at the front, navy for acting on impacts, gold for the engage-and-monitor duties at the back. Art. 16 (Communication) carries no due-diligence practices (it is the CSRD reporting duty) and is shown without a value. Per-article adoption is the mean adoption of the member codes on the normalized 254 × 166 matrix; the practice-to-article assignment is given in the Appendix (Practice-to-article assignment).

The **shape mirrors the rest of the synthesis on a new axis**: **adoption is high across the front articles** – policy and integration, assessment, prioritization, all between 80 % and 94 % – and **falls away through the operational and effectiveness end**, from prevention (51 %) through bringing impacts to an end (33 %) and stakeholder engagement (48 %) to monitoring (32 %). The CSDDD raises the bar where the cohort is already thinnest.

One feature of the strict reading is worth noting: strict prevention (Art. 10) reads higher than overlay (56.0 % against 51.4 %): the codes the strict reading removes – order-volume terms, delivery times, total cost of ownership – are low-adoption commercial practices, so stripping them lifts the mean. **The stricter the reading, the better prevention looks on paper, precisely because the thin commercial items drop out**.

IX.3 CSDDD Readiness

WHAT THIS MEANS FOR THE CSDDD TRANSITION

The CSDDD modifies the legal frame in one specific way. It makes **effectiveness monitoring itself a procedural obligation**. In the language of the quadrants, the CSDDD raises the bar at which a firm counts as having made the procedural effort – effectiveness measurement moves from the "result" side to the "effort" side. Figure 8a's bottom-right quadrant (9 firms, 4 %) reads directly as "procedure built, measurement absent" under the new line. A wider band of firms sits above the LkSG bar on procedural effort, but below the 60 % CSDDD bar on effectiveness, and these firms together with the bottom-right cell make up the bulk of the "CSDDD-exposed middle" identified in Section IX. Three in four LkSG-compliant firms (78 %) end up CSDDD-exposed under the redrawn line, and for nearly all of them the sticking point is the same: effectiveness monitoring.

Read through the four types, the transition sorts into postures. The **Comprehensive class already operates the way the directive assumes a diligent firm operates** – procedures built and results checked. The **Systems-Oriented class is one build away, and the build is specific: a measurement layer on top of procedures that already exist**. The **Initial class is where the CSDDD-shaped gap lives** – for these firms the directive arrives as two separate builds. Section IX sizes these postures against the directive's own dimensions; the size-band pattern there carries into this reading – readiness rises with size, yet half the ready firms sit in the smallest band, so posture is a matter of what a firm has built, independent of headcount.

The two headline figures answer different questions. The readiness count is an absolute test – whether a firm clears a fixed bar on every dimension. The quadrant share is relative, asking instead whether a firm's effort and its measurement fall on the same side of the cohort's midpoint. A cohort can be internally coherent (most firms consistent) while only a fifth of it clears the absolute bar.

Three cuts of the same cohort sit side by side in this part of the argument, and they need not agree: the 60 % bar in Section IX is a regulatory cut (does a firm clear a fixed threshold), the median quadrant is a comparative cut (where a firm sits relative to its peers), and the four-class typology below is a developmental cut (how far along an absolute maturity path a firm has travelled).

SUBSTANTIVE PREPAREDNESS WITHIN THE PHASE 1 LKSG COHORT

The German cohort directly obligated under the post-Omnibus thresholds sits within this study's sampling frame (Section IX.1).[10, 11]

On most points the two regimes impose the same obligation, and the crosswalk above maps the correspondence. Three substantive features sit where the regimes meet and the directive's architecture is salient – risk-based scope (where the CSDDD broadens the LkSG's tier logic), board-level accountability, and system-wide effectiveness monitoring (Art. 15) – and the table below states each side by side. For each obligated company we score these three dimensions from existing P/E codes; the composites are detailed in the Appendix ("CSDDD readiness composites").

These three do not exhaust the directive. Of the nine CSDDD articles mapped in Section IX, **six carry across from the LkSG with little change, and the cohort's readiness on them is largely settled**; the three above are where the directive's architecture differs from the LkSG's. Readiness therefore turns on these three, and the score that follows is built from exactly them – a deliberate narrowing of the nine-article frontier to its three points of genuine divergence.

10 At the post-Omnibus EU thresholds, the German cohort is approximately 280 corporate groups (SOMO, April 2026), all captured within this study's sampling frame; if the LkSG's existing thresholds are retained – as one reading of the CSDDD's prohibition of regression *(Verschlechterungsverbot)* would require, though that reading is contested (Section IX) – the broader Phase 1 LkSG cohort remains directly obligated.

11 SOMO (April 2026), 'Updated Datahub shows 1,400 corporate groups covered by weakened CSDDD'. The Datahub identifies 2,907 individual companies in 1,447 corporate groups worldwide that meet the post-Omnibus CSDDD thresholds (>5,000 employees and >€1.5 billion turnover). Germany hosts the largest EU cohort at 280 corporate groups. Available at https://www.somo.nl/updated-datahub-shows-1400-corporate-groups-covered-by-weakened-csddd/. The count is an estimate from public revenue and employee data and may shift with the German transposition.

WHERE THE TWO REGIMES MEET: THREE DIMENSIONS

Dimension	LkSG requires		CSDDD (post-Omnibus I)
Risk-based scope 15 codes	§5 LkSG: risk analysis methodology, stakeholder consultation, risk owner assignment	→	+ indirect-supplier visibility + salient-rights *coverage (fully risk-based scope)*
Board accountability 11 codes	§4 LkSG: designated HR officer with management reporting, embedded due-diligence capacity	→	Art. 7: policy integrated into risk management and across company policies; no officer mandate; no directors' duties (different direction)
Effectiveness monitoring 25 E-codes	§6 Abs. 5 LkSG: yearly review of preventive (and §7 Abs. 4 remedial) measures, plus ad hoc when relevant	→	Article 15: across all due-diligence steps; qualitative + quantitative *indicators (five-yearly + ad hoc)*

Both regimes apply at the LkSG–CSDDD overlap. The CSDDD introduces no new domains of obligation; on these three dimensions its architecture differs from the LkSG's — broader on scope, differently anchored on governance, system-wide on monitoring.

Readiness is scored on the table's three dimensions – risk-based scope,[12] board accountability,[13] and effectiveness monitoring[14] – and a firm passes a dimension at 60 % adoption.[15] The two bars test different things: 75 % (used elsewhere in this synthesis) is a cross-domain field-standard for adoption; 60 % is a substantive-compliance bar for an individual CSDDD-relevant dimension.

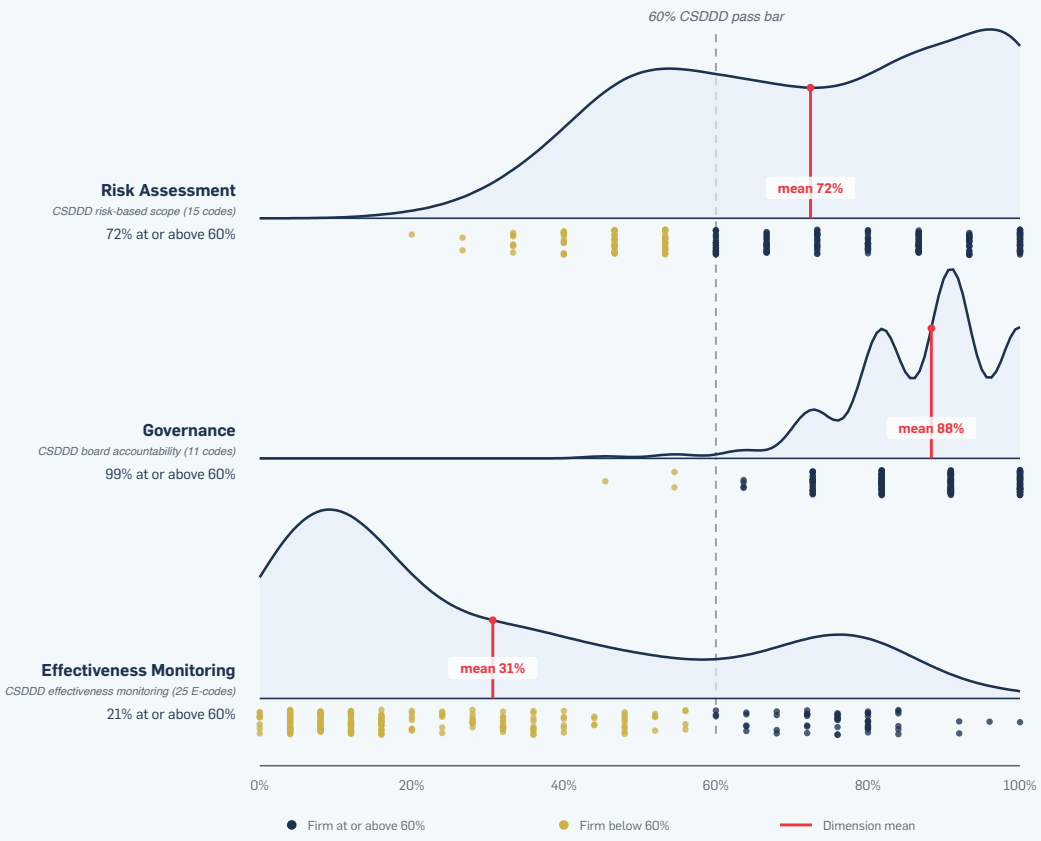
The within-sample readiness analysis below informs CSDDD readiness directly[16] for the firms that will be directly CSDDD-obligated, and additionally describes the broader LkSG Phase 1 cohort whose obligations may evolve depending on how Germany transposes the CSDDD.

To state the implication plainly: **most firms in this sample will not fall under the CSDDD directly**. For the majority below the post-Omnibus thresholds, the directive arrives instead through **buyer requirements cascading from in-scope customers – the readiness findings below should be read in that light**.

At cohort level, 99 % of firms pass board accountability at the 60 % bar, 72 % pass risk-based scope, and 21 % pass effectiveness monitoring.

12 15 codes covering the risk-analysis methodology, including value-chain coverage, salient-risk identification, affected-persons consultation, and indirect-supplier visibility.
13 11 codes covering board-level policy approval, named-officer responsibility, HR-officer reporting and resourcing, cross-functional governance, and external assurance.
14 Unweighted mean across all 25 E-codes; the full listing is in Section V, with all three composite definitions in the Appendix.
15 Robustness across threshold choice. The 60 % bar is a coverage threshold set by this study; the CSDDD itself specifies no numerical threshold. The readiness share is stable across neighbouring cut-points, and effectiveness monitoring is the binding constraint at every one (Research Design & Methods paper, note M7).
16 Whether the German cohort that is operationally obligated will be 280 corporate groups, or substantially more, depends on a contested question of CSDDD transposition into German law. Mittwoch (2024), *Rechtsgutachten zur Vereinbarkeit einer Beibehaltung des LkSG-Anwendungsbereichs mit den Vorgaben der CSDDD* (commissioned by Germanwatch and Oxfam Deutschland), argues that Art. 1 Abs. 2 CSDDD codifies a *Verschlechterungsverbot* and that the *Frustrationsverbot* as an EU-law principle prevents Germany from using CSDDD implementation to lower the existing national protection level – which a narrowing of the LkSG to the post-Omnibus EU thresholds (>5,000 employees, >€1.5 billion turnover) would do. If that interpretation prevails, the LkSG's existing scope (≥1,000 employees from 1 January 2024) is retained alongside the CSDDD's substantive requirements; if the contrary interpretation prevails, only the 280 corporate groups face direct CSDDD obligations from 26 July 2029. The opinion has been challenged; the outcome should be treated as legally contested rather than settled. This synthesis takes no position on the legal question.

FIGURE 15: Firm-level distributions across the three CSDDD readiness dimensions (n = 254)



Each ridge is the distribution of firm-level scores on one CSDDD readiness dimension; navy dots mark firms at or above the 60 % bar, gold dots those below, and the red marker is the dimension mean (n = 254). The three dimensions (a CSDDD-specific recombination of the practice set, distinct from the five LkSG domains of Figure 5) are defined with their code lists in the Appendix (Composite measures).

IX.4 On the readiness bar, one dimension binds

The three distributions sit in very different places against the 60 % bar: **board accountability massed at the top of the range, risk-based scope straddling the bar, and effectiveness monitoring concentrated well below it**. Because readiness here means clearing all three dimensions at once, the effectiveness distribution (where most of the cohort falls short) sets the ceiling.

CSDDD-ready (54 firms, 21.3 %). These firms clear all three CSDDD-relevant dimensions at the 60 % bar – a bar this study sets itself, since the CSDDD specifies no numeric bar. The lift to formal CSDDD compliance is procedural rather than substantive.

Readiness rises with size – 18 % of the 1K–10K band, 22 % of 10K–50K, and 39 % of 50K+ firms clear all three bars – but it is not a large-firm phenomenon: half of the 54 ready firms sit in the smallest band. Read the other way, the result is a caution for the firms most likely to face the CSDDD directly: 61 % of the 50K+ band is not yet ready, and there as everywhere the binding dimension is effectiveness monitoring (39 % pass it, against near-universal board accountability).

CSDDD-exposed middle band (197 firms, 78 %). These firms pass one or two of the three dimensions, almost always falling short on effectiveness monitoring. They have built the LkSG's procedural base; they have not yet built the effectiveness layer that the CSDDD treats as substantive compliance.

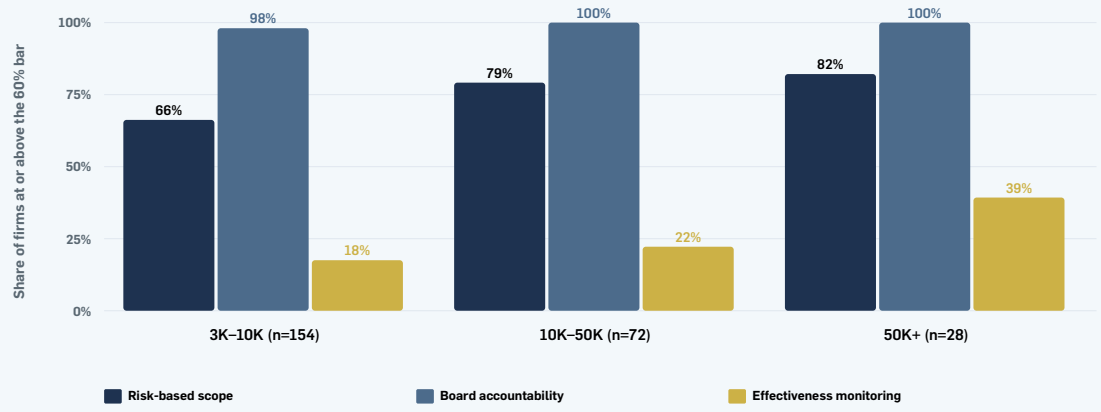
Failing every dimension (3 firms). These firms fall below the 60 % bar on all three; firms in this group are likely also failing aspects of LkSG compliance.

A single firm can locate itself against this bar directly: the three dimensions are risk-based scope, board accountability, and effectiveness monitoring, and the threshold used here is a score of at least 60 % on all three at once. Per-firm scores on each dimension for all 254 companies are set out in the companion Corporate Due Diligence Monitor, where each studied firm has its own scorecard.

IX.5 The pattern holds across firm size

The readiness picture does not change materially with employee count.

FIGURE 16: CSDDD-relevant readiness by size band, dimension by dimension



Risk-based scope and board accountability are widely passed at every size band – risk-based scope at 66–82 % of firms within band, board accountability at 98–100 %. Effectiveness monitoring is the binding constraint at every size band – only about a sixth of firms in the 3K–10K band, a fifth in the 10K–50K band, and roughly two in five in the 50K+ band pass it. The lift to a passing readiness score sits almost entirely in this dimension, regardless of firm size.[17]

17 Per the BMWE Weisung of 26 September 2025 and BAFA's implementing notice of 1 October 2025, BAFA has stopped checking corporate reports under §§12, 13 LkSG entirely; ongoing *Ordnungswidrigkeitenverfahren* on grounds the cabinet's 3 September 2025 draft eliminates are being closed, with no new ones opened. The substantive due-diligence obligations under §§3–10 Abs. 1 LkSG continue to apply. The CSDDD transposition deadline is 26 July 2028.

X. CONCLUSIONS

THE SYNTHESIS ON LKSG IMPLEMENTATION

Taken together, the five domain reports tell a more integrated story about how the LkSG obligation has landed on the obligated cohort.

The preceding sections established the shape of LkSG implementation: **procedures built nearly everywhere, effectiveness measured rarely; five domains behaving as one capacity; sector, not size, setting the level; and a small cohort already operating the way the CSDDD assumes**. The conclusions that follow read that evidence for three audiences.

X.1 Cohort segmentation for CSDDD

21 % of the synthesis cohort (54 of 254 firms) meet the substantive 60 % threshold across all three dimensions and can therefore be considered CSDDD-ready on substance. A further 78 % are primarily exposed to the CSDDD's requirements on effectiveness monitoring. 1 % of the cohort (three firms) fall below the threshold in all three dimensions. For the exposed cohort, the main step towards formal CSDDD compliance is to strengthen effectiveness monitoring. This means building monitoring capacity and infrastructure on top of the procedural foundation already required under the LkSG. Which firms in the sample will be directly subject to the CSDDD from 26 July 2029 depends on how Germany transposes the directive.[10]

X.2 For obligated firms

The synthesis identifies four operational priorities for Phase 1 LkSG-obligated firms.

1. **Prevention and remediation are the main areas for further development. Prevention is the clearest priority, while remediation requires the capacity to respond when the conditions for a remedy under §7 are met. In both areas, effectiveness is the decisive criterion.** Performance under Article 10 and Articles 11–12 is considerably weaker than in the earlier stages of the due diligence process. The least developed practices in the study concern remedy for affected persons and remediation beyond tier 1. Procedures that do not include an effectiveness dimension record activity, but do not demonstrate whether harm has been prevented or remedied. See Sections III and VI.
2. **Extend due diligence beyond tier 1.** Detection and remediation decline sharply beyond direct suppliers. Only 47 % of value-chain risks are covered, 48 % of firms report visibility into indirect suppliers, and remediation reaches indirect suppliers in just 18 % of cases. Under the LkSG, duties relating to indirect suppliers arise when specific triggers are present under §9. The CSDDD follows a risk-based approach that is not limited to a fixed tier. In practice, however, due diligence in the assessed cohort largely stops at tier 1. See Section IX.
3. **Close all four feedback loops, including the least developed ones.** Of the four loops described in Section VIII, the complaints loop is the most developed and therefore closest to being closed. The recurrence loop – whether the remedy has been effective over time – and the contribution loop – whether the firm's own purchasing practices contributed to the harm – are the least developed. They are also the most important for determining whether harm has actually stopped. Closing these loops distinguishes a system that merely documents activities from one that uses its findings to learn and improve. See Section VIII.
4. **Pool leverage across the value chain and among peers.** Collaboration with suppliers and joint remediation can extend due diligence to deeper tiers of the value chain. Collaboration among companies can also support this aim where it is structured on a pre-competitive basis and complies with applicable competition law.In this cohort, coordinated action is associated with reach beyond tier 1: the firms that engage with deeper tiers do so through pooled efforts rather than through the actions of a single buyer alone. See Section VII.

X.3 Implications for implementation and learning

The synthesis identifies four findings relevant to programme implementation, effectiveness monitoring, and capacity-building priorities.

5. **Procedure does not discriminate; effectiveness monitoring does.** Near-universal, coherent procedural practice makes strong and weak programmes difficult to distinguish. Whether a firm closes its feedback loops can help differentiate an operational programme from a documentary one. It is also a high-value signal for prioritising follow-up across the assessed population, read alongside disclosure volume, since the indicators are coded from the information firms report. See Section VIII.
6. **The substantive lift covers two gaps at once: effectiveness monitoring, and reach below tier 1.** Most firms meet expectations on procedure and board accountability. The main gaps concern measuring outcomes and extending detection and remediation further down the value chain, where value-chain coverage and indirect-supplier reach are close to 50 %. See Section IX.
7. **Sector-specific programmes can support a broad and targeted response, calibrated to organisational size and context.** Sector explains considerably more variation in HREDD performance than size band (28.3 % compared with 4.5 %), and exposure is concentrated by sector. Sector-specific capacity-building can therefore address common challenges across multiple firms. The seven sectors with the lowest effectiveness account for 81 firms (32 % of the cohort) and warrant particular attention in preparations for effectiveness monitoring under the CSDDD. See Section IV.
8. **The applicable scope does not alter the two binding constraints identified here.** Whether the analysis is applied to the broader Phase 1 LkSG cohort or to corporate groups meeting the post-Omnibus EU thresholds, the main gaps remain effectiveness monitoring and value-chain reach. See Section X.

APPENDIX

METHODS, MEASURES, AND DEFINITIONS

A. Data and coding

Sample definition, the binary coding scheme, terminology, and the full statistical apparatus (method notes M1–M6, ridge and correlation specifications, composite construction) are documented in the series' Research Design & Methods paper. This appendix retains the reference material the synthesis analysis reads against directly.

TABLE 1: Practice codes by primary domain

Domain	P-codes	N (P)	E-codes	N (E)
Governance	P001–P023	23	E001, E015, E021–E025	7
Risk Analysis	P024–P053	30	E003, E005, E016, E020	4
Prevention	P054–P092 (excl. P066), P095, P097, P098, P100, P101, P102	44	E002, E006, E007, E018, E019	5
Remediation	P093, P096, P099, P103–P123, P132	25	E004, E013, E014, E017	4
Grievance	P066, P094, P124–P141 (excl. P132)	19	E008–E012	5
Total	**141 P-codes**	**141**	**25 E-codes**	**25**

SCORE CONSTRUCTION

For each firm *i* and domain *d*, the practice score Pid is the unweighted mean of the binary indicators for that domain's practices, expressed as a percentage. The effectiveness score Eid is the analogous unweighted mean across that domain's effectiveness indicators. Overall_P and Overall_E are the unweighted means across all 141 P-codes and all 25 E-codes respectively. Overall is the unweighted mean across all 166 codes. All scores are reported as percentages; the score-construction code is documented in the series' Research Design & Methods paper.

Signal practices in Section VI are identified by the leave-one-out Pearson r between practice adoption and the firm's aggregate score with the practice itself removed from the aggregate. The leave-one-out construction prevents trivial self-correlation. Since Overall_P pools all 141 practices with equal weight, domains with more codes (Prevention, 44; Risk Analysis, 30) contribute proportionally more to the aggregate than domains with fewer codes (Grievance, 19; Governance, 23); a practice's leave-one-out r therefore inherits this weighting. As a robustness check, the same analysis with Overall_P computed as the unweighted mean of domain means produces the identical top-10 signal practices (Section VI, Figure 9) in the same order, and the same 15 practices in the top-15 with two adjacent positions (#14 and #15) swapping; the substantive findings do not depend on the aggregate construction.

The 75 % threshold used throughout this synthesis is the conventional field-standard cut: a practice or domain at or above 75 % adoption counts as field-standard across the sample. The 70 %/40 % thresholds used in the maturity typology (Section V) replicate the cuts established in the LkSG retrospective analysis. The 60 % threshold for CSDDD readiness (Section IX) reflects the substantive bar at which dimension-level coverage is sufficient to argue formal compliance with the directive's expectations.

DENOMINATOR ARCHITECTURE

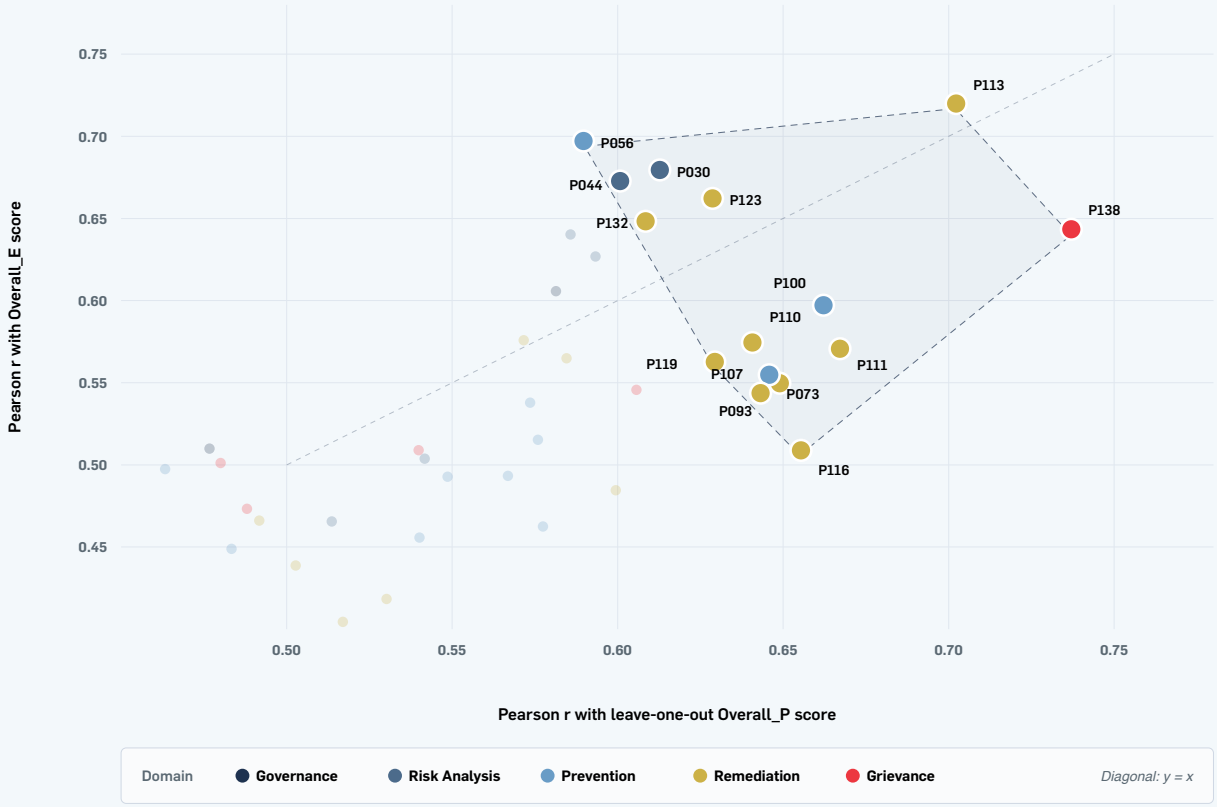
The five LkSG domain obligations have different activation logic, which translates into different choices of denominator when reporting practice adoption rates. Three of the five – §4 governance, §5 risk analysis, and §8 grievance – apply across the obligated cohort: every firm in the sample is expected to maintain a policy, a risk-analysis methodology, and a complaint channel, regardless of whether violations have surfaced. §6 prevention is also forward-looking and largely unconditional, in that firms with identified risks are expected to operate prevention whether or not a violation has materialized. §7 remediation is the exception: it applies only once a violation has been detected, so the cohort of firms with a binding §7 obligation in any given reporting cycle is a subset of the obligated 254.

The synthesis reports figures and aggregate scores against the 254-firm population denominator unless otherwise stated. For back-of-pipeline practices – where the analytically appropriate denominator is the smaller cohort of firms whose §7 obligation has become operationally live – conditional rates are reported alongside the population view. The definition follows the Remediation domain report: n = 99 firms with disclosure evidence of remediation activity at any tier (P120 OR P105 OR P121 OR P109 OR P122 = 1), with sub-cohorts of n = 57 own-business, n = 68 direct-supplier, and n = 45 indirect-supplier. Population-level numbers are best read as measures of *built capacity* across the cohort; conditional rates measure *exercised capacity* within the firms whose remediation obligation has been triggered. Figure 5 in the body presents both views in parallel; Figure 2 flags the conditional Remediation rate alongside the population mean.

SECTOR AGGREGATION

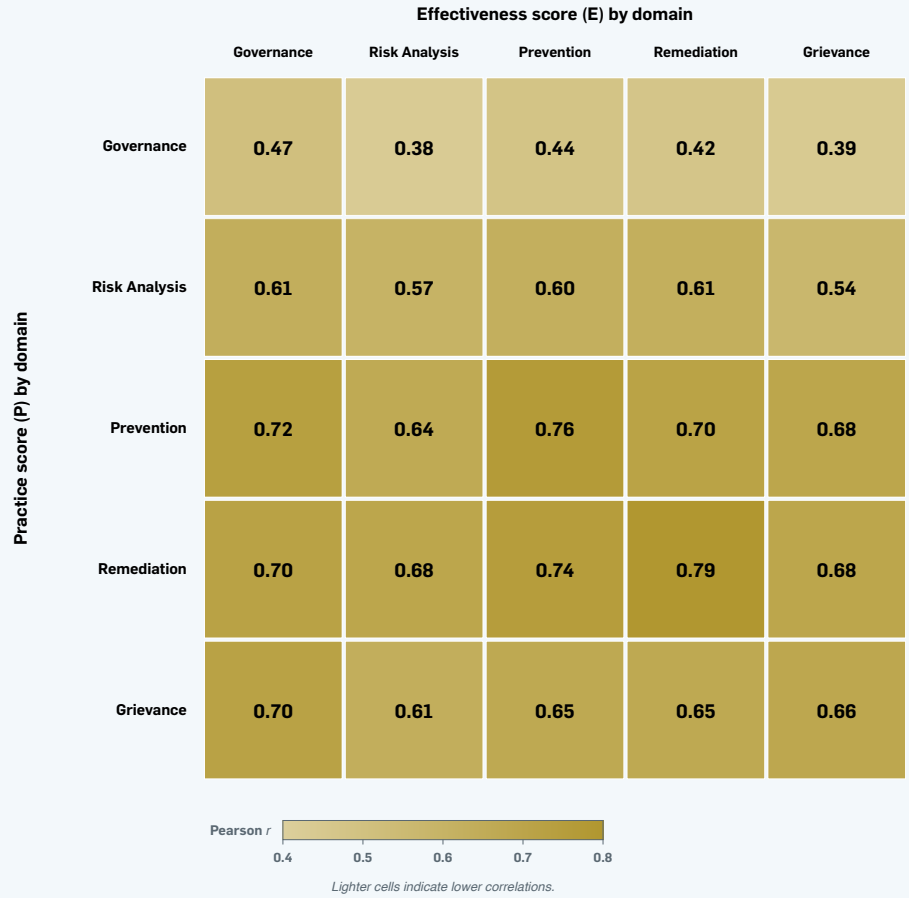
The dataset carries the full 25-sector raw classification; all figures present the 16-group aggregation for legibility (six industrial sub-sectors as “Industrial Goods”; Chemicals with Pharmaceuticals & Biotechnology as “Chemicals & Pharma”; Software with Technology Hardware; Social Services with Research & Education and Diversified as “Other Services”). The finer classification is retained because aggregation masks within-group heterogeneity – inside Industrial Goods, Industrial Transportation (composite 76.7 %) and Industrial Support Services (57.7 %) sit at opposite ends of the maturity range – and the Corporate Due Diligence Monitor resolves to the firm level where the group view is too coarse.

FIGURE A1: Two-dimensional signal strength



Each dot is a practice with mid-range adoption (between 20 % and 75 %). The horizontal axis is the practice's signal strength for procedural depth (correlation with leave-one-out Overall_P); the vertical axis is its signal strength for substantive evidence (correlation with Overall_E). Labelled solid circles are the top-15 practices by combined signal strength (correlation with leave-one-out overall HREDD score); the dashed boundary marks the convex hull of this set. Faint dots are the remaining mid-range practices below this threshold, shown to convey the broader distribution. Practices in the upper-right carry strong signal on both dimensions; practices below the diagonal carry stronger procedural than evidentiary signal; practices above the diagonal carry stronger evidentiary than procedural signal.

FIGURE A2: Correlations between front-of-pipeline practice scores and back-of-pipeline effectiveness

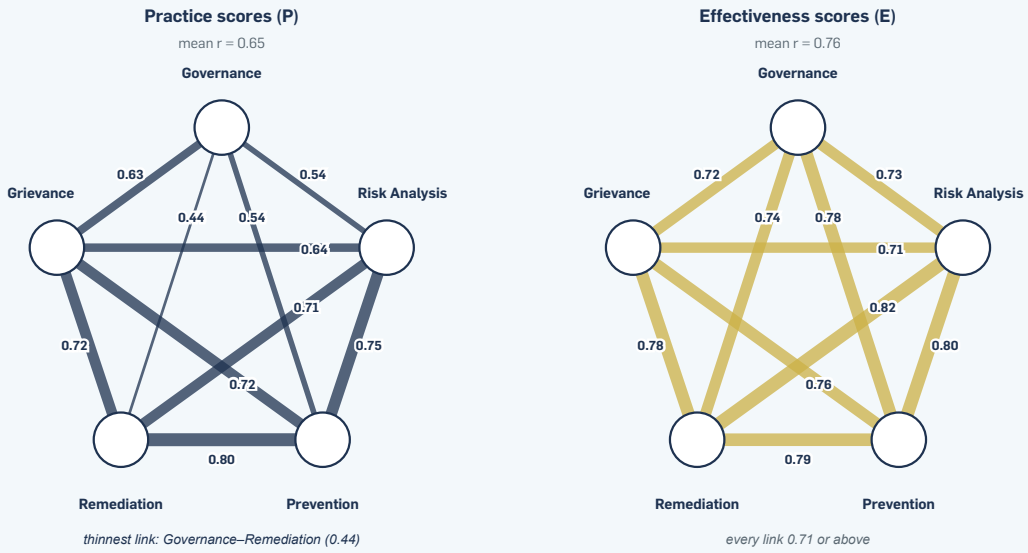


Pearson r between domain practice scores (rows) and domain effectiveness scores (columns) at the company level. Unlike Figure 4 (which is a domain-vs-domain matrix), Figure A2 crosses two distinct measures (P scores and E scores) so diagonal cells are not self-correlations: they are within-domain practice-to-effectiveness correlations (e.g. the Governance row, Governance column shows the correlation between Governance_P and Governance_E across firms).

Top-15 signal threshold (Figure A1). The 15 highest-leverage practices are selected by leave-one-out Pearson r against the firm's overall HREDD score. Because Overall_P and Overall_E are themselves correlated (~0.6 across firms), the cutoff in the (r-with-P, r-with-E) plane is not a single line; it is a region whose boundary is the convex hull of the 15 points. The dashed boundary in Figure A1 marks this convex hull. No mid-range practice outside the top-15 falls inside the hull.

INTER-DOMAIN CORRELATIONS (SECTION II)

FIGURE A3: Inter-domain correlations



Thicker line = the two domain scores move more closely together across the 254 firms; same layout in both panels

Each line's thickness shows how closely two domains' scores move together across the 254 firms (the Pearson correlation between the two domain scores). Diagonal cells show self-correlation (1.0, omitted). Each line connects two domains; its thickness is the correlation between their scores, drawn to the same layout in both panels.

TWO SIGNAL DIMENSIONS (SECTION VI)

Overall HREDD maturity has two components, and a signal analysis built only on the procedural side captures only one of them. **Procedural depth** is the breadth of practices a firm has adopted – the policy, the risk-analysis methodology, the contractual assurances, the complaint procedure, the supplier engagement program. **Substantive evidence** is whether the firm produces evidence that those practices change behaviour or surface violations – effectiveness measurement, follow-up audits, complaint trend analysis, remediation success metrics. The two dimensions are correlated but distinguishable, and a strong signal practice for one is not automatically a strong signal practice for the other.

Ranking practices on each signal dimension separately produces two top-10 lists with only two practices in common – and the split is structured: practices topping the procedural list cluster in Remediation and Prevention (operational), while those topping the evidentiary list cluster in Risk Analysis and Governance (front-of-pipeline).

The two rankings tell distinct stories, and the split itself is the finding. The procedural-depth list is dominated by operational practices – Remediation, Grievance, and Prevention, led by P138 (Complaint Data Analysis) and P113 (Systemic Issue Identification). The substantive-evidence list is dominated by front-of-pipeline depth – value-chain risk analysis (P030), affected-person input (P044), and contractual assurances (P056).

The practical reading is diagnostic: firms whose adoptions cluster on the procedural list alone show a wide architecture that generates little evidence; firms clustering on the evidence list alone show strong front-of-pipeline signal generation with limited operational scaffolding. Comprehensive HREDD shows both.

B. CSDDD reference

MAPPING LKSG AND CSDDD OBLIGATIONS

The synthesis is an empirical study of LkSG-disclosed practices rather than a legal one; the table below is a compact reference situating the findings against the statutory architecture, covering the five dimensions on which the regimes materially differ (▲ CSDDD raises the bar; ⇄ different direction) and omitting the parallel ones. The differing size thresholds leave the analytical scope unaffected: the German cohort directly obligated under the post-Omnibus thresholds sits within this study's sampling frame (Section IX.1). Where Omnibus I altered the original text, the post-Omnibus position is given. Sources: LkSG (Lieferkettensorgfaltspflichtengesetz), BGBl. 2021 I S. 2959, as amended; Directive (EU) 2024/1760 of 13 June 2024, as amended by the Omnibus I package adopted 17 December 2025. The table is reference-grade rather than authoritative; contested points are flagged inline.

TABLE A1: Comparison LkSG, CSDDD provisions

Dimension	LkSG provision	CSDDD provision (post-Omnibus I)	Substantive difference
⇄ Policy and governance	§6 Abs. 2: human-rights policy statement required, with management approval. §4 Abs. 3: designated HR officer with management-level reporting line and embedded due-diligence capacity.	Art. 5: overarching risk-based due-diligence duty. Art. 7: due-diligence policy integrated into risk management and across relevant company policies – the company's approach, a code of conduct, and the implementing processes. No officer mandate. The draft's director-duty articles (Arts. 25–26 of the 2022 proposal) were deleted in trilogue; in the adopted text those numbers designate supervisory powers and substantiated concerns.	Different direction. The CSDDD asks for a broader policy architecture than §6 Abs. 2 (code of conduct, integration across policies); the LkSG is stricter on institutional anchoring, mandating a designated officer where the directive requires the function but not the office. Neither regime imposes directors' duties.
▲ Risk analysis	§5: yearly risk analysis; ad hoc when warranted (substantiated knowledge of risks). Direct suppliers covered; indirect suppliers only on substantiated knowledge (§9).	Art. 8: regular and ad hoc risk identification across own operations, subsidiaries, and chain of activities. No tier-based limitation; risk-based prioritization expected.	CSDDD expands beyond LkSG's substantiated-knowledge trigger to a default risk-based scope including indirect suppliers and salient-rights coverage, but the "chain of activities" concept does not cover the full value chain – downstream use of products is largely excluded.
▲ Effectiveness monitoring	§6 Abs. 5: yearly review of effectiveness of preventive measures; ad hoc when relevant. §7 Abs. 4: parallel review for remedial measures. No specified indicator types.	Art. 15: periodic assessments (at least every five years, and ad hoc on significant change or new risks) across all due-diligence steps; qualitative and quantitative indicators required.	CSDDD broadens scope to all due-diligence steps and specifies indicator types. Post-Omnibus, the CSDDD cadence is the less frequent of the two (five-yearly vs the LkSG's annual review), offset by ad-hoc triggers.

Section references are to the LkSG as currently in force; article references are to Directive (EU) 2024/1760 as amended by Omnibus I (December 2025). Member-State transposition deadlines for the CSDDD run to 26 July 2028 (national law) and 26 July 2029 (application). The table covers areas where both regimes operate in parallel; the CSDDD's original climate-transition-planning obligation (Art. 22), for which the LkSG had no counterpart, was deleted by Directive (EU) 2026/470 (OJ, 26 February 2026).

PRACTICE-TO-ARTICLE ASSIGNMENT

Each of the 166 codes is assigned to exactly one CSDDD article under the overlay reading used in Section IX. The full code-by-article listing is in the series' Research Design & Methods paper; the article-level coverage it produces is shown in Section IX.

C. Scope and reproducibility

LIMITATIONS

Two caveats bear directly on how the findings in this synthesis should be read. All associations reported here are cross-sectional. They identify the empirical signature of mature HREDD; the causal pathway by which it is built lies beyond a cross-sectional design, so a firm that adopts a signal practice will not on that account alone show the corresponding rise in overall maturity. And the frame is the set of firms that filed LkSG reports for the 2023/2024 cycle, with non-filers likely to be lower-maturity on average. That bears asymmetrically on the two kinds of claim made here: the within-firm structural findings – the inter-domain coherence, the asymmetry, the loop-closure pattern, the typology shape – describe relationships between codes inside firms and are robust to who is in the sample, whereas the population-frequency claims (for example, that 21 % of obligated firms are CSDDD-ready) are more sensitive and may overstate population-level readiness.

The remaining limitations are properties of the study design rather than of this synthesis, and are documented in full in the series' Research Design & Methods paper. The binary coding records whether a practice appears in disclosure – depth of implementation is a separate measurement question. Back-of-pipeline practices with a §7 violation trigger may code as absent where capacity is built but unexercised, which the synthesis handles by reporting conditional rates against the active-remediator subset (n = 99) alongside population rates. And the analysis does not control for disclosure volume, so part of the cross-domain coherence may reflect reporting thoroughness rather than separable capacity. For the sampling frame, coding protocol, inter-rater reliability, and denominator conventions, see Research Design & Methods (UN Global Compact Netzwerk Deutschland, 2026).

REPRODUCIBILITY

The 254 × 166 binary matrix, the domain attribution map, the score-construction code, and all statistical analyses reported in this synthesis are documented in the series' Research Design and Methods paper (2nd ed., 2026; method notes M1–M7). All numerical results in this paper are computed directly from the canonical matrix using the report-aligned domain attribution, with no estimation, recall, or extrapolation.

IMPRINT

The UN Global Compact and UN Global Compact Network Germany
The United Nations Global Compact is the world's largest initiative for sustainable and responsible corporate governance. Based on ten universal principles and the 17 Sustainable Development Goals (SDGs), it pursues the vision of an inclusive and sustainable global economy for the benefit of all people. More than 24,500 companies and organizations have already joined the UN Global Compact country networks and contribute to this global vision. The UN Global Compact Network Germany is one of about 65 UN Global Compact country networks and among the largest of them. It currently has more than 1,200 participants – approximately 1,150 companies, ranging from DAX-listed corporations to mid-sized and small enterprises (SMEs), as well as 60 representatives from civil society, academia, and politics.

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Sample
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Frameworks
§§4–9 LkSG · UNGPs (GPs 11–31) · CSDDD (Omnibus I, 2026)

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