HREDD Performance in German Business

GOVERNANCE

An empirical study of §§4–6 LkSG governance obligations and Guiding Principle 16 across 254 German companies

FRAMEWORK	SAMPLE	CODED
§§4–6 LkSG	254 companies · 16 sectors	23 practices
UNGP GP 16	2023/2024 reporting year	7 effectiveness indicators

UN GLOBAL COMPACT
Global Compact
Network Germany

DOMAIN REPORT 01 /5

CONTENTS

EXECUTIVE SUMMARY

Germany's Supply Chain Due Diligence Act (LkSG, in force January 2023) requires companies to **establish, operationalise, and document human rights due diligence systems.** This report assesses the first reporting cycle for 254 LkSG-obligated companies, examining **23 governance practices (P001–P023) and seven effectiveness indicators** drawn from companies' public §10 disclosures. The findings reveal a corporate landscape in which **compliance infrastructure has been built broadly across sectors and size bands — but where the gap between documented systems and demonstrated outcomes remains wide.**

Key Findings

- **Governance structures are near-universal.** 98.8% of companies publish a human rights policy statement, human rights officers are appointed at 100.0%, and training is provided at 99.2%. Risk management foundations (§4) show minimal variation across sectors and company sizes — building compliance infrastructure is accessible even to companies at the lower end of the LkSG size range.

- **Only 29.5% of companies reach the Comprehensive tier.** Combining practice adoption (≥70% of the 141 P-series practices) and effectiveness measurement (≥40% of the 25 E-series indicators), seven in ten companies fall short on at least one dimension: the scaffolding is widespread, the substantive depth is not.

- **Board authorisation lags policy publication by 36.2 percentage points.** Only 62.6% of companies document board or management approval of their policy statement. Where approval is absent, policy ownership sits in sustainability or compliance functions without authority over the procurement and supplier decisions the policy is designed to govern.

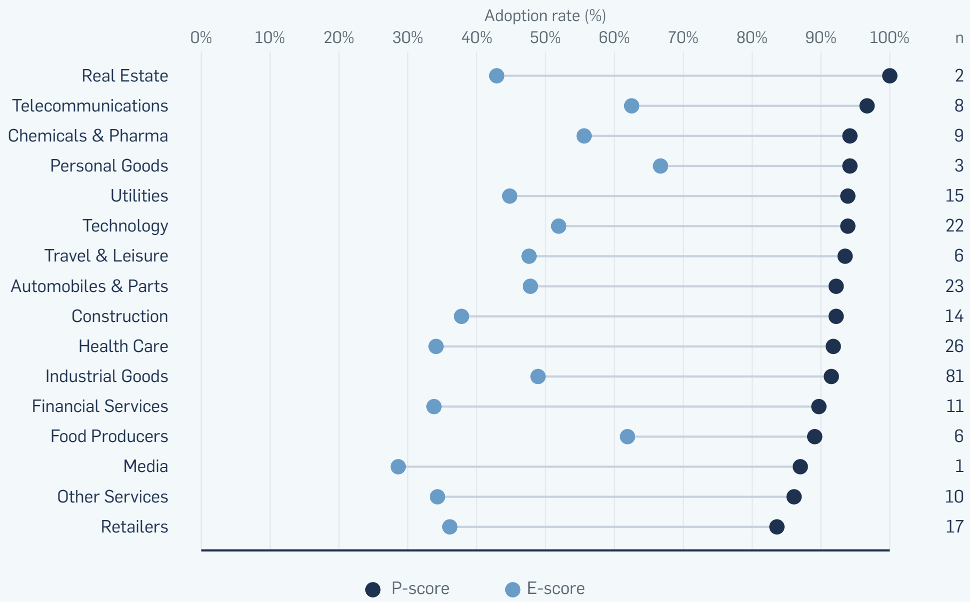
- **Normative grounding is weak.** Only 49.2% of policy statements reference international human rights frameworks (UDHR, ILO conventions, UNGPs). Without this grounding, a company's rights commitment is self-defined — it describes what the company chooses to address, not what international human rights law requires.

- **Effectiveness measurement is structurally lagging.** System review is near-universal (E021: 96.5%), but controls testing drops to 68.1%, continuous improvement tracking to 63.4%, external assurance to 34.3%, policy uptake measurement to 31.5%, industry benchmarking to 23.6%, and training behaviour change measurement to 2.0%. The pattern is of systems optimised to record that processes exist rather than to evidence that they produce outcomes.

SECTOR AND SIZE OBSERVATIONS

Figure 1 maps **governance performance across the sixteen aggregated sectors.** Each sector is shown as two connected dots: the dark dot marks its mean P-score across the 23 governance practices (P001-P023); the light-blue dot marks its mean E-score across the seven governance effectiveness indicators. The horizontal distance between the two dots is the P/E gap for that sector – a structural feature reproduced across every sector in the sample. P-scores cluster between 81 % and 100 %; E-scores span 29 % to 67 %. Three patterns emerge:

FIGURE 1: Sector Performance – Governance P-score vs E-score



Each row represents one sector. Horizontal position shows adoption rate (%); blue dot = mean P-score (across 23 governance practices P001–P023); light-blue dot = mean E-score (across the seven governance effectiveness indicators (E001, E015, E021–E025)). P-score range across sectors: 84–100%; E-score range: 29–67%. Source: LkSG disclosure analysis, n=254 companies. Sectors shown using the 16-sector aggregation (see appendix for mapping from 25 raw industries). n = number of companies per sector.

Highest adoption: *Telecommunications (97%), Chemicals & Pharma (94%), Personal Goods (94%), and Utilities (94%) — sectors with the longest-established exposure to stakeholder pressure and regulation on human rights.*

Lowest adoption: *Retailers (84%) and Other Services (86%) — the weakness sits in normative grounding and effectiveness tracking, not in the compliance infrastructure itself.*

Size effect: *Companies in the 3,000–10,000 employee band — large by any absolute measure but at the lower end of the LkSG size range — reach 96.8% average on risk management structures. The gap appears in normative sophistication (P011 references to international principles: 45.5% vs 64.3% for 50,000+) and dedicated resources (P017 adequate HR Officer resources: 91.6% vs 96.4%).*

CRITICAL GAPS

Practices adopted by fewer than 75% of the sample — the level below which a practice cannot be considered field-standard across the sample — are treated as critical gaps in the analysis that follows.

Ninety-five companies (95/254) lack documented board or management approval of their policy statement despite near-universal publication (P001 vs P012: 36.2-point gap). Over half of policy statements reference **no international standards framework,** leaving commitments self-defined rather than normatively anchored (P011: 49.2%). Training is provided by 99.2% of companies but its **effect on employee behaviour is almost never measured** (E001: 2.0%). While 96.5% conduct some form of system review, only 68.1% test whether their controls are actually operating as intended (E021/E022: 28.4-point gap). **Policy publication is near-universal, yet fewer than one in three companies verify that staff have received or understood** it (E015: 31.5%).

IMPLICATIONS FOR RIGHTS-HOLDERS

Governance gaps reach rights-holders through the choices these systems fail to constrain. A policy that is not approved at board level cannot direct procurement. A policy that is not grounded in international standards offers workers and communities no external benchmark against which to hold the company. And where effectiveness is not tracked, a system has no mechanism to notice that it is not working. The full implications are developed in section VI.

I. NORMATIVE FRAMEWORK

This section sets out the normative framework against which the report's 23 governance practices and seven effectiveness indicators are coded: **§§4–6 LkSG, the UN Guiding Principle 16 commentary, and the Bemühungspflicht**[1] **standard** that links the two.

A. UNGP Framework

This report assesses company performance against the UN Guiding Principles on Business and Human Rights (UNGPs, 2011) — specifically the **corporate responsibility to respect human rights under the second pillar.** The practices and indicators in this domain correspond to:

GP 16 — Policy commitment: approved at the most senior level, publicly communicated, and informing relevant internal functions and business relationships.

GP 17–18 — Human rights due diligence: identifying and assessing actual and potential adverse impacts, and integrating findings into company functions with appropriate action.

GP 19–21 — Action and tracking: taking steps to prevent and mitigate impacts, tracking effectiveness of responses, and communicating how impacts are addressed.

GP 20 — Effectiveness monitoring: the normative basis for this report's E-series effectiveness indicators.

1 The LkSG imposes a *Bemühungspflicht* (obligation to make an effort) rather than an Erfolgspflicht (obligation of result), qualified by the proportionality principle of §3 Abs. 2 LkSG. For a full treatment see the HREDD Research Design & Methods paper, section 2.2.

B. LkSG Statutory Obligations

The Lieferkettensorgfaltspflichtengesetz (LkSG), in force since 1 January 2023 for companies with ≥3,000 employees, operationalises the UNGP framework in German law. Two statutory provisions are central to this report:

§4 Risikomanagement (Risk Management): Companies must establish appropriate and effective risk management (*angemessenes und wirksames Risikomanagement*) with clear responsibilities, adequate resources, and reporting lines to senior management.

§6 Abs. 2 Grundsatzerklärung (Policy Statement): The policy statement must be adopted at management level, regularly reviewed, and communicated to employees and business partners, addressing human rights and environmental strategy and supplier expectations.

Sections II and III assess company performance against these provisions across 23 practices. Section IV turns to the seven effectiveness indicators that test whether those practices deliver outcomes that can be evidenced.

C. EU Corporate Sustainability Due Diligence Directive (CSDDD)

The Corporate Sustainability Due Diligence Directive (CSDDD), which entered into force in 2024 and was substantially amended by the Omnibus I package (2026), establishes mandatory human rights and environmental due diligence obligations across the European Union. As amended, the CSDDD applies to companies with more than 5,000 employees and over €1.5 billion in net turnover, with a single implementation deadline of 26 July 2029.[2]

For governance specifically, the **CSDDD departs from the LkSG in three material respects:**

1. **Board-level accountability:** the CSDDD explicitly requires director-level oversight of due diligence, including integration into corporate strategy and variable remuneration. The LkSG's §4 requires appropriate internal responsibility and senior-management reporting, but stops short of the CSDDD's director accountability provisions.
2. **Policy content:** the CSDDD requires the due diligence policy to be grounded in international human rights instruments and regularly updated in response to changing risks — a higher bar than the LkSG's §6 Abs. 2 requirements on policy content.
3. **Effectiveness monitoring:** the CSDDD places ongoing evaluation of due diligence adequacy at the centre of compliance, making the effectiveness indicators examined in section IV a regulatory requirement rather than a leading practice.

The gaps this report identifies — normative grounding, board-level approval, and effectiveness tracking — are therefore not only LkSG compliance questions but the **specific dimensions on which the CSDDD will demand more.**

2 The CSDDD as originally adopted (2024) envisaged a phased implementation and broader scope. The Omnibus I package (European Commission, February 2026) narrowed the scope, removed the phased rollout, and modified civil liability provisions. The regulatory framework remains subject to finalisation by Member States. References to CSDDD in this report reflect the post-Omnibus I position as of April 2026.

II. PRACTICE LANDSCAPE: HUMAN RIGHTS POLICY

A human rights policy statement is the **public-facing expression of a company's commitment to respect human rights.** Under the LkSG (Grundsatzerklärung, §6 Abs. 2), the **policy must be approved at management level, communicated to employees and business partners, and regularly updated.** The following 13 practices (P001–P013) examine whether and how companies establish, communicate, and substantiate that commitment. Practices assessed here **capture policy-level commitments;** their operational implementation is examined in the respective domain reports.

PRACTICE **P001**

Policy Statement Exists

ADOPTION RATE
98.8% (251/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

Company has adopted a formal human rights policy statement as required by the LkSG, setting out its commitment to respect human rights and the environment across its operations and value chain.

WHY THIS MATTERS

A policy statement is the reference point against which every subsequent due diligence practice — risk assessment, grievance handling, supplier engagement — can be evaluated. Without a declared commitment, the system has no anchor.

GOOD PRACTICE EXAMPLE

Compass Group Deutschland GmbH integrates its policy statement across multiple governance instruments — linking it to its Code of Conduct, supplier expectations, and training programme — rather than maintaining it as a standalone compliance document. This integration treats the policy as an operational anchor rather than a declaration.

"Compass Group Deutschland has established a comprehensive policy statement that goes beyond a mere formal declaration by actively integrating it into its governance structures."

PRACTICE **P002**

Policy Publicly Available

ADOPTION RATE
98.4% (250/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

The human rights policy statement is accessible to the public — typically published on the company's corporate website and available without registration or request.

WHY THIS MATTERS

Publication shifts the policy from a management document to a public undertaking — referenceable by civil society, assessable by investors, and accessible to workers in supplier facilities.

GOOD PRACTICE EXAMPLE

Drees & Sommer SE makes its human rights policy statement highly accessible — published in both German and English on its corporate website. The company goes further by embedding a direct QR-code link to the policy statement within its annual Sustainability Report, bridging its offline and digital communications so that anyone reading the printed report can reach the policy directly.

"The policy statement was additionally made publicly available in German and English in the Group Sustainability Report (published July 2024) via a QR code link."

PRACTICE **P003**

Policy Communicated to Employees

ADOPTION RATE
98.0% (249/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

Company communicates the human rights policy statement to its own workforce — going beyond publication to reach employees through internal channels such as intranets, training, team briefings, or email.

WHY THIS MATTERS

Internal communication converts the policy from a public declaration into individual conduct. Without deliberate outreach the policy governs no one's day-to-day decisions.

GOOD PRACTICE EXAMPLE

LEONHARD KURZ Stiftung & Co. KG goes beyond passive communication by requiring active, dated acknowledgement from every employee — not merely making the policy available but mandating that each person confirm receipt in writing. This is supplemented by structured training for all relevant business areas, converting a communication act into a verifiable, documented accountability process.

"The strategy and code of conduct are published on the intranet. Employees must confirm acknowledgement in writing with a date."

PRACTICE **P004**

Policy Shared with Works Council

ADOPTION RATE
94.9% (241/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

Company formally shares the human rights policy statement with employee representative bodies — the Works Council (Betriebsrat) or equivalent — as part of the policy communication process.

WHY THIS MATTERS

Works Councils have formal consultation rights and direct visibility into working conditions that management-level assessments miss. heir engagement converts a top-down governance document into one that can be tested against operational reality.

GOOD PRACTICE EXAMPLE

adidas AG goes beyond routine information-sharing by involving employee representatives in evaluating its human rights strategy before publication. The Works Council was given the document for review — not notified of a decision already made — treating worker representatives as participants in governance rather than recipients of it.

"The policy was also submitted to internal stakeholders, including the Works Council."

PRACTICE **P005**

Policy Communicated to Business Partners

ADOPTION RATE
98.0% (249/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

Company communicates its human rights policy to direct suppliers and business partners — extending the policy's scope beyond the company's own operations into its supply chain relationships.

WHY THIS MATTERS

A supplier cannot be held to a standard it was never told about. Communication to suppliers establishes the shared reference point that subsequent audits, corrective action, and accountability rest on.

GOOD PRACTICE EXAMPLE

Vonovia SE goes beyond treating supplier communication as a unilateral disclosure by engaging prioritised business partners in two-way dialogue — proactively informing them of its human rights strategy and grievance mechanisms and seeking to understand how they themselves approach due diligence and what risks they see in their own supply chains.

"We proactively informed our business partners about our human rights strategy, referencing our policy statement and available grievance mechanisms. We actively seek dialogue with our prioritised business partners to understand how they fulfil their human rights due diligence obligations and what risks they see in their supply chains."

PRACTICE **P006**

Policy Regularly Updated

ADOPTION RATE
61.0% (155/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

Company commits to regular review and updating of its human rights policy statement — typically annually or event-driven — to reflect changes in the risk landscape, business context, or regulatory requirements.

WHY THIS MATTERS

A policy drafted once and never revisited is a snapshot of conditions that no longer apply. More than one-third of companies have published without committing to keep the document current. Disclosure caveat: companies that update in practice without saying so are coded as non-adopters.

GOOD PRACTICE EXAMPLE

TenneT TSO GmbH treats its policy statement as a living document that evolves alongside the maturity of its due diligence processes. Rather than updating for administrative reasons alone, the company revises it to reflect new substantive insights — including deeper analysis of its salient human rights and specific risk management approaches such as supplier audits — and commits explicitly to regular updates as learning accrues.

"We have included more information about our Salient Rights and our approach to risk management (e.g. supplier audits). We intend to update our policy statement regularly in order to implement our latest findings and insights on this topic."

PRACTICE **P007**

Policy Addresses Preventive Measures

ADOPTION RATE
97.2% (247/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

The policy statement explicitly addresses preventive measures — setting out how the company intends to prevent human rights and environmental violations across its own operations and supply chain.

WHY THIS MATTERS

Preventive measure commitments transform the policy from a declaration into an operational framework — they answer what the company will actually do.

GOOD PRACTICE EXAMPLE

Bundesdruckerei Gruppe GmbH anchors preventive measures in its policy statement by formally linking it to two binding downstream documents: a Code of Conduct for employees and a Code of Conduct for Business Partners. This moves beyond listing preventive commitments in isolation — the policy statement becomes the apex of a cohesive governance chain that operationalises expectations across both internal and external stakeholders.

"The policy statement refers to other documents — the guideline 'Conduct within the company — Code of Conduct' for employees and the 'Code of Conduct for Business Partners of the Bundesdruckerei Group'. These documents set out the expectations with regard to compliance with human rights and environmental due diligence obligations."

PRACTICE **P008**

Policy Addresses Remedial Measures

ADOPTION RATE **93.3%** (237/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

The policy statement explicitly addresses remedial measures — setting out how the company responds when human rights or environmental violations are identified in its operations or supply chain.

WHY THIS MATTERS

Remedial commitments signal that violations have consequences. The drop from 97.2% (P007, preventive) to 93.3% (P008, remedial) suggests a minority have framed policy obligations around prevention alone, stopping short of the full UNGP due diligence cycle.

GOOD PRACTICE EXAMPLE

adidas AG's policy statement goes beyond a general remediation commitment by embedding a structured, tiered escalation framework directly into its enforcement policy. The policy categorises severe violations as "Zero Tolerance Issues" and specifies each intervention step — from written warnings through third-party investigations to contract review — and explicitly requires that termination of a supplier relationship be treated as a last resort, with full consideration of the impact on affected workers.

"If suppliers do not comply with our workplace standards, we will apply the sanctions and remedial measures described in our enforcement policy: Termination of the manufacturer framework agreement, Request to cease production, Investigations by third parties, Written warnings... Terminating a business relationship is the last resort and should only be done after fully weighing up all the consequences, in particular the negative impact on employees."

PRACTICE **P009**

Policy Addresses Complaint Procedure

ADOPTION RATE **98.0%** (249/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

The policy statement explicitly addresses the complaint and grievance procedure — committing to the existence and accessibility of a mechanism through which affected persons can report concerns.

WHY THIS MATTERS

Workers and communities cannot use a grievance mechanism they do not know exists. The near-universal policy reference (98.0%) contrasts with the harder question — whether the mechanism actually functions — which the effectiveness indicators in Section IV address.

GOOD PRACTICE EXAMPLE

RWE Aktiengesellschaft's policy statement specifies three distinct grievance channels — direct email contact, an independent external law firm, and an internal whistleblowing system — and commits explicitly to anonymity on request. This level of procedural specificity in the policy itself, rather than a generic reference to a complaint mechanism, means the commitment is immediately actionable for anyone reading the policy.

"The complaints procedure includes three channels for reporting human rights or environmental risks or violations to RWE. External persons and interest groups can contact us directly via e-mail (humanrights@rwe.com) or contact an external law firm. If requested, anonymity can be maintained. RWE employees also have the option of submitting complaints via the internal 'Business Keeper Monitoring System' tool."

PRACTICE **P010**

Policy Sets Expectations for Suppliers

ADOPTION RATE

98.4% (250/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

The policy statement sets out explicit expectations for suppliers regarding human rights and environmental conduct — going beyond internal commitments to establish what the company expects from its business partners.

WHY THIS MATTERS

Most human rights risks reside not in own operations but in supplier relationships. Without policy-level expectations, suppliers cannot be held to standards they were never told about.

GOOD PRACTICE EXAMPLE

adidas AG makes supplier expectations a binding contractual obligation — requiring all direct suppliers to comply with its Workplace Standards and Supply Chain Code of Conduct and to cascade those obligations to their own supply chains. The policy does not treat supplier expectations as aspirational: non-compliance triggers enforcement action, and the company provides guidelines to support suppliers in meeting the standards.

"We contractually oblige all our suppliers to comply with our workplace standards and expect them to pass these standards — as well as the obligations from our human rights policy — on to their own supply chain. We take enforcement action if suppliers do not comply with the standards. To support our suppliers in meeting these expectations, we have drawn up a series of guidelines."

PRACTICE **P011**

Policy References International Principles

ADOPTION RATE

49.2% (125/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

The policy statement explicitly references international human rights instruments — spanning substantive rights catalogues (UDHR, ILO Core Labour Standards), due diligence process frameworks (UNGPs, OECD Guidelines for MNEs), and commitment frameworks (UN Global Compact).

WHY THIS MATTERS

Without grounding in the UDHR, ILO standards, or the UNGPs, a company's commitment is self-defined — describing what it chooses to address rather than what international human rights law requires. International frameworks establish a standard against which the policy can be held by regulators, investors, and affected people.

GOOD PRACTICE EXAMPLE

Deutsche Post AG anchors its policy statement in multiple international frameworks simultaneously, integrating them into its Code of Conduct and Human Rights Policy Statement rather than citing them in isolation. This approach treats international standards not as external requirements to acknowledge but as the normative foundation from which internal policy is derived.

"The Ten Principles of the UN Global Compact, the Universal Declaration of Human Rights (...) are anchored in our Code of Conduct for employees and our Human Rights Policy Statement."

PRACTICE **P012**

Policy Approved by Management

ADOPTION RATE

62.6% (159/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

The human rights policy statement has been formally approved — signed, adopted, or explicitly authorised — by the management board or senior leadership.

WHY THIS MATTERS

Without board sign-off, human rights commitments can be maintained by mid-management without reaching the authority needed to change procurement decisions or supplier relationships. The 36.6-point gap between policy existence (98.8%) and management approval (62.2%) means that in more than one-third of companies, the policy operates without the organisational weight to act on what it commits to.

GOOD PRACTICE EXAMPLE

SAP Deutschland SE & Co. KG documents management approval at two governance levels simultaneously — both the executive board of SAP SE and the management of SAP Deutschland SE & Co. KG — and added a dedicated chapter to its policy statement specifically to make this dual approval visible. The decision to name both entities and create a new policy chapter treats approval as a substantive governance act rather than a formality.

"Chapter 5 was added to show that both the Executive Board of SAP SE and the management of SAP Deutschland SE & Co. KG have adopted the policy statement."

PRACTICE **P013**

Policy Approved by Management

ADOPTION RATE

84.6% (215/254)

UNGP **GP 16**	LkSG **§6 Abs. 2**	CSDDD **Art. 5**

DEFINITION

The policy statement identifies the company's priority human rights and environmental risks — naming the specific risk areas that the company has determined to be most salient for its operations and supply chain.

WHY THIS MATTERS

Priority risk identification operationalises the UNGP salience concept at the policy level: it requires the analytical work of risk assessment to precede the policy and makes the results visible. Without it, a policy can articulate universal commitments while ignoring the specific conditions most likely to harm people in the value chain.

GOOD PRACTICE EXAMPLE

TenneT TSO GmbH explicitly integrates its priority human rights risks into its policy statement by adopting the UNGP concept of Salient Risks. Rather than a generic declaration, the policy document names the company's most critical risk areas, ensuring that the highest-level policy commitment is anchored in what the due diligence process actually found rather than a standard catalogue of risks.

"We have included more information about our Salient Rights."

III. PRACTICE LANDSCAPE: RISK MANAGEMENT FOUNDATIONS

§4 LkSG requires companies to **establish appropriate and effective risk management** (angemessenes und wirksames Risikomanagement) with **clear responsibilities, resources, and integration into operational processes.** The following 10 practices (P014–P023) **capture the governance infrastructure companies have built to operationalise due diligence.**[3]

PRACTICE **P014**

Responsibilities Clearly Defined

ADOPTION RATE

100 % (254/254)

UNGP **GP 16**	LkSG **§4 Abs. 3**	CSDDD **Art. 5**

DEFINITION

Company clearly assigns responsibility for implementing and monitoring human rights due diligence obligations — naming specific roles, functions, or individuals accountable for HREDD across the organisation.

WHY THIS MATTERS

Without clearly assigned accountability, due diligence obligations diffuse and no one owns the outcome. Clear responsibility assignment is the precondition for every other governance practice: resources, reporting lines, and training all require a named function to connect to.

GOOD PRACTICE EXAMPLE

Helios Kliniken GmbH structures HREDD responsibility through Group-wide governance architecture with defined accountability at multiple levels — the Group Human Rights Officer at corporate level and designated contacts within each business segment — ensuring that responsibility is not concentrated in one central function but distributed where operational decisions are made.

"Operational implementation is regulated by Group-wide governance and clear responsibilities within the business segments and at Group level."

CECONOMY AG – A three-pillar approach to governance[4]

CECONOMY AG is a publicly traded retail group that operates more than 1,000 electronics stores in 11 countries. CECONOMY has established a structured governance framework for human rights risk management, built around a **three-pillar model that combines operational implementation, strategic steering, and independent oversight.** This setup **ensures that responsibilities are clearly defined while enabling effective integration across the organization.**

At the operational level, **responsibility for implementing human rights due diligence lies with the sustainability function,** supported by dedicated experts in compliance and legal teams. Small, **locally embedded teams in each country complement this structure,** ensuring that measures are adapted to local contexts and can be implemented effectively.

3 Analysis of 254 disclosures reveals four distinct ways companies structure HREDD accountability under the Three Lines of Defense (3LoD) model: **(1) Classic model** — operational managers implement (1st line), compliance/Human Rights Officer oversees (2nd line), internal audit reviews independently (3rd line) (e.g. Otto GmbH, Dr. Theodor Stiebel Werke, Siemens Energy AG). **(2) LkSG-adapted matrix** — specific LkSG functions (Purchasing, Legal, Human Rights Officer) explicitly mapped to named lines (e.g. Deutsche Börse AG, WAREMA Renkhoff SE). **(3) Intermediate hybrid** — the LkSG Officer positioned between the 2nd and 3rd lines, monitoring both operational management and the compliance system while itself overseen by audit and board (e.g. Deutsche Telekom AG, T-Systems International GmbH). **(4) Human rights role hierarchy** — lines defined by human rights management roles; operational human rights teams apply a four-eyes principle (1st line), human rights coordinators conduct spot checks (2nd line), corporate audit reviews independently (3rd line) (e.g. Dr. August Oetker KG, Hubert Burda Media GmbH & Co. KG). All four models yield near-universal P014 adoption (99.6 %): the same practice code accommodates meaningfully different governance architectures.

4 The report's quantitative findings chart the field-wide state of governance practices: what is established, what is fragile, and what is absent across the 254 companies in the sample. They do not — and cannot — capture how a given company stitches these elements into a working system. This section presents the first of two company cases, contributed by the company itself as part of a UN Global Compact Germany Network initiative to feature at least one case study per domain report in this series. The case is a first-person account of the company's approach, not an independent assessment: it has not been coded against the study's 166-item framework and it has not been externally verified. Subsequent domain reports in this series will feature equivalent company-contributed cases in risk analysis, prevention, remediation, and grievance mechanisms. This case study draws on a structured interview with the company conducted by the research team.

The second pillar focuses on strategic supervision and decision-making. Here, the **sustainability function plays a central coordinating role** – overseeing risk analysis, steering mitigation efforts, and ensuring consistent reporting. By anchoring human rights within an existing management structure, CECONOMY **avoids creating parallel systems** and instead integrates the topic into broader corporate processes.

The third pillar is dedicated to oversight and control. In his independent role, the **Human Rights Officer regularly reviews the effectiveness of the risk management system and is in continuous exchange with the sustainability function.** He reports at least annually to senior leadership and, particularly during the initial implementation phase, met more frequently to ensure close monitoring. This is **complemented by internal audit and risk management functions,** which assess the adequacy of processes and controls. Together, these mechanisms provide an additional layer of accountability and ensure that identified risks are appropriately managed.

A key strength of this three-pillar approach lies in its **integration into existing governance and management processes.** Rather than building standalone structures, CECONOMY **leverages established roles and systems,** enhancing both efficiency and acceptance across the organization. At the same time, the clear separation between implementation, strategic steering, and oversight helps avoid conflicts of interest and strengthens the overall robustness of the risk management framework.

PRACTICE **P015**

Human Rights Officer Appointed

ADOPTION RATE
100% (254/254)

UNGP **GP 16**	LkSG **§4 Abs. 3**	CSDDD **Art. 5**

DEFINITION

Company designates a specific individual or team as the Human Rights Officer (Menschenrechtsbeauftragte Person) responsible for LkSG compliance — as required by §4 Abs. 3 LkSG.

WHY THIS MATTERS

Designating a named individual converts accountability from an organisational aspiration into a specific personal mandate. The statutory requirement (§4 Abs. 3 LkSG) goes further: it also requires a direct reporting line to the management board and adequate resourcing — recognising that designation without authority cannot fulfil the due diligence function.

GOOD PRACTICE EXAMPLE

Helios Kliniken GmbH structures its Human Rights Officer reporting to ensure management board engagement is substantive rather than procedural. Reports are delivered at least annually and on an ad hoc basis when circumstances require, cover both risk analysis results and programme implementation, and produce formal resolutions recorded in board minutes — creating a traceable accountability loop.

“Reporting on the Human Rights Program is carried out at least annually and on an ad hoc basis to the Management Board and other bodies. In 2023, this included the results of the risk analysis and a report on the implementation of the Human Rights Program.”

PRACTICE **P016**

Human Rights Officer Reports to Board

ADOPTION RATE
99.2% (252/254)

UNGP **GP 16**	LkSG **§4 Abs. 3**	CSDDD **Art. 5**

DEFINITION

The Human Rights Officer has a direct reporting line to senior management or the management board — as required by §4 Abs. 3 LkSG — ensuring that HREDD findings reach the level of authority needed to act on them.

WHY THIS MATTERS

Board-level reporting makes human rights performance visible to those with authority over strategic direction and resource allocation. Without this reporting line, risk intelligence accumulates in a compliance function and never reaches the decisions that would address it.

GOOD PRACTICE EXAMPLE

Siemens Energy AG structurally protects the independence of its compliance organisation by ensuring it operates free from internal directives and reports directly to both the management board and the supervisory board. This dual reporting line — to the executive and the oversight body simultaneously — provides a level of structural autonomy that most governance models do not replicate.

“To implement the complaints procedure, the compliance organisation operates free from instructions and reports, via Dr. Anita Schieffer (Group Compliance Officer), directly to the management board and supervisory board of Siemens Energy.”

PRACTICE **P017**

Human Rights Officer Has Adequate Resources

ADOPTION RATE
92.1% (234/254)

UNGP **GP 16**	LkSG **§4 Abs. 3**	CSDDD **Art. 5**

DEFINITION

Company provides dedicated budget, personnel, and tools for the Human Rights Officer and due diligence team to fulfil their duties — as required by §4 Abs. 1 LkSG (appropriate and effective risk management).

WHY THIS MATTERS

Resource adequacy converts a governance structure on paper into a functioning system. The 7.9-point gap below P015 represents companies where the role exists but the capacity to discharge it does not.

GOOD PRACTICE EXAMPLE

BASF SE 's Human Rights Management Cluster within Corporate Compliance provides dedicated expert capacity — a team of specialists managing human rights globally, not a single officer carrying the function alongside other responsibilities. This resourcing model allows for substantive engagement with complex supply chain risks rather than procedural compliance management.

"Within the Corporate Compliance department... there is a dedicated 'Human Rights Management Cluster' in which experts manage the topic of human rights globally."

PRACTICE **P018**

Due Diligence Team Established

ADOPTION RATE
91.7% (233/254)

UNGP **GP 16**	LkSG **§4 Abs. 1**	CSDDD **Art. 5**

DEFINITION

Company establishes a dedicated team or working group — beyond a single officer — to manage HREDD implementation, typically spanning procurement, legal, sustainability, and compliance functions.

WHY THIS MATTERS

Human rights risks arise across procurement, logistics, manufacturing, and supplier relationships simultaneously. A dedicated team means rights considerations are evaluated where decisions are made, not reviewed retrospectively by a function with no authority over them.

GOOD PRACTICE EXAMPLE

Vodafone GmbH established a dedicated LkSG-Board — a formal decision-making committee acting on behalf of executive management — to steer due diligence implementation across the company. Drawn from Corporate Integrity and Supply Chain Management, the board has central authority over how legal requirements are implemented operationally, giving the due diligence team executive mandate rather than advisory status.

"To steer the implementation of due diligence obligations, Vodafone GmbH has established a committee drawn from the two departments named above — the LkSG-Board."

PRACTICE **P019**

Cross-Functional Involvement

ADOPTION RATE
100% (254/254)

UNGP **GP 16**	LkSG **§4 Abs. 1**	CSDDD **Art. 5**

DEFINITION

Company involves multiple departments — including Procurement, Legal, Human Resources, Operations, and Sustainability — in HREDD implementation, rather than concentrating due diligence in a single function.

WHY THIS MATTERS

Siloed due diligence produces findings with no pathway to implementation. Cross-functional involvement means the people who can act on risk intelligence are part of generating it — making it more likely that identified risks translate into operational changes. P019 (253/254) runs 21 companies ahead of P018 (232/254) because cross-functional involvement does not require a formally constituted team: departments can be engaged in HREDD without a standing working group.

GOOD PRACTICE EXAMPLE

K+S Minerals and Agriculture GmbH's LkSG working group spans all operationally relevant functions — Legal, Procurement, Supply Chain, Compliance, and Sustainability — ensuring that human rights risk intelligence is generated and acted on by the functions with authority over supplier relationships and purchasing decisions.

"This working group brings together colleagues from Legal, Procurement, Supply Chain, Compliance, and Sustainability."

PRACTICE **P020**

Training Provided

ADOPTION RATE

99.2% (252/254)

UNGP **GP 16**	LkSG **§4 Abs. 3**	CSDDD **Art. 5**

DEFINITION

Company provides human rights training to employees relevant to HREDD implementation — covering risk identification, due diligence obligations, grievance mechanisms, and supplier expectations.

WHY THIS MATTERS

Near-universal training provision (98.8%) alongside near-zero behaviour change measurement (E001: 2.0%) is the sharpest illustration of this domain's process–outcome gap: companies are investing in training at scale without verifying that it changes anything.

GOOD PRACTICE EXAMPLE

Evonik Industries AG selects training participants based on the risk exposure of their job functions rather than applying a uniform programme to all staff — ensuring that those whose decisions carry the greatest human rights relevance receive the most substantive instruction. The training model combines e-learning with face-to-face workshops specifically designed to work through real-world dilemma situations, moving beyond information transfer toward applied judgement.

“We combine e-learning with in-person training to promote exchange among employees and to discuss human rights dilemma situations.”

Evonik Industries AG – Risk-based human rights training[5]

Contributed by Evonik Industries AG for the UN Global Compact Germany Network domain report series. Company-authored account; not independently coded or verified.

Evonik Industries AG is one of Germany’s largest chemical companies. In response to the requirements of the German Supply Chain Due Diligence Act (LkSG) and with a view to upcoming European regulations such as the Corporate Sustainability Due Diligence Directive (CSDDD), it has **established a comprehensive human rights training program.** The program is **embedded in the company’s existing compliance framework,** including amongst others anti-corruption, anti-money laundering and fraud prevention, and forms an integral part of its Compliance Management Systems.

The training program systematically **addresses human rights risks along the value chain and raises awareness among employees in accordance with their roles and responsibilities.** Similar to other compliance topics, the program follows a **risk-based differentiation of target groups.** While this logic applies only to a limited extent in the human rights context—since all employees may potentially be affected—this **approach helps use resources more effectively by identifying potential risks early and addressing them where they are most likely to occur.** Insights from the regular risk analysis as required by German Supply Chain Due Diligence Act (LkSG) are reflected in the prioritization and content of the training formats.

Evonik is pursuing a pragmatic, staggered approach:
- Employees in higher-risk roles, such as procurement or site management, where their functions may involve higher likelihood of either causing human rights impacts or identifying potential violations, participate in mandatory training formats combining e-learning and in-person sessions.
- For employees classified as low risk, meaning that any employee can potentially be affected by human rights issues, a voluntary, company-wide e-learning program is offered and promoted to ensure awareness across the organization.

The in-person training sessions are designed as interactive workshops with approximately 20 participants. They **focus on practical, context-specific dilemmas related to human rights risks.** Participants reflect on decision-making in complex situations, including supplier-related risks, freedom of association or discrimination, and benefit from cross-functional exchange. This approach **supports peer learning and strengthens the ability to assess risks and appropriate responses in operational contexts.**

5 See footnote 1 for the methodological framing.

The goal is to empower employees to identify and assess human rights risks and take appropriate actions, such as raising concerns internally, reporting potential violations, engaging with suppliers or partners, or seeking guidance through established grievance or compliance channels.

In addition, **selected functions and departments, like procurement, conduct supplementary, role-specific training sessions.** These formats translate human rights requirements into concrete operational settings, such as third-party contractor management or site-specific responsibilities, and help embed them in existing processes. **Where feasible, trainings are conducted in the local language** to enhance effectiveness and to meet local legal requirements.

The core implementation is facilitated by the **group-wide learning management platform,** which supports a wide range of automated processes. In-person sessions are delivered globally through a decentralized organization involving local compliance officers and managers. **Effectiveness and relevance of the formats are reviewed regularly,** with feedback feeding into continuous improvement. The trainings also reinforce awareness of Evonik's grievance mechanisms and support early identification and reporting of potential human rights concerns. Designed as a **scalable system,** the program enables consistent human rights compliance while remaining adaptable to evolving regulatory requirements.

PRACTICE **P021**

Awareness Raising Activities

ADOPTION RATE

94.5% (240/254)

UNGP **GP 16**	LkSG **§4 Abs. 3**	CSDDD **Art. 5**

DEFINITION

Company conducts awareness-raising activities beyond formal training — including newsletters, posters, campaigns, intranet content, and communications designed to maintain ongoing visibility of human rights commitments.

WHY THIS MATTERS

Awareness raising reaches people who may not receive formal training — production workers, contractors, seasonal staff, communities adjacent to operations. These are often the people most likely to be affected if risks materialise, and among the best positioned to identify them early.

GOOD PRACTICE EXAMPLE

thyssenkrupp Steel Europe AG targets awareness activities specifically at production workers without regular computer access — the employees most exposed to operational risks and most likely to be missed by intranet-only campaigns. Information posters in production areas and communal rooms, and inserts attached directly to payslips, guaranteed personal reach to over 20,000 employees. The company reports that this directly increased utilisation of the complaint procedure.

"Measures in the reporting period included: information posters in production areas and common rooms, and informational inserts with payroll documentation."

PRACTICE **P022**

Integration into Business Processes

ADOPTION RATE

100% (254/254)

UNGP **GP 19**	LkSG **§4 Abs. 1**	CSDDD **Art. 5**

DEFINITION

Company integrates human rights considerations into operational business processes — including procurement approvals, supplier onboarding, contract templates, product development, and investment decisions.

WHY THIS MATTERS

A due diligence system that sits parallel to core business processes is routinely overridden by commercial pressures when the two conflict. Integration into procurement approvals, supplier onboarding, and investment decisions can make rights considerations part of the criteria that shape actual outcomes.

GOOD PRACTICE EXAMPLE

Pfleiderer Group B.V. & Co. KG integrates human rights requirements directly into its procurement process by requiring all suppliers to sign its Supplier Code of Conduct. Where a supplier declines, the company does not simply accept the refusal — it instead reviews and formally approves the supplier's own compliance guidelines against its standards. This creates a genuine integration checkpoint in sourcing decisions rather than a one-time communication.

"Suppliers are required to accept our Supplier Code of Conduct; where they are unwilling, the business partner's own compliance guidelines are reviewed and internally approved."

PRACTICE **P023**

Management Systems Alignment

ADOPTION RATE

95.3% (242/254)

UNGP **GP 16**	LkSG **§4 Abs. 1**	CSDDD **Art. 5**

DEFINITION

Company aligns its HREDD framework with existing management systems — including ISO standards (ISO 9001, ISO 14001, ISO 45001), compliance frameworks, and sustainability reporting — leveraging established structures rather than building parallel systems.

WHY THIS MATTERS

Aligning HREDD with existing management systems prevents parallel structures that are expensive to maintain and easily siloed. The most advanced implementations route HREDD performance data through the same governance architecture as environmental and financial data.

GOOD PRACTICE EXAMPLE

Bezirkskliniken Mittelfranken explicitly avoids creating parallel or siloed structures by integrating its human rights and environmental requirements into its existing compliance and risk management architecture. The company began with a self-gap assessment comparing current organisational structures against the LkSG's specific requirements, then enriched proven structures with the necessary LkSG components — a model of deliberate integration rather than additive compliance.

"In order to avoid isolated solutions in our compliance/risk management system structures, the (initial) implementation of the LkSG risk management system had to be based on already proven compliance/risk management structures and mechanisms in order to then enrich these with the necessary LkSG components in a targeted manner by comparing them with the special statutory target requirements of the LkSG."

IV. EFFECTIVENESS MEASUREMENT

The P-series practices tell us what companies have put in place. The E-series indicators tell us **whether companies have put in place the instruments to know whether those practices work.** A caveat: the indicators **do not themselves measure effectiveness** — they measure whether the company measures it. This section examines the **gap between practice adoption and effectiveness tracking for the governance-relevant indicators.** E001 is the starkest case: 99.2% of companies provide training; 2.0% have adopted a way to test whether that training changes anything.

A. Effectiveness Indicators

INDICATOR **E001**

Training Behaviour Change Measured

ADOPTION RATE

2.0% (5/254)

UNGP **GP 20**	LkSG **§10**	CSDDD **Art. 15**

DEFINITION

Company measures whether human rights training actually changes employee behaviour or decision-making — beyond tracking attendance or completion rates.

WHY THIS MATTERS

The 97.2-point gap between training provision (99.2%) and behaviour change measurement (2.0%) is consistent with systems optimised for evidencing inputs rather than outcomes. Without a measurement of behaviour change, companies cannot distinguish training that builds capacity from training that satisfies a procedural requirement.

GOOD PRACTICE EXAMPLE

BP Europa SE builds outcome verification directly into its training design. Rather than treating completion as the measure of success, the company incorporates control questions throughout training modules — testing whether participants can identify risks and describe appropriate preventive responses. The approach treats training as an instrument of behavioural change rather than a compliance checkpoint. With only 5 of 254 companies measuring training effectiveness, BP's approach represents a meaningful departure from the sector norm of input-based accountability.

"This training includes a series of control questions. The knowledge acquired through training helps to identify risks and effectively prevent or minimize them."

INDICATOR **E015**

Policy Uptake Measured

ADOPTION RATE

31.5% (80/254)

UNGP **GP 20**	LkSG **§10**	CSDDD **Art. 15**

DEFINITION

Company measures whether human rights policies have been communicated to and taken up by staff — for example through training completion rates, policy acknowledgement records, or assessment of policy awareness among employees.

WHY THIS MATTERS

Policy uptake measurement closes the loop between adoption and operational reality: it asks not whether a policy exists but whether it has reached the people whose decisions it is meant to govern.

GOOD PRACTICE EXAMPLE

Deutsche Post AG tracks policy uptake through mandatory certification of its Code of Conduct, reporting completion rates annually with year-on-year comparisons. In the reporting period, the certification rate reached 99.1% — a figure tracked against the prior year (98.6%), enabling the company to identify whether uptake is improving, static, or declining. The approach treats policy acknowledgement as a measurable output rather than a one-time event.

"The certification rate was 99.1% in the year under review (2023: 98.6%)."

INDICATOR **E022**

Controls Effectiveness Testing

ADOPTION RATE **68.1%** (173/254)

UNGP **GP 20**	LkSG **§10**	CSDDD **Art. 15**

DEFINITION

Company tests whether specific controls and preventive measures are operating effectively — not merely that systems exist or are reviewed, but that they demonstrably work.

WHY THIS MATTERS

System review confirms a company looks at its processes; controls testing asks whether those processes actually work. The 28.4-point gap between E021 (96.5%) and E022 (68.1%) marks companies that have institutionalised self-review but have not yet put individual controls to the test.

GOOD PRACTICE EXAMPLE

thyssenkrupp AG employs a two-component testing methodology grounded in internationally recognised procedures. Quantitative and qualitative key performance indicators provide the first layer of assessment; these are then complemented by internal audits that examine specific operational areas against effectiveness criteria. The combination generates both measurable indicators and qualitative depth, allowing the company to distinguish between controls that are technically in place and those that are functioning as intended.

"The effectiveness test is based on internationally recognized procedures. It consists of two components: Firstly, quantitative and qualitative indicators (key performance indicators) are used. Secondly, the areas are reviewed by means of internal audits."

INDICATOR **E023**

Benchmarking Against Industry Peers

ADOPTION RATE **23.6%** (60/254)

UNGP **GP 20**	LkSG **§10**	CSDDD **Art. 15**

DEFINITION

Company benchmarks its HREDD performance against industry peers, sector standards, or external frameworks — using external reference points to assess whether its due diligence practice is commensurate with comparable organisations.

WHY THIS MATTERS

Benchmarking introduces an external standard against which adequacy can be judged. A company that only measures itself against itself has no mechanism to discover that its HREDD system is structurally inadequate relative to the risks it faces.

GOOD PRACTICE EXAMPLE

adidas AG benchmarks its human rights and environmental risk management against established sector-specific external frameworks — specifically the Corporate Human Rights Benchmark (CHRB) and KnowTheChain — rather than against a self-selected peer group. Using frameworks that assess the company from the outside and publish results publicly creates accountability that internal comparisons cannot replicate.

"We also use external benchmarks to assess the quality and extent of our transparency in relation to human rights and modern slavery."

INDICATOR **E024**

External Assurance & Verification

ADOPTION RATE **34.4%** (87/254)

UNGP **GP 20**	LkSG **§10**	CSDDD **Art. 15**

DEFINITION

Company obtains external assurance or independent verification of its HREDD practices — whether through third-party audits of the HREDD system, limited or reasonable assurance engagements on sustainability disclosures, or independent review of specific governance functions such as grievance mechanisms or compliance management systems.

WHY THIS MATTERS

External assurance moves a company's HREDD infrastructure from self-reported adequacy to independently validated credibility. Reasonable assurance specifically scoped to HREDD governance — rather than limited assurance as a byproduct of broader sustainability reporting — is the more demanding standard.

GOOD PRACTICE EXAMPLE

Drees & Sommer SE commissioned external auditors Baker Tilly to test its grievance mechanism by submitting a fictitious complaint — evaluating not just whether the system exists but whether it functions when used. The auditors assessed the system's responsiveness and documentation processes against the test case and formally declared the complaint procedure effective.

"The effectiveness of the complaints procedure was evaluated on the basis of a fictitious complaint initiated by Baker Tilly."

INDICATOR **E025**

Continuous Improvement Tracking

ADOPTION RATE

63.4% (161/254)

UNGP **GP 20**	LkSG **§10**	CSDDD **Art. 15**

DEFINITION

Company tracks a continuous improvement process for its HREDD system — documenting how findings from risk analyses, audits, complaints, and effectiveness reviews are used to adapt and develop due diligence practice over time.

WHY THIS MATTERS

A system that does not learn from what it finds provides no improvement in protection. Continuous improvement tracking distinguishes a system capable of adaptation from one that runs the same processes year after year regardless of what they reveal.

GOOD PRACTICE EXAMPLE

Wacker Neuson SE implements numbers-based KPIs for each phase of its due diligence process and routes the results through a dedicated committee — the WN SCDDC — specifically responsible for steering continuous improvement and identifying where processes need adjustment. This creates a structured, data-driven improvement cycle rather than a qualitative annual review.

"Numbers-based KPIs were implemented to evaluate the adequacy and effectiveness of due diligence processes. The results are discussed in the WN SCDDC, which is responsible for steering continuous improvement of the system's effectiveness and identifying where adjustments are needed."

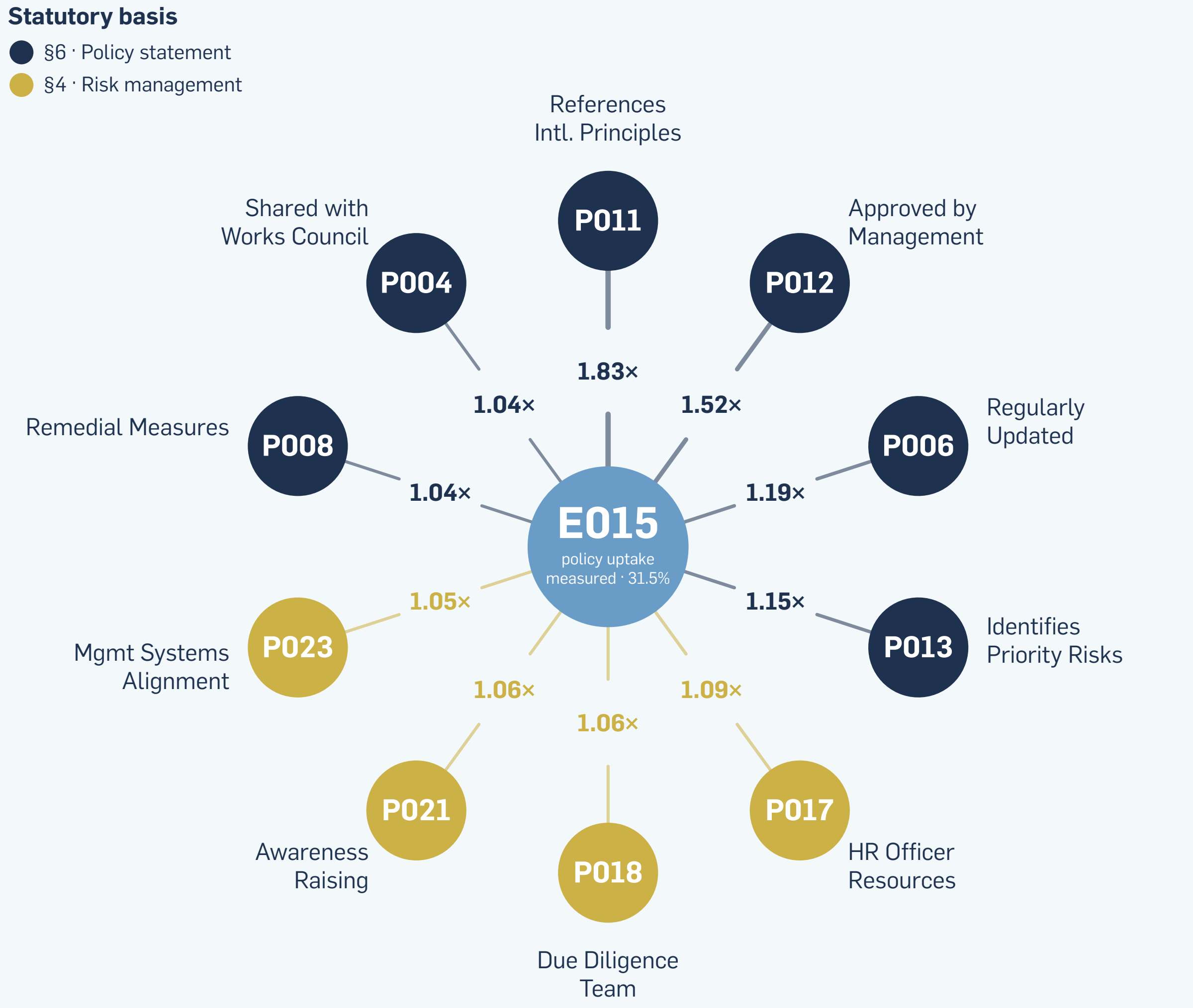
B. Correlated of Governance Validation

A human-rights governance framework is validated not when a policy exists but when the company verifies that the policy is actually taken up across the organization — the embedding test at the centre of GP 16. Of the 254 companies, 80 (31.5%) measure policy uptake (E015). What separates them is unusual for this domain, because on governance practice almost nothing separates companies at all: **19 of the 23 governance practices are adopted by more than 90% of the sample, and over half by more than 98%.** A published policy, a defined human-rights officer, board reporting, integration into processes — the structural scaffolding of a governance system is effectively field-standard. Where every company has a practice, that practice cannot distinguish the companies that go on to measure embedding from those that do not.

Only **three practices vary** enough to differentiate, and all three concern the depth and ownership of the policy rather than its existence. **Companies whose policy explicitly incorporates the underlying human-rights principles** (P011) measure uptake at 57.6%, against 6.2% among those that do not — a 1.83× lift over the population base. A **policy formally approved by senior management** (P012) lifts measured uptake 1.52× (47.8% versus 4.2%), and a **policy that is regularly updated** (P006) 1.19×. The figure arranges the governance practices as spokes around the uptake-measurement hub, each weighted by its association; the three policy-substance practices carry by far the heaviest weight, set against the flat field of near-universal structural practices.

The implication is consistent with the cross-domain pattern. Governance is the domain where the infrastructure is most complete, so effectiveness is not predicted by having the infrastructure — it is predicted by the substance behind it: whether the policy carries the principles, whether senior management owns it, and whether it is kept current. The practices that build a governance framework are nearly universal; the practices that make one worth measuring are not.

FIGURE 2: Governance practices associated with measured policy uptake (E015)



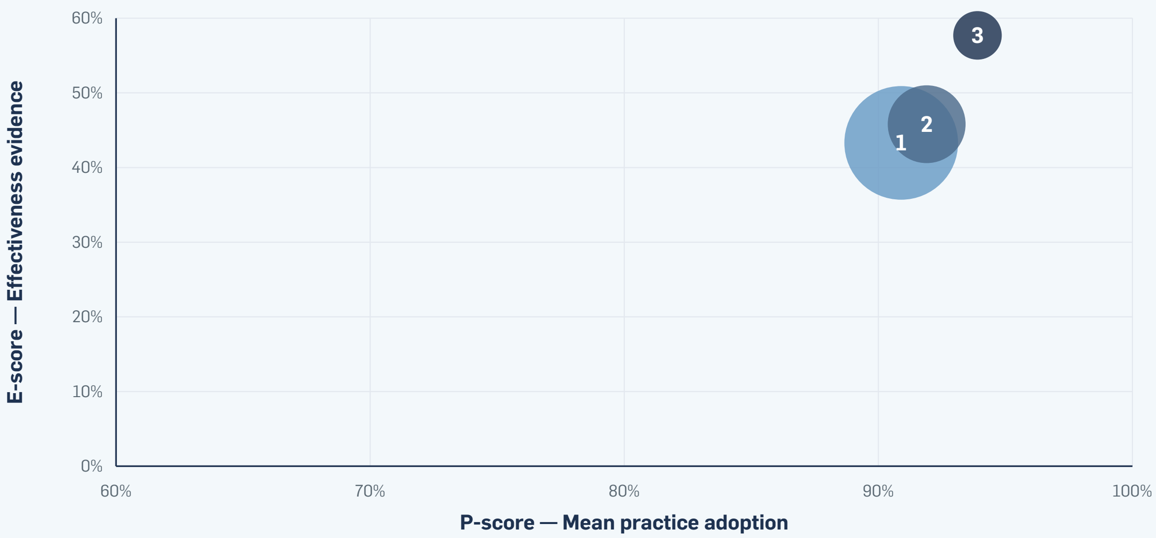
Hub: E015 (Policy Uptake Measured), evidenced by 31.5% of the sample. Spokes: the ten governance practices most strongly associated with measured uptake, sized by lift — the uptake rate among adopters divided by the 31.5% population base. Node colour denotes practice orientation. The 13 near-universal structural practices are not shown; they sit at ~1.0× by construction. Source: LkSG disclosure analysis, normalized firm-level matrix, n = 254 companies.

V. SECTOR & SIZE PERFORMANCE

Figure 1 (above) shows **sector-level governance performance;** Figure 3 (below) breaks the same P-score and E-score metrics down by employee-count band.

FIGURE 3: Size-Band Performance — Governance P-score vs E-score

#	Size band (employees)	n	P-score	E-score
1	3,000–10,000	154	90.9%	43.3%
2	10,000–50,000	72	91.9%	45.8%
3	>50,000	28	93.9%	57.7%



Three employee size bands shown as numbered bubbles (1–3) keyed to the table above. P-score (mean of P001–P023 governance practices) vs. E-score (mean of E001, E015, E021–E025 effectiveness indicators); bubble area proportional to number of companies. LkSG Phase 1 threshold: 3,000 employees.
Source: LkSG disclosure analysis, n=254 companies.

Risk management structures (P014–P023) show **minimal size variation: even companies at the lower end of the LkSG size range reach an average of 97% on §4 practices** — building governance infrastructure is broadly accessible. **Policy sophistication (P011) shows a sharper size gradient:** 64.3% for the 50.000+ band vs. 45.5% for 3,000–10,000 companies, consistent with the **greater legal and normative expertise available to larger organisations. Resource allocation (P017) shows a modest size effect:** 96% vs. 92%. Sector matters more than size for P011: a 3,000–10,000 chemicals firm (sector average 80%) outperforms a 50K+ retailer (sector average 24%) on principles **inclusion, confirming that industry exposure shapes normative grounding more than headcount.**

VI. CONCLUSIONS

This section synthesises the empirical findings, identifies the critical adoption gaps, situates them against the LkSG's obligation to make an effort and the forthcoming CSDDD, and translates them into implications for affected rights-holders.

A. Distinguishing Features of Higher-Performing Companies

The following contrasts draw on qualitative reading of disclosures from companies at the higher end of the score distribution.

Integration vs. siloing. Companies with higher overall governance scores (among them BASF SE, thyssenkrupp AG, and adidas AG) embed human rights governance across existing structures — linking policy statements to codes of conduct, establishing cross-functional expert groups, and creating segment-specific accountability. Companies with lower scores more often treat HREDD as a standalone compliance exercise with no pathway into procurement or supplier decisions.

Substantive consultation vs. post-hoc notification. Some companies involve Works Councils in policy design (adidas AG), conduct structured dialogue with suppliers (Vonovia SE), and create forums for dilemma discussions with employees (Evonik Industries AG). In many other disclosures, stakeholder involvement is described as information-giving rather than consultation: employees and suppliers are notified of commitments and expectations once adopted, rather than consulted on their design. The distinction is not captured by the coded practices, which record whether a channel exists but not how substantively it is used.

Outcome measurement vs. process documentation. Companies with higher overall governance scores adopt effectiveness indicators further down the adoption gradient — from system review (96.5%) through controls testing (68.1%) and continuous improvement (63.4%) toward the rarely-adopted lower indicators. The distinguishing feature is the number of measurement layers companies have built: the best performers verify that training changes behaviour, that controls actually work, and that independent review confirms what internal assessments report.

Sector effects are most pronounced in effectiveness tracking. Telecommunications (62% E-score, n=8) and Food Producers (62%, n=6) lead; Construction (38%, n=14), Financial Services (34%, n=11), and Health Care (34%, n=26) lag. Media (29%, n=1) is reported for completeness but cannot be interpreted as a sector-level pattern. This is **consistent with differences in international supply chain exposure:** sectors facing sustained investor and civil society scrutiny tend to have stronger effectiveness architecture, while domestically-oriented service sectors encounter fewer such pressures.

B. Critical Gaps

Five practice-level gaps separate the well-established compliance infrastructure from a system that produces measurable change. Figure 4 below shows where each of these gaps sits in the full distribution of practice adoption.

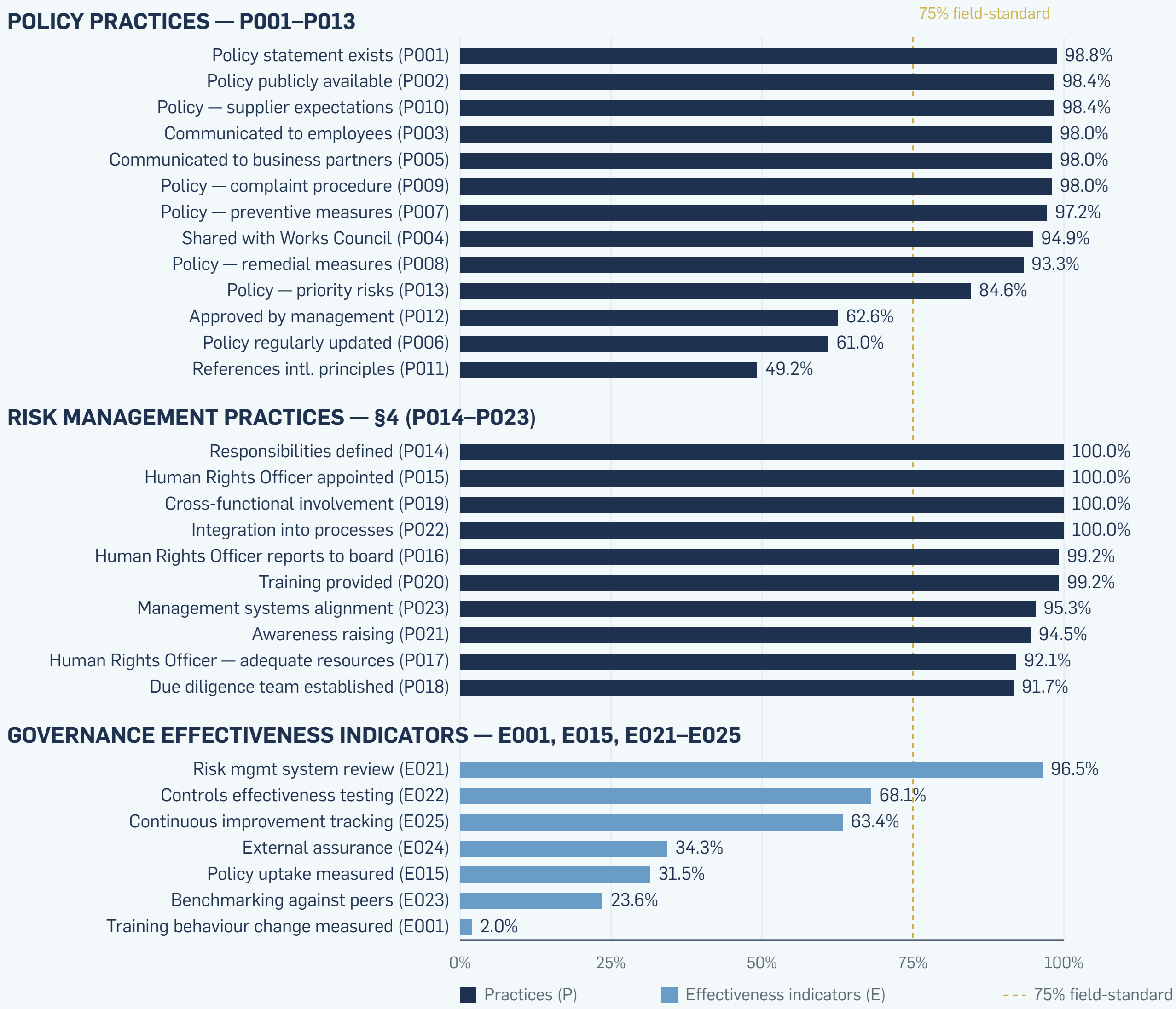
- **Policy approval gap (P001 vs P012: 36.6 points):** 98.8% of companies publish a human rights policy statement; only 62.2% document board or management approval. In 96 companies, rights commitments are held by a function without authority over the decisions — sourcing, procurement, supplier onboarding — those commitments are designed to govern.
- **P011 Principles (48.8%):** Over half of policies lack explicit reference to international standards — they describe expectations without anchoring them in established rights frameworks. Commitments defined in-house are harder to contest and harder to hold.
- **E001 Training Effectiveness (2.0%):** training provision is near-universal (98.8%); measurement of whether that training changes anything is vanishingly rare.
- **E021/E022 System Review vs. Controls Testing (28.4-point gap):** 96.5% of companies review whether their risk management systems are operating, but only 68.1% test whether specific controls are actually working. The gap is most pronounced among smaller companies — 1K–10K companies reach only 64.3% on E022, compared to 89.3% for the 50K+ band.
- **E015 Policy Uptake (31.5%):** 98.8% of companies publish a human rights policy statement, yet fewer than one in three measure whether staff have received, read, or understood it — a 67-point gap between policy existence and demonstrated reach.

The chart below summarises adoption rates for all 30 practices and effectiveness indicators covered in this report, grouped by domain.

Bars show adoption rates (%) for all 23 governance practices (P001–P023) and seven effectiveness indicators (E001, E015, E021–E025). Practices are grouped by domain and sorted by adoption rate within each group. Source: LkSG disclosure analysis, n=254 companies.

FIGURE 4: Practice & Indicator Adoption at a Glance

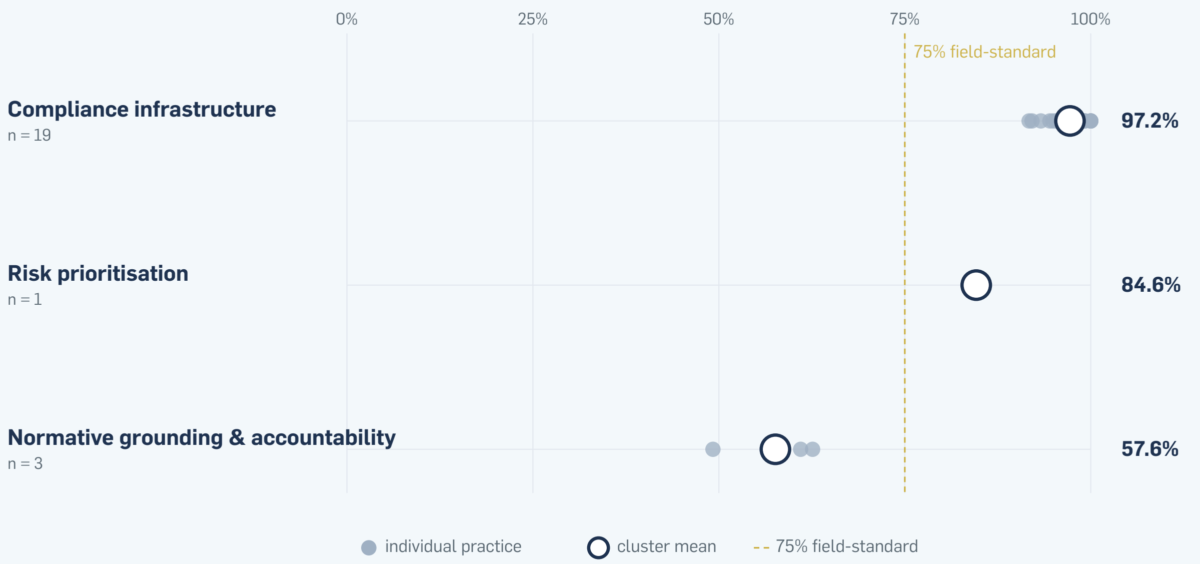
Bars show adoption rates (%) for all coded practices and effectiveness indicators. Source: LkSG disclosure analysis, n=254 companies.



C. Governance Orientations: Infrastructure, Prioritisation, and Normative Grounding

The **23 practices in this domain can be grouped into three orientations that reflect different levels of governance maturity.** The mean adoption rates reveal a steep two-stage gradient: **compliance infrastructure is near-universal, while normative depth and board-level accountability remain critical gaps.** Orientation II below contains a single practice (P013) and is best read as a transitional case between the infrastructure cluster and the normative-grounding cluster, rather than as a third level of maturity in its own right. Figure 5 plots the three orientations on a single adoption axis.

FIGURE 5: Governance Orientations — Mean Adoption by Cluster



Large dot = cluster mean. Small dots = individual practice adoption rates. Dashed line = 75% field-standard threshold. Source: LkSG disclosure analysis, n=254.

Orientation I — Compliance infrastructure *(19 practices, mean 97.2%): Policy publication, officer appointment, training, cross-functional involvement, integration into processes. Near-universal adoption — these practices constitute the established compliance floor across the sample.*

Orientation II — Risk prioritisation *(1 practice, mean 84.6%): Whether the policy statement identifies priority risks (P013). A transitional practice, above the field-standard threshold but below the infrastructure cluster.*

Orientation III — Normative grounding and accountability *(3 practices, mean 57.6%): Policy regularly updated (P006: 61.0%), approved by management (P012: 62.6%), and references international principles (P011: 49.2%). These three practices sit below the 75% field-standard threshold and represent the critical gap between a governance system that has been built and one that is substantive, current, and normatively anchored. The CSDDD will require all three.*

D. Implications for Rights-Holders

Policy statements are publicly available (98.4%), human rights officers are appointed (100%), and training reaches nearly all workforces (99.2%). For workers and affected communities, these are **real points of access** — but only to the extent that the structures behind them operate in practice.

What the **data cannot show is whether the systems work.** The effectiveness indicators tell a graduated story: 96.5% of companies review their risk management systems, but only 68.1% test whether controls are actually operating, 63.4% track continuous improvement, 34.3% obtain external assurance, 31.5% measure whether staff have taken up policies, 23.6% benchmark against peers, and 2.0% measure whether training changes behaviour. The **gap is between documented structures and demonstrated outcomes** — and for the people those structures are meant to protect, that gap is the one that matters.

The remaining **accountability question is no longer structural but evidential.** German companies have documented the systems. What the disclosures do not yet establish is that those systems produce the outcomes the LkSG was written to secure.

E. CSDDD Outlook

Assessed against the CSDDD as amended by the Omnibus I package, the 30 practices and indicators in this domain fall into three positions of forward-looking regulatory readiness. The **assessment is structural, not company-specific:** it describes where the sample as a whole stands relative to what the CSDDD will require.

ALREADY ALIGNED

The structural core of governance — policy publication (P001: 98.8%, P002: 98.4%), stakeholder communication (P003–P005, P010: 94.9–98.4%), officer appointment and reporting (P015: 100%, P016: 99.2%), cross-functional involvement (P019: 100%), integration into operational processes (P022: 100%), training provision (P020: 99.2%), and system-level review (E021: 96.5%). These practices already satisfy the institutional architecture the CSDDD formalises.

PARTIALLY ALIGNED — EFFORT REQUIRED

Practices above the field-standard threshold but below the level the CSDDD will expect. Priority risk identification in the policy statement (P013: 84.6%) moves from a leading practice under the LkSG toward a baseline expectation under the CSDDD, where risk-based prioritisation is tied to corporate strategy. Controls effectiveness testing (E022: 68.1%) and continuous improvement tracking (E025: 63.4%) capture the operational loop the CSDDD makes mandatory; companies conducting system review without these components will need to extend their effectiveness architecture.

GAP — BASELINE CHANGE REQUIRED

Three structural gaps and four effectiveness gaps. On policy content: normative grounding (P011: 49.2%) and regular update (P006: 61.0%) both sit well below the CSDDD bar. On accountability: management approval of the policy statement (P012: 62.6%) — already a critical gap under the LkSG — will become a baseline requirement, and director-level oversight of due diligence goes beyond what P012 captures. On effectiveness monitoring: external assurance (E024: 34.4%), policy uptake measurement (E015: 31.5%), industry benchmarking (E023: 23.6%), and training behaviour change measurement (E001: 2.0%) collectively represent the largest movement the CSDDD will require. A governance system that cannot demonstrate whether its structures produce outcomes will not meet CSDDD compliance obligations.

APPENDIX 1: METHODS REFERENCE

SAMPLE COMPOSITION

- **N = 254 companies** drawn from LkSG disclosure registry (all companies ≥3,000 employees, Phase 1 LkSG threshold)
- **16 sectors** (aggregated from 25 raw industry classifications based on NACE codes sourced from Moody's Orbis)
- **Size distribution:** 3,000–10,000 employees (n=154), 10,000–50,000 (n=72), >50,000 (n=28)
- **Data collection:** June–July 2025 (report identification and coding); analysis period January–March 2026

CODING APPROACH

- Binary presence/absence coding for all 141 practices (P001–P141) and 25 effectiveness indicators (E001–E025)
- Double-coded for Database 2 (typology database); single-coded for Database 1 (LkSG implementation analysis)
- LLM-assisted extraction with human review; latent content analysis applied to maturity scoring
- The LkSG §10 disclosure itself is the GP 21 compliance act; it is not coded as a separate practice

MATURITY TYPOLOGY

Companies are classified into four maturity tiers based on P-score (proportion of 141 P-series practices disclosed) and E-score (proportion of 25 E-series indicators disclosed). Thresholds (70% / 40%) were determined empirically; see the full Methods paper for sensitivity analysis.

- **Comprehensive** (P-score ≥70%, E-score ≥40%): Strong practice adoption combined with robust effectiveness measurement — 29.5% of companies (75/254)
- **Systems-Oriented** (P-score ≥70%, E-score <40%): Strong process adoption but limited effectiveness measurement — 12.2% (31/254)
- **Outcomes-Oriented** (P-score <70%, E-score ≥40%): Lower practice breadth but substantive effectiveness evidence — 2.4% (6/254)
- **Initial** (P-score <70%, E-score <40%): Early-stage implementation; compliance-focused; limited effectiveness disclosure — 55.9% (142/254)

LIMITATIONS

- **Disclosure ≠ Implementation:** Presence in disclosures does not establish operational reality
- **Non-response bias:** Early filers over-represent high-risk sectors and larger companies with more mature HREDD systems
- **E-series framing:** E-series indicators measure whether companies have adopted practices to track effectiveness – not whether due diligence structures are actually effective
- **Binary coding:** Scores reflect disclosure breadth, not implementation depth or quality

SAMPLE REPRESENTATIVENESS

The sample of 254 companies is drawn from the LkSG disclosure registry and represents the set of Phase 1 filers (≥3,000 employees) whose 2023 or 2024 disclosures were available for coding at the time of data collection (June–July 2025). Phase 1 covers approximately 900 companies in scope in year one per LkSG reporting, and the sample therefore represents a non-random subset of that population. Early filers tend to over-represent high-risk sectors and larger companies with more mature HREDD systems; the sample is accordingly biased toward the upper end of the field on both practice adoption and effectiveness tracking. Findings should be read as a characterisation of *filed disclosure practice among German Phase 1 LkSG filers*, not as a population-level estimate of HREDD practice in German companies more broadly.

SECTOR ATTRIBUTION

Every company in the sample is assigned to one of 25 granular industry categories and one of three employee size bands (3,000–10,000; 10,000–50,000; >50,000). The granular categories are aggregated to the 16 sectors shown in Figures 1 and 3 using a fixed rule applied consistently across all five domain reports in this series. Six industrial categories — Aerospace & Defense, Electronic & Electrical Equipment, Industrial Engineering, Industrial Support Services, Industrial Transportation, and Industrial Metals & Mining — aggregate to "Industrial Goods"; Chemicals and Pharmaceuticals & Biotechnology aggregate to "Chemicals & Pharma"; Software & Computer Services and Technology Hardware & Equipment aggregate to "Technology"; and Diversified, Research & Education, and Social Services aggregate to "Other Services". Each remaining category maps to a single report sector, several under a shortened label: Food & Beverages to "Food Producers", Gas, Water & Multiutilities to "Utilities", Medical equipment & services/Health care providers to "Health Care", Construction & Materials to "Construction", Real Estate Investment & Services to "Real Estate", and Telecommunications equipment & service providers to "Telecommunications". Automobiles & Parts, Financial Services, Media, Personal Goods, Retailers, and Travel & Leisure retain their labels.

APPENDIX 2: ACRONYMS

3LoD	Three Lines of Defense (governance accountability model)
BAFA	Bundesamt für Wirtschaft und Ausfuhrkontrolle (Federal Office for Economic Affairs and Export Control)
CHRB	Corporate Human Rights Benchmark
CSDDD	Corporate Sustainability Due Diligence Directive (EU)
E-score	Effectiveness score — proportion of 25 E-series effectiveness indicators disclosed by a company
GP	Guiding Principle (UN Guiding Principles on Business and Human Rights)
HR	Human Resources
HREDD	Human Rights and Environmental Due Diligence
ILO	International Labour Organization
ISO	International Organization for Standardization
KPI	Key Performance Indicator
LkSG	Lieferkettensorgfaltspflichtengesetz — German Supply Chain Due Diligence Act (2023)
LLM	Large Language Model (used in assisted content extraction)
MNE	Multinational Enterprise (used in "OECD Guidelines for MNEs")
NACE	Nomenclature générale des activités économiques dans les Communautés européennes — EU statistical classification of economic activities
OECD	Organisation for Economic Co-operation and Development
P-score	Practice score — proportion of 141 P-series practice codes disclosed by a company
QR	Quick Response (as in QR-code)
SCDDC	Supply Chain Due Diligence Committee (Wacker Neuson SE)
UDHR	Universal Declaration of Human Rights
UN	United Nations
UNGP/UNGPs	UN Guiding Principles on Business and Human Rights (Ruggie Framework, 2011)

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.

Aiming to initiate change processes within companies and support the strategic mainstreaming of sustainability, the UN GCD focuses on the topics of human rights and labour standards, environment and climate, and anti-corruption.

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