

Changes in Internal Corporate HREDD Processes (blog series Towards New HREDD Laws)

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Last month, we published [a study](#) about changes in corporate practice resulting from the implementation of human rights and environmental due diligence (HREDD) laws, namely the French Dut of Vigilance Law (DVL) and German Supply Chain Act (LkSG). This blog provides some summary reflections found in the study on changes in internal corporate processes related to recently implemented HREDD laws, including stakeholder engagement, grievance mechanisms and communication.

Stakeholder engagement

While progress has been made over the years, large companies that have processes for stakeholder engagement in place were generally already doing so in accordance with the UNGPs and OECD Guidelines. There is no evidence of clear improvement in consistent approaches to meaningful stakeholder engagement directly because of the DVL- and not enough evidence yet in relation to the LkSG. Many companies still approach stakeholder engagement as a sort of 'add-on' instead of as a core step of the HREDD process. Meaningful consultation with relevant stakeholders is a cornerstone of the whole HREDD process.

The EU Corporate Sustainability Due Diligence Directive (CSDDD) requires companies to engage 'meaningfully' with stakeholders but with some loopholes, for example by limiting stakeholder engagement to specified stages of the HREDD process. In line with international standards, such as the OECD Guidelines, meaningful engagement with stakeholders is required throughout the entire HREDD process. The UNGPs and the OECD Guidelines need to be the authoritative standards to follow to ensure engagement through the entire HREDD process.

Grievance Mechanisms

While some larger companies are developing grievance mechanisms in consultation with stakeholders - this is an area where most progress still needs to be made. Operational-level alert and grievance mechanisms can play an important role in identifying adverse human rights impacts arising out of corporate activities as early as possible, tracking the effectiveness of the HREDD processes in place, and enabling remediation for those who have been impacted (and preventing a possible worsening of the situation). Regulators should stress how grievance mechanisms such as notification mechanisms and complaints procedures are essential tools for companies to prevent, address and resolve human rights impacts within their operations and supply chains. By engaging stakeholders, companies can enhance the effective implementation of grievance mechanisms and ensure that these mechanisms are accessible, effective and trusted by the communities they impact, following the effectiveness criteria for grievance mechanisms in the UNGPs. For example, companies need to communicate appropriately with all potential users (internal and external) and ensure that all stakeholders can alert the company to instil trust in the mechanism.

Communication

A key step in the HREDD process, and that is mandated by all HREDD laws, is to report on the measures taken to identify, prevent, mitigate and remediate for human rights abuses. Both the DVL and the LkSG are contributing to improved business disclosure and to the recognition that communication is important in fostering credibility in the company's implementation of its HREDD programme. Yet, detailed disclosure is not yet a common corporate practice. There is still resistance to full transparency, often because of fear of litigation, leading to vague reporting on abstract risks.

With the mandatory reporting requirements, there is an assumption that making relevant information available to stakeholders like investors, civil society and consumers would lead to public pressure and scrutiny. Reporting requirements should ensure that companies are reporting based on a thorough understanding of their risks and the actions they are taking to address them and consider what information a company is expected to disclose as reporting must also be respectful of the relevant context and recognize that disclosing certain information may put affected communities or those who complained at risk.

This blog is part of a [series](#) of reflections based on [our study](#), published on 15th October 2024 during a [launch event](#) at BIICL. You can read the [full report here](#).

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