BUSINESSEUROPE

POSITION PAPER

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Corporate Sustainability Due Diligence Directive (CS3D) Guidelines: Reply to the Public Consultation

I. INTRODUCTION

BusinessEurope takes note of the Commission's consultation on the Corporate Sustainability Due Diligence Directive (CS3D or 'Directive') guidelines and wishes to provide input in this process. While the Directive has just recently entered its national transposition phase, European businesses have long been making significant efforts to prepare their compliance and integrate due diligence into their operations.

The CS3D establishes a broad framework that will need to be applied across a wide range of sectors and business models. To be effective and support EU competitiveness, the guidelines should support an effective, proportionate and operational implementation of the Directive, while fully respecting the balance struck by the Omnibus I amendments. They should remain practical, illustrative and non-binding. Their purpose should be to enhance predictability and consistency across the EU, without creating new obligations, extending the practical reach of the Directive, or introducing expectations going beyond the agreed legal framework.

Business must be meaningfully involved at every stage of developing the guidelines to ensure the results are practical, workable and proportionate. The CS3D is addressed to companies, and it is companies that are well placed to determine how best to comply with its requirements in light of their own specific operations and risk profiles. Companies are also best placed to identify where additional guidance would be genuinely useful.

Against that background, BusinessEurope offers the following observations on the development of the guidelines. In particular, **the guidelines should**:

- be clearly non-binding and not expand the scope and obligations of the CS3D;
- be principle-based, simple and not overly prescriptive;
- support a risk-based and proportionate approach, encouraging prioritisation of efforts;
- reinforce that CS3D due diligence is an obligation of means, interpreted through reasonable, good-faith and risk-based decisions;
- support implementation that is operationally feasible, proportionate and cost-effective rather than procedural formality;
- be aligned with existing international due diligence standards;
- ensure consistency with other EU regulatory frameworks;
- help companies navigate legal conflicts, geopolitical challenges and limitations on access to information;

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- provide practical support, tools and real guidance;
- promote harmonised implementation and supervision across Member States.

It is essential that once the draft guidelines are ready, stakeholders are given the opportunity to be consulted on those to be able to, where appropriate, feed practical knowledge and solutions so the guidelines produce actual tangible results.

The annex of this paper provides answers to some of the key questions in the Commission online questionnaire, and it identifies the areas where further clarification is needed and sets out recommendations for the direction the guidelines should take, drawing on relevant business practices and practical examples where available.

II. MAIN PRINCIPLES FOR THE GUIDELINES

1. **The guidelines should be non-binding and remain strictly within the boundaries of the CS3D:**
   - It is essential that the guidelines remain clearly **non-binding** and that they are designed to support companies in their compliance efforts **rather than creating new** obligations or administrative burdens.
   - The guidelines **should not introduce new material requirements**, **broaden the scope of existing obligations under the CS3D** (guidance should not be interpreted as introducing legislative amendments, which should only come through the legislative process), **nor indirectly raise compliance expectations**. Guidelines should not establish an autonomous legal standard for determining compliance, civil liability, fault, or causality. Non-observance of the Guidelines should **not create a presumption of infringement**.
   - Guidelines should **reinforce legal certainty**. Their proper function is to strengthen legal certainty and support the fair and consistent operation of the framework. Guidelines are most valuable where they help companies understand how regulators will apply the rules in practice, rather than where they seek to elaborate or supplement broadly drafted legal obligations.
   - Examples and good practices included in the guidelines must be presented as illustrative examples only, designed to support companies, for example, on how to interpret to concepts such as “adequate”, “prioritisation”, “leverage”, and “mitigating actions” within companies’ own operations and within the Directive’s defined chain of activities, applying proportionate scoping and prioritisation.
   - Many international frameworks and guidance documents already provide a large number of practical examples, including those issued by the OECD, the UN, and sectoral initiatives. However, **examples must not evolve into or be interpreted as *de facto* standards or requirements that extend the obligations under the Directive**, or against which companies are assessed by supervisors, courts or stakeholders. The guidelines do not serve to create benchmarks of compliance but to strengthen legal certainty and predictability.
2. **Encourage simplicity and avoid prescriptiveness**
   - The guidelines should be **practical, accessible and user-friendly**. The guidelines should be easy to follow and read and understand (also for SMEs and non-legal staff) and be designed in a way that makes it easy to update them over time. The Commission should consider web-based formats, checklists, FAQs, etc., all in the interest of user-friendliness and supporting companies. The **format must be dynamic and flexible** as the material is likely to evolve over time.

- The **occurrence of an adverse impact should not, in itself, be regarded as evidence that a company failed to comply with the Directive**. Participation in remediation efforts should also not in itself determine legal responsibility.
- **Guidance should be principle-based** rather than prescribing specific processes, mechanisms or methodologies as companies operate across diverse sectors and geographies, meaning a prescriptive, one-size-fits-all approach is likely to be impractical and could de facto extend the obligations in the legislation. Even though **CS3D compliance does not have to be audited or receive third-party assurance**, as is the case for CSRD, and companies will have to report on their due diligence as part of CSRD compliance, guidance should also help ensure auditors are given sufficiently clear parameters to interpret the law consistently and proportionately.
- **The Commission should make clear to whom parts of the guidelines are intended for** (e.g. for companies, competent authorities, and other stakeholders respectively), in order to avoid confusion as to which provisions of the guidelines are relevant only to competent authorities (as is partly the case with the Commission's recently published Forced Labour Regulation Guidelines).

3. Operational flexibility, proportionality and risk-based approach should be safeguarded

- The **guidelines should be a manifestation of obligations of means (not results)** as the main principle underpinning the CS3D.
- Due diligence is not a process capable of generating complete certainty regarding all relevant risks within the company's chain of activities. Companies will often have to make decisions based on **incomplete information** (especially beyond direct business relationships) and under conditions of uncertainty. Assessing severity and likelihood can be difficult in complex value chains and where information is incomplete (difficult to access) due to **legitimate constraints such as legal and regulatory (third country) restrictions, commercial confidentiality, trade secrets, supplier relationship protection, antitrust laws and the complexity of value chains**. There is sometimes a limited ability to impose due diligence requirements on some suppliers' business partners providing essential goods or services. Guidelines should explicitly recognise these realities and confirm that companies are expected to take reasonable and proportionate measures based on the information available at a given point in time.
- The guidelines should also **clarify that appropriate measures will necessarily vary between sectors, business models, geographies and from case to case**. Value chain transformation also takes time and often it needs, in some third countries, the involvement of local public authorities where structural reforms are necessary. Government-to-government engagement remains critical in addressing systemic issues. The guidelines should encourage flexibility to allow companies to take measures that are deemed likely to produce real improvement in practice and **not deposit unrealistic expectations in the ability of companies to solve all problems** nor to influence changes in third countries (e.g. governments).
- The guidelines should also recognise that due diligence governance may differ across **corporate groups**, including groups with several brands, subsidiaries or business units. Centralised risk management, shared policies or group-level tools should not automatically imply that the parent company assumes direct operational responsibility for every decision taken by each brand, subsidiary or local entity. The assessment should reflect the actual governance structure, decision-making powers, operational control and legal responsibilities within the group.

- **Effective due diligence should be risk-based, proportionate and prioritised, and should not require companies to assess all entities** and business relationships, nor to address all identified impacts simultaneously.
- Monitoring **does not mean continuous or real-time oversight of every business partner**, and that its frequency and intensity should depend on the level of risk and the company's position in the chain.
- The guidelines may provide practical illustrations of scoping, prioritisation and in-depth assessments, but should avoid any approach that would amount in practice to exhaustive mapping or systematic monitoring of global value chains. Flexibility (margin of manoeuvre) should also be afforded to the company in the selection of appropriate measures unless it is demonstrated by clear evidence that those measures were manifestly unreasonable.
- Third-party platforms can involve significant costs and should not be implicitly presented as the only way to meet CS3D requirements or as de facto standards for what constitutes reasonably available information.
- General, unverified or non-contextualised allegations should not automatically trigger an in-depth assessment. Companies should first be able to assess their credibility and relevance of allegations.
- All these elements are key to securing a workable framework that will have the sought positive effects, while ensuring that companies can have a strategic perspective to due diligence, not letting the details blur strategic decision-making and relevant prioritisation.

4. Recognising the limits of disengagement

- Disengagement should remain a measure of last resort.
- In many cases, it will be preferable to implement an action plan rather than disengage, where disengagement could have more severe consequences for local communities and economy. On the other hand, it should be noted that in some sectors, there are single-source suppliers whereby an obligation to suspend the business relationship could have significant industrial consequences and, in some cases, could create difficulties regarding human rights or environmental impacts.

5. Recognising industry and multi-stakeholder initiatives

- Industry and multi-stakeholder initiatives, platforms and other forms of collective action should be **expressly recognised by the Commission as effective and proportionate due diligence measures, e.g. for information and data sharing, supplier engagement, training and capacity building and pooling resources**. Such initiatives often provide more efficient and impactful ways of identifying, preventing and mitigating adverse impacts than isolated company-level efforts. They help reduce duplication of means employed by the company on due diligence and mitigate "audit fatigue" associated with multiple assessments and audits across the same suppliers.
- The guidelines should recognise and reflect the fact that fulfilling due diligence obligations is a learning process for all parties involved and that cooperation within supply chains should be understood as a dynamic process based on dialogue and continuous exchange. Adherence to such initiatives should not create an automatic presumption of compliance, and equally, non-participation should not be treated as evidence of non-compliance.

6. **Information: recognition of public sources; enabling access to aggregated information; limits and reliability of information disclosures**

- Guidelines should recognise the value of public sources, OECD and UN materials, sectoral resources, industry initiatives, credible public reports, grievances data, supplier assessments, sustainability service providers, press sources and audits without mandating the use of any particular source or sources of information. Reliance on reasonably available sources avoids broad and duplicative information requests on business partners.

- External (especially public) databases are useful to assess country-level or sector-level risks. Supplier assessment data can help better map and prioritise risks, reducing time and costs. **The EU could also consider establishing a centralised web-based source of reliable, aggregated information and risk-related resources**, including relevant areas such as for example (i) country and sector risk indicators, (ii) governance indicators, (iii) public risk assessments, and (iv) aggregated sustainability data. The EU Annual Reports on Human Rights and Democracy by the EEAS is one example where a similar database was developed. Access to reliable public information can significantly improve efficiency and reduce burdens, specifically for smaller companies. This could also reduce duplicated and fragmented information requests, and support more consistent risk assessments and scoping across value chains. As the possibility for companies to ask for information in their supply chains (under certain circumstances) has been reduced in Omnibus I, and information access can be limited due to geopolitical, competition law and other reasons, such tools are likely to be even more valuable for companies. Any tools or methodologies developed or facilitated by the Commission must be designed as practical support, remain voluntary and must not create additional reporting burdens, compliance expectations, or de facto standards.
- At the same time guidelines could also acknowledge the issue of reliability of information used in due diligence processes, including the growing risk of false, misleading or artificially generated reports. Public allegations, media sources and third-party reports can be useful risk indicators, but they should be assessed with appropriate safeguards, source verification and proportionality. This is particularly important where inaccurate or AI-generated information could cause significant reputational harm before the facts have been verified.
- The guidelines should also clarify that information requests should not require the disclosure of **commercially sensitive information**, including formulation details, proprietary technical data, trade secrets or confidential supplier know-how. Companies should be able to provide relevant due diligence information through proportionate and secure means, such as aggregated data, declarations, certifications or controlled disclosure mechanisms, where full disclosure would create confidentiality, competition or intellectual property risks.

7. **Coherent with existing international due diligence guidance/principles**

- The guidelines should **be firmly anchored** in internationally recognised due diligence frameworks, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.
- **But full alignment should not be expected** or pursued, given that those international guidelines/principles were drafted and adopted to be voluntary and not meant to have the same effect as EU-wide binding laws.

8. Link with related EU legislation

- The guidelines should **help companies navigate overlaps and interactions between the CS3D and other legal frameworks**, including, for example, sustainability reporting requirements and sector-specific (e.g. batteries, conflict minerals or deforestation) or thematic (e.g. force labour) due diligence obligations. Understanding how the due diligence requirements from several lex specialis instruments relate to the CS3D (e.g. which obligation takes precedence in case of overlap) is essential to avoid contradictions and have a converging understanding of crucial principles underpinning due diligence processes. Companies also need clarification about which rules take precedence in case of overlap.
- Where companies have already collected relevant information or conducted assessments under other legislation, the guidelines should encourage the possibility to rely on such work to avoid duplication of efforts. This, without imposing additional requirements from those other EU frameworks.
- Parallel or double sanctioning under multiple regimes should be avoided.
- **Identifying or prioritising a risk under the CS3D does not, in itself, automatically make it material for sustainability (CSRD) reporting.**

9. Taking account of third-country legal limitations and (overlapping) requirements

The guidance should take into account:

- Potential conflicts of laws and legal obstacles imposed by third-country legislation as a critical and growing obstacle to effective implementation of the CS3D. These conflicts of laws do not only affect the CS3D, but also other EU due diligence-related instruments, including, without limitation, the EUDR and the EU Forced Labour Regulation. Companies need guidance on how to handle these complex situations. They cannot be expected to expose themselves, associated companies, subsidiaries, business partners and their individual company representatives and employees to legal, regulatory or personal risks. For example, China recently adopted two decrees (Nos. 834 and 835) that could pose significant challenges for foreign companies. These decrees could allow Chinese authorities to prevent organisations or individuals from enforcing foreign extraterritorial measures deemed unjustified. In practice, this could hinder audits, data transmission and collection, or cooperation, and place European companies in situations involving conflicts of law. Other examples can be found in Costa Rica (Law 7476) and Belize (Chapter 107) regarding limits of which cases can be taken on by grievance mechanisms (e.g. in cases of sexual harassment or employment-related issues).
- Due diligence regimes in other OECD countries (e.g. UK, Australia, and New Zealand Modern Slavery Acts, the Canadian Fighting Forced Labour in Supply Chains Act, US Uyghur Forced Labour Prevention Act, and the Swiss Ordinance on Child Labour and Conflict Minerals). Global companies under the CS3D scope are likely to face due diligence requirements in multiple jurisdictions, and there is clearly an interest in avoiding unnecessary duplication in compliance efforts.

10. Trickle-down effect on upstream companies not in the CS3D scope

- The trickle-down effect of due diligence obligations on out-of-scope companies, in particular SMEs, which may be affected as business partners of in-scope companies, should be expressly addressed, with practical guidance on how to minimise disproportionate information requests and compliance burdens on SMEs.

11. The principles on model contract clauses should support appropriate cooperation across supply chains

- **Model clauses** can be a legitimate tool to use with suppliers (of all sizes) so that they commit to provide the necessary information, conduct assessments or take corrective actions to help EU companies to identify, assess, prevent, and address adverse impacts while also supporting suppliers in meeting their own responsibilities to respect internationally recognised human rights and environmental standards.
- Such clauses should be proportionate and SME-friendly and not lead, in practice, to a (pure) box-ticking exercise. In particular, the clauses must avoid disproportionate audit, reporting, or information obligations for SMEs. Overly complex contractual requirements would weaken acceptance and create unnecessary bureaucracy. Their use should remain balanced, taking into account the commercial relationship between the parties and avoiding situations where suppliers are effectively required to accept commitments going beyond what they can guarantee.
- Contractual clauses may support due diligence, but their effectiveness depends on the legal and commercial context as well as on the conduct of the supplier. The guidelines should avoid one-size-fits-all approaches and preserve flexibility. Jurisdiction and governing law clauses may enhance legal certainty in cross-border relationships, but the guidelines should not recommend any specific governing law or forum, nor encourage systematic application of EU legal regimes to non-EU business partners.
- Model clauses should not automatically render contracts void or trigger termination rights in the event of an adverse impact.

12. Not forgetting a much-needed harmonised transposition and application of the CS3D

In addition to preparing useful guidelines, it is key that the Commission, together with the European Parliament and Council, actively urge Member States **towards a uniform and harmonised transposition of the Directive, avoiding gold-plating** (and resulting fragmentation) and acknowledging the importance of minimising administrative burdens on businesses. The guidelines can play a role in this ambition, together with questions and answers, transposition guidance, and exchanges of best practices.

A guidance (rather than purely sanctioning/punitive) role of authorities should also be promoted, in particular at the moment when the CS3D is fully transposed and applicable in the member states.

13. Reconsider the need for sector-specific guidance

The upcoming general guidance should be drafted in a way (with the features suggested above) that it can serve companies of every sector, even those not-in-scope companies that will certainly be impacted by the Directive. Only consider sector-specific guidance after effective and timely general (sector-agnostic) guidance has been delivered under Articles 18 and 19, and sufficient experience has been gained to assess its effectiveness. More important than having sector-specific guidance is to have the sector-agnostic guidelines that are well suited for all companies and are able to be revised within a reasonable timeframe to take into account the practice that develops as well as technological developments.

Annex

Replies to the relevant questions on the Commission online questionnaire on CS3D Guidelines

Integrating due diligence into relevant policies and risk management systems

1. Considering the experience in your company with integrating (or your plans to integrate) due diligence into the relevant corporate governance policies, which policies do you consider most relevant?

> Here is a non-exclusive list of some most relevant policies: Supply chain due diligence; Responsible Sourcing Policy; Business Partners Code of Conduct and Business Code of Conduct; Procurement Policy; Human Rights Policy; Health, Safety, Environmental and Security Policy; Stakeholder Engagement Policy; Industry collaboration policies.
>
> It should be noted that relevant group steering policies/approaches will differ between companies depending on many factors (not least the specific corporate governance framework covering the company/group), so caution is advised to avoid interference and disruption.

Human rights (including labour rights) and environmental impacts

2. Do you think that the guidelines should seek to offer examples on adverse human rights (including labour rights) or environmental impact, and which are the most relevant types of impacts for which you see this need? Please explain.

> Guidelines should remain as lean as possible and focus on supporting consistent implementation of the Directive. Use of examples can be useful but should not be exaggerated, clearly identified as non-binding illustrations, and must not create de facto additional compliance expectations. Long guidelines or extensive examples risk turning guidance into a second regulatory framework beyond the requirements explicitly set out in the CS3D. Examples should be risk-based, proportionate, and recognise that companies may have limited visibility or influence beyond direct operations.

3. If you already apply corporate sustainability due diligence in your value chain, do you have a defined set of indicators to identify and monitor the adverse impacts listed in the Annex? If so, were they developed in-house or do they rely on external input? Please give a few examples and the data source(s) they rely upon.

> Due diligence is a dynamic, risk-based process that cannot be fully captured by a standardised list. Indicators can be useful as one input, but they should be complemented by qualitative assessment, stakeholder engagement, grievance/complaints mechanisms, supplier dialogue and contextual risk analysis. For that reason, there is no single universal set of indicators applicable across sectors or value chains.

Identification of adverse impacts (including data and information sources)

4. In your experience, what tools proved particularly helpful to carry out a scoping of risk areas across your company's activities, those of your subsidiaries and those of your business partners? What approaches or solutions could help in performing these requirements in the cost-effective way?

Tools should account for activity, geography, including allowing for complexities such as headquarters and manufacturing locations being in different countries, and whether counterparties are subject to similar due diligence obligations.

A few examples of useful actions:

- Using scalable risk screening as a starting point, combining country and sector risk data with available supplier information, procurement/contract data, operational knowledge, stakeholder input, media/NGO scans and online documentation.
- AI-enabled tools can support rapid scoping.
- Enabling application of company-defined risk thresholds to focus deeper assessment on the highest-risk areas at a practical scale.
- Integrate outputs into dashboards or risk registers to avoid duplication.
- Social audits and supplier assessments can also play an important role where they are used as part of a broader risk-based due diligence system.
- The use of procurement platforms to manage supplier information and contracting processes, where suppliers are required to acknowledge and comply with supplier codes of conducts as part of standard agreements. These approaches support baseline screening and oversight of direct suppliers, primarily through contractual requirements and existing procurement workflows.

5. In your experience, what tools proved particularly helpful to carry out an "in-depth assessment" in areas that were identified as most severe and most likely? What approaches or solutions could help in performing these requirements in the cost-effective way?

It is about combining multiple sources of information rather than any single tool. Publicly available country and sector risk databases, supplier segmentation tools, ESG ratings, supplier spend analysis, procurement category risk mapping and industry initiatives are the most cost-effective tools.

Guidelines should recognise that companies may use different combinations of tools depending on their sector, value chain structure and risk profile, and should encourage reliance on existing frameworks, collaborative initiatives and shared industry resources, avoiding unnecessarily prescriptive or duplicative requirements.

General, unverified or non-contextualised allegations should not automatically trigger an in-depth assessment. Companies should first be able to assess their credibility and relevance of allegations.

The guidelines should clarify that not all identified or prioritised human rights or environmental adverse impacts under CS3D are necessarily material for the purposes of the CSRD double materiality assessment.

6. In your experience, what tools proved particularly helpful to identify indirect business partners in the value chain?

No single tool reliably identifies indirect business partners, particularly beyond the first tier.

Supplier disclosures (requesting documentation including receipts), questionnaires, contract/procurement data, online searches, targeted supplier questionnaires and interviews, on-site audits, import/export data, third-party assessments, corrective action plans and recognised certification schemes can help with supply-chain mapping, build visibility, but formal records may miss subcontractors, labour providers or lower-tier suppliers.

Improving visibility beyond first tier often can require triangulation with supplier engagement, audits, site visits, worker feedback, field observations and local stakeholder knowledge. Tracking is thus resource intensive. For competitive reasons, suppliers are often unwilling to share details of their own supply chain mapping. Working closely with direct suppliers can be an option, but they fear that some disclosures might breach antitrust laws, so it is often necessary to clarify that the requests do not involve pricing or market share information.

To support cost-effective implementation, the Guidelines should recognise that companies may use different combinations of tools depending on their sector, value chain structure and risk profile, and should encourage reliance on existing frameworks, collaborative initiatives and shared industry resources, avoiding unnecessarily prescriptive or duplicative requirements.

7. Have you faced any legal obstacles or conflicts when collecting information for the purpose of either carrying out a scoping of risk areas, or an “in-depth assessment” as a result of third countries’ laws? Companies and stakeholders are invited to signal barriers to due diligence they may face in third countries when conducting due diligence.

Third country laws are expected to impact data collection (e.g. China) and the carrying out of due diligence obligations in general due to data privacy requirements, national security laws, confidentiality obligations, and limits on third-party data sharing. In practice, even requests for information, contacts, or audits may give rise to legal liability in certain jurisdictions and may, in some cases, constitute unlawful conduct. Guidelines should acknowledge this and help companies navigate these realities and consider the existence of reasonable alternative measures.

Another challenge for collecting information are requests by third-country competent authorities under parallel environmental or human rights frameworks that lead to the collection of duplicative information regulation. Guidance should clarify that supervisory authorities should generally respect business activities and conduct that is subject to comprehensive labour, human rights, or environmental regulation under applicable local law of the place where those operations are carried out.

The guidance should address low-data or third-country contexts, including situations where suppliers or business partners have limited willingness or ability to provide data. It should clarify how companies should reconcile CS3D obligations under Articles 5, 8 and 10 with mandatory third-country laws, such as data localisation, confidentiality, export control or blocking statutes, where

compliance with both regimes is not possible. In such cases, companies should be able to rely on documented reasonable efforts, alternative information sources and proportionate escalation steps without being expected to breach mandatory local law.

8. In your experience what data currently collected by public administrations may be particularly useful for the purposes of effective due diligence? Do you believe there is a need for access to such data to be facilitated?

Certain data already collected by public administrations, both in the EU and in third countries, can support effective, risk-based due diligence. In particular, authoritative and, where possible, centralised information on applicable regulatory frameworks, permits, inspections, and compliance status can help identify where activities are already subject to robust public oversight. Facilitating access to such data, especially from third countries, would be valuable. Labour inspection data, environmental permits, company registries, trade/customs data, sanctions lists and public procurement data are also particularly useful. The INFORM Risk Index, developed by the European Commission's Disaster Risk Management Knowledge Centre (DRMKC), could also be referenced as an example of an existing country-risk database. However, as INFORM Risk covers a broad range of indicators, not all of which are directly relevant to value chain risk analysis, the development of a standardised, dedicated report focusing on supply chain-relevant indicators could support more accurate, consistent and decision-oriented risk assessments.

In addition, public data from BAFA, OECD, World Bank, UNICEF, Transparency International and U.S. supply-chain/labour databases can support risk identification. It would be helpful to have a public database (e.g. country-, sector- and product-specific risk data) or other forms of access to aggregated data held by authorities that would reduce cost, duplication and providing useful picture of risks. Especially for companies operating in regions/countries where law enforcement might be limited, reliable public information is scarce, and governance risks are high.

Without prejudice to the sources of information already recognised under existing due diligence frameworks, the Guidelines should acknowledge the value of other reliable and verifiable sources of information that may support companies in identifying and assessing adverse impacts and risks throughout their chain of activities. These may include beneficial ownership registries, corporate transparency databases, voluntary third-party data-sharing platforms and other trusted repositories of information.

9. Please indicate which of the following due diligence methods or other actions you consider most useful and cost effective for identifying adverse impacts in value chains? What are the pros and cons of these approaches in terms of cost effectiveness)?

Choice:
All of the above

Explanation:
Use of media, NGO or other independent reports and information requests to business partners are all both useful and cost-effective. Third-party verification can be a useful method under some circumstances but could have drawbacks: costly, unproven expertise and possible conflicts of interest.

Site visits enable direct verification but may provide only a snapshot and are difficult below lower tiers.

Companies should not be penalised for source limits.

Risk factors

10. Which are particularly useful examples of such sources of information and in which areas/sectors and/or for which impacts do you see a gap in terms of documented risk factors? Do you believe there is a need for access to such data to be facilitated (e.g. via a centralised webpage)?

Many adverse impacts are influenced by broader structural factors, including governance challenges, weak enforcement of laws, economic conditions or situations of conflict. While companies have an important role to play, due diligence cannot by itself address all underlying causes of harm.

Numerous international frameworks and sector-specific resources already exist, which provide a wide range of forms of assistance. Useful sources include NGO and civil society reports, grievance/complaints mechanisms data, supplier information and self-assessments, EU and USA sanctions lists, industry initiatives and country-risk datasets.

Better-quality, consolidated access to aggregated data (e.g. a portal with authoritative risk indicators by sector and geography) would be an additional support to risk-based prioritisation. The guidelines need to acknowledge this.

11. What other methods or information sources does your organisation use to support its risk identification (during both scoping and in-depth assessments) or monitoring efforts as part of due diligence? If available, please include references to specific methods or sources and elaborate briefly on their pros and cons.

Useful methods include grievance mechanisms, workforce feedback, media monitoring and local operational knowledge. Internal cross-functional inputs such as human resources, sustainability and community relations teams can complement formal risk tools. Integration with enterprise risk management can support continuous monitoring. These qualitative inputs help identify emerging issues not captured by datasets, especially community-related risks.

Digital tools

12. What digital tools do you consider most useful to facilitate the identification, monitoring and assessment of possible adverse impacts? Please explains pros and cons.

Digital tools such as country risk platforms, supplier risk-rating tools, ESG/media scanning and screening tools, other AI-supported tools can be useful for scalable identification, monitoring and prioritisation. Strengths include systematic coverage of geographies, sectors and business relationships and the ability to focus attention on higher-risk areas. Limitations include data quality, local context, community perspectives and evolving grievances.

13. Have you encountered any difficulties or problems with digital tools, including issues that cause unnecessary burdens?

High costs, data quality issues, poorly calibrated flagging thresholds and lack of interoperability are listed as problems with digital tools. Inconsistent methodologies and uncertainty regarding regulatory expectations can further increase complexity, particularly for SMEs.

Usefulness of digital tools varies significantly depending on the sector, product and type of impact being assessed. It is important not to over-rely on scoring, rather than the underlying risks. While digital tools can support risk identification and monitoring, many human rights and environmental impacts are highly contextual and cannot be fully understood through data alone. Because of their limitations they can also lead to false positives significantly reducing the reliability and usability of outputs. As a result, they create acute signal to noise challenges that undermine effective risk prioritisation and divert resources away from the identification and mitigation of actual adverse impacts. Potential difficulties also include uncertainty on governance and oversight expectations for AI-supported or advanced analytics tools, and the risk of duplicative requests where digital resources or recognised initiatives are not accepted as appropriate resources.

The role of digital tools is likely to expand as technologies, including artificial intelligence, continue to develop. To note that when using AI or publicly available internet information, it is important to double-check the information to avoid the risk of fake reports and inherent biases. Information generated by AI may be used to discredit companies or competitors; therefore, feedback from the counterparty is often needed to obtain a reliable view. In general, digital tools should be viewed as complementary tools that support due diligence processes rather than substitutes for the more qualitative and human-centred aspects of impact assessment and management.

Prioritisation

15. Are there situations where in your view the severity or likelihood of a specific adverse impact is (or might be) particularly difficult to assess? How could such difficulties be overcome?

Assessing severity and likelihood can be challenging where impacts are indirect, information is limited e.g. as countries limit access to information (e.g. China), where NGOs have no access, where press freedom is limited or multiple risk factors are present.

Companies should be permitted to use reasonable and supportable information (including a combination of sources) to inform prioritisation of risks and conclude assessments when impacts have been reasonably evaluated using available information.

16. Regarding situations when it is “not feasible to address all identified impacts at the same time and to their full extent”, what other elements are particularly relevant to support companies in performing an appropriate risk prioritisation process?

The Guidelines should preserve companies’ decision-making discretion when prioritising risks. It should not be presumed that companies intentionally seek to disregard adverse impacts. Guidance should recognise practical constraints

such as data availability, leverage, scale, scope, and irremediability, and whether action can create meaningful outcomes. A pragmatic, risk-based approach is essential, ensuring companies focus on the most serious impacts without creating unrealistic expectations. This should include allowing reasonable assumptions where data is limited, and recognising the role of coordinated industry efforts, particularly where impacts cannot be effectively addressed by companies acting alone.

The Guidelines should recognise companies' sufficient flexibility to determine how impacts are assessed and prioritised.

Purchasing practices

18. In your experience, what purchasing practices proved most cost-effective while at the same time ensuring that adverse impacts are prevented and mitigated? What are their pros and cons?
Out of these, are there purchasing practices that are inherently sector- or context specific?
If possible, please provide examples of specific contract or commercial terms or other best practices.

The most effective purchasing practices are those that promote transparency, communication, and long-term supplier relationships. Clear supplier expectations, including through supplier codes of conduct and related governance processes, can support effective risk management.

Purchasing practices (e.g. better forecasting, realistic lead times, fewer last-minute spec changes, fair payment terms, clear open costing that isolates labor costs, regular supplier feedback, and responsible exits when applicable) ultimately depend on supplier conduct. Contractual provisions and engagement may support expectations but on their own they cannot ensure prevention or mitigation of adverse impacts. Approaches should remain flexible and risk based, avoiding prescriptive requirements that do not reflect companies' limited control over value chain actors.

Investment

20. Which cost-effective practices are you aware of as/ regards companies making investments in their value chains to prevent or address adverse impacts?

Capacity-building (e.g., supplier training programmes, technical assistance, support for certification schemes, digital reporting tools and collaborative improvement plans) can support awareness and incremental improvement. Long-term contractual commitments can also help suppliers secure financing and invest in improving environmental and social performance. However, any guidance on "investments" should recognise companies' limited control, limited ability to dedicate resources to other companies in their value chains and that companies cannot replace public authorities or solve systemic issues alone.

SMEs

22. In your experience, what are the most cost-effective measures to support SMEs? What are the pros and cons?

Capacity-building, supplier training, practical implementation guidance, shared assessment tools, clear communication of expectations, reasonable implementation timelines and longer-term commercial relationships are generally the most effective forms of support. This contributes to strengthening a competitive local industrial base.

Remediation

23. In your experience, what are the most effective, including cost-effective, practices related to remediation? Please explain pros and cons.

Effective remediation should be collaborative, transparent, clearly owned and focused on outcomes for affected people. It should further be proportionate to the impact, focused on root causes, and flexible enough to reflect specific circumstances. It requires a case-by-case approach that takes into account the nature of the harm, the needs of affected stakeholders (including managing the risk of retaliation), the company's connection to the adverse impact and the types of remediation measures that are reasonably available to the company.

Remediation must be tied to proven failures of due diligence obligations under the obligations under Articles 8-11 of the CS3D and not triggered merely by the occurrence of an adverse impact. Where an undertaking has carried out an appropriate identification, assessment and prioritisation of adverse impacts in a diligent and reasoned manner, and has taken all appropriate measures to prevent or, where relevant, bring such impacts to an end, it would not be proportionate or consistent with the Directive to impose an additional remediation obligation. The CS3D creates obligations of means, not results, and guidance should clarify that remediation is not a freestanding obligation.

Some good practices in remediation are using clear improvement/action plans, effective grievance and complaints mechanisms, responsibilities, timelines and monitoring of progress; ongoing engagement with affected workers, communities and other stakeholders is critical.

Cost-effectiveness comes from prioritising higher-risk cases and integrating remediation into existing management processes. Industry-wide initiatives can help support cost-effective improvements and assess systemic risks.

24. What are best practices that you are aware of to determine a company's proportionate involvement in an adverse impact for the purpose of remediation when a company jointly causes the adverse impact together with others (e.g., its business partner(s) or other companies)?
Have there been difficulties to determine appropriate remediation in case of joint causation in certain situations and how have these difficulties been overcome?

The use of best-practice examples should be kept to an absolute minimum. If included at all, such examples should not be labelled as “best practices”, as this creates a significant risk that they are interpreted as de facto binding standards. Guidance should focus on the legal framework established by the Directive and avoid creating additional expectations that go beyond the requirements explicitly provided for in the CS3D.

Determining proportionate involvement can be difficult where multiple parties contribute to an adverse impact or information is limited. Guidance should recognise that precise allocation may not always be possible and allow companies to make reasonable, good-faith determinations based on the facts and circumstances and reasonably available information.

Conflict-Affected and High-Risk Areas (CAHRAs)

25. In your experience, what are the most significant operational challenges preventing effective due diligence in CAHRAs? How can these challenges be overcome?

Choices:

- Limited access to data/information: difficulty verifying information due to data-poor environments or restricted physical access
- Safety risks to stakeholders: inability to consult with affected individuals and
- communities without exposing them to retaliation or violence
- Safety risks to staff: security threats to company personnel or auditors
- preventing on-the-ground assessment
- Legal conflicts: national laws (e.g., secrecy acts, counter-terrorism laws) that conflict with due diligence expectations
- Complexity of supply chains: difficulty tracing business partners in informal or opaque war economies

Explanation:
In CAHRAs and other high-risk contexts, standard due diligence tools such as on-site audits, worker interviews or direct stakeholder engagement may be extremely challenging or unsafe. The guidelines should recognise legal, sanctions-related, security and confidentiality constraints, and should provide practical alternatives, including reliance on reputable third-party sources, remote assessments, enhanced contractual controls, escalation procedures and documented risk-based decisions.

The guidelines could also identify contextual indicators of heightened risk beyond active armed conflict, including weak rule of law, restrictions on civil society, limits on press freedom, serious labour or environmental enforcement gaps, elevated drug-trafficking, systemic corruption, or low-intensity violence. These indicators should be presented as flexible guidance, not as a closed list or as automatic compliance criteria.

Expectations on identifying “high-risk” contexts

26. To assist companies in determining when specific due diligence obligations apply, would specific guidance regarding the identification of "high-risk" areas beyond active conflict zones be helpful? If so, please indicate your preference:

Choices:

- List of contextual risk indicators: a list of "red flags" indicating state fragility or authoritarianism (e.g., suppression of civil society, suspension of legal
- protections, spike in inflammatory/hate speech)
- References to and guidance on how to use specific, reputable global indices (e.g., OECD States of Fragility, RULAC, or the World Bank FCS list) to determine a country’s risk level
- Sector-specific case studies for "early warning" contexts: practical examples of how companies in different industries have identified high-risk signals in seemingly stable or “pre-conflict” environments.

Explanation:
It could be helpful to identify—aligned with existing CAHRA principles and guidelines—the types of factors that indicate a higher-risk location, particularly those that are less obvious than active conflict.

27. In your experience, which specific practical tools or frameworks (e.g. examples of structural drivers and root causes, early warning “red flag” indicators, conflict actor mapping, targeted questions for self-evaluation, scenario planning) proved to be particularly useful and cost-effective in integrating conflict analysis into your
company’s scoping and in-depth assessment?

The guidelines should not refer to specific tools or frameworks. However, useful approaches may include conflict actor mapping, context analysis, early-warning indicators, reputable conflict-risk indices, local expert input, scenario planning, and targeted self-assessment questions. The guidelines should emphasise practicability and proportionality, especially where safe local engagement is not possible.

Sharing of information and resources, collaboration

28. What are the main reasons that make information problematic to share with business partners? What best practices have emerged to address such concerns?

Some reasons:

- Competition (antitrust) law
- GDPR and other privacy considerations
- Sensitive commercial/intellectual property information
- Lack of trust on how the information will be used
- Data quality and the risk of information being misinterpreted when taken out of context
- Differences in business practices and corporate culture can create barriers
- Contractual restrictions
- Legal uncertainty

These challenges can be particularly significant in complex value chains involving indirect business relationships, multiple tiers of suppliers and different legal jurisdictions. Guidance should recognise these challenges and avoid creating expectations for disclosure of confidential, proprietary, commercially sensitive, or otherwise restricted information.

Best practices include clear governance frameworks for information sharing, trusted or neutral platforms or industry initiatives, and anonymised or aggregated data where appropriate, using trusted collaborative platforms or industry initiatives, and ensuring that information is accompanied by sufficient context to support its interpretation.

As with other parts of the guidance, caution is needed regarding the use of such best-practice examples. Such examples can easily be interpreted as de facto compliance expectations extending beyond the legal requirements of the Directive. The guidance should focus on clarifying the legal framework for information sharing while avoiding the creation of additional operational standards not foreseen by the CS3D.

29. As regards cooperation with other companies (i.e., with peers, in the framework of industry schemes) to carry out certain aspects of due diligence (e.g., risk analysis, stakeholder engagement, remediation, investment, capacity building, exercising leverage) what has worked well and what has not? Have competition law considerations constrained cooperation for due diligence? How can compliance burden be further reduced by data sharing and collaboration?
Please describe the types of constraints encountered and any solutions (e.g. organisational or procedural steps) found to overcome those obstacles.

Collaboration through industry or multi-stakeholder initiatives can reduce duplication and help participants address systemic risks, including by increasing leverage and through consistency of approach with sector-specific suppliers. Joint assessments, stakeholder engagement, risk analysis and capacity-building can work well where risks are shared.

A possible example is also the guidance issued by the German Federal Office for Economic Affairs and Export Control (BAFA) on cooperation in supply chains (Handreichung zur Zusammenarbeit in der Lieferkette). It rightly emphasises that fulfilling due diligence obligations is a learning process for all parties involved and that cooperation within supply chains should be understood as a dynamic process based on dialogue and continuous exchange. Ideally, companies should work with suppliers fairly, on an equal footing and over the long term, rather than relying on purely contractual or punitive approaches. Participation remains voluntary and creates no presumption.

Due diligence support at group level

30. In your experience, are there particular aspects of the cooperation between the parent company and its subsidiaries that may raise particular difficulties (including any legal requirements under other regulatory regimes that might create obstacles)?

The Guidelines should distinguish group-level due diligence support from operational control. They must recognise the limited operational control that many parent companies exercise over subsidiaries. Group policies, methodologies, reporting tools, audits, risk assessments or shared resources should not, in themselves, evidence that a parent company has assumed operational

responsibility for subsidiaries' activities or risks, whether or not the subsidiaries are themselves in scope of the Directive. Subsidiaries are legally separate entities with their own directors, officers and management structures. As such, subsidiaries may operate under different legal, regulatory, contractual, and operational requirements and may have access to different information. Parent entities may lack the corporate authority to direct operational activities or decisions of subsidiaries and vice versa, with influence potentially limited to the exercise of shareholder voting rights or other indirect means of influence. In some cases, access to data from group companies may be legally forbidden or restricted, for example due to banking regulation or within vertically integrated energy utilities with regulated infrastructure entities. There could be other limiting factors such as export controls, data localisation requirements or blocking statutes.

Rigid attribution criteria based solely on ownership or control thresholds should be avoided. While such elements may enable a parent company to issue instructions and exercise due diligence oversight, responsibility should be assessed on the basis of the parent company's actual level of involvement, influence and control, rather than through automatic presumptions.

Guidelines should also clarify that actions or omissions of a subsidiary shall not be automatically imputed or attributed to the parent entity.

Model Contractual Clauses

31. What is your experience of cooperating with business partners to ensure efficient due diligence?

Business partners are willing to cooperate when the purpose of due diligence is clearly explained. Suppliers generally understand that these processes are intended not only to identify and address risks to people and the environment, but also to contribute to the long-term sustainability and resilience of their own businesses. But in order for this understanding to emerge the relationship needs to be based on trust, transparency and dialogue and capacity building so suppliers feel confident to collaborate in due diligence processes.

32. What cooperation should the model contract clauses recommend between the in-scope company and its business partners as regards:

- the adoption and implementation of any prevention/correction action plan
- the cost of addressing adverse impacts
- stakeholder engagement
- the notification and complains mechanisms

with a view to ensure that due diligence is efficient and cost effective while compliance burden is not shifted to the business partners?
Please provide examples of appropriate contractual clauses, if possible.

The Commission's guidance on model clauses (not to confuse with EU drafted model clauses which is not what is foreseen in Article 18 of the CS3D) should point to proportionality, low-burden and focus on practical cooperation, including reasonable information-sharing, dialogue and support measures. It should focus on principles and not purport to set out model clauses relevant for all sectors, supply chain contexts, jurisdictions and choices of contract law. It could support

collaboration and clear allocation of tasks, without transferring the due diligence obligations of in-scope companies to business partners.

Contractual clauses should not impose disproportionate information, audit or verification burdens, especially on SMEs. Approaches such as some draft clauses developed under the Responsible Contracting Project go significantly beyond the requirements of the Directive and are not compatible with its structure, as they risk shifting legal and practical responsibilities downstream.

The European Model Clauses developed by the Responsible Contracting Project (RCP) go far beyond the CS3D and cannot be assessed as a basis for the Model contract clauses (Art. 18 CS3D).

33. In situations where the in-scope company and its business partner(s) are located in different countries, is there a need for specific contractual clauses on jurisdiction and applicable law to the contract? If so, why and can you provide examples of such clauses?

Contractual clauses on governing law and jurisdictions help ensuring legal certainty. Differences in national laws, particularly regarding suspension, termination, and enforceability of contractual remedies, can create challenges in cross border relationships. Mandatory local law requirements (e.g. notice periods or restrictions on termination) may limit the ability to implement CS3D aligned measures. Greater flexibility in model clauses would help address these constraints and support consistent implementation. In addition, many jurisdictions already impose human rights, labour rights, and environmental obligations. Compliance with applicable local law should therefore be recognised as a key baseline when assessing contractual commitments. Model clauses should allow flexibility to reflect these frameworks

34. Are there other elements required by CS3D that are challenging to translate into contractual terms? What could be ways to overcome this challenge?

Certain CS3D elements are difficult to translate into contractual terms, particularly requirements for direct business partners to obtain assurances (and measurable contractual obligations) from their own suppliers or make broad representations about conditions beyond their own operations. Companies are often reluctant to accept obligations or provide guarantees relating to parts of the value chain that they do not control. In practice, this challenge can be addressed through more proportionate drafting, such as requiring “reasonable endeavours”, rather than absolute commitments, and focusing on information-sharing and the cascading of relevant human rights and environmental expectations through the supply chain, rather than requiring guarantees of outcomes.

35. Are you aware of any useful and relevant best practices for contractual clauses operationalising human rights and environmental due diligence? If yes, elaborate.

Guidelines should avoid presenting contractual clauses as “best practices” or benchmarks for compliance to avoid the risk that they quickly evolve into de facto binding market standards. Existing initiatives, such as the European Model Clauses (EMCs) developed under the Responsible Contracting Project, illustrate this concern.

If examples are included, they should be strictly illustrative, non-binding and adaptable to different sectors, jurisdictions, company sizes and commercial relationships. They should not create presumptions of compliance or non-

compliance, nor shift due diligence obligations down the value chain. Illustrations could nevertheless show balanced approaches, such as a single clause covering both human rights and environmental due diligence, reciprocal commitments reflecting each party's role and capacity to act, and a proportionate allocation of remediation, audit and compliance costs. They should not require business partners to guarantee outcomes beyond their control. Existing models should not be endorsed as a whole, and only elements fully consistent with the CS3D should be referenced.

Guidance on fitness criteria for industry and multi-stakeholder initiatives (Article 20)

36. In your view, for which due diligence measures do industry or multi-stakeholder initiatives offer the biggest added value?

Choices:

- Identification of adverse impacts, including risk assessment
- Prioritisation
- SME support
- Increasing leverage through collaboration (e.g., to mitigate risks or bring to an end actual impacts)
- Remediation
- Verification
- Stakeholder engagement
- Operating notification/complaint mechanisms

37. What are, in your view, the main challenges for existing industry and multistakeholder initiatives in view of their role in supporting due diligence under the CS3D (e.g., misalignment with the due diligence requirements, misalignment of audit protocols with the material scope of the CS3D, in particular the Annex)? What are the main gaps in the geographical, sectoral, topical or value chain coverage of existing industry and multi-stakeholder initiatives?

A key challenge is that existing industry and multi-stakeholder initiatives often go beyond the requirements explicitly set out in the CS3D. If reflected in future guidance, this creates a risk that voluntary standards are transformed into de facto compliance expectations exceeding the Directive. Guidance under Article 20 should therefore ensure that such initiatives support implementation while remaining fully aligned with a strict 1:1 application of the CS3D.

38. Which of the following governance or other challenges of existing industry or multistakeholder initiatives do you consider as being the most important?

Choices:

- collaboration opportunities within an initiative and collaboration and interoperability between initiatives not sufficiently exploited resulting in undue burden for participating companies and audited value chain partners
- lack of independence and competence of assessors/verifiers, undermining the credibility of their work
- insufficient robustness of audit or assessment methods
- insufficient engagement with stakeholders
- lack of effectiveness in bringing about tangible impact

- processes not sufficiently adapted to cater for local realities and/or the interests of relevant stakeholders (including smallholders, SMEs, artisanal producers)
- Civil society/NGO members and company members misalignment on priorities
- Other

Explanation: In higher-risk jurisdictions, cooperation with local public authorities, economic diplomacy and government-to-government dialogue (e.g. to promote alignment with CS3D standards and address systemic human rights and environmental risks) can also be necessary complements to collective business action. Some systemic risks cannot be addressed by companies alone.

Accompanying measures

39. From the list below, which specific potential facilitation role of the European Commission would benefit your organisation the most and how?

Choices:

- Engaging with companies, industry associations, and other stakeholders to design new initiatives for more participants to benefit.
- Other

Guidance on third-party verification (Article 20)

40. What best practices could ensure the independence of third-party verifiers from the companies that they assess, from the companies on whose behalf they act and from external influence?

Independent accreditation and oversight of verification bodies by recognised authorities or accreditation organisations.

Strict conflict-of-interest rules.

Transparent verification methodologies and reporting requirements. It can enhance consistency, comparability and trust in verification outcomes while providing greater legal certainty for companies.

Company and industry sectors should be able to rely on established audit, training, accreditation and certification programmes that reflect sector-specific risks.

41. In your view, what level of experience and competence in human rights (including labour rights) or environmental matters, according to the nature of the adverse impact, would be necessary for third-party verifiers to support companies in implementing the Directive's requirements?

Independence is an important element, but it should not be considered in isolation and should be assessed together with quality and competence. Verifiers should be experienced and knowledgeable in the topics they assess (general audit experience alone may not, on its own, be sufficient). Third-party verifiers should possess not only technical expertise in the area they are acting (human rights or environmental issues), but also a strong understanding of the local context and sector in which they operate

with requirements applied proportionately so that they do not unduly restrict the pool of qualified verifiers or make these services prohibitively expensive.

42. In your experience, what are the most effective standards ensuring that the third-party verifiers are accountable for the quality, effectiveness, reliability and integrity of the verification?

Independence (supported by strict conflict-of-interest rules) is an important element, but it should not be considered in isolation and should be assessed together with quality and competence. Verifiers should be experienced and knowledgeable in the topics they assess (general audit experience alone may not, on its own, be sufficient). Third-party verifiers should possess not only technical expertise in the area they are acting (human rights or environmental issues), but also a strong understanding of the local context and sector in which they operate with requirements applied proportionately so that they do not unduly restrict the pool of qualified verifiers or make these services prohibitively expensive.

Independent accreditation and oversight of verification bodies by recognised authorities or accreditation organisations and transparent verification methodologies and reporting requirements are also crucial. The company should not be expected to duplicate the verifier's work or remain fully liable for matters that have been properly assessed by a qualified and independent professional.

43. Taking into account the requirements of the CS3D, in your experience what are the most cost-effective means to engage with stakeholders in the performance of due diligence? What are the pros and cons?

The most cost-effective approaches are risk-based (and proportionate) allowing companies sufficient flexibility to choose stakeholder engagement mechanisms (e.g. targeted stakeholder consultations based on risk; digital engagement tools; integrating stakeholder engagement into existing audit or site visit processes; using industry and multi-stakeholder initiatives; grievance/complaints mechanisms) appropriate to their sector, size and operational context. The guidance should avoid overly prescriptive approaches, as stakeholder engagement methods differ significantly across business models and value chains. Companies should retain discretion to implement practical and efficient engagement mechanisms suited to their individual circumstances.

Stakeholder engagement is important, but should operate as a complementary tool that informs and strengthens the due diligence process. It should not be framed or applied in a way that prevents or delays the proper implementation of the due diligence system.

Relying on local entities such as chamber of commerce, industrial associations, trade unions, NGOs can help build a better engagement.

45. What are the most robust and cost-effective mechanisms for guaranteeing confidentiality and protecting participants from retaliation?

Effective whistleblowing mechanisms which can be used anonymously
Clear non-retaliation policies communicated to workers and stakeholders
Independent intermediaries
Follow-up procedures and clear escalation protocols
Secure data handling

Information for stakeholders and their representatives on how to engage throughout the due diligence process

47. In your experience, what the most cost-effective approaches that companies can use to involve stakeholders at the level of indirect business partners? What are pros and cons?

Engagement through direct suppliers (Tier 1 suppliers). Mechanisms available through direct partners or credible intermediaries where proportionate and feasible and existing anonymous reporting channels, where appropriate

Anonymous whistleblowing mechanisms.

The guidelines should confirm that the depth of engagement scales with proximity and leverage and that reasonable reliance on intermediaries and collective mechanisms is sufficient where direct engagement is not feasible, reflecting proportionality and the obligation of means.

48. What are best practices in terms of the company's security procedures so that vulnerable stakeholders feel safe to engage (e.g., in terms of guarantees of anonymity, protection against retaliation, other)?

Effective whistleblowing mechanisms which can be used anonymously
Clear non-retaliation policies communicated to workers and stakeholders
Independent intermediaries
Follow-up procedures and clear escalation protocols
Secure data handling

49. How can companies engage with stakeholders in a way that specifically addresses and removes barriers for vulnerable stakeholders or groups (such as, depending on the context, workers representatives, indigenous peoples, women, or migrant workers)? In your view, what specific support do vulnerable stakeholders need?

Engagement should not be treated as a procedural exercise, but as a meaningful process linked to specific due diligence objectives and potential outcomes. Support may include ensuring accessibility, providing culturally and linguistically appropriate channels, protecting stakeholders from retaliation, and addressing practical barriers to participation.

At the same time, the guidelines should recognise that direct engagement will not always be feasible or appropriate. In such cases, engagement through legitimate representatives, workers' representatives or other credible proxies should be recognised as a valid and effective means of obtaining stakeholder perspectives.
Grievances and complaints mechanisms should remain preventive and non-adjudicative, and should not become parallel enforcement or liability procedures.

Guidelines for supervisory authorities

50. Which aspects of the CS3D do you expect to present the greatest practical challenges for supervisory authorities when carrying out their oversight functions?
What would be new challenges compared to the enforcement tasks of existing supervisors (including in other policy areas)? How can the guidelines contribute to addressing those challenges?

> Supervisors will need to ensure consistent, proportionate application across Member States. Guidance should support a regulator-led approach assessing risk-based processes rather than reviewing every business decision with hindsight, to avoid fragmented enforcement.

55. What features of the guidance to be issued in accordance with Article 27(4) of the CS3D would be most helpful in assisting supervisory authorities in determining the level of penalties, in a way that contributes to a uniform fining practice across the EU?
This question is primarily aimed at supervisors.

> Penalty guidance should stress that the CS3D creates obligations of conduct, not of result. Sanctions should consider efforts, information available, prioritisation, leverage, cooperation, remedial steps, practical constraints and mandatory third-country law conflicts.

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