HREDD Performance in German Business

PREVENTION

An empirical study of §6 LkSG preventive measures obligations and Guiding Principles 19 and 20 across 254 German companies

FRAMEWORK
§6 LkSG
UNGP GP 19–20

SAMPLE
254 companies · 16 sectors
2023/2024 reporting year

CODED
44 practices
5 effectiveness indicators

Global Compact
Network Germany

DOMAIN REPORT 03 /5

CONTENTS

EXECUTIVE SUMMARY

Prevention is the domain where the German Supply Chain Act's (LkSG) effort obligation stops being an abstract legal duty and **starts shaping how companies price, contract, and verify.** §6 LkSG calls for preventive measures derived from the §5 risk analysis and applied in proportion to risk across own operations and supply chains; UN Guiding Principle (GP) 19 supplies the normative logic behind that duty. The disclosures tell a consistent story. The foundational instruments – codes, training, contractual assurances – are in place almost everywhere. On the contrary, he **measures that give those instruments** real purchase in working conditions, how suppliers are managed, and purchasing itself, are not: most companies have **adopted only a minority** of them. On average a company reports just over half of the 44 prevention practices (P-score 51.3%) but disclose on barely a quarter of the five measures that test whether prevention actually works (E-score 24.5%). That distance – near-universal systems, partial follow-through, and a further drop at the effectiveness layer, where nothing clears 42% – is the through-line of the sections that follow.

Two reading conventions apply throughout. First, this study analyses what companies say about their HREDD practices in their mandatory LkSG disclosures, not what they do in operation; the existence of disclosure does not in itself establish the quality, depth, or effectiveness of the underlying due diligence systems, and the reports are self-authored, self-published, and unverified. Second, adoption is a relative measure: not every practice is appropriate for every company, and the proportionality principle (§3 Abs. 2 LkSG) accommodates differences in risk profile and business model. The patterns reported below describe the field as a whole, not a compliance benchmark for any individual company.

Key Findings

- The central pattern is a form-to-substance gradient that repeats across domains: expectation-setting instruments approach universal adoption, while the measures that would turn stated requirements into changed conditions remain far less common.

- **Controls and training are near-universal in own operations; the measures that embed them in working conditions are not.** Control mechanisms (99.2%) and employee training (98.4%) are effectively universal. Below that level, the measures that turn rules into changed conditions thin out: environmental standards in own operations are addressed by 67.7% of companies, , but facility certification (40.6%), fair wages for own employees (37.8%), and human-rights standards written into employment contracts (35.0%) are each minority commitments.

- **The supply chain follows the same gradient.** The instruments that set expectations on suppliers – contractual assurances (96.1%), codes of conduct (89.8%), risk-based supplier measures (90.2%) – are near-universal, while those that check whether the expectations hold, and act when they do not, are weaker: audits reach 74.4% and performance tracking 68.9%, the step of applying consequences to suppliers (P096, 61.8%) belongs to Report 4, and only 28.0% of companies help suppliers build the capability to comply.

- **Beyond the first tier, coverage drops off sharply.** About half of companies extend contractual cascades and requirements to indirect suppliers (55.5% and 55.1%), but only a quarter (24.8%) engage sub-tier suppliers directly. The pattern mirrors the law's focus on direct (Tier 1) relationships under §6(4), with indirect-supplier obligations under §9 triggered only on substantiated knowledge of a potential violation.

- **Responsible purchasing practices remain minority commitments.** Of fourteen practices addressing the way companies' commercial conduct as buyers shapes the root causes of supply chain violations, only purchasing power leverage (P082, 81.1%) sits at field-standard levels. The rest cluster near the floor, the highest at 24.4% and ten of the thirteen below 15%. This is the sharpest tension in the data with the UN Guiding Principle 19 Commentary, which looks to buyers to bring their own commercial behaviour into line with the standards they set for suppliers.

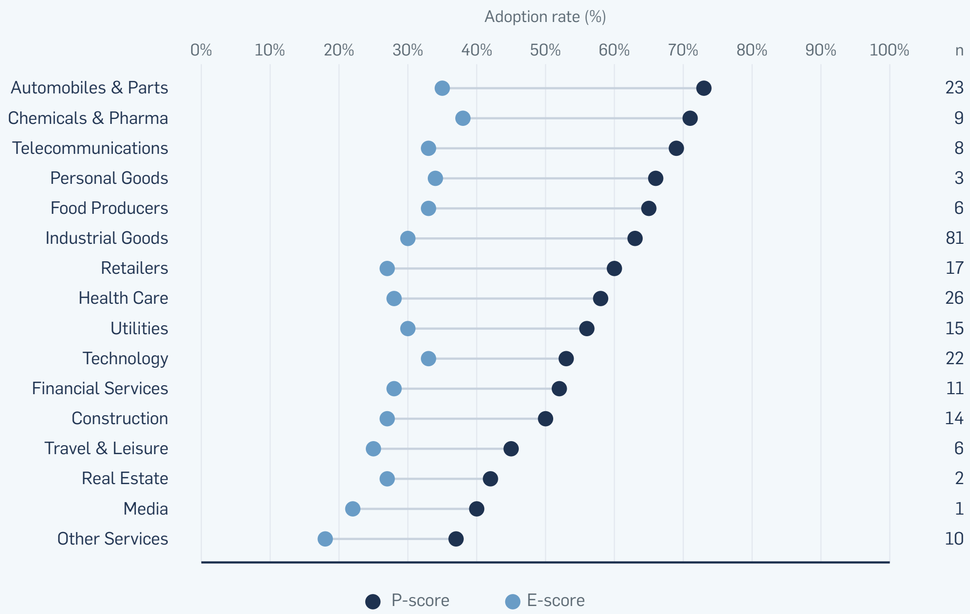
→ **Effectiveness tracking is critically underdeveloped.** None of the five prevention effectiveness indicators exceeds 42%. Only 23.6% of companies track whether prevention actually reduces violations (E002), and just 3.9% measure the impact of capacity-building activities.

→ **On lift — a practice's adopter rate against the 23.6% field base — the firms measuring prevention's effect lean on responsible-purchasing and supplier-investment practices.** Order volume, delivery times, preferred suppliers and indirect-supplier engagement (P070, P072, P078, P102) head the list. All are low-adoption, so the lift says as much about the few firms that adopt them as about the practices. The two outcomes-oriented orientations carry the higher mean lift, while the near-universal controls (P067, P064) do not, because a practice's lift falls as it spreads. The reading is diagnostic, not causal: these practices flag firms that already measure prevention's effect rather than offering a route there (Figure 2).

SECTOR AND SIZE OBSERVATIONS

Figure 1 maps prevention performance across the **sixteen aggregated sectors** in the sample. Each sector is shown as two connected dots: the dark dot marks its mean P-score across the 44 prevention practices; the light-blue dot marks its mean E-score across the five effectiveness indicators. The sector picture reinforces the aggregate pattern: a **wide spread of P-scores, a narrow E-score band, and the P/E gap reproduced in every sector.**

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



Each row represents one sector. Horizontal position shows adoption rate (%); blue dot = mean P-score (across the 44 prevention practices); light-blue dot = mean E-score (across E002, E006, E007, E018, E019). P-score range across sectors: 30–73%; E-score range: 17–36%. Source: LkSG disclosure analysis, n=254 companies. n = number of companies per sector.

Among **sectors with a robust sample,** Telecommunications (P=62%), Food Producers (60%), and Automobiles & Parts (58%) lead; Personal Goods scores higher still at 73%, but on only three companies. Financial Services sits at the lower edge at 38%, with Media lower again at 25% on a single company, and the broad middle – Industrial Goods at 54% and the largest group by far (n=81), Technology at 53%, with Utilities, Retailers, and Health Care in the mid-40s – clustered between.

The **P-to-E gap holds across the field:** every sector with a meaningful sample adopts prevention practices more widely than it measures their effect, by roughly 15 to 40 percentage points. It is widest where adoption is high but effectiveness tracking thin – Construction (P=47%, E=7%) and Automobiles & Parts (P=58%, E=27%) – while Food Producers and Telecommunications pair strong adoption with the field's best effectiveness evidence, near 43%.

Mean **P-score rises modestly with company size,** from 49.5% among companies with 3,000–10,000 employees, to 52.3% in the 10,000–50,000 band, to 58.8% above 50,000 – a 9-point spread that points to proportionality (Verhältnismäßigkeit) genuinely shaping adoption, and to size-related capacity, not only size-related obligation scope, bearing on what companies report.

Critical Gaps

- Measured against the 75% field-standard threshold applied consistently across all five domain reports, the prevention domain shows broad shortfalls. **Own operations:** Environmental standards (67.7%), third-party certification (40.6%), fair wages (37.8%), and contractual assurances for own employees (35.0%) all fall below the line

- **Supply chain:** The foundational instruments clear the 75% threshold but the substantive layer does not: direct-supplier audits (74.4%), information provision (72.8%), and performance tracking (68.9%) sit just below, while supplier training (58.3%), the three indirect-tier practices (cascade assurances 55.5%, indirect requirements 55.1%, active engagement 24.8%), supplier collaboration (52.4%), supplier visits (50.8%), supplier certification (48.8%), indirect visibility (48.4%), and supplier development programmes (28.0%) fall well short

- **Responsible purchasing:** This is the most pronounced gap as thirteen of the fourteen practices land below the threshold, ranging from 24.4% down to 0.8%, with only purchasing-power leverage (P082, 81.1%) at field-standard level.

- **Effectiveness:** All five indicators fall below the threshold – supplier-performance metrics (41.7%), worker-voice indicators (37.8%), prevention-reduces-violations (23.6%), purchasing-practice impact (15.3%), and capacity-building impact (3.9%).

IMPLICATIONS FOR RIGHTS-HOLDERS

Prevention gaps occur in the absence of instruments protecting rights-holders. A contractual assurance that is not backed by an audit cannot detect a supplier-side breach; an audit that is not backed by consequences cannot correct it; and a purchasing relationship that compresses lead times or pays late transmits pressure to exactly the workers whose working conditions the prevention system is supposed to improve. The five effectiveness indicators coded in this domain, each adopted by a minority, are the mechanisms that connect corporate prevention to the lived experience of workers in supplier factories and farms. The full implications are developed in section VI.

I. NORMATIVE FRAMEWORK

This section frames **§6 LkSG and UN Guiding Principle 19 as the normative anchors** against which the **44 prevention practices** and **five effectiveness indicators** are coded.

A. UNGP Framework

GP 19 of the UN Guiding Principles on Business and Human Rights **requires companies to integrate their due diligence findings into their functions and processes and act on them.** Where a company causes or contributes to an impact through its own operations, it must cease or mitigate its conduct. Where it is directly linked to an impact through its business relationships, it must use its leverage – individually or in collaboration with other actors – to prevent or mitigate the impact at the source.

Commentary to GP 19 addresses responsible purchasing explicitly**: a company's commercial conduct** can itself cause or contribute to adverse impacts. Delivery schedules shorter than realistic production allows, price pressure inconsistent with supplier cost structures, erratic order volumes, and payment terms that force suppliers to carry financing costs create the operational conditions under which forced overtime, safety shortcuts, and wage violations occur. Prevention is therefore not only a matter of what standards are demanded of suppliers, but also how the buyer's own behaviour affects supplier capacity to comply with those standards.

B. LkSG Statutory Obligations

§6 LkSG operationalises the GP 19 prevention obligation across two spheres. In the company's **own business area** (§6 Abs. 3), preventive measures must include an internal control system, a risk management strategy, and proportionate measures to prevent identified risks. In the **direct supplier sphere** (§6 Abs. 4), companies must communicate expectations, obtain contractual assurances with downstream cascade obligations, provide training and support, and conduct risk-based monitoring. Where **substantiated knowledge** of violations at indirect suppliers exists (§9 LkSG), the prevention obligation extends upstream.

The critical structural requirement is **§6's link to the §5 risk analysis:** preventive measures must be derived from and proportionate to identified risks. A company that has identified severe forced labour risks at Tier 2 but applies no additional measures beyond standard Tier 1 contractual clauses is not meeting its §6 obligation regardless of the breadth of its supplier code of conduct.

C. EU Corporate Sustainability Due Diligence Directive (CSDDD)

The CSDDD applies across the EU from 26 July 2029 to companies with more than 5,000 employees and over €1.5 billion in net turnover, as amended by Omnibus I (2026).[1]

For prevention specifically, the **CSDDD departs from the LkSG in three material respects.**

1. **Responsible purchasing:** the CSDDD explicitly requires companies to adapt their purchasing practices, pricing, and contract terms so that commercial conduct does not obstruct supplier compliance with human rights standards – an obligation the LkSG addresses only implicitly through GP 19 Commentary (the CSDDD obligation is explicit at Article 10(2)(d), which requires companies to make "necessary modifications of, or improvements to, the company's own business plan, overall strategies and operations, including purchasing practices").

2. **Value-chain reach:** the CSDDD adopts a risk-based approach in which preventive measures must follow the severity of identified risks rather than stopping at the direct-supplier tier, whereas LkSG §9 triggers upstream obligations only on substantiated knowledge of violations (the CSDDD's 'chain of activities' concept replaces tier-based limitation with risk-based reach across upstream business partners).

3. **Effectiveness:** the CSDDD requires companies to monitor and evaluate the adequacy and effectiveness of their preventive measures, placing the E-series indicators examined in section IV at the centre of compliance rather than at its frontier. The LkSG already mandates annual effectiveness review at §6 Abs. 5: "Die Wirksamkeit der Präventionsmaßnahmen ist einmal im Jahr sowie anlassbezogen zu überprüfen." The CSDDD, as amended by Omnibus I (Directive (EU) 2026/470), extends the regular cycle to at least every five years (Art. 15), retaining ad-hoc review where significant change occurs or there are reasonable grounds to believe measures are no longer adequate or effective.

The findings in this report therefore have direct forward-looking relevance: the critical gaps identified in responsible purchasing, indirect-tier engagement, and effectiveness tracking are precisely the dimensions on which the CSDDD raises the bar beyond the LkSG baseline. The European Commission is expected to publish model contracting clauses by 2027 to give the responsible-purchasing obligations operational form.

1 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: OWN-BUSINESS MEASURES

The **ten own-business prevention practices address §6 Abs. 3,** namely what companies do in their own operations to prevent violations. As a group, they achieve a **mean adoption of 70.5%** – the highest sub-domain average in the prevention landscape – but this masks a sharp internal gradient. The impact-oriented measures that make own-business prevention substantive – environmental standards, fair wages, certification, own-employee contractual assurances – are adopted by a minority of companies.

A. Controls and Training

PRACTICE **P054**

Code of Conduct Exists

ADOPTION RATE
85.8% (218/254)

UNGP **GP 19**	LkSG **§6 Abs. 3**	CSDDD **Art. 7**

DEFINITION

Company has an internal Code of Conduct addressing human rights and environmental standards applicable to its own operations.

WHY THIS MATTERS

The Code of Conduct translates the policy commitment into specific, verifiable behavioural expectations for employees. It provides the standard against which compliance can be monitored and violations assessed.

GOOD PRACTICE EXAMPLE

Deutsche Bahn AG explicitly updated its Group-wide internal Code of Conduct to align with the specific requirements of the Supply Chain Due Diligence Act (LkSG). The code distinctly addresses core human rights and environmental topics such as equal opportunity, freedom of association, occupational health and safety, and explicitly clarifies that the prohibition of discrimination also applies to remuneration.

"The Code of Conduct is an integral component of our employment contracts. All board members, managing directors, executives, and employees worldwide are bound by these principles."

PRACTICE **P059**

Control Mechanisms – Own Business

ADOPTION RATE
99.2% (252/254)

UNGP **GP 19**	LkSG **§6 Abs. 3**	CSDDD **Art. 7**

DEFINITION

Company has established control mechanisms to detect and prevent human rights and environmental violations in its own business area.

WHY THIS MATTERS

The internal control mechanism is the operational backbone of §6 Abs. 3. Near-universal adoption confirms this has become an entry-level compliance requirement. Control mechanisms sit 20 percentage points above the risk-based variant (P067: 78.3%), suggesting that many companies have established generic controls without tailoring them to identified priority risks. Adoption is near-universal at 99.2% (252/254).

GOOD PRACTICE EXAMPLE

Symrise AG establishes stringent control mechanisms within its own business area by subjecting its internal operations to the same level of external scrutiny usually reserved for the supply chain. The company utilises a combination of internal reporting and comprehensive external ethical trade audits, specifically mandating regular SMETA 4-pillar assessments across its facilities.

"Internal reports on violations of the Symrise Code of Conduct by internal/external reporters; on-site audits: regular SMETA 4-pillar audits at Symrise's main production sites (at least every three years), customer audits, social audits, and certification audits (ISO 9001, ISO 14001, ISO 45001, ISO 50001, Rainforest Alliance, UEBT, SAI)."

PRACTICE **P060**

Audits – Own Business

ADOPTION RATE

78.7% (200/254)

UNGP **GP 19**	LkSG **§6 Abs. 3**	CSDDD **Art. 7**

DEFINITION

Company conducts audits or structured reviews of compliance with human rights and environmental standards in its own operations.

WHY THIS MATTERS

Audits in own operations provide a verification mechanism. At 78.7%, own-business audits are among the more widely adopted impact-oriented practices – though nearly one in four companies has no structured internal verification process.

GOOD PRACTICE EXAMPLE

Dr. Ing. h.c. F. Porsche AG systematically assesses compliance within its own business area by conducting dedicated, risk-based on-site audits across its group companies. These targeted inspections, known as 'Compliance Monitorings,' specifically verify the implementation of the company's internal regulations regarding human rights and environmental due diligence.

"In addition, Porsche conducts what are known as Compliance Monitorings – risk-based on-site reviews of compliance with Group-wide requirements, including those relating to business conduct and human rights, across our Group companies."

PRACTICE **P062**

Training – Own Business Employees

ADOPTION RATE

98.4% (250/254)

UNGP **GP 19**	LkSG **§6 Abs. 3**	CSDDD **Art. 7**

DEFINITION

Company provides human rights and environmental due diligence training to employees in its own operations.

WHY THIS MATTERS

Training is the mechanism through which policy commitments become operational behaviour. Without it, even comprehensive policies cannot change how employees handle due diligence decisions in procurement, operations, or business development. At 98.4%, (250/254) training has become effectively universal across the sample – one of only three practices to reach that level.

GOOD PRACTICE EXAMPLE

Daimler Truck AG implements a highly inclusive training approach for its own employees by specifically designing formats that also reach operational workers without digital access. The training utilises practical case studies on topics like discrimination and harassment to provide concrete, day-to-day guidance.

"With the new training format, we aim to ensure that everyone in our organisation is informed about the content of our Daimler Truck Code of Conduct, including employees who do not have direct access to laptops or email accounts."

PRACTICE **P067**

Risk-Based Controls – Own Business

ADOPTION RATE

78.3% (199/254)

UNGP **GP 19**	LkSG **§6 Abs. 3**	CSDDD **Art. 7**

DEFINITION

Company applies risk-based internal controls in its own business area, targeted at the priority risks identified through the §5 analysis.

WHY THIS MATTERS

Generic controls applied uniformly and alone are unlikely to prevent the specific violations that a company's risk profile has identified as most severe. The 20-percentage-point gap between universal control mechanisms (P059: 99.2%) and risk-based controls (78.3%) suggests that a share of companies have not yet connected their risk analysis to their prevention architecture.

GOOD PRACTICE EXAMPLE

Volkswagen AG implements highly targeted, risk-based control measures within its own business operations by tailoring its internal audits to specifically address identified priority risks. After recognising the environmental and health hazards associated with persistent organic pollutants (POPs), the company's Group Environment department proactively directed its audit resources toward this exact vulnerability across its subsidiaries.

"As part of internal audit processes conducted by Group Environment, risk-based selected Group companies were also audited with regard to the priority risk of POPs in fire extinguishing agents. In addition, the Group operates an Environmental Compliance Management System (ECMS)."

B. Impact-Oriented Measures

The **five impact-oriented own-business practices** – contractual assurances (P056), certification (P061), fair wages (P063), safe working conditions (P064), and environmental standards (P065) – address what companies do inside their own operations to give effect to the policy commitments set out in section II.A. Their **mean adoption is 52.8%**, materially below the 88.1% mean of the controls sub-group (the Standards & Controls orientation discussed in section II.A: control mechanisms, employee training, codes of conduct, and risk-based controls), and the gap is the defining feature of the own-business landscape: the **architecture of policy and training is broadly in place, but the operational embedding of those policies** in employment conditions and facility-level standards is not.[2]

PRACTICE **P056**

Contractual Assurances – Own Business

ADOPTION RATE
35.0% (89/254)

UNGP **GP 19**	LkSG **§6 Abs. 3**	CSDDD **Art. 7**

DEFINITION

Company uses internal contractual instruments – such as employment contract clauses – to embed human rights and environmental standards in its own business area.

WHY THIS MATTERS

Contractual assurances in own operations convert policy expectations into legally binding individual obligations. At 35.0% – just over one in three companies – this is the least-adopted own-business prevention practice.

GOOD PRACTICE EXAMPLE

Deutsche Börse AG embeds its human rights strategy into its own-business operations by explicitly incorporating its Code of Business Conduct into employment contracts of its workforce. This code specifically addresses the protection and preservation of human rights, and new hires must confirm their knowledge of it upon joining.

"The Code of Business Conduct is a component of employees' employment contracts, and acknowledgement of it is confirmed by employees upon hiring."

PRACTICE **P061**

Certification – Own Business

ADOPTION RATE
40.6% (103/254)

UNGP **GP 19**	LkSG **§6 Abs. 3**	CSDDD **Art. 7**

DEFINITION

Company holds relevant human rights or environmental certifications for its own operations.

WHY THIS MATTERS

Third-party certifications provide independent verification of own-operations compliance. At 40.6%, the majority of the sample cannot point to external validation of their own-business standards. Whereas P060 captures whether internal audit programmes exist, P061 captures whether their results are validated by independent third-party certification – the external check on what internal audit alone cannot prove.

GOOD PRACTICE EXAMPLE

KHS GmbH utilises external certifications and independent ethical audits to verify compliance with human rights and environmental standards within its own global operations. In addition to maintaining ISO 45001 and ISO 14001 certifications at both its German and Indian production sites, the company subjects its own facilities to comprehensive social audits.

"In addition, KHS GmbH regularly participates in the SEDEX (Supplier Ethical Data Exchange) ethical and social audit at all German and currently four of five international production sites."

2 Practice-level applicability varies by business model. P063 (Fair Wages) may be of limited relevance to a company whose own-operations workforce is exclusively covered by collective agreements, and P065 (Environmental Standards) may be of limited relevance to a service-based business with negligible direct environmental footprint. Proportionality (§3 Abs. 2 LkSG) accommodates these differences; aggregate adoption rates are not compliance benchmarks for any individual company. See Executive Summary Framing.

PRACTICE **P063**

Fair Wages – Own Business

ADOPTION RATE

37.8% (96/254)

UNGP **GP 19**	LkSG **§6 Abs. 3**	CSDDD **Art. 7**

DEFINITION

Company takes active measures to ensure fair and adequate remuneration for its own employees, beyond statutory minimum wage compliance.

WHY THIS MATTERS

Fair wages are among the most measurable human rights risks in own-business operations. More than six in ten companies not addressing wage standards beyond legal minimums could indicate a potential gap between policy and operational practice.

GOOD PRACTICE EXAMPLE

C.H. Boehringer Sohn AG & Co. KG structures fair-wage practice within its own business operations by formally establishing a universal, independent baseline for adequate remuneration. Rather than solely relying on varying national minimum wage laws, the company proactively applies a recognised global standard across its workforce and monitors its implementation.

"Formal introduction and review of a recognised, independent global minimum standard for ensuring adequate wages."

PRACTICE **P064**

Safe Working Conditions – Own Business

ADOPTION RATE

83.1% (211/254)

UNGP **GP 19**	LkSG **§6 Abs. 3**	CSDDD **Art. 7**

DEFINITION

Company takes active measures to ensure safe working conditions in its own operations beyond minimum legal compliance.

WHY THIS MATTERS

Occupational health and safety is among the most salient human rights risks in own-business operations. Proactive measures targeting root causes distinguish genuine prevention from regulatory compliance.

GOOD PRACTICE EXAMPLE

Knorr-Bremse AG supports safe working conditions within its own business operations by moving beyond basic technical compliance to assess and shape the company's underlying safety culture. The company initiated a corporate-wide programme that uses employee surveys and on-site audits at production locations to specifically evaluate how leadership, organisational structures, and processes contribute to occupational health and safety.

"During the reporting period, we also initiated a company-wide initiative to assess our safety culture. Using employee surveys and on-site audits at European production sites, we evaluated leadership, organisation, and processes with regard to their contribution to safety culture, and identified areas for improvement."

PRACTICE **P065**

Environmental Standards – Own Business

ADOPTION RATE

67.7% (172/254)

UNGP **GP 19**	LkSG **§6 Abs. 3**	CSDDD **Art. 7**

DEFINITION

Company implements specific environmental standards and controls in its own operations, including compliance with the conventions referenced in §2 Abs. 3 LkSG.

WHY THIS MATTERS

Environmental due diligence in own operations addresses restrictions on persistent organic pollutants, hazardous waste, and mercury. At 67.7%, nearly one in three companies has not implemented specific environmental standards in its own operations, meaning own-business environmental prevention has not reached field standard across the sample.

GOOD PRACTICE EXAMPLE

Heidelberg Materials AG implements rigorous environmental standards within its own business area by combining extensive environmental management systems with a centralized, data-driven emission monitoring infrastructure. To control the environmental impact of its heavy industrial activities, the company measures critical air pollutants from its clinker production and feeds this data into a centralized system for continuous validation.

"Air emissions from our clinker production processes are monitored, recorded, and validated in a company-wide database that feeds into various management control and reporting functions."

III. PRACTICE LANDSCAPE: SUPPLY CHAIN MEASURES

The **32 supply chain prevention practices cover §6 Abs. 4 obligations** to direct suppliers and §9-linked indirect supplier measures, including the responsible purchasing practices addressed in GP 19 Commentary. **Mean adoption** across this sub-domain is **44.4%** – lower than the own-business mean of 70.5% and below the domain average of 51.3% – with a sharp internal gradient: foundational direct-supplier instruments exceed 90%, while indirect supplier measures and purchasing practices cluster well below 25%.

A. Direct Supplier Compliance

The **sixteen direct supplier practices** encompass the core §6 Abs. 4 instruments: contractual assurances, codes of conduct, risk-based segmentation, risk-based measures, auditing, self-assessment, supplier training, and supplier development. They achieve a **mean adoption of 72.8%**, close to the own-business controls mean. Consequently, the formal architecture for engaging direct suppliers is broadly in place. The gradient within this sub-section is less steep than elsewhere: foundational contractual instruments exceed 90%, while capacity-building measures (supplier training 58.3%, supplier visits 50.8%, supplier development programmes 28.0%) and verification instruments (direct-supplier audits 74.4%, certification 48.8%) trail behind. This **concentration of adoption at the direct-supplier level** also reflects the LkSG's tier-focused design: §6 Abs. 4 obligations apply to direct suppliers by default, while duties toward indirect suppliers arise only on substantiated knowledge of potential violations under §9.

PRACTICE **P055**

Code of Conduct – Suppliers

ADOPTION RATE

89.8% (228/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 7**

DEFINITION

Company requires suppliers to comply with a human rights and environmental code of conduct.

WHY THIS MATTERS

A supplier code of conduct operationalises expectations into specific, verifiable standards. Its credibility depends entirely on whether it is backed by monitoring, enforcement, and consequences as the adoption of supplier performance tracking (P077: 68.9%) and audits (P089: 74.4%) show that this verification layer is not universally in place. P096 (supplier performance consequences), which closes the loop from verification to action, is scoped to Report 4.

GOOD PRACTICE EXAMPLE

SCHOTT AG employs a two-tiered, risk-based approach to enforcing its Supplier Code of Conduct to balance thoroughness with operational feasibility. While all suppliers must automatically agree to the code's contents when submitting a quotation, the company demands an explicit, manually signed version from business partners identified as having a high-risk score.

"All suppliers agree to the contents of the Supplier Code of Conduct when submitting a quotation. From suppliers with a high-risk score, we additionally require a signed copy in return – so that higher-risk suppliers make a stronger commitment to meeting our minimum requirements."

PRACTICE **P057**
Contractual Assurances – Direct Suppliers

ADOPTION RATE
96.1% (244/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company includes human rights and environmental obligations in its contracts with direct suppliers.

WHY THIS MATTERS

Contractual assurances bind suppliers to the buyer's human rights and environmental standards. They are also the baseline against which the subsequent audit, tracking and consequence practices in this sub-section are tested. Without them, enforcement has no contractual hook. Adoption is near-universal at 96.1% (244/254).

GOOD PRACTICE EXAMPLE

Bezirkskliniken Mittelfranken establishes comprehensive contractual assurances with its direct suppliers that extend beyond basic legal compliance. Their supplier contracts include specialised clauses mandating active cooperation in developing remediation concepts, a "pass-on" clause requiring direct suppliers to enforce these standards upon their own upstream suppliers, and a strict requirement to guarantee their employees unhindered access to the hospital's grievance mechanism.

"Based on our corporate self-image of a holistic responsibility for human rights and environmental protection in our supply chains, the supplier contract clauses also stipulate that the obligations to comply with the protected legal positions [...] are contractually passed on from the direct supplier to its own suppliers in the supply chain (so-called pass-on clause)."

PRACTICE **P068**
Supplier Selection Criteria

ADOPTION RATE
88.2% (224/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company integrates human rights and environmental criteria into supplier selection and onboarding decisions.

WHY THIS MATTERS

Selection criteria are the earliest – and most resource-efficient – point at which prevention can operate: suppliers who cannot meet basic standards are not onboarded.

GOOD PRACTICE EXAMPLE

ZF Friedrichshafen AG explicitly factors sustainability into its procurement decisions by utilising a dedicated Sustainability Score that evaluates suppliers' ESG performance. This score acts as a mandatory criterion during supplier onboarding and selection, and the company tracks its 'responsible spend' to measure the percentage of its procurement budget awarded to sustainable partners.

"ZF has defined Key Performance Indicators (KPIs) and targets, such as the 'responsible spend' KPI, which is based on the Sustainability Score. This score assesses the sustainability performance of suppliers using various KPIs that reflect their commitment to sustainable practices."

PRACTICE **P069**
Procurement Strategy

ADOPTION RATE
83.9% (213/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company has a procurement strategy that incorporates human rights and environmental considerations into purchasing decisions.

WHY THIS MATTERS

Procurement strategy determines what gets bought, from whom, and on what terms – and therefore whether human rights standards are a selection criterion or left to suppliers to manage by themselves. Integrating HREDD at the strategy level is the structural precondition for the responsible-purchasing practices examined in section III.C; without it, those practices have no institutional home. The default incentive structure in procurement is cost minimisation; embedding sustainability at the strategy level is what counters and balances that default, so that human rights and environmental criteria sit alongside price, quality, and delivery as award factors rather than competing against them downstream.

GOOD PRACTICE EXAMPLE

Deutsche Bahn AG explicitly aligns its procurement strategy with its human rights goals by embedding social and environmental criteria directly into its category strategies and contract award decisions. Crucially, the company utilises specific contractual pricing mechanisms designed so that its purchasing behaviour does not financially pressure suppliers into committing labour violations.

"Deutsche Bahn AG uses price escalation clauses in some contracts, under which increases in labour costs – for example through higher minimum wages or collectively agreed wages – lead to corresponding increases in our purchase prices."

Deutsche Bahn AG – Integrating preventive measures in procurement[3]

Deutsche Bahn AG (DB) is a federally-owned mobility and transportation group whose core business is rail transport. DB has made **responsible purchasing practices a core component of its preventive human rights approach,** recognizing procurement as a key leverage point – particularly in sectors with high cost pressures and complex subcontracting structures. These principles are **embedded in the company's internal Code of Conduct as well as their Code of Conduct for Business Partners,** both aligned with the German Supply Chain Act and emphasizing shared responsibility and continuous, risk-based improvement.

Capacity building enables procurement experts to make informed decisions and implement measures effectively. DB has developed **risk-based training formats** for selected buyer groups, prioritizing those with high purchasing volumes or exposure to higher-risk categories. These trainings address practical dilemmas, such as pricing pressures and their impact on labor conditions. For example, in the logistics sector, sessions explicitly discuss whether prices are sufficient to cover fair wages. Innovative formats such as gamified learning (e.g. escape rooms), combined with practical toolkits and category-specific guidance, help translate human rights requirements into day-to-day procurement decisions.

Beyond training, **contractual mechanisms are used to address structural risk drivers** – particularly in relation to fair wages. Price adjustment clauses in some long-term contracts for selected low-wage products can allow suppliers to renegotiate prices in response to external cost increases such as inflation or energy shocks. This reduces the risk of cost pressure being passed on to workers and reflects a partnership-based approach to supplier relationships.

In addition, specific contractual provisions require compliance with minimum wage standards, including for subcontractors – especially in high-risk sectors such as cleaning, security, or winter services. By **prioritizing risks and treating suppliers as partners,** DB ensures a proportionate approach that strengthens implementation.
Overall, the example highlights that effective prevention in procurement requires **addressing root causes** – such as pricing structures – **while equipping buyers** with the tools and awareness to act responsibly. The combination of risk-based training, contractual safeguards, and a partnership-oriented approach enables more sustainable and human rights-aligned purchasing practices.

3 The report's quantitative findings chart the field-wide state of prevention 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 well individual companies integrate prevention into their existing system. This section presents the first of two company cases, contributed by the company itself as part of a UN Global Compact Network Germany 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, nor has it been externally verified. Subsequent domain reports in this series will feature equivalent company-contributed cases in governance, risk analysis, remediation, and grievance mechanisms. This case study draws on a structured interview with the company conducted by the research team.

PRACTICE **P073**

Supplier Collaboration

ADOPTION RATE
52.4% (133/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company engages in collaborative programmes or partnerships with suppliers to improve human rights and environmental performance.

WHY THIS MATTERS

Collaboration reflects a shift from compliance policing to capacity partnership – most relevant where systemic risks require structural change that individual suppliers cannot achieve through compliance instruments alone.

GOOD PRACTICE EXAMPLE

IKEA Deutschland GmbH & Co. KG implements its human rights and environmental expectations through its comprehensive IWAY programme, which functions as a robust framework for supplier collaboration. Rather than relying solely on unilateral demands or top-down audits, the company assists its business partners in developing their capabilities, having conducted over 1,000 implementation support activities in the reporting year alone to help suppliers meet standards.

"We work closely with suppliers to enable development and to support them in action planning. Continuous dialogue about achieving shared sustainability goals is an integral component of our business relationships."

PRACTICE **P074**

Risk-Based Supplier Segmentation

ADOPTION RATE
84.2% (214/254)

UNGP **GP 17–19**	LkSG **§§5–6**	CSDDD **Art. 10**

DEFINITION

Company applies a structured risk-based tiering or segmentation process to its supplier base, differentiating the level of due diligence applied according to assessed human rights and environmental risk.

WHY THIS MATTERS

Not all suppliers carry the same risk and applying the same depth of due diligence to every supplier wastes capacity without improving outcomes. Risk-based segmentation is what turns a generic due diligence policy into a proportionate one: it identifies where deeper checks, audits, and consequences are warranted. At 84.2%, segmentation is well established across the sample. The practice bridges risk analysis (§5) and preventive measures (§6): it is the operational mechanism by which risk knowledge is translated into differentiated supplier treatment. BAFA's Handreichung "Zusammenarbeit in der Lieferkette" makes this expectation explicit, recommending that buyer companies prioritise their due-diligence depth based on identified risk rather than apply uniform requirements across the supplier base.

GOOD PRACTICE EXAMPLE

RWE Aktiengesellschaft applies a multi-tiered, risk-based segmentation process before any contract is signed. Basic checks by the procurement department can trigger extended checks via targeted self-disclosure questionnaires; potential high-risk suppliers are then escalated to a dedicated Human Rights Expert Team that develops a specific Human Rights Action Plan.

"If the results of the extended checks are not sufficient to ensure that a potential risk can be prevented, the potential supplier in question is classified as a high-risk supplier and a final advanced check is carried out."

BASF SE – Scaling prevention through industry collaboration[4]

BASF, as a leading chemical company, is committed to respecting internationally recognised human rights in its own operations and to fostering respect for human rights in relationships with its business partners along the value chain. Having specified its responsibility for human rights in its Code of Conduct, BASF's Policy Statement on Human Rights sets out how BASF aims to meet this commitment with relevant stakeholder groups. Outlining its commitments and expectations towards the company's business partners as well as its human rights strategy, BASF includes risks and processes in place to address these risks.

Applying a **risk-based approach** to preventing human rights risks in its supply chain, BASF **combines clear expectations with strong industry collaboration.** Given a Tier 1 supplier base of more than 70,000 partners, scalable and harmonised solutions are essential.

Expecting its business partners to comply with prevailing laws, regulations and internationally recognised principles, BASF's expectations regarding environmental, labour and social standards in the supply chain are laid down in the **Supplier Code of Conduct,** which is, amongst others, **integrated into their purchasing conditions** and with that a **contractual obligation.** These expectations are also captured in contracts via appropriate clauses which are adapted according to developing legal frameworks. These instruments provide an important foundation for engagement, for example in high-risk countries.

A central pillar of the company's prevention approach, however, is its involvement in ***Together for Sustainability* (TfS)** – a **global, industry-led initiative** of companies that aims to standardise and improve sustainability practices in chemical supply chains. Supplier evaluations and capacity building measures are mainly steered using processes and tools provided by the TfS initiative, of which BASF is a founding member. Through TfS, suppliers, which were selected by BASF based on their potential ESG risks, are assessed via **standardised on-site audits and/or online assessments.** A key benefit of this model is that results are **shared across member companies,** creating strong incentives for suppliers to participate while lowering the resources needed by both suppliers and member companies. An **advanced KPI structure** for TfS evaluations reinforces transparency and prioritises improvement and impact, both for BASF as individual member and collectively.

On the one hand, evaluation results are carefully analysed and summarised in audit reports or scorecards together with **concrete plans for corrective actions.** Where performance is inadequate, BASF contacts the suppliers and requests that they implement improvements. This not only supports progress at individual suppliers but also benefits multiple customers sourcing from the same supplier simultaneously.

On the other hand, the TfS Academy **provides targeted training to suppliers** in connection with TfS assessments, audits and corrective action plans, therefore offering extensive training resources and supporting performance improvement where specific sustainability gaps are identified.

Importantly, TfS goes beyond evaluating suppliers only. The combination of evaluations and capacity building strengthens preventive impact by **addressing root causes** rather than focusing solely on compliance.

Furthermore, the evaluations and training sessions provide the foundation for BASF to set internal performance KPIs and a **corporate target to track supplier improvement outcomes.** For their time horizon up to 2030, the company strives toward 80% of suppliers who underwent a sustainability evaluation in the reporting period and for whom a previous comparable evaluation showed an inadequate result demonstrating an improvement in their sustainability performance annually. Improvement is defined, for example, by a positive development in the assessment score or by the successful implementation of corrective measures confirmed in a follow-up audit. In 2025, the achievement was 77%.

Overall, the example shows that effective prevention is less about isolated company actions and more about **collective approaches.** By embedding its activities in TfS, BASF is able to scale preventive measures, increase supplier engagement, and address risks more systematically across the industry.

4 See footnote 3 for the methodological framing.

PRACTICE **P077**

Supplier Performance Tracking

ADOPTION RATE **68.9%** (175/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company systematically monitors and tracks supplier performance against human rights and environmental standards over time.

WHY THIS MATTERS

Performance tracking gives supplier codes, contracts, and audits their long-term effect. Without it, compliance is assessed at a single point in time and improvements or deteriorations go undetected.

GOOD PRACTICE EXAMPLE

BASF SE systematically monitors and tracks the sustainability performance of its suppliers using a central database that captures the results of supplier assessments and corrective action plans. By continuously evaluating follow-up assessments, the company quantitatively measures the progression of its supply base over time.

"We analyze the results of the supplier evaluations and document them in a central database. This enables us to systematically monitor the progress made by our suppliers. We also monitor the proportion of suppliers that have improved their sustainability performance following a follow-up assessment. This percentage has improved from 52% in 2019 to 82% in 2023."

PRACTICE **P087**

Training – Suppliers

ADOPTION RATE **58.3%** (148/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company provides human rights and environmental training or capacity-building support to its suppliers.

WHY THIS MATTERS

Supplier training is the capacity-building mechanism that enables compliance. Suppliers who understand the requirements and have developed skills to implement them are more likely to achieve genuine improvement than those who receive only contractual demands. At 58.3%, supplier training is adopted by fewer than three in five companies – a gap given that training is the primary mechanism for translating contractual expectations into operational capability. Training is widespread in own operations – employee training (P062) reaches 98.4% – but does not extend to direct suppliers at the same rate.

GOOD PRACTICE EXAMPLE

EnBW Energie Baden-Württemberg AG makes comprehensive capacity building a mandatory prerequisite for doing business in specifically identified high-risk sectors. For its subsidiary Netze BW, any supplier operating in the civil engineering and network construction sector must complete specific training on occupational safety and labour rights before they can qualify to bid for contracts.

"In the pre-qualification process for the 'civil engineering and network construction' procurement category at Netze BW, suppliers from the construction and services sector are required – in addition to a self-disclosure – to complete comprehensive training on occupational safety and labour rights topics such as minimum wage and working time regulations."

PRACTICE **P088**

Information Provision – Suppliers

ADOPTION RATE
72.8% (185/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company provides suppliers with information and resources to understand and implement human rights and environmental requirements.

WHY THIS MATTERS

Information provision is the enabling condition for supplier compliance. Without it, contractual demands may not translate into capability – particularly for smaller suppliers who lack institutional due diligence knowledge. Information provision differs from supplier training (P087) in being a passive transfer of resources – codes, FAQs, technical guidance, sector materials – rather than active capability-building. Both are needed; only one creates the institutional knowledge that makes the other applicable.

GOOD PRACTICE EXAMPLE

Mercedes-Benz AG proactively provides comprehensive information and learning resources to its suppliers through a dedicated, 24/7 accessible online platform. The company developed a specific 'Compliance Awareness Module' based on its sustainability standards and behavioural guidelines, which was recently expanded to include environmental topics to support suppliers in understanding and handling risks.

"The publicly available training supports suppliers in handling potential integrity and compliance risks responsibly. All suppliers can access the module around the clock through the Supplier Portal."

PRACTICE **P089**

Audits – Direct Suppliers

ADOPTION RATE
74.4% (189/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company conducts audits or structured reviews of direct suppliers' compliance with human rights and environmental standards.

WHY THIS MATTERS

At 74.4%, direct supplier audits are close to – but just below – the 75% field-standard threshold: roughly three-quarters of companies supplement contractual assurances and self-assessments with independent on-site verification, and the remaining quarter relies on contractual instruments and supplier self-reporting alone.

GOOD PRACTICE EXAMPLE

Evonik Industries AG implements a highly systematic and structured audit programme for its direct suppliers, utilising both its own assessments and the collaborative 'Together for Sustainability' (TfS) initiative, which covers around 80% of its direct procurement volume. The initiative categorises audit findings into 'Minor', 'Major', and 'Critical' severities, demanding that suppliers submit a Corrective Action Plan (CAP) within ten days of the audit.

"Deficiencies must then be remedied within a defined schedule. The more severe the deficiency, the sooner it must be addressed: 'Major' and 'Critical' findings must be addressed within twelve months and verified through a re-audit after twelve months."

PRACTICE **P090**

Certification – Direct Suppliers

ADOPTION RATE **48.8%** (124/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company requires, gives preference to, or systematically favours direct suppliers that hold relevant human rights or environmental certifications. The disclosure data do not distinguish between these variants (i.e., human rights versus environmental certifications, and selection-filter versus ongoing-condition uses; see also P068, which captures due-diligence criteria at the contracting stage).

WHY THIS MATTERS

Supplier certifications provide scalable third-party verification across large supplier bases. Their value depends on whether certifications are substantive and sector-relevant. The disclosure data does not consistently distinguish between human-rights and environmental certifications, nor between certifications used as a selection filter (overlapping with the supplier-selection criteria captured by P068) and those required as an ongoing condition of supplier status. P090 captures the broader phenomenon by including both, while P068 specifically captures the use of due-diligence criteria at the contracting stage.

GOOD PRACTICE EXAMPLE

IGMZ Deutschland Holding GmbH (via its subsidiary tegut... gute Lebensmittel GmbH & Co. KG) systematically integrates specific, internationally recognised certification requirements into its procurement strategy for high-risk commodity groups. For all fruit and vegetable suppliers, the company demands proof of good agricultural practices through a base certification, which is dynamically expanded based on specific geographical risks.

"For all fruit and vegetable suppliers, the company requires proof of good agricultural practice through Global G.A.P. certification or equivalent. Depending on the risk status of the country of domicile or production, additional modules such as Global G.A.P. GRASP or social audits are required."

PRACTICE **P091**

Supplier Self-Assessment

ADOPTION RATE **82.7%** (210/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company uses supplier self-assessment questionnaires to gather information on supplier compliance with human rights and environmental standards.

WHY THIS MATTERS

Self-assessments are a cost-effective screening method across large supplier bases. Their quality depends on questionnaire design, targeted scope, and follow-up verification. At 82.7%, supplier self-assessment is one of the more widely adopted monitoring instruments in the sample. BAFA's Handreichung specifically recommends tailoring self-assessment questionnaires to the risks identified for each supplier or supplier segment, rather than issuing one-size-fits-all questionnaires that burden low-risk suppliers without producing actionable information for high-risk relationships.

GOOD PRACTICE EXAMPLE

Niels-Stensen-Kliniken GmbH utilises a targeted, theme-specific approach to supplier self-assessment questionnaires during its concrete risk analysis phase. Rather than sending a generic, comprehensive questionnaire to all high-risk suppliers, the company only requests information pertaining to the specific risk areas that flagged as high-risk in the preceding abstract analysis.

"Information requests to suppliers were limited to only those subject areas that exhibited a high risk according to the abstract risk analysis. The aim was to involve suppliers only where necessary, and to avoid creating unnecessary administrative burden for those not obligated under the LkSG. This targeted approach is consistent with BAFA guidance on proportionate supplier engagement in the concrete risk analysis phase."

PRACTICE **P092**

Supplier Visits

ADOPTION RATE

50.8% (129/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company conducts in-person site visits to supplier facilities to assess compliance with human rights and environmental standards.

WHY THIS MATTERS

Site visits provide direct visibility into working conditions that desk-based assessments and questionnaires cannot replicate. At 50.8%, fewer than half the sample has this on-the-ground due diligence layer.

GOOD PRACTICE EXAMPLE

EnBW Energie Baden-Württemberg AG conducts regular on-site visits to raw material producers to gain a concrete, first-hand understanding of the conditions at production sites and mining areas. During these visits, the company goes beyond standard factory tours by engaging in intensive dialogue not only with the suppliers' management but also with external and potentially affected stakeholders.

"Regular on-site visits provide a concrete picture of conditions at production sites and in extraction areas. During such visits, EnBW AG engages in intensive dialogue with raw material producers as well as further stakeholders, e.g. representatives of trade unions, local communities, or civil society."

PRACTICE **P095**

Risk-Based Supplier Measures

ADOPTION RATE

90.2% (229/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company applies preventive measures to suppliers in proportion to their assessed risk level, with more intensive engagement for higher-risk relationships.

WHY THIS MATTERS

Risk-based supplier measures are the mechanism through which the §5 risk analysis translates into differentiated §6 prevention. Without proportionality, uniform requirements leave high-risk relationships under-managed. They also overwhelm smaller, lower-risk suppliers with documentation burdens that exceed what the relationship's risk profile warrants. The high adoption rate (90.2%) reflects that German companies have generally moved past one-size-fits-all due diligence; the next-stage question is whether the segmentation criteria themselves are calibrated to actual human rights risk, rather than to commercial volume or geographic convenience.

GOOD PRACTICE EXAMPLE

Uniper SE implements a structured, tiered approach to its preventive measures, scaling its supplier engagement based on the specific risk level identified. For suppliers with low risk, the company relies on passive management by requiring adherence to the Supplier Code of Conduct, whereas significant or high-risk suppliers undergo active management, including mandatory online training, continuous exchange, and the collaborative creation of an improvement plan.

"The type and scope of direct measures applied to immediate suppliers depends on the risk assessment of the respective supplier company."

PRACTICE **P097**

Supplier Communication – Expectations

ADOPTION RATE

95.7% (243/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company communicates its human rights and environmental expectations to suppliers before and during commercial engagements.

WHY THIS MATTERS

Communication of expectations is the precondition for supplier compliance. Passive expectation without active transmission cannot constitute a preventive measure under §6 Abs. 4. Adoption is near-universal at 95.7% (243/254). The artefact being communicated is typically the supplier code of conduct itself, captured separately at P055 (89.8%); together, these two practices form the standard contractual scaffolding for the §6 Abs. 4 Nr. 2 LkSG requirement that companies obtain supplier commitment to their human rights and environmental expectations.

GOOD PRACTICE EXAMPLE

IKEA Deutschland GmbH & Co. KG communicates its human rights and environmental expectations to suppliers at the earliest possible stage of the sourcing process, rather than treating them as a post-negotiation afterthought. The company integrates its supplier code of conduct (IWAY) directly into the initial Request for Information (RFI) and Request for Quotation (RFQ) phases, so that suppliers understand the requirements before submitting a bid.

“IWAY as a code of conduct is integrated into contracts and is also presented to suppliers in advance as a preventive measure within a Request for Information (RFI) and Request for Quotation (RFQ), so that they can prepare their offer based on the stated expectations.”

PRACTICE **P098**

Supplier Development Programmes

ADOPTION RATE

28.0% (71/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company runs structured supplier development programmes to build supplier capacity and meet human rights and environmental requirements.

WHY THIS MATTERS

Supplier development programmes address the capability gaps that prevent suppliers from achieving compliance. At 28.0%, most companies impose requirements without the support infrastructure that makes them achievable. Development programmes go beyond supplier training (P087) by adding ongoing technical, operational, or financial support and joint improvement plans, rather than discrete training events.

GOOD PRACTICE EXAMPLE

Bayer AG enrolls suppliers with poor sustainability assessment results in its Supplier Development Programme. Specific improvement measures are agreed with the supplier and documented in a joint action plan, with support for knowledge, skills, and capacity-building. Of 122 suppliers in the development process during the reporting year, 34 completed the cycle and underwent reassessment, with 97% showing verified performance improvements.

“The development cycle concludes with a reassessment to verify the improvements. If no improvement can be identified in a reassessment, Bayer reserves the right to terminate the supplier relationship.”

B. Indirect Supply Chain Measures

The **four indirect-tier practices** – indirect supplier visibility (P100), cascade contractual assurances (P058), indirect supplier requirements (P101), and active indirect engagement (P102) – describe how far due diligence reaches beyond the direct supplier. They achieve a **mean adoption of 46.0%**. Visibility is the foundational step; the remaining three practices depend on it. Under §9 LkSG, obligations toward indirect suppliers are triggered by **substantiated knowledge** of potential violations (*anlassbezogene Sorgfaltspflicht*), which sets the statutory floor for indirect-tier engagement lower than for the direct tier.

The UNGP framework, by contrast, extends human rights due diligence to business relationships across the value chain without a tier limitation (GP 17). The 55.5% adoption of cascade contractual assurances and 24.8% adoption of active indirect engagement therefore reflect a landscape shaped primarily by the LkSG's threshold logic rather than the broader UNGP expectation. The **CSDDD's shift** to a risk-based chain-of-activities approach is **expected to raise the indirect-tier baseline** in ways for which the current cohort is not yet structured. German companies in scope of both regimes will need to expand the existing direct-supplier-focused approach to cover indirect suppliers identified through risk-based prioritisation across their chain of activities.

PRACTICE **P100**

Indirect Supplier Visibility

ADOPTION RATE **48.4%** (123/254)

UNGP **GP 17–19**	LkSG **§§5–6**	CSDDD **Art. 10**

DEFINITION

Company undertakes active efforts to establish visibility into its indirect (sub-tier) supply chain beyond its direct suppliers, through mapping, traceability systems, contractual disclosure of subcontractors, or similar tools.

WHY THIS MATTERS

Indirect supply chain due diligence is unworkable without visibility: a company cannot cascade requirements (P058), impose expectations (P101), or engage (P102) with suppliers it does not know of. Under the LkSG, active obligations toward indirect suppliers are triggered only by substantiated knowledge of violations under §9, but the practical ability to develop such knowledge depends on systems that make the indirect supply chain visible. At 48.4%, fewer than half of companies in the sample report any such system – which sets a ceiling on what the other §III.B measures can achieve.

GOOD PRACTICE EXAMPLE

Evonik Industries AG drives visibility into its indirect supply chain through sector-specific traceability and disclosure requirements. For agricultural commodities, the company achieved 97% traceability of palm-based derivatives to mill level and 69% to plantation level, and publicly discloses the mill lists. In logistics, the company contractually requires direct transport providers to name their subcontractors.

"They are contractually obliged to notify Evonik of any subcontractors they engage – i.e. indirect suppliers."

PRACTICE **P058**

Contractual Assurances – Indirect Suppliers

ADOPTION RATE **55.5%** (141/254)

UNGP **GP 19**	LkSG **§6 Abs. 4 / §9**	CSDDD **Art. 10**

DEFINITION

Company extends contractual human rights and environmental obligations to indirect suppliers through cascade clauses or equivalent mechanisms.

WHY THIS MATTERS

At 55.5%, nearly half the sample has no contractual mechanism for indirect supplier coverage – significant given that the most severe human rights risks typically concentrate at Tier 2 and beyond, but to be expected under the LkSG's graduated approach, which limits direct contractual obligations to Tier 1 unless indirect-tier risks become substantiated under §9.

GOOD PRACTICE EXAMPLE

Schindler Deutschland AG & Co. KG enforces the extension of its human rights and environmental standards deep into its indirect supply chain through a strict cascade principle. The company legally binds its direct suppliers to its 'Responsible Sourcing Policy' and explicitly forbids them from subcontracting with parties that do not comply with these same standards.

"Suppliers in turn may only work with sub-suppliers that comply with the requirements of this Policy. According to the cascading principle, the requirements are passed on to direct suppliers and to their business partners."

PRACTICE **P101**

Indirect Supplier Requirements

ADOPTION RATE **55.1%** (140/254)

UNGP **GP 19**	LkSG **§6 Abs. 4 / §9**	CSDDD **Art. 10**

DEFINITION

Company communicates its human rights and environmental requirements to indirect suppliers directly or through its direct suppliers. Unlike P058 (which addresses contractual cascade obligations), P101 captures active communication of expectations – training materials, outreach, or written guidance – that goes beyond the formal legal instrument.

WHY THIS MATTERS

Without active communication, indirect suppliers remain unaware of the company's expectations and have no basis for compliance – leaving the most exposed tiers of the supply chain ungoverned.

GOOD PRACTICE EXAMPLE

Zalando SE communicates its human rights expectations and requirements down its supply chain by directly targeting its indirect suppliers with tailored capacity-building and awareness measures. Working alongside specialised partner organisations, the company conducts dedicated training sessions explicitly designed for indirect suppliers, while also creating bespoke communication materials, such as posters, to be displayed in indirect supplier factories and warehouses.

"In collaboration with the aforementioned organisation, training measures were also conducted that were explicitly directed at indirect suppliers, in order to identify the risk of rights violations at an early stage. Corresponding prevention strategies were presented and discussed."

PRACTICE **P102**

Indirect Supplier Engagement

ADOPTION RATE **24.8%** (63/254)

UNGP **GP 19**	LkSG **§9**	CSDDD **Art. 10**

DEFINITION

Company conducts active engagement activities directly with indirect suppliers – beyond contractual cascading – including on-site visits, dialogues, or joint verification activities. Training-focused indirect supplier engagement is captured here only when directed specifically at indirect suppliers; general supply chain training is coded under P087.

WHY THIS MATTERS

Active indirect supplier engagement goes beyond cascade obligations to establish a direct connection with tier-n suppliers where the most severe risks concentrate. At 24.8%, this remains uncommon.

GOOD PRACTICE EXAMPLE

IKEA Deutschland GmbH & Co. KG engages with its indirect suppliers at scale through its IWAY system to embed human rights and environmental standards across its value chain. The company goes beyond mere contractual cascading by directly facilitating capability-building, training, and verification activities for its indirect partners.

"In financial year 23, more than 1,000 IWAY verification activities were conducted at indirect suppliers. More than 1,000 implementation activities were carried out to support suppliers in implementing IWAY, including training for internal audits, health and safety training, and responsible recruitment."

C. Responsible Purchasing

The **fourteen responsible purchasing practices** address GP 19 Commentary's insight that a company's own commercial behaviour can cause or contribute to adverse impacts. **Mean adoption across the group is 14.5%, the lowest of any prevention sub-section by a wide margin.** The **distribution is highly uneven**: purchasing power leverage (P082, 81.1%) is the single outlier and reflects companies using commercial influence to drive supplier compliance – the enforcement face of buyer conduct. Among the remaining thirteen practices, adoption ranges from 24.4% (long-term contracts) to 0.8% (buffer stock management and total cost of ownership). A total of ten practices fall below 15%. The **purchasing function has not been aligned with human rights commitments across the vast majority of the sample** – a potential gap that supplier auditing or contractual assurance cannot compensate for.

GP 19 Commentary establishes the analytical basis: buyer conduct that creates unsustainable cost and schedule pressure is not merely a commercial decision – it is a human rights risk. When price pressure prevents suppliers from investing in safe conditions, or when short lead times generate forced overtime, the buyer bears causal responsibility for the resulting violations regardless of what the supplier code of conduct requires. Responsible purchasing practices are therefore not supplementary to compliance programmes – they are a precondition for those programmes working. The **CSDDD places greater explicit emphasis on responsible purchasing than the LkSG** (see the dedicated CSDDD subsection in section I).

Fair conditionality – the principle that compliance expectations should be matched by the commercial and operational enablement that makes those expectations realistic – is the affirmative formulation of GP 19 Commentary's normative move. The fourteen practices in this section operationalise it: pricing methodologies, payment-term arrangements, supplier financing, capacity-building investment, and the management of order volumes and lead times. Adoption levels across the group indicate where in the sample this principle has been operationalised and where it has not.

PRACTICE **P070**

Order Volume

ADOPTION RATE

11.0% (28/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company manages order volumes in a way that does not create pressure on suppliers incompatible with maintaining human rights and environmental standards.

WHY THIS MATTERS

Sudden volume spikes or erratic ordering patterns are a structural driver of forced overtime and unauthorised subcontracting. Intentional management of order volumes is a direct purchasing-side prevention lever.

GOOD PRACTICE EXAMPLE

adidas AG manages order volumes proactively to give suppliers – and the factory workers behind them – stability against the pressure spikes that drive forced overtime. Beyond standard forecasting, the company provides an annual plan with capacity expectations for at least two upcoming seasons, and segments its supplier base to set clear utilisation expectations while granting suppliers autonomy to self-manage production in ways that maintain worker stability.

“Not only do we provide monthly updated market forecasts at item/model level, but we also work directly with suppliers to provide a qualitative outlook and insight into the inventory situation”

PRACTICE **P071**

Payment Terms & Fair Pricing

ADOPTION RATE

18.5% (47/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company sets payment terms and pricing structures that do not create financial pressure on suppliers incompatible with meeting human rights and environmental standards.

WHY THIS MATTERS

Aggressive pricing is a primary commercial driver of supply chain human rights violations. Payment terms and pricing structures that allow suppliers to maintain compliant operations are a direct prevention instrument.

GOOD PRACTICE EXAMPLE

Heidelberg Materials AG embeds fair-wage protection directly into its price-setting methodology. Rather than treating wage adequacy as a supplier-side concern outside buyer influence, the company explicitly anchors purchase-price calculations in the operational reality of what suppliers must pay to comply with local labour standards. The pricing decision itself becomes a prevention lever, rather than contractual assurances doing the work after the price is set.

"Target cost analyses enable transport service providers, for example, to realistically calculate the proportion of labour costs as part of the total price, taking local minimum wages into account, to ensure that employees are paid a fair wage."

PRACTICE **P072**

Delivery Times

ADOPTION RATE

14.6% (37/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company sets delivery timelines in a way that accounts for supplier capacity constraints and human rights compliance requirements.

WHY THIS MATTERS

Unrealistic lead times are a primary operational driver of forced overtime and safety violations at supplier facilities. Delivery time expectations that account for human rights standards are a direct form of prevention.

GOOD PRACTICE EXAMPLE

Wacker Neuson SE integrates human rights considerations into its day-to-day purchasing practices, with delivery-time specifications structured so as not to compromise supplier compliance. The company specifically instructs its procurement staff to avoid putting business partners under undue pressure – such as through unrealistic delivery schedules or aggressive price negotiations – that could lead to human rights or environmental violations.

"Employees in the procurement organisation act in accordance with LkSG requirements as a matter of principle, including when adjusting delivery times, purchasing prices, and the duration of contractual relationships. In price reduction negotiations in particular, careful attention is paid to avoiding measures that place suppliers under disproportionate pressure or prompt them to make cost reductions that could be associated with human rights or environmental risks."

PRACTICE **P075**

Supplier Diversity

ADOPTION RATE

2.8% (7/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company maintains a supplier diversity programme to broaden its supply base and reduce concentration risk.

WHY THIS MATTERS

Supplier diversity programmes promote inclusive supply chains and reduce dependence on a small number of suppliers, thus also reducing leverage asymmetries that can contribute to exploitative working conditions. At 2.8% – the second-lowest adoption rate in the domain – supplier diversity remains a marginal commitment across the sample

GOOD PRACTICE EXAMPLE

GRG Services Berlin GmbH & Co. KG prevents the structural exclusion of smaller businesses by adapting its procurement requirements to accommodate diverse supplier capabilities. While the company heavily prioritises suppliers with formal ESG and quality certifications, it explicitly avoids treating a lack of such certifications as automatically disqualifying small and medium-sized enterprises (SMEs) from doing business with them.

"However, as we are also committed to preserving local, mostly small and medium-sized enterprises in the spirit of sustainability, the absence of certification under the above-mentioned standards is not automatically a disqualifying criterion for procuring their products or services."

PRACTICE **P076**

Supplier Incentives

ADOPTION RATE

13.8% (35/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company provides financial or commercial incentives for suppliers who demonstrate strong or improving human rights and environmental performance.

WHY THIS MATTERS

Incentives create a positive commercial motivation for compliance, complementing the enforcement mechanisms that penalise violations. At 13.8%, the large majority of companies have no formal mechanism to reward supplier improvement.

GOOD PRACTICE EXAMPLE

Deutsche Bahn AG uses its procurement strategy to establish commercial incentives for suppliers that demonstrate strong sustainability and human rights performance. The company's internal code of conduct ('Konzerngrundsätze Ethik') requires purchasing practice to create incentives for sustainability and to minimise the company's own contribution to identified risks, with environmental and social performance embedded as a formal evaluation and award criterion in competitive tender processes.

"In its internal code of conduct ('Konzerngrundsätze Ethik'), Deutsche Bahn AG requires its managers and employees to adopt a risk-based purchasing practice that creates incentives for sustainability and minimises the company's own contribution to identified risks."

PRACTICE **P078**

Preferred Suppliers

ADOPTION RATE

15.0% (38/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company gives commercial preference – through volume allocation, preferred-supplier status, or priority in tender processes – to suppliers who demonstrate strong human rights and environmental performance. Unlike P090 (which addresses certification requirements), P078 captures the use of commercial advantage as a positive incentive for performance.

WHY THIS MATTERS

Preferred supplier programmes create a positive commercial incentive for compliance, shifting the dynamic from punitive enforcement toward rewarding suppliers who invest in genuine improvement. P078 concerns preference based on demonstrated human rights and environmental performance; P090 concerns preference contingent on formal certification, a proxy for performance. Both can be applied in tandem but test distinct aspects of responsible buyer conduct. P078 differs from supplier incentives more broadly (P076) in that the rewarded asset is contractual continuity itself – preferred-supplier status, longer-term commitments, or larger order shares – rather than a financial reward conditional on performance. The slightly higher adoption of P078 (15.0%) relative to P076 (13.8%) likely reflects that selection-based rewards require less programme infrastructure than direct financial-incentive schemes.

GOOD PRACTICE EXAMPLE

GRG Services Berlin GmbH & Co. KG implements a preferred supplier approach by defining specific 'Best Practice Requirements' that elevate vendors beyond basic compliance. Suppliers that demonstrate advanced ESG maturity – evidenced by environmental and health safety certifications (such as ISO 14001, ISO 45001, or EMAS), adherence to the UN Global Compact principles, and commitment to the company's code of conduct – are explicitly prioritised during the procurement and onboarding process.

“Accordingly, preference is given to onboarding suppliers into the supplier database who already fully meet the criteria – functioning as a form of pre-emptive risk assessment.”

PRACTICE **P079**

Supplier Innovation

ADOPTION RATE

5.5% (14/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company invests in supplier innovation or technology to help suppliers improve their human rights and environmental performance.

WHY THIS MATTERS

Capacity constraints – not just lack of willingness – can prevent suppliers from achieving compliance. Direct investment in supplier innovation addresses structural barriers that contractual demands and audits cannot overcome.

GOOD PRACTICE EXAMPLE

Ferrero OHG mbH implements targeted programmes to foster continuous improvement and innovation among its suppliers, particularly regarding systemic or complex challenges. Rather than relying solely on standard compliance audits, the company invests directly in its supply chains alongside selected business partners through dedicated 'Mitigation Programs' and initiatives like the Ferrero Farming Values (FFV).

“In addition to preventive measures, Ferrero invests directly in its own supply chains together with selected business partners through what are known as 'Mitigation Programmes', when problems are 'endemic' and require additional efforts to minimise risks.”

PRACTICE **P080**

Local Sourcing

ADOPTION RATE **10.2%** (26/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company uses local or regional sourcing as a deliberate strategy to reduce supply chain risk in high-risk procurement categories.

WHY THIS MATTERS

Local sourcing reduces supply chain complexity and shifts procurement to regulatory frameworks with stronger human rights protections, providing a structural risk reduction for certain procurement categories. Local sourcing should not, however, be used as a basis to disengage from suppliers in higher-risk regions: such withdrawal does not address the underlying human rights conditions and may concentrate adverse impacts on workers when buyer leverage is removed. The UNGP and BAFA both treat continued engagement with capacity-building as preferable to disengagement, except as a last resort.

GOOD PRACTICE EXAMPLE

Technische Werke Dresden GmbH strategically utilises local sourcing to minimise severe human rights and environmental risks in notoriously high-risk commodity groups. Rather than relying on global supply chains for vulnerable product categories, the company explicitly targets regional partners for procurement to source under higher legal standards.

"The predominant share of goods and services is sourced from regional companies. On the basis of nationally applicable laws and regulations, risks can thereby be systematically minimised."

PRACTICE **P081**

Long-Term Contracts

ADOPTION RATE **24.4%** (62/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company establishes multi-year contracts (typically two years or longer) with suppliers in risk-prone procurement categories, providing planning security that enables sustained compliance investment and reduces the incentive to cut corners under short-term commercial pressure.

WHY THIS MATTERS

Short-term or ad-hoc purchasing creates aggressive commercial pressure that forces suppliers to cut corners on labour and safety. Long-term agreements provide the financial stability suppliers need to invest in genuine improvement.

GOOD PRACTICE EXAMPLE

Technische Werke Dresden GmbH mitigates human rights and environmental risks by strategically establishing long-term supplier agreements for specifically selected, risk-prone procurement categories. This extended contractual duration provides a stable foundation for an ongoing dialogue regarding sustainability standards.

"In selected product categories (e.g. workwear), targeted long-term contracts are concluded with regional suppliers. In dialogue with suppliers, particular emphasis is placed on ecological and social criteria in production."

PRACTICE **P082**

Purchasing Power Leverage

ADOPTION RATE **81.1%** (206/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company uses its scale as a buyer – volume share, preferred-supplier status, or delisting authority – as a lever to require suppliers to meet human rights and environmental standards.

WHY THIS MATTERS

Purchasing power is the primary lever companies hold over their supply chains. Companies that fail to use it strategically cannot demonstrate substantive prevention.

GOOD PRACTICE EXAMPLE

Müller Holding GmbH & Co. KG explicitly acknowledges and utilises its substantial market position and purchasing volume to enforce human rights and environmental standards across its supply chain. The company leverages its commercial weight to compel supplier compliance, applying a graduated catalogue of measures that can extend, as a last resort, to termination of contracts and complete delisting for persistent non-performance.

"Due to our strong commercial presence across 8 EU countries, we have sufficient leverage to prevent human rights violations and breaches of environmental due diligence obligations by direct suppliers and their sub-suppliers. Our catalogue of measures is far-reaching and can extend to complete delisting, i.e. the immediate termination of contractual cooperation with the direct supplier."

PRACTICE **P083**

Buffer Stock Management

ADOPTION RATE

0.8% (2/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company manages inventory and stock levels in a way that reduces the need for sudden, short-notice orders that create pressure on supplier workers.

WHY THIS MATTERS

Poor internal inventory management translates into last-minute orders that suppliers cannot fulfil without cutting safety or wages. Buffer stock management is a direct operational mechanism for responsible purchasing. At just 0.8% – two companies in 254 – this remains one of the least-adopted practices in the domain.

GOOD PRACTICE EXAMPLE

Bayer AG explicitly incorporates stock level monitoring into its demand management processes so that order volumes and delivery timelines do not impose undue pressure on supplier employees. The company anchors procurement planning in statistical forecasts that account for current inventory levels and distribution requirements, giving suppliers the planning visibility needed to manage capacity without excessive overtime or safety shortcuts. This approach directly addresses the mechanism by which poor buyer-side inventory management creates human rights risk at the production level.

"This includes the creation of a requirements plan based on a statistical forecast that takes into account factors that can influence demand, such as stock levels, and which indicates where the products should be distributed to cover the expected demand."

PRACTICE **P084**

Demand Forecasting

ADOPTION RATE

3.1% (8/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company shares demand forecasts with suppliers sufficiently in advance to allow them to plan production capacity without resorting to excessive working hours, unauthorised subcontracting, or safety shortcuts.

WHY THIS MATTERS

Sudden or volatile orders are a primary driver of forced overtime and unauthorised subcontracting. Transparent demand forecasting reduces the operational pressure that creates human rights risks at the supplier level.

GOOD PRACTICE EXAMPLE

adidas AG explicitly integrates demand forecasting into its responsible purchasing practices to provide its suppliers with the planning security needed to uphold labour standards. The company shares highly detailed, monthly updated market forecasts at the item and model level, along with a qualitative outlook on inventory and multi-season capacity expectations.

"Not only do we provide monthly updated market forecasts at item/model level, but we also work directly with suppliers to provide a qualitative outlook and insight into the inventory situation and the resulting demand development beyond the forecasts. In addition, we provide an annual plan with capacity expectations for at least two seasons."

PRACTICE **P085**

Total Cost of Ownership (TCO)

ADOPTION RATE
0.8% (2/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company uses a total cost of ownership approach in procurement that explicitly accounts for human rights and environmental compliance costs.

WHY THIS MATTERS

Total cost of ownership models that account for human rights and environmental compliance costs provide a structural alternative to unit-price-focused procurement. By internalising these externalities, companies that apply TCO reduce the commercial pressure that drives suppliers to underinvest in safe and fair working conditions. At 0.8%, this is among the lowest adoption rates recorded across all five domain reports. P085 is a pricing methodology rather than an investment mechanism: it differs from supplier incentives (P076), which reward improvement through financial or commercial rewards, and from supplier innovation (P079), which co-funds capability development directly. P085 instead changes the cost basis on which procurement decisions are made – pricing in human rights and environmental compliance up-front rather than treating it as a separate engagement programme.

GOOD PRACTICE EXAMPLE

Vetter Pharma-Fertigung GmbH & Co. KG implements a holistic supplier evaluation model that consciously looks beyond the initial purchase price, effectively adopting a total value and total cost approach to procurement. The company explicitly mandates that traditional commercial metrics like direct costs must be weighed alongside a supplier's environmental and human rights performance during the sourcing process.

"For Vetter, not only performance, quality, market, region, innovation, and cost play an essential role, but also ecological, social, and ethical aspects – including compliance with human rights, fair working conditions, and equal opportunity in every respect. Compliance with these factors is incorporated into both supplier selection and supplier evaluation."

PRACTICE **P086**

Supplier Financing

ADOPTION RATE
2.0% (5/254)

UNGP **GP 19**	LkSG **§6 Abs. 4**	CSDDD **Art. 10**

DEFINITION

Company provides or facilitates access to financing or favourable payment terms for suppliers to support compliance investment.

WHY THIS MATTERS

Financial constraints are a structural barrier to supplier compliance. Supplier financing instruments directly address the liquidity gap that prevents suppliers from investing in safe and fair working conditions. P086 differs from supplier incentives (P076), which condition reward on demonstrated performance, and from supplier innovation programmes (P079), which co-fund product or process development, in that the financing instrument addresses suppliers' working-capital constraints directly – independent of innovation activity and, in its purest form, independent of any performance condition.

GOOD PRACTICE EXAMPLE

Otto (GmbH & Co. KG) uses supplier financing as a mitigation mechanism, established in response to the potentially adverse effects of extended payment terms on its suppliers in Bangladesh. Through its 'Supply Chain Finance Projekt', suppliers can receive early invoice payouts from a financial institution at a reduced interest rate, offsetting the financial burden that the lengthened payment terms would otherwise place on supplier liquidity and worker wages.

"As part of the 'Supply Chain Finance Project', suppliers have the option of receiving early payments via a financial institution."

IV. EFFECTIVENESS MEASUREMENT

GP 20 provides for companies **to track the effectiveness of their human rights due diligence responses** using both qualitative and quantitative indicators. The LkSG operationalises this expectation at **§6 Abs. 5:** "Die Wirksamkeit der Präventionsmaßnahmen ist einmal im Jahr sowie anlassbezogen zu überprüfen." The CSDDD as amended by Omnibus I (Directive (EU) 2026/470, Article 15) requires equivalent review of the adequacy and effectiveness of due diligence measures, on a risk-based cadence of at least every five years, with ad-hoc review where significant change occurs or there are reasonable grounds to believe measures are inadequate.

The five effectiveness indicators coded for the prevention domain address whether preventive measures are reducing violations, whether supplier performance levels are tracked, and whether purchasing practices are assessed for their impact on working conditions. Other effectiveness indicators – follow-up audits, root cause analysis, and corrective action completion – are triggered by identified violations and verify remedial responses (addressed in Domain Report 4 on Remediation). None of the five prevention E-series indicators reaches the 75% field-standard threshold. The **mean E-score of 24.5%** is one of the lowest across all five domains.

INDICATOR **E002**

Prevention Reduces Violations

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

UNGP **GP 20**	LkSG **§6 Abs. 5**	CSDDD **Art. 15**

DEFINITION

Company measures whether its preventive measures are reducing the frequency or severity of human rights and environmental violations over time.

WHY THIS MATTERS

At 23.6%, fewer than one in four companies can demonstrate through tracked data whether their prevention activities are achieving their intended effect of reducing the frequency or severity of human rights and environmental violations.

GOOD PRACTICE EXAMPLE

BASF SE goes beyond recording supplier assessments: it anchors the improvement objective in the target agreements of its procurement staff, converting effectiveness tracking (P077) into a managerial incentive. The BASF report treats the observed upward trend in supplier sustainability performance over multiple reporting years as direct evidence that preventive measures are working, rather than relying on qualitative assumptions about effect.

"The observed increase in the improvement rate shows us that our measures are effective."

INDICATOR **E006**

Supplier Performance Metrics

ADOPTION RATE **41.6%** (106/254)

UNGP **GP 20**	LkSG **§6 Abs. 5**	CSDDD **Art. 15**

DEFINITION

Company tracks quantitative key performance indicators for supplier compliance with human rights and environmental standards over time.

WHY THIS MATTERS

The distinction matters because the broader supplier-performance-tracking practice (P077, 68.9%) is already widely adopted. What is thinly adopted is the subset that tracks performance against defined human-rights and environmental KPIs rather than general supplier quality. KPIs provide the comparable data needed to manage supplier relationships systematically and demonstrate that prevention is generating measurable outcomes. Whereas P068 concerns the use of supplier sustainability data at the point of selection, the distinctive feature for E006 is the use of quantitative indicators as an ongoing performance-management mechanism.

GOOD PRACTICE EXAMPLE

ZF breaks supplier sustainability down into measurable KPIs, consolidates them into a score that can be tracked over time, and sets explicit targets. The combination of defined indicators and targets is what allows the company to report whether performance has improved, not merely that it has been assessed.

"ZF has defined KPIs and targets for supplier sustainability, with performance tracked longitudinally against those targets."

INDICATOR **E007**

Capacity Building Impact Measured

ADOPTION RATE

3.9% (10/254)

UNGP **GP 20**	LkSG **§6 Abs. 5**	CSDDD **Art. 15**

DEFINITION

Company measures the impact of its supplier training and capacity-building programmes on supplier human rights and environmental performance.

WHY THIS MATTERS

Measuring the impact of capacity-building closes the feedback loop between investment and outcome: without it, companies cannot distinguish effective training and capacity-building programmes from ineffective ones, or justify continued resource allocation.
At 3.9%, companies that invest in supplier development programmes are almost universally not measuring whether those programmes generate the improvements they are designed to achieve.

GOOD PRACTICE EXAMPLE

Bayer AG measures the impact of its capacity-building efforts by systematically tracking the progress of suppliers enrolled in its Sustainability Supplier Development Programme. The company provides targeted support to help suppliers build knowledge, skills, and structures, and then conducts formal reassessments to quantify the actual improvements achieved.

"Bayer supports the suppliers with assistance in building knowledge, developing skills and structures, capacity building and a monitoring process. The development cycle concludes with a reassessment to verify the improvements. In the year under review, 122 suppliers were included in the development process. 34 suppliers have already completed this development and undergone a reassessment, which has led to improvements for 97% of the suppliers."

INDICATOR **E018**

Worker Voice Indicators

ADOPTION RATE

37.8% (96/254)

UNGP **GP 20**	LkSG **§6 Abs. 5**	CSDDD **Art. 15**

DEFINITION

Company measures worker satisfaction, awareness, or worker voice (the ability of workers to raise concerns and influence decisions affecting their employment) to assess whether preventive measures are creating safe and equitable conditions.

WHY THIS MATTERS

Worker voice indicators are the most direct measure of whether prevention is reaching those it is designed to protect. Without them, companies assess prevention through their own documentation rather than through the experience of affected persons.

GOOD PRACTICE EXAMPLE

Deutsche Post AG utilises an annual Group-wide employee opinion survey to gather worker feedback on their work environment.
The company quantifies this feedback by deriving an 'Employee Engagement' key performance indicator (KPI) from the aggregated and weighted results of five statements within the survey, so that employee voices directly translate into measurable operational data.

"In the annual Group-wide survey, all employees have the opportunity to anonymously rate the company's strategy and values as well as their working conditions."

INDICATOR **E019**

Purchasing Practice Impact

ADOPTION RATE

15.3% (39/254)

UNGP **GP 20**	LkSG **§6 Abs. 5**	CSDDD **Art. 15**

DEFINITION

Company assesses whether its own purchasing practices – pricing, lead times, order volumes – positively or negatively affect supplier capacity and meet human rights and environmental standards.

WHY THIS MATTERS

Purchasing practice impact measurement closes the loop between commercial behaviour and its effect on working conditions. Without it, a company cannot distinguish purchasing practices that relieve pressure at suppliers from those that transmit it and cannot show whether responsible-purchasing investments reach production workers or stop at supplier management. At 15.3%, adoption is consistent with the low adoption of the responsible purchasing practices themselves.

GOOD PRACTICE EXAMPLE

adidas AG evaluates the impact of its purchasing practices on its suppliers by gathering feedback directly from manufacturers and participating in an independent evaluation programme. The company partners with the 'Better Buying' Institute to objectively measure how its procurement behaviour affects supplier operations and stability.

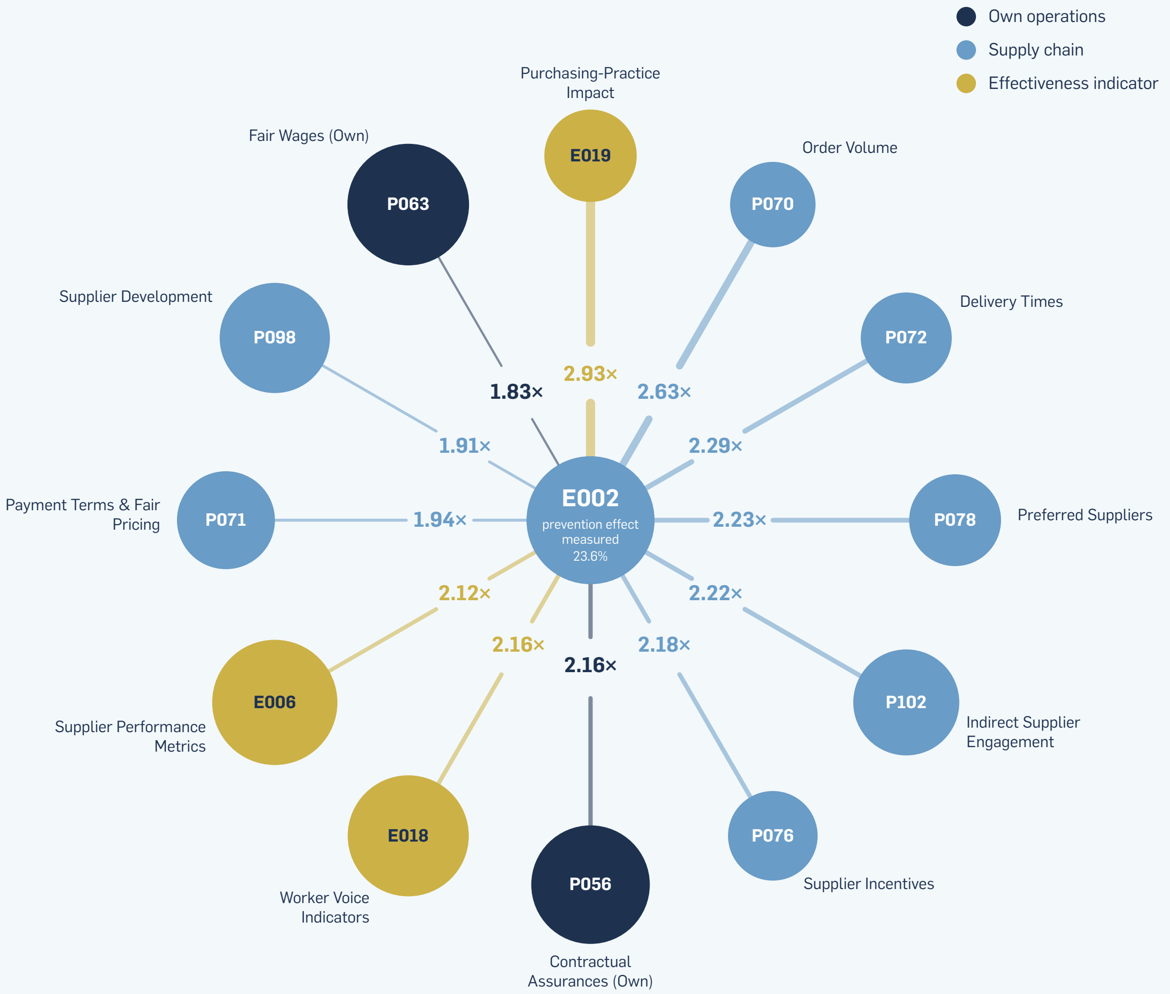
"In order to best understand potential impacts, we have gathered feedback from our manufacturers: Firstly, through our own exchanges with our suppliers and secondly, as part of our membership of the 'Better Buying' Institute. This is an independent organization that assesses and reports on the procurement practices of participating companies."

Correlates of Prevention Effect Measurement

This domain's scarcest effectiveness signal is whether a company measures that prevention actually reduces violations (E002): fewer than one in four report it (23.6%). Adoption counts show how uncommon the practice is, but not what accompanies it. A co-adoption analysis answers a more constructive question – **among the prevention practices a company might adopt, which ones travel with the capacity to measure prevention's effect?** For each prevention indicator, the lift on E002 – the rate of outcome measurement among companies that have the practice, set against the 23.6% rate across the whole sample – ranks each practice by how far its adopters outpace the field in measuring prevention's effect (Figure 2).

On lift, the **practices that travel with measuring prevention's effect are responsible-purchasing and supplier-investment ones.** Order volume leads at 2.63× (P070), with delivery times (P072, 2.29×), preferred suppliers (P078, 2.23×) and indirect-supplier engagement (P102, 2.22×) behind. **From inside the company, the main entries are own-business contractual assurances (P056, 2.16×) and fair wages (P063, 1.83×).** Few firms adopt these, so the lift reflects that minority's maturity more than the practice. The three effectiveness indicators (E019 2.93×, E006, E018) rank higher but are mechanical and sit outside the practice reading. The near-universal controls (P067, P064, P074), held by 79–85% of the field, do not lead, because a practice's lift fades as it spreads.

FIGURE 2: Prevention practices associated with measuring prevention's effect (E002)



Hub: E002 (Prevention Reduces Violation), evidenced by 23.6% of the sample. Spokes: the twelve practices and indicators most co-adopted with E002, sized by lift — adopters' E002 rate over the 23.6% field base. Node colours denote own-ops vs supply-chain. The three effectiveness indicators (yellow) are shown for completeness but are mechanically related to E002 and sit outside the practice reading. Source: LkSG disclosure analysis, normalised firm-level matrix, n = 254 companies.

Aggregated to four practice orientations – grouped by whether a practice is systems- or outcomes-oriented and whether it addresses own operations or the supply chain, the framework developed in section VI – read by orientation, the **gradient under lift runs along the systems–outcomes split.** The two outcomes-oriented groups carry the higher mean lift — Capacity & Incentive at 1.97× and Workplace Investment at 1.56× — ahead of the systems-oriented Compliance & Consequences (1.14×) and Standards & Controls (1.12×). The controls that anchor the field sit lowest here, for the same reason: a practice's lift fades as more of the field takes it up.

This is association, not causation. **A high lift means that companies with the practice also tend to measure outcomes;** it does not establish that the practice produces the measurement capacity. The same pattern is consistent with an upstream driver – overall programme maturity, of which firm size is one component, since larger companies adopt more of every kind of measure – generating both the practice and the measurement together. The reading the data supports is diagnostic rather than prescriptive: these practices mark the firms that measure prevention's effect; they do not constitute a guaranteed route to it. The effectiveness indicators that co-occur most strongly with E002 are themselves measurement practices, and their association is partly mechanical. In Figure 2 they appear in yellow and are flagged accordingly, set apart from the practice predictors that carry the constructive reading.

V. SECTOR & SIZE PERFORMANCE

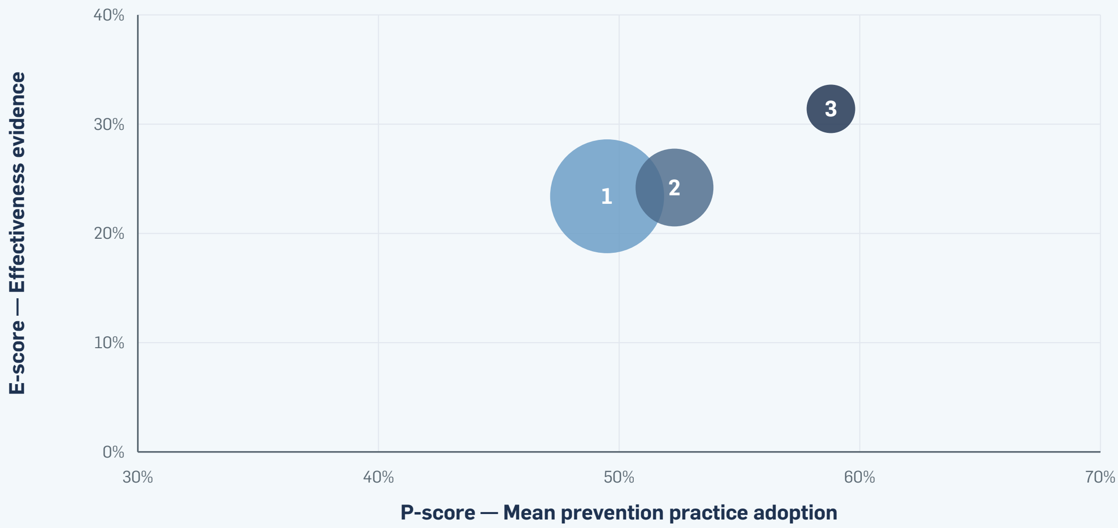
Sector and size scores in this section are computed averages of company-level scores. Sectors with fewer than five companies carry high uncertainty and should be interpreted with caution. Subject to that caveat, Figure 1 plots prevention P-scores against E-scores for each of the sixteen sectors with at least five companies. **Sector variation in prevention practice adoption correlates with the maturity of supply chain management within industries and the degree to which companies face external scrutiny** from civil society, investors, and customers. The P-score/E-score gap that the rest of this report has tracked is reproduced within every sector: sector means on the two axes differ by roughly 15 to 40 percentage points, with the widest gap where practice adoption outpaces effectiveness measurement.

Across sectors with a robust sample, **E-scores stay below 45%** regardless of P-score level. The sectors with the highest P-scores are those where supply chain scrutiny from civil society, investors, and customers has been most sustained – a pattern consistent with external pressure as a driver of adoption.

Figure 3 breaks the P-score and E-score metrics down **by employee-count** band. Both adoption rate and its variance across the sample rise monotonically with company size. The proportionality (Verhältnismäßigkeit) principle accommodates this gradient, but the magnitude of the gap – roughly 9 percentage points on P-score between the largest and smallest bands – indicates that **size-related factors are shaping the landscape:** larger companies face wider risk exposure and therefore broader §6 obligations, and they also have the resources to operationalise more practices in response. The two are inter-related rather than separable.

FIGURE 3: Size-Band Performance – Prevention P-score vs E-score

#	Size band (employees)	n	P-score	E-score
1	3,000–10,000	154	49.5%	23.4%
2	10,000–50,000	72	52.3%	24.2%
3	>50,000	28	58.8%	31.4%



Bubble size proportional to number of companies in each size band. Size bands by employee count.
Source: LkSG disclosure analysis, n=254 companies.

The size gradient is most pronounced in responsible purchasing and effectiveness measurement, where the gap between large and small companies widens beyond the overall ~9-point P-score spread. Whether the underlying driver is capacity, risk profile, or enforcement intensity cannot be determined from disclosure data alone.

VI. CONCLUSIONS

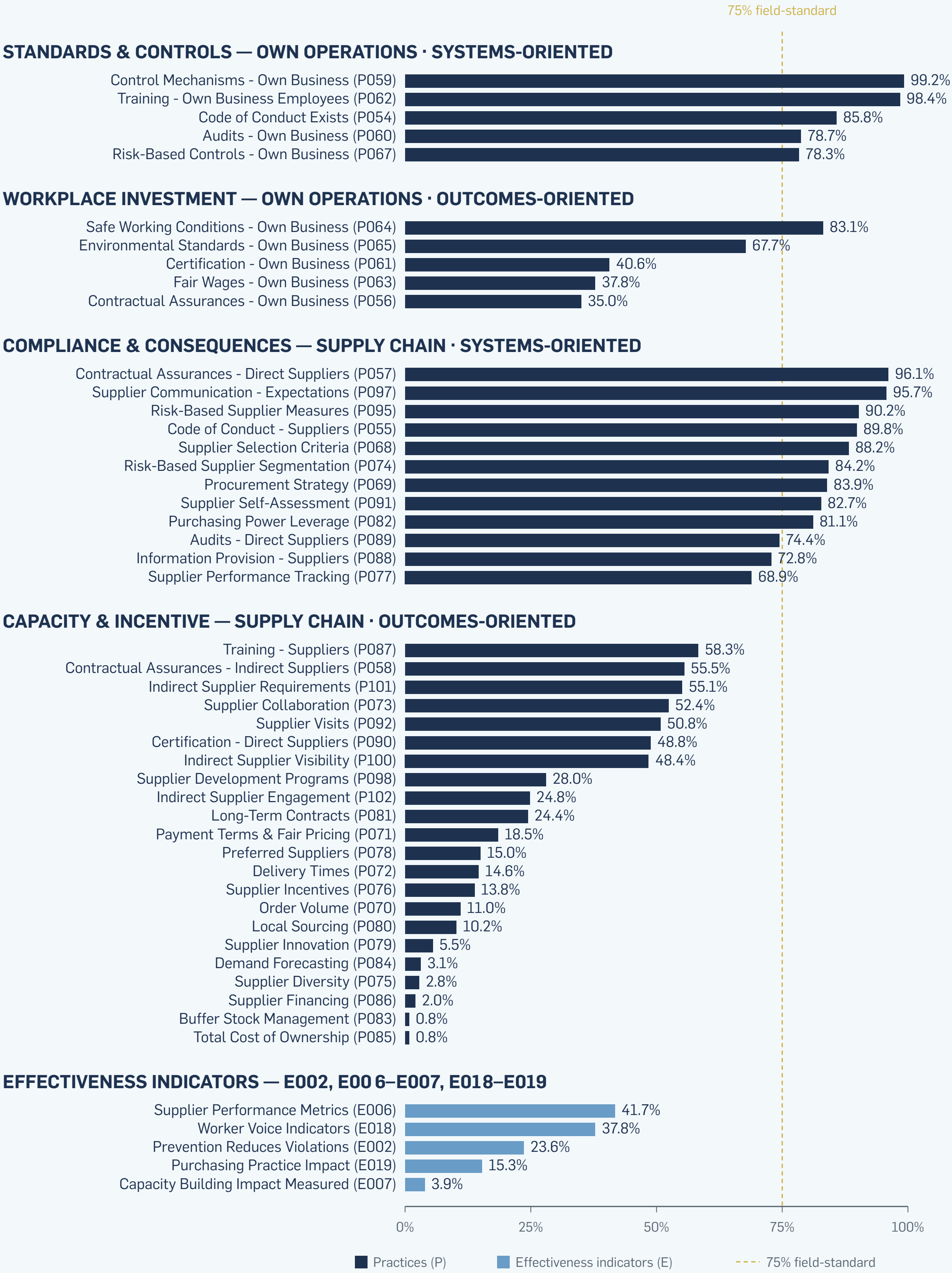
This section synthesises the empirical findings, identifies what substantive prevention requires, situates the gaps against the forthcoming CSDDD, and translates them into implications for affected rights-holders.

A. Elements of Substantive Prevention

The form-to-substance gaps described below are visible in Figure 4, which shows the full practice-level distribution. The figure closes this middle section by bringing all 44 practices and 5 effectiveness indicators into a single view, ranked and grouped. The ordering it reveals is the central empirical pattern of this report, and the premise on which section VI's conclusions rest: a **steep gradient from foundational instruments** – codes, contracts, controls, training – at the top, **through intermediate verification instruments** in the middle, to **impact-oriented measures** – fair wages, responsible purchasing, effectiveness measurement – at the bottom.

FIGURE 4: All Practices & Indicators – Adoption at a Glance

Source: LkSG disclosure analysis, n=254 companies.



The current sample shows **three persistent gaps** relative to the substantive prevention agenda set out in GP 19 and reinforced by the CSDDD: limited integration of human rights expectations into commercial operations and purchasing; uneven follow-through that converts formal instruments into verified outcomes; and thin systematic measurement of whether preventive actions achieve their intended effect. These gaps define the distance between current LkSG-compliant disclosure practice and what the CSDDD will require from 26 July 2029.

B. Implications for Rights-Holders

The distribution of adoption rates reflects a structural pattern, not a uniform underperformance: companies are concentrated at the systems-oriented end of the prevention spectrum and sparse at the outcomes-oriented end. The **practices most prevalent across the sample** – supplier codes, contractual clauses, selection criteria – are **primarily governance instruments**: they establish expectations and create formal accountability, but their connection to actual conditions at production sites runs through many intervening steps. The **practices with low adoption** – long-term contracts, fair pricing, supplier financing, demand forecasting – are those that practitioners and researchers commonly identify as more proximate to working conditions, because they affect the **commercial pressures** suppliers face directly.[5] What the data establish is a gap between the formal infrastructure of compliance and the commercial and operational levers that theory suggests matter most for the people the LkSG is designed to protect.

For workers in own-business operations, the picture is similarly layered. The practices with the lowest adoption in own-business operations – fair wages beyond statutory minimums (37.8%), third-party certification of own facilities (40.6%), and contractual human rights assurances in employment contracts (35.0%) – are also the hardest to evaluate from disclosure data alone. Whether a company without an explicit fair-wage programme is exposing workers to inadequate pay depends on the adequacy of national minimum wage frameworks in the relevant sector and geography, which the data cannot establish. What can be said with confidence is that worker voice indicators – the most direct feedback mechanism on whether prevention is reaching those it is designed to protect – are tracked by only 37.8% of companies. Without systematic measurement of worker experience, the gap between declared intent and actual impact remains hard to verify.

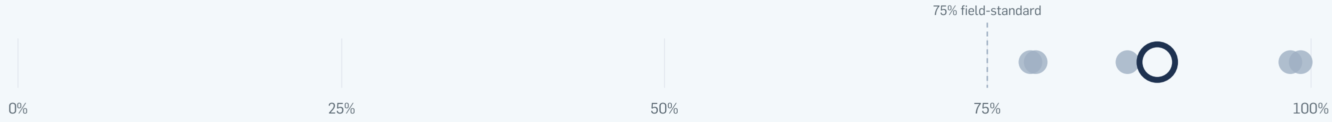
C. Prevention Orientations: Systems, Outcomes, and the Adoption Gap

Across the 44 prevention practices, a structural pattern emerges that goes beyond the simple form-to-substance gap. The 44 prevention practices organise into **four distinct orientations** grouped along a single dimension that the Corporate Due Diligence Monitor also uses: **whether the practice is systems-oriented** (setting standards, tracking compliance, applying consequences) or **outcomes-oriented** (embedding working conditions, investing in supplier capacity, aligning commercial terms). Within each grouping, practices divide by whether they address own operations or the supply chain. These four orientations are not equally represented in what companies do, as shown in **the four panels below.**

5 See Better Buying Institute (2022), Linking Buyer Purchasing Practices to Supplier Compliance Violations: A Mapping. The study maps each of seven purchasing-practice categories onto specific labour-rights non-compliances documented in apparel and footwear supply chains, identifying buyer pricing, payment terms, order placement, and forecasting as among the practices with the most direct downstream effect on supplier working conditions. Better Buying tools and methodologies are now hosted by Cascale (betterbuying.org/research-tools).

Standards & Controls
SYSTEMS-ORIENTED · OWN OPERATIONS

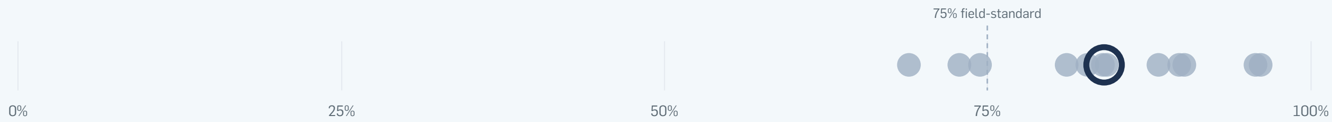
88.1% ORIENTATION MEAN ADOPTION
n = 5 practices



This is the most mature orientation of prevention. Control mechanisms (99.2%), employee training (98.4%), codes of conduct (85.8%), and risk-based controls (78.3%) are near-universal, and the orientation mean is 88.1%. Companies have built the infrastructure to set standards and monitor compliance within their own walls: rules exist, audits run, and accountability structures are in place.

Compliance & Consequences
SYSTEMS-ORIENTED · SUPPLY CHAIN

84.0% ORIENTATION MEAN ADOPTION
n = 12 practices

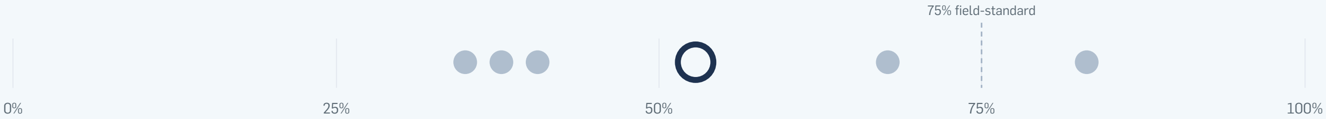


This orientation is well-established at the foundational level but frays at the enforcement end. Contractual assurances (96.1%) and supplier codes (89.8%) are near-universal; but the mechanisms that give those instruments their teeth – audits (74.4%) and performance tracking (68.9%) – fall short of field standard. The final step, applying consequences to non-performing suppliers (P096, 61.8%), is scoped to Remediation. Standards are communicated; whether they are enforced is a different question. The enforcement tail sits 20–35 percentage points below the contractual instruments it is supposed to verify. The orientation mean is 84.0%, but that figure is in part driven by the high adoption rate of foundational instruments at the top of the orientation, with the verification practices that test their operational uptake adopted at materially lower rates.

Workplace Investment
OUTCOMES-ORIENTED · OWN OPERATIONS

52.8%

ORIENTATION MEAN ADOPTION
n = 5 practices

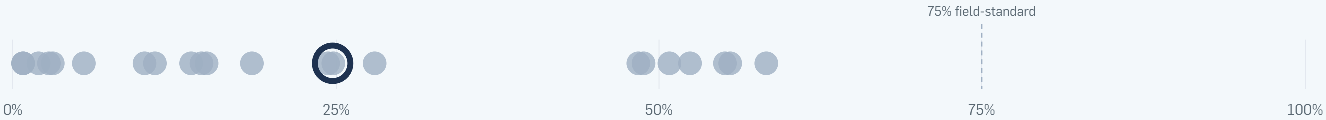


Workplace investment summarises what companies embed in the workplaces they control, namely their own operations. Fair wages (37.8%), own-business certification (40.6%), and contractual embedding of human rights standards in employment contracts (35.0%) cluster below 50%. The orientation mean is 52.8% – elevated by strong adoption of safe working conditions (83.1%) and environmental standards (67.7%) but lowered by the less prevalent impact-oriented practices alongside them.

Capacity & Incentive
OUTCOMES-ORIENTED · SUPPLY CHAIN

24.7%

ORIENTATION MEAN ADOPTION
n = 22 practices



This is the least developed aspect of prevention, and the one with the most direct analytical relevance to GP 19 Commentary's treatment of responsible purchasing. Long-term contracts (24.4%), fair pricing and payment terms (18.5%), supplier financing (2.0%), demand forecasting (3.1%), supplier development programmes (28.0%), and supplier training (58.3%) constitute the commercial and capacity investments without which compliance demands towards suppliers become extractive rather than based on partnership at eye level (BAFA: “auf Augenhöhe”).
The orientation mean is 24.7% – the lowest of the four by a wide margin, and the only orientation where the majority of practices fall below 25% adoption.

The **gradient** from systems-oriented to outcomes-oriented practice is **shaped by the direct commercial cost** each orientation imposes on the adopting company. Standards & Controls require governance infrastructure but do not constrain commercial behaviour. Compliance & Consequences require supplier management investment but leave purchasing practices untouched. Workplace Investment requires internal policy choices and wage commitments. Capacity & Incentive – long-term contracts, fair pricing, supplier financing – directly constrains how companies source and at what price, creating the one category of commercial trade-off that most companies have not yet integrated in their human rights due diligence.

GP 19 Commentary is explicit that **responsible purchasing is not optional:** a company's commercial conduct as a buyer can itself cause or contribute to adverse impacts on rights-holders in its supply chain. The pattern this report documents indicates that most companies in the sample have interpreted prevention as an obligation to demand compliance from suppliers, rather than as a parallel obligation to create the commercial conditions under which that compliance is achievable. Fair conditionality – defined in section III.C – remains a minority practice in the sample. Where it appears, it takes distinctive forms: linking early payment access to verified sustainability performance (P086 Supplier Financing, 2.0%); embedding wage-cost protection in price-setting methodology (P071 Payment Terms & Fair Pricing, 18.5%); and pairing verification programmes with structured implementation support (P098 Supplier Development Programmes, 28.0%).

These three practices, taken together, represent the move from a model of compliance extraction toward one of shared investment in supply chain integrity. BAFA's Handreichung on supply-chain cooperation describes this orientation in similar terms – buyer companies cooperating with suppliers at eye level (auf Augenhöhe) over an extended time horizon – and identifies purchasing practices and longer-term partnership arrangements as the principal mechanisms through which buyers enable, rather than only require, supplier compliance. The good practices cited in section III.C offer concrete orientation for companies aiming to close that gap.

D. CSDDD Outlook

Measured against the CSDDD as amended by Omnibus I, the current HREDD practice in German companies reveals both what is already in olace and what the EU framework will require them to build. **On the structural core** – internal control mechanisms (99.2%), employee training (98.4%), supplier codes of conduct (96.5%), contractual assurances (74.8%), direct-supplier audits (74.4%) – the sample is **largely in line with what CSDDD Articles 7 and 10** will expect of preventive architecture. The obligations that will require new investment are concentrated in **three areas** that are also this domain's **widest adoption gaps.**

Responsible purchasing: CSDDD Article 7 introduces an explicit obligation on companies to adapt their own purchasing practices where those practices contribute to adverse impacts – an obligation the LkSG addresses only implicitly references through GP 19 Commentary. The fourteen practices in section III.C (covered in detail under "Elements of Substantive Prevention" above) constitute a potential gap for companies in CSDDD scope: long-term contracts, fair pricing, and payment-term practices are likely to move from optional good practice to enforceable expectation.

Impact-oriented own-business measures: Three of the five practices that embed human rights commitments in working conditions – contractual assurances in employment contracts (P056, 35.0%), fair wages (P063, 37.8%), and third-party certification of own facilities (P061, 40.6%) – sit well below the near-universal controls and training tier (safe working conditions and environmental standards adopt at 83.1% and 67.7% respectively). CSDDD Article 10's proportionality test, combined with its explicit attention to the quality of preventive action, will likely put pressure on this gap.

Effectiveness measurement: The five indicators coded for this domain adopt at a mean of 24.5%; worker voice (15.3%), purchasing practice impact (15.3%), and capacity-building impact (3.9%) are the weakest. CSDDD Article 15 will require companies to assess the adequacy and effectiveness of their preventive action on a structured cadence – a qualitative step beyond the documentation-heavy first LkSG cycle. Under Omnibus I, the regular review cadence in Article 15 is less frequent than the LkSG's annual requirement – at least once every five years – but it is paired with broader ad-hoc triggers and an explicit obligation to assess adequacy as well as effectiveness.

The 280 German corporate groups identified by SOMO as in scope of the post-Omnibus CSDDD are a subset of this sample.[6] Their current adoption rates on the three areas above can therefore be read as a baseline for Article 10 and Article 15 compliance from 26 July 2029 – and they show the distance that remains to be closed. Read in international perspective, the **German cohort enters the CSDDD transition from a position of relative strength:** the systems and processes required by §6 LkSG are broadly in place. The **work between now and 26 July 2029 is to develop the outcome-oriented, supplier-facing practices** – fair commercial conditions, indirect-tier reach, and effectiveness review – that the CSDDD will turn into binding expectations.

6 SOMO (Centre for Research on Multinational Corporations), List of German corporate groups in scope of the CSDDD as amended by Omnibus I (April 2026). Cross-referenced against the LkSG company sample by overlapping LEI registration.

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

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 & Ed¬u-cation, 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.

Coding reassignment – P074 and P100. Codes P074 (Risk-Based Supplier Segmentation) and P100 (Indirect Supplier Visibility) are classified in the source coding framework as §5 Risk Analysis practices (GP 17–18). They are treated in this Domain Report as Prevention practices because their operational function bridges risk assessment and preventive action: P074 is the mechanism by which risk knowledge is translated into differentiated supplier treatment; P100 is the foundational visibility layer without which the cascade (P058), requirements (P101), and engagement (P102) practices in §III.B are inoperable. The §5/§6 boundary followed here tracks the UNGP distinction between GP 17–18 (assessing impacts) and GP 19 (integrating and acting on findings), placing both practices on the GP 19 side of the boundary for this report. This reassignment shifts the overall Prevention P-score mean by +0.7 percentage points (from 50.6% to 51.3%) and adds one practice each to section III.A (15 → 16) and section III.B (3 → 4).

APPENDIX 2: REFERENCES

- Business for Social Responsibility (BSR). *Beyond Compliance in the Global Electronics Industry: Responsible Purchasing Practices and Supplier Human Rights.* San Francisco: BSR, 2019. The BSR *Beyond Compliance* series documents the link between buyer pricing, lead time, and order-volume practices and downstream supplier labour outcomes including excessive overtime, unauthorised subcontracting, and wage suppression.

- International Labour Organization, Inclusive Labour Markets, Labour Relations and Working Conditions Branch (ILO INWORK). *Purchasing Practices and Working Conditions in Global Supply Chains: Global Survey Results.* INWORK Issue Brief No. 10. Geneva: ILO, 2017. The INWORK surveys, which cover more than 1,400 suppliers across the garment and footwear sectors, establish the empirical link between compressed lead times, price pressure, and working-conditions outcomes (overtime, subcontracting, non-payment of wages). ILO policy briefs under the Purchasing Practices & Decent Work programme further develop the quantitative evidence base.

- Action, Collaboration, Transformation (ACT). *Purchasing Practices Commitments and Assessment Methodology.* Berlin: ACT on Living Wages, 2021. ACT's assessment framework – co-developed by global brands and IndustriALL Global Union – codifies five responsible purchasing practice commitments (purchasing price, payment terms, planning & forecasting, sourcing, partnership) that map directly onto the section III.C practices in this report.

- Ethical Trading Initiative (ETI). *Guide to Buying Responsibly.* London: ETI, 2017. ETI's buyer guidance, referenced in GP 19 Commentary and in the Commission's CSDDD preparatory work, provides the framework against which the LkSG's implicit treatment of purchasing practices is commonly assessed.

- Stichting Onderzoek Multinationale Ondernemingen (SOMO). *CSDDD Datahub.* Updated October 2025 post-Omnibus I. Amsterdam: SOMO. Identifies 280 German corporate groups meeting the post-Omnibus CSDDD scope thresholds (≥5,000 employees and >€1.5 billion global turnover).

APPENDIX 3: ACRONYMS

BAFA	Bundesamt für Wirtschaft und Ausfuhrkontrolle (Federal Office for Economic Affairs and Export Control)
BSR	Business for Social Responsibility
CSDDD	Corporate Sustainability Due Diligence Directive (EU)
E-score	Effectiveness score – proportion of 25 E-series effectiveness indicators disclosed by a company
ECMS	Effective Complaints Management System
EMAS	Eco-Management and Audit Scheme (EU)
ESG	Environmental, Social and Governance
ETI	Ethical Trading Initiative
GP	Guiding Principle (UN Guiding Principles on Business and Human Rights)
GRASP	GLOBALG.A.P. Risk Assessment on Social Practice
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)
P-score	Practice score – proportion of 141 P-series practice codes disclosed by a company
RFI	Request for Information
RFQ	Request for Quotation
SAI	Social Accountability International
SMETA	Sedex Members Ethical Trade Audit
SOMO	Centre for Research on Multinational Corporations
TCO	TCO Certified (sustainability certification for IT products)
UEBT	Union for Ethical BioTrade
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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