REPORT

Human Rights and Competitiveness – Reframing the business case for human rights

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Human Rights and Competitiveness – Reframing the business case for human rights

Report for the Council of Europe,

September 2025

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Council of Europe

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About this report

The principal authors of this research report commissioned by the Council of Europe are Professor Nicola Bonucci and Professor Dr Dorothée Baumann-Pauly. They had research support from Dr Berit Knaak and research assistance from Steffi Khine and Clara Berrada (all affiliated with the Geneva Center for Business and Human Rights).

The research for this report was conducted in the spring of 2025 but it is also based on the authors' expertise and research over the past decades.

To inform the report, the research team interviewed over 20 corporate professionals to better understand the current relevance of the business case in corporate practice. Anonymous quotes from these conversations are integrated into the report.

For the purpose of this report, we define business and human rights (BHR) as the field that examines how businesses – whatever their size and type of operation – can impact the human rights and freedoms of individuals and collectives. Any mention of companies by name in this report is based on public information. To support the report with updated information, the authors carried out confidential interviews with a selected number of professionals with operational responsibilities within companies, operating in sectors such as retail, transport, luxury, energy, trading, finance and others. The companies that are mentioned in the report have not necessarily been interviewed for the purpose of this report.

This report should be considered the beginning of a process by which the Council of Europe strengthens its engagement with the private sector, not only as a recipient of international standards and norms but also as a partner for ensuring their effective implementation.

Executive Summary

The conventional narrative around the business case for human rights often frames it as a win–win scenario for both companies and society. However, this expert report – prepared at the request of the Council of Europe – offers a more nuanced perspective. It explores the risks and opportunities businesses face when engaging with human rights, particularly in light of emerging human rights due diligence legislation and international and domestic case law.

Based on desk research, face-to-face interviews and empirical evidence, the report advocates a reframing of the business case discourse. It argues that companies are indeed better positioned for long-term success when their business models are grounded in respect for human rights. In such cases, human rights are not merely an ethical add-on, but an integral part of how the business operates – making the business case for human rights inherent rather than instrumental.

In addition, the report outlines strategic directions on how the Council of Europe, through its unique positioning, can play a vital role in advancing human rights in corporate practice.

1. Setting the scene

1.1. The role of the Council of Europe in the BHR field

The fundamental role of the Council of Europe in the safeguarding, promotion and development of human rights and the rule of law is widely recognised. Since its inception in 1949, it has played an instrumental role in shaping the legal and moral framework that underpins European society today. Through the development of key legal instruments and the jurisprudence of the European Court of Human Rights (the "Court"), the influence of the Council of Europe goes well beyond its own membership.

It is therefore somewhat surprising that the Council of Europe does not come immediately to mind when discussing the global business and human rights (BHR) agenda, including within European business circles. As an example, in a recent academic work that looked at references to international standards within 47 global companies' internal codes of conduct and similar documents, references to Council of Europe instruments appeared

only twice.[1] Similarly, while the general role of the Council of Europe was recognised during the interviews carried out in the drawing up of this report, practical implications for the day-to-day work of companies were rarely acknowledged.

Within this context, the present report has the dual ambition of reframing the business case for human rights and exploring effective ways in which the Council of Europe could reach out to companies to entice them to comply with the human rights standards in their operations within the jurisdiction of the Organisation's member states and beyond.

The report is divided into three sections.

Chapter 1 is a brief analysis of the development of, and the current international legal framework directly relevant to, BHR, including the relevant instruments of the Council of Europe.

Chapter 2, which constitutes the main purpose of the report, seeks to illustrate the "business case" - be it negative or positive- for respecting human rights by companies. Building on publicly available documents, including companies' annual reports, case studies and a set of interviews with companies and other stakeholders, academic research and media reports, the Report looked at tangible and non-tangible (reputation, access to talent, etc.) impact and consequences. Obviously, the report does not purport to be an exhaustive document but has looked at empirical evidence.

Chapter 3 outlines several strategic directions that the Council of Europe could pursue based on its comparative advantage, strengths and areas of expertise.

First, the Council of Europe is invited to build on its existing legal and institutional framework and better promote awareness and understanding within the business community.

Second, the Council of Europe is encouraged to develop new avenues and new partnerships with other intergovernmental organisations working in the BHR area but also with the private sector and civil society through multistakeholder initiatives.

Finally, the Council of Europe should adapt its working methods and develop a more direct dialogue and working partnership with the business community looking at it not

[1] Aerts L. (2024), "Les entreprises multinationales et les normes internationales de responsabilité sociale des entreprises" (doctoral dissertation, Université Paris, Panthéon-Sorbonne).

only as part of a problem but also as part of the solution.

1.2. Background to the evolution of the global BHR framework

It seems useful to briefly recall from the outset how the discussions over the role of businesses with respect to human rights have evolved since the end of the Second World War.

The conclusion of the Second World War marked a seismic shift in global governance and the protection of human rights. The horrors of the war, and particularly the systematic violation of fundamental rights, led to the establishment of critical international norms, both universal and regional.

In 1948, the United Nations (at the time composed of barely 50 states) adopted the Universal Declaration of Human Rights (UDHR), reflecting a common vision for basic freedoms and dignity for all individuals. While the UDHR was aimed primarily at states, it laid the ethical groundwork that would later shape expectations for non-state actors, including businesses. The UDHR was complemented in the 1960s by two covenants – the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR) – both very much focused on states' rights and obligations.

At the same time, the post-war economic boom led to the emergence of powerful multinational corporations. As firms expanded across borders, questions arose regarding their influence and responsibility, particularly in countries with weak governance frameworks. This marked the beginning of a discussion on corporate social responsibility which has been encapsulated by the famous quote of Milton Friedman that "the social responsibility of business is to increase its profits".[2]

At that time, international law was still focused on the obligations of states, with little consideration for direct business responsibilities regarding human rights.

The 1970s and 1980s saw the acceleration of cross-border trade and a surge in transnational corporate activity. With this came more prominent calls for businesses to account for their social and environmental impacts, largely from three international

[2] Friedman M. (1970), "The social responsibility of business is to increase its profits", *New York Times Magazine*, 13 September, pp. 122-126.

bodies.

1. The United Nations attempted to establish a binding code for corporate conduct, the UN Draft Code of Conduct for Transnational Corporations, but negotiations stalled because of resistance from both business interests and from various states, mainly developed ones.[3]

2. In response to the UN discussions, the Organisation for Economic Co-operation and Development (OECD) issued voluntary guidelines encouraging responsible business operations, the OECD Guidelines for Multinational Enterprises (MNE guidelines) in 1976. It is to be noted that the 1976 guidelines did not include a specific human rights chapter, even though several human rights issues were covered by other chapters.[4]

3. This is also the period in which the International Labour Organization (ILO) Tripartite Declaration was adopted (1977). The ILO established standards regarding employment, industrial relations and working conditions, laying the groundwork for later discussions on labour rights as human rights.

The 1990s were characterised by the end of a divided Europe and the explosive growth of global trade and investment. The conjunction of these two movements known as globalisation gave companies, in particular global ones, an increased power that reached into every corner of the world. Consequently, their actions came under increased scrutiny. Civil society organisations such as Amnesty International and Human Rights Watch, along with grassroots movements, began to expose corporate failures and advocate for affected individuals and communities, shifting the narrative towards corporate responsibility. The 1990s also saw the emergence of multistakeholder initiatives (MSIs), designed to encourage businesses, non-governmental organisations (NGOs) and governments to uphold better standards and increase transparency.

The legal and regulatory framework had not really evolved though. While the concept of corporate social responsibility (CSR) as a broad business concept that encourages companies to be conscious of the social, environmental and economic impacts of their activities was increasingly recognised, there was still a strong reluctance concerning the

[3] United Nations Economic and Social Council (1987), Code of conduct on transnational corporations (1st sess., New York), https://digitallibrary.un.org/record/156251.
[4] A new chapter (IV) specifically devoted to human rights was inserted into the MNE guidelines in 2011.

notion that international human rights obligations could be directly applicable to companies.

Things started to evolve in the late 1990s and early 2000s. First with the famous address of the UN Secretary-General Kofi Annan to the World Economic Forum (WEF) in Davos, Switzerland, on 31 January 1999.[5] In his address, Mr Annan called directly on companies, pointing out that:

> The second way you can promote these values is by tackling them directly, by taking action in your own corporate sphere. Many of you are big investors, employers and producers in dozens of different countries across the world. That power brings with it great opportunities – and great responsibilities. You can uphold human rights and decent labour and environmental standards directly, by your own conduct of your own business. Indeed, you can use these universal values as the cement binding together your global corporations, since they are values people all over the world will recognise as their own. You can make sure that in your own corporate practices you uphold and respect human rights; and that you are not yourselves complicit in human rights abuses.

Second, with the establishment of the United Nation Global Compact (UNGC) and finally with the endorsement by the UN Human Rights Council of the United Nations Guiding Principles on Business and Human Rights (UNGPs) in 2011. The UNGPs rest on three pillars.

1. The state's duty to protect: states have a duty to protect individuals from human rights abuses by third parties, including businesses.

2. The corporate responsibility to respect: businesses are required to avoid infringing human rights and to address adverse impacts with which they are involved.

3. Access to remedy: victims of business-related human rights abuses must have access to an effective remedy, both judicial and non-judicial.

The decade following the adoption of the UNGPs has seen growing momentum for more concrete and enforceable frameworks.

In 2011, following the adoption of the UNGPs, the OECD inserted a new Chapter IV into

[5] Annan K. (1999), "Global compact with business" (speech at the World Economic Forum, Davos, Switzerland), United Nations Secretary-General: www.un.org/sg/en/content/sg/speeches/1999-02-01/kofi-annans-address-world-economic-forum-davos.

its MNE guidelines specifically devoted to human rights and very much based on the UNGPs. Since then, according to the OECD and confirmed by other data, more than 50% of the cases brought in front of the remedy mechanisms put in place within the OECD guidelines refer to allegations of non-compliance with Chapter IV.[6] In addition, the OECD developed due diligence guidance documents, both sector-specific and across sectors, that usefully complement the MNE guidelines and have become a recognised benchmark. These OECD documents are non-legally binding, but as the MNE guidelines contain quasi-judicial access to remedy mechanisms through the national contact points (NCPs), the influence of the guidelines is widely acknowledged.

In 2014, the UN Human Rights Council established an open-ended intergovernmental working group to negotiate a binding international treaty on business and human rights. The process is ongoing.[7]

At the same time, countries – typically in Europe, such as France (Duty of Vigilance Law), the United Kingdom (Modern Slavery Act), Germany (Supply Chain Due Diligence Act) and Norway (Corporate Transparency Act) – have enacted laws imposing due diligence and reporting obligations on companies regarding their human rights and environmental impacts. Both national and international courts have considered and ruled on matters related to the responsibility of businesses to respect human rights.

For some years now the European Union (EU) has been in the process of developing a comprehensive directive on corporate sustainability due diligence, which aims to harmonise standards and hold companies accountable for abuse related to the operations throughout their value chains. While the EU Corporate Sustainability Due Diligence Directive (CSDDD) was adopted in 2024, at the time of writing it has still not been implemented and, as of October 2025, discussions are ongoing for a possible revision of its content. This would become the first international legally binding standard specifically devoted to sustainable and responsible corporate behaviour in companies' operations and across their global value chains.

Surprisingly and regrettably, while the 2024 CSDDD contains several references to UN and

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[6] See also this analytical report: Paul Hastings LPP (2022), "Analysis of OECD guidelines: Chapter IV, Human rights cases – 10-year impact report": https://www.paulhastings.com/insights/client-alerts/analysis-of-oecd-guidelines-ch-iv-human-rights-cases.

[7] Office of the United Nations High Commissioner for Human Rights (n.d.), Business and human rights – Treaty process: www.ohchr.org/en/business-and-human-rights/bhr-treaty-process (ohchr.org), retrieved on 24 June 2025.

OECD instruments, it lacks any reference to any Council of Europe instrument.

1.3. The existing legal instruments of the Council of Europe on BHR

As an organisation that aims to achieve a greater unity between its members for the purpose of safeguarding and realising the ideals and principles that are their common heritage and encompasses the notion of economic and social progress in its statute, the Council of Europe took note of the tipping point represented by the adoption of the UNGPs and decided to move forward.

The Council of Europe can already rely on two existing major legal instruments – the European Convention on Human Rights (the "Convention") and the European Social Charter (the "Charter") – that would appear to be highly relevant with respect to the implementation of the UNGPs, in particular with respect to the state duty to protect human rights.[8] Nevertheless, the Council of Europe's Committee of Ministers decided to complement the regulatory framework with the adoption of Recommendation CM/Rec(2016)3 on human rights and business in 2016.[9]

The European Court of Human Rights (the "Court"), through its case law, also provides key guidance in areas like freedom of association, right to a fair hearing, freedom of speech and other fundamental freedoms that are important for business.

The importance and relevance of the Convention and the Charter have already been thoroughly highlighted in a document produced in 2022 by the Council of Europe.[10] This internal, non-public document was prepared by the Council of Europe as a follow-up to the 2016 recommendation. Notably, the document refers extensively to the case law of the Court and this report fully relies on the findings of the 2022 document in that respect.

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[8] Council of Europe (n.d.), European Convention on Human Rights: www.echr.coe.int/documents/d/echr/convention_ENG, retrieved on 19 June 2025; Council of Europe (1996), European Social Charter (Revised): https://rm.coe.int/168007cf93, retrieved on 23 July 2025.

[9] Council of Europe, Committee of Ministers (2016), Recommendation CM/Rec(2016)3 of the Committee of Ministers to member States on human rights and business: https://edoc.coe.int/en/fundamental-freedoms/7302-human-rights-and-business-recommendation-cmrec20163-of-the-committee-of-ministers-to-member-states.html, retrieved 23 July 2025.

[10] Council of Europe, Committee of Ministers (2022), Steering Committee for Human Rights – Report on the implementation of Recommendation CM/Rec(2016)3 of the Committee of Ministers to member States on human rights and business. The report is on file at the Directorate General of Human Rights and Rule of Law.

With respect to CM/Rec(2016)3, the following observations can be made.

- The recommendation is addressed to member states and focuses on their duties as set out in the UNGPs.
- In line with the above, and contrary to the UNGPs and the OECD MNE guidelines, the recommendation:
    - does *not* address business directly, even though it recognises in its preamble that "business enterprises have a responsibility to respect human rights";
    - does *not* establish a set of recommendations addressed by government to business.

Nevertheless, CM/Rec(2016)3 contains a section III, entitled "State action to enable corporate responsibility to respect human rights".

Nine years after its adoption and considering all the developments highlighted above in this report, it appears that section III could be revisited and updated. It also appears that CM/Rec(2016)3 contains elements that present untapped potential and would merit a follow-up. For example, it is unclear if and how member states have taken forward paragraph 25 of the appendix to CM/Rec(2016)3, which states that:

> Member States should, when business enterprises … are represented in a trade mission to member States and third countries, address and discuss possible adverse effects future operations might have on the human rights situation in those countries and require participating companies to respect the UN Guiding Principles [on Business and Human Rights] or the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development (OECD).

On the other hand, paragraph 24 of the same appendix was followed up through the adoption in 2021 of Recommendation CM/Rec(2021)2 of the Committee of Ministers to member States on measures against the trade in goods used for the death penalty, torture and other cruel, inhuman or degrading treatment or punishment.[11] Similarly, the Council of Europe adopted two relevant recommendations: Recommendation CM/Rec(2022)20 of

[11] Council of Europe, Committee of Ministers (2021), Recommendation CM/Rec(2021)2 on measures against the trade in goods used for the death penalty, torture and other cruel, inhuman or degrading treatment or punishment: https://search.coe.int/cm?i=0900001680a1f4e5, adopted by the Committee of Ministers on 31 March 2021.

the Committee of Ministers to member States on human rights and the protection of the environment"[12] and Recommendation CM/Rec(2022)21 on preventing and combating trafficking in human beings for the purpose of labour exploitation,[13] which refers to CM/Rec(2016)3 on human rights and business.

Finally, due notice has been taken of Council of Europe Parliamentary Assembly resolutions and other documents that while not being legally binding illustrate a political stance. An example is illustrated by Resolution 1757 (2010) "Human rights and business", adopted one year before the UNGPs, which states that:

> The Assembly also calls on member states to enhance their co-operation with other international bodies, in particular the European Union, the United Nations, the International Labour Organization, and the Organisation for Economic Co-operation and Development, in order to consolidate coherent standards on corporate responsibilities in the area of human rights protection.[14]

1.4. The state of play in 2025

As briefly indicated above, it is a fact that the state of play in 2025 is quite different from 2016.

Evolving mandatory human rights due diligence requirements for companies

The EU has become a key player in the global BHR agenda. Subject to further clarity over the ongoing discussions within the EU in the context of the so-called Omnibus simplification, the EU has taken over the leadership with respect to sustainability and due diligence standards.

For example, the EU Conflict Minerals Regulation (Regulation (EU) 2017/821) requires EU importers of tin, tantalum, tungsten and gold to ensure their supply chains do not contribute to conflict or human rights abuses. The European Union Deforestation Regulation, adopted in 2023, requires companies placing certain commodities and

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[12] Council of Europe, Committee of Ministers (2022), Recommendation CM/Rec(2022)20 on human rights and the protection of the environment (Adopted at the 1444th meeting of the Ministers' Deputies), Council of Europe: https://rm.coe.int/0900001680a83df1.

[13] Council of Europe, Committee of Ministers (2022), Recommendation CM/Rec(2022)21 on preventing and combating trafficking in human beings for the purpose of labour exploitation: https://edoc.coe.int/fr/traite-des-etres-humains/11413-preventing-and-combating-trafficking-in-human-beings-for-the-purpose-of-labour-exploitation-recommendation-cmrec202221.html.

[14] https://pace.coe.int/en/files/17903/html.

products on the EU market or exporting them from the EU to ensure that these goods are not linked to deforestation or forest degradation after 31 December 2020. The EU Forced Labour Regulation (Regulation (EU) 2024/301), designed to address and combat the use of forced labour in supply chains, aims to prohibit the import and export of products made using forced or compulsory labour, whether such labour occurs within the EU or abroad.

In parallel, several countries, mostly but not solely European, have adopted broad or narrow domestic BHR legislation. However, leaving BHR to mere domestic legislation may lead to different and possibly conflicting requirements and expectations for companies that more often than not operate globally. The increased risk of fragmentation was indeed one of the reasons for the European Commission introducing in 2022 a proposal for a Corporate Sustainability Due Diligence Directive (CSDDD). Irrespective of what the final scope of the CSDDD will be, it is tied to the EU and setting global standards remains aspirational.

Advancing BHR in a complex global policy context

Since the beginning of 2025 and with a marked acceleration in the second and third quarter of the year, the political discussions on the BHR agenda have evolved. Some professionals we spoke with – both in the corporate sector and within governmental circles, including the EU – consider that the pendulum has gone too far and that it affects EU competitiveness.

This has led to a complex and increasingly confusing discussion within the EU institutions and between EU members. At the time of the writing this report it is difficult to say if – at the end of the day – the CSDDD will ever be implemented. However, one can rather safely assume that if the CSDDD is implemented it will be quite different from the version adopted just one year ago.

Moreover, it appears that the “Omnibus simplification” process is also expanding to other relevant texts already adopted. The lack of predictability and the legal uncertainty within the European Union were deplored by virtually all the in-house corporate professionals that were interviewed for this report.

If, on the European side, companies may suffer from the lack of clarity, on the US front, companies may be victim of an abrupt and major shift of the policy agenda. This could

even lead to regulatory tensions as experienced by several EU corporations that a few months ago received a letter demanding that they adhere to an executive order signed by the US president banning diversity, equity and inclusion (DEI) programmes.

This comes in contrast to the fact that several countries, in particular in Asia, are adopting some forms of BHR regulation or at least sustainability reporting and disclosure (for example in China, Indonesia, South Korea and Thailand).[15]

Furthermore, national courts in countries such as France and the Netherlands have issued significant rulings and major cases are still pending. The Court last year issued a landmark ruling in which it found violations of Article 8 (right to respect for private and family life) and Article 6.1 (access to a court) of the Convention as a result of Switzerland's failure to implement sufficient measures to combat climate change. The Inter-American Court of Human Rights delivered a major advisory opinion in which it recognises the right to a healthy environment as a human right. According to its press statement:

> The Court recognized the existence of a human right to a healthy environment, derived from the right to a healthy environment, and referred to the contents of the correlated duty of States to act against the causes of climate change, mitigate greenhouse gas emissions, regulate and supervise the behavior of individuals, determine the environmental impact of projects and activities that require it, and define and progressively advance toward sustainable development.[16]

In a major advisory opinion,[17] adopted unanimously on 23 July 2025, the International Court of Justice highlighted the role and responsibility of states with respect to climate change.

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[15] ESGpedia (2023), Guide to Asia-Pacific's ESG regulations and sustainability reporting standards, ESGpedia: https://esgpedia.io/industry-insights/asia-esg-regulations-sustainability-reporting-standards/; Interesse G. (2024), "China unveils its first set of basic standards for corporate sustainability (ESG) disclosure", *China Briefing*: www.china-briefing.com/news/china-unveils-basic-standards-for-corporate-sustainability-esg-disclosure/; International Comparative Legal Guides (2025), Environmental, Social and Governance Law – Korea: https://iclg.com/practice-areas/environmental-social-and-governance-law/korea; IAS Plus (2024), "Thai regulator initiates consultation on adoption of ISSB standards", Deloitte, IAS Plus: www.iasplus.com/en/news/2024/11/thailand-issb.

[16] Inter-American Court of Human Rights (2025), Advisory Opinion OC 32/25 https://www.corteidh.or.cr/opiniones_consultivas.cfm?lang=en

[17] International Court of Justice (23 July 2025), Obligations of States in respect of Climate Change [Summary of the Advisory Opinion on climate change], ICJ https://www.icj-cij.org/case/187 ; McVey M. and Savaresi A. (2025), "The ICJ advisory opinion on climate change: a business and human rights perspective", *Opinion Juris*: https://opiniojuris.org/2025/08/04/the-icj-advisory-opinion-on-climate-change-a-business-and-human-rights-perspective/.

It goes beyond this report to fully analyse this historical advisory opinion, but three points are worth highlighting.

i) The court considered that the core human rights treaties, including the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights, adopted in 1966, and the human rights recognised under customary international law form part of the most directly relevant applicable law.

ii) The court stressed that all states, be they parties to international agreements or not, have an obligation to prevent significant harm to the climate system and the environment.

iii) The court also explicitly recognised that states have an obligation "to regulate the activities of private actors as a matter of due diligence" and that "a State may be responsible where, for example, it has failed to exercise due diligence by not taking the necessary regulatory and legislative measures to limit the quantity of emissions caused by private actors under its jurisdiction".

Companies are therefore facing both centrifugal and centripetal forces, exacerbated by a complex and tense geopolitical situation. In this context, the natural reaction could be one of standstill and low profile in a geopolitical context that has been described as "unfavourable to human rights" by one of the interviewed corporate professionals.

1.5. What lies ahead for business and human rights?

While the discussion on the impact of business operations and the consequences on the responsibility of businesses has been ongoing for decades, it is a fact that the adoption of the UNGPs constitutes a historic shift in policy terms and in terms of the regulatory framework. Today, the business community readily acknowl edges that there are three basic ways in which an enterprise can be involved in an adverse impact on human rights.[18]

1. It may cause impact through its own activities.

2. It may contribute to the impact through its own activities – either directly or

[18] Based on the UNGPs, Office of the United Nations High Commissioner for Human Rights (2011), "Guiding principles on business and human rights: implementing the United Nations 'Protect, Respect and Remedy' framework" https://www.ohchr.org/en/publications/reference-publications/guiding-principles-business-and-human-rights

through some outside entity (government, business or other).

3. It may neither cause nor contribute to the impact but be involved because the impact is caused by an entity with which it has a business relationship and is linked to its own operations, products or services.

The business community generally recognises that it has a role to play in all three situations, although expectations cannot be identical. Therefore, there appears to be a global understanding of the issues at stake as well as of the fact that these need to be addressed – but the question remains how and by whom.

Indeed, discussions continue around three outstanding questions.

- What is the right balance between self-regulation and regulation?
- How desirable and opportune is it to devise a multilateral, legally binding international regime on BHR?
- How can the business case for human rights be built?

These questions are clearly illustrated by the ongoing discussions within the EU on the CSDDD and any amendment that the Omnibus process could bring to it. As of today, the outcome of these discussions remains unclear, but it seems more likely than not that an EU CSDDD will see the light even though its exact scope and time for entry into force have yet to be defined.

In our interviews, most if not all the interviewed corporate professionals recognised that the last few months have created unwelcome uncertainty and that the adoption of a clear scope and time frame for the CSDDD would help focus the minds. Some of them expressed fear that a non-implementation of the CSDDD or significant weakening of its scope and purpose would have a domino effect and could even lead to the unfolding of national legislations. That said, the same professionals considered that BHR issues will stay relevant for all companies given that business actions and decisions are based on a multitude of factors, irrespective of the evolution of the international or domestic legal framework.

The fact is that, despite some uncertainty on how the regulatory framework could evolve, the core human rights are well in place and the scrutiny of how such human rights are

respected by companies is still high.[19] Thus, irrespective of the evolution of the EU regulatory framework, the standards developed within the Council of Europe, be they in terms of treaty making or case law, will subsist.

Obviously, these policy questions go much beyond the context of this report, but they should be kept in mind when exploring the possible future role of the Council of Europe in this area.

2. The business case for human rights

2.1. The contested business case for human rights

Debunking the myth that engaging in human rights is cost-free

The discussion of the business case for human rights needs to face an inconvenient truth – the bold win–win narrative is too simple. Engaging in human rights is not always cost-free for business. It may require investing in workers to make sure that they work in safety and are paid adequately, it may require changing business practices that drive systemic human rights risks and it may require developing new business models that integrate human rights into core business processes.

This section of the report explores the business case for human rights, referring to the question of whether engaging in human rights pays off for business. It approaches the question with caution and nuance to address both the moral and conceptual concerns of putting the demand for a business case above universal rights and freedoms, as well as the practical pressures that many corporate leaders are experiencing as they must justify their engagement in human rights.

Defining the business case

Critical for exploring the business case is its foundational definition. Narrowly defined, it exclusively focuses on the financial bottom line by trying to measure a causal relationship

[19] As a recent example, see the actions by both the Italian Competition Authority and the Italian judiciary over potential failures by the Italian luxury industry with respect to its supply chain. For example, Parodi E. (2025), "Classic cashmere purveyor Loro Piana placed under court monitoring over worker abuse", Reuters: www.reuters.com/business/retail-consumer/lvmhs-loro-piana-put-under-court-administration-italy-over-labour-exploitation-2025-07-14/; Danziger P. N. (2025), "Italian authorities levy $4 million fine against Giorgio Armani for misleading claims", Forbes: www.forbes.com/sites/pamdanziger/2025/08/04/italian-authorities-levy-4-million-fine-against-giorgio-armani-for-false-ethical-statements/.

between investing in human rights and increasing profits.

This narrow understanding of the business case is morally and conceptually questionable. It requires justifying universal rights in economic terms, overwriting the idea that universal rights should be respected irrespective of economic gains. Applied radically, it would require companies to discontinue engaging in human rights if there is no immediate demonstrable positive effect on the company's bottom line.

In the narrow logic of the business case, it would also be possible to construct a business case for human rights abuses, such as child labour. Children's low height and small hands may make children more apt and productive for harvesting agricultural goods or assembling electronic devices.[20] However, this narrow business calculation ignores the fact that child labour is widely condemned by the international community and in most jurisdictions prohibited by law, and no company can openly justify ignoring or contributing to the harm its business is inflicting on people.[21]

If the business case is understood only in the context of a narrow business paradigm which requires short-term profit maximisation and, in business practice, quarterly reporting on the return on investment (ROI), engaging in human rights becomes an exercise that is more performative than substantive. This logic would force corporate leaders to construct the business case before engaging on human rights, including in contexts in which at least initially investments are needed to advance human rights in corporate practice.[22]

However, even within a narrow scope, companies are expected to balance the cost of action versus the potential cost of inaction. While the cost of addressing human rights risks is immediately quantifiable, the potential cost of inaction may be much bigger and longer lasting and, in some cases, beyond repair. In other words, companies are expected

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[20] International Labour Organization (2017), *Child labour in cotton: a briefing*: www.ilo.org/publications/child-labour-cotton-briefing.

[21] Alliance 8.7 (n.d.), Child labour: www.alliance87.org/challenge/child-labour, retrieved 24 June 2025; International Labour Organization (2025), *Child labour – global estimates 2024. Trends and the road forward*: https://www.ilo.org/publications/major-publications/child-labour-global-estimates-2024-trends-and-road-forward. In the context of the Council of Europe, see the case *Chowdury and others v. Greece* (Application No. 21884/15) where the Court found a violation of Article 4(2) of the Convention in relation to 42 undocumented migrant workers from Bangladesh who worked on a strawberry farm in Manolada, Greece, and who were subjected to severe forms of labour exploitation.

[22] For a scholarly critique of what Michael Porter and Mark Kramer termed "creating shared value", see for example Crane A. et al. (2014), "Contesting the value of 'creating shared value'", *California management review*, *56*(2), 130-153: https://journals.sagepub.com/doi/abs/10.1525/cmr.2014.56.2.130, retrieved 2 June 2025.

to assess the risk around two perspectives: the likelihood of the risk but also the severity and length of the impact on the company should the risk materialise.

Why the business case still matters

The need to justify resource allocation, including the engagement in sustainability and human rights is common and not new in corporate practice. One corporate representative called the business case "the additional dimension" that does not justify the engagement but facilitates it. The core premise in capitalism is that companies are driven by the pursuit of profits. This does not require profit maximisation but in its most common current interpretation this means pursuing short-term profits.

Long-term value creation is more difficult to integrate in current economic systems. However, the success of the private sector also depends on its environment. Respecting human rights can strengthen the framework conditions under which business operates. Businesses benefit from stability and a strong rule of law, as well as from strong institutions which protect the foundations of capitalism and genuinely free markets. Nobel prize economist Daron Acemoglu emphasises that the rule of law, characterised by predictable and impartially enforced laws, is crucial for a well-functioning market economy and sustainable business development. Without a robust rule of law, businesses face increased uncertainty and arbitrary decisions, making it difficult to plan, invest and innovate, ultimately hindering economic growth.[23]

Internal project approval and resource allocation

Over the course of the past decade, some of the pressure to justify addressing human rights concerns has eased off due to what was perceived as a broad consensus that respecting human rights is what is generally expected of companies.[24] In the current context, however, this consensus turned out to be quite fragile and the pressure to make the "business case" seems to be mounting again. Interviews with a selected group of corporate professionals suggest that there is greater scrutiny for any investments in human rights-related projects.

For example, according to one business consultancy who works with many large

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[23] Acemoglu D., Johnson S. and Robinson J. A. (2004), "Institutions as the fundamental cause of long-run growth" (NBER Working Paper No. 10481), National Bureau of Economic Research: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=541706

[24] Global NAPs (n.d.): https://globalnaps.org/, retrieved 2 July 2025; Deva S., Ramasastry A. and Wettstein F. (2023), "Beyond human rights due diligence: what else do we need?", *Business and Human Rights Journal,* 8(2), 133-134.

multinational companies on implementing human rights due diligence, “it currently takes much longer for projects to get approved, due to longer internal processes that the staff in sustainability departments needs to carefully manage”. Speaking the language of business executives by highlighting the business benefits of engaging in human rights is therefore relevant for helping sustainability professionals to make the case for human rights internally.

Exposure to human rights risks in the value chain

Undeniably, human rights issues exist in company’s operations and in their global supply chains. Many of these constitute severe business risks for companies. For example, no company can knowingly justify severe human rights abuses such as child labour or slave labour in their supply chain. Anticipating and mitigating these risks before they become the focus of a public campaign should therefore be a priority, irrespective of whether any laws require it or a cost calculation has been conducted. Inaction on such issues would be a flawed strategic choice, with consequences that generate incalculable costs for companies.[25]

The former head of sustainability of a large multinational mining company pointed out that such incalculable costs are particularly concerning for corporate leadership because no price tag can easily be attached to them. Thus, conflicts with local communities are unpredictable, have no clear timeline and even agreements are unreliable because if the community is unhappy, they can always go back to protest and disruption and demand further compensation payments. In such contexts, companies that manage to stabilise the relationship with communities are better off and having good relationships can in fact be a business opportunity. Making the business case to avoid risks with incalculable costs is therefore critical for business success, even if such costs do not neatly fit on a balance sheet.

Principled pragmatism

Against this background, an inquiry into the business case for human rights can be considered a timely exercise in principled pragmatism. John Ruggie, the late architect of the UNGPs, defined principled pragmatism as “an unflinching commitment to the principle of strengthening the promotion and protection of human rights as it relates to

[25] Maloney P. (2025), “The high cost of doing nothing” [white paper], Ramboll.

business, coupled with a pragmatic attachment to what works best in creating change where it matters most – in the daily lives of people".[26]

The question then is no longer whether there is a business case but how companies can best establish it without compromising the universality of human rights.

One obstacle to assessing the business case for human rights is its siloed analysis of the cost, without considering the cost of inaction or the opportunities of engagement. For example, paying living wages will of course raise costs for businesses. However, focusing on the budgetary silo of wage expenses alone gives only a partial view of this investment choice. It filters out the tangible benefits such as improved product quality and productivity as well as the intangible benefits and systemic improvements that this investment decision may trigger, such as enhanced loyalty of workers. Therefore, a more systematic view on the connections between worker treatment and the many levers of business success could give a more complete and positive perspective on the business decision for living wages.

If the "return on investment" is understood in a broader business context and includes the "social licence to operate" for business activities – referring to the social acceptance of corporate operations in the long term – then the business case for human rights should be explored further, in both qualitative and quantitative terms.[27]

The key question that the next section of the report explores is thus: what are the indications that engaging in human rights makes good business sense and how does it ensure the long-term viability of business?

2.2. Empirical evidence for the negative and positive business case

There is growing empirical evidence that engaging in human rights is not only the right thing to do but that it also makes good business sense. Companies proactively engage in human rights to avoid risks (negative business case) and to create business opportunities

[26] United Nations, General Assembly, Human Rights Council (2010), "Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie: Business and human rights: Further steps toward the operationalization of the 'protect, respect and remedy framework" (A/HRC/14/27), Fourteenth session, Agenda item 3: https://digitallibrary.un.org/record/705860?ln=en&v=pdf

[27] For an in-depth discussion of the social licence to operate, see Demuijnck G. and Fasterling B. (2016), "The social license to operate", *Journal of business ethics*, 136, 675-685.

(positive business case).[28]

Legal risks and opportunities

This report has already outlined the potential legal risks that companies face in Europe and other jurisdictions with emerging human rights due diligence legislation and related court rulings. If companies are not systematically assessing their human rights impacts in their own corporation and in their supply chain, they could now be held legally liable and might be subjected to fines and sanctions. Avoiding such legal risk can be a strong driver for companies to establish internal human rights expertise and due diligence processes.

Legal compliance

The final details of the EU Omnibus proposal are still being discussed in the trilogue procedures, but the latest proposals still include fines of a certain percentage of global net turnover.[29] Non-compliance can therefore become costly for companies.

While initial investments to become compliant will be needed, studies for the EU's CSDDD legislation show that the cost of compliance is manageable. For CSDDD, the EU Commission estimates an average cost of compliance that, depending on the size of the company and its previous work on human rights, would be merely around 0.13% of their average annual shareholder payout, which accrues to an average of €463 000 annually, according to a Danish impact study.[30]

Also, in Norway, the initial assessment of the Norwegian Transparency Act showed that businesses and consumers overall support the new legislation and find it reasonable and doable.[31]
Against the background of these legal developments in Europe, one of the companies we interviewed for this study observed that board members are now more actively requesting information about the company's human rights due diligence: "Since the board members

[28] Quantitative studies that try to correlate sustainability and business success tend to suffer from weak baseline data that are unable to control for intervening factors. Some also mix human rights with environmental sustainability data and tend to overestimate causality.
[29] European Commission (n.d.), Corporate sustainability due diligence: https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence_en, retrieved 30 June 2025.
[30] Van Teeffelen J. and Ollivier de Leth D. (2025), "CSDDD: Companies cry burden while paying out billions to shareholders", SOMO: www.somo.nl/csddd-companies-cry-burden-while-paying-out-billions-to-shareholders/.
[31] Norwegian Government (2025), Evalueringsrapport om åpenhetsloven er ferdigstilt: www.regjeringen.no/no/aktuelt/evalueringsrapport-om-apenhetsloven-er-ferdigstilt/id3112715/.

will be accountable for the company's human rights approach, they are more interested in understanding BHR and ensuring regulatory (HRDD) compliance".

Similarly, the OECD corporate governance guidelines explicitly include oversight of human rights risk management in the board's responsibility.[32] Such provisions in international soft law can support and guide the integration of human rights into companies' internal processes. According to our interviews, soft law standards such as the UNGPs and OECD guidelines have been the bedrock for implementing the respective processes and remain important points of reference to date.

Rule of law

Beyond compliance with specific human rights due diligence laws, the business case for the rule of law is indisputable.[33] Markets do not exist in isolation but are embedded in political systems. When laws are clear, consistently applied and impartially enforced by strong institutions, business can operate with greater certainty. A stable business environment leads to increased investment, innovation, greater supply chain resilience and overall economic growth.[34]

As such, the rule of law is a key enabling factor for the business case for human rights. Some companies defend and champion the rule of law. In Germany, for example, over a dozen companies supported a statement in July 2025 that demanded greater clarity over the transition to new mandatory EU HRDD legislation, highlighting the need for stability and planning reliability.[35] In the US, companies like Costco, Apple and Levi's refused to adopt the restrictions on diversity, equity and inclusion (DEI) programmes following an executive order by US President Trump. Their shareholders backed this position in May 2025, emphasising that DEI values are good for business and any sudden turnarounds on such fundamental values would not be.[36]

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[32] OECD (2023), Recommendation of the Council on Principles of Corporate Governance, section 5: https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0413.

[33] Akişik O. (2020), "The impact of financial development, IFRS, and rule of law on foreign investments: a cross-country analysis", *International Review of Economics & Finance*, 69, 815-838: www.sciencedirect.com/science/article/abs/pii/S1059056020301283.

[34] World Justice Project (2022), The business case for the rule of law: https://worldjusticeproject.org/news/business-case-rule-law.

[35] Business & Human Rights Resource Centre (2025), "Deutschland: Unternehmen fordern verlässlich Rahmenbedingungen und Planungssicherheit nachhaltige Transformation": www.business-humanrights.org/de/neuste-meldungen/unternehmenstatement-verl%C3%A4ssliche-rahmenbedingungen/.

[36] Meyersohn N. (2025), "DEI is winning with Costco, Apple and Levi's shareholders", CNN Business: https://edition.cnn.com/2025/05/02/business/costco-apple-levi-shareholders-dei.

More recently, in August 2025, a group of 382 signatories (comprising 110 investors and financial institutions, 55 companies, 79 supporting organisations and 138 service providers) issued a joint statement to emphasise the importance of preserving the core of the EU sustainable finance framework.[37]

Reputational risks and opportunities

Non-compliance with legal requirements can also exacerbate the reputational (brand) risks of human rights abuses. Once human rights violations are discussed publicly in the context of a legal proceeding, companies have often already lost in the court of public opinion. For this reason, reputational risk is what corporate representatives call "the elephant in the boardroom".

The social licence to operate

For example, in France, investigations have started for the first case of a company being accused of complicity in crimes against humanity.[38] The case is still pending but, irrespective of the outcome of such investigations, this case has already impacted the name and reputation of the company for years to come and can affect a company's social licence to operate forever.

And even when complying with the law, reputational costs can be high for companies that ignore public expectations.

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[37] Eurosif, the European Sustainable Investment Forum, Institutional Investors Group on Climate Change (IIGCC), Principles for Responsible Investment (PRI), Corporate Leaders Group Europe (CLG Europe), Global Reporting Initiative (GRI) and E3G (2025), "Omnibus initiative: Sustainability rules are essential for European competitiveness": https://www.eurosif.org/news/investor-and-business-joint-statement-on-omnibus-initiative-in-the-context-of-the/ .

[38] ECCHR (n.d.), "Lafarge in Syria: accusations of complicity in grave human rights violations": www.ecchr.eu/en/case/lafarge-in-syria-accusations-of-complicity-in-grave-human-rights-violations/, retrieved 2 July 2025.

Legal compliance and the social license to operate

A stark example is the case of a mining company that destroyed 46 000-year-old Aboriginal rock shelters in Juukan Gorge in Western Australia in May 2020 and faced an intense public backlash.[1] The mine's expansion was authorised by legal authorities and in line with existing laws, yet the company had ignored the warnings of the traditional Aboriginal landowners and global public and given the cultural significance of the site, its demolition was not considered legitimate.

As public protests escalated, several executive managers, including the CEO, were forced to resign. And despite the company's public apology and engagement in remedial action – including co-management agreements with the traditional landowners to establish rehabilitation measures for the site – replacing a senior management team, rebuilding trust with the local community, and repairing legitimacy will take extensive staff time and accrue costs over many years.

In retrospect, going beyond compliance with the law and engaging with indigenous communities would have been better for the bottom line in the short term and better business in the long term.

The example shows that increasingly vocal and internationally connected stakeholders can build up public pressure to force leadership changes, greater transparency and accountability. Also, media organisations will increasingly use advanced open-source intelligence techniques to expose human rights cases linked to companies. For example, in a recent collaboration between the *New York Times*, the Bureau of Investigative Journalism and *Der Spiegel*, over 100 global brands were connected to China's labour transfer scheme which provides evidence of Uyghur forced labour at production sites across China, beyond Xinjiang province.[39]

[39] Mozur P. and Yang L. (2025), "Far from home: Uyghur workers in factories supplying global brands", *The New York Times*: www.nytimes.com/interactive/2025/05/29/world/asia/china-uyghur-xinjiang-labor-transfers.html.

Social washing and sustainability reporting

Reputational risks also exist if companies make unsubstantiated claims about their human rights impact. False claims are common, and consumers are increasingly suspicious of sustainability claims of companies. This is one reason why the EU adopted the Greenwashing Directive in 2024, a regulation that also covers social impact claims.[40] Companies in the EU therefore need to be careful to back up their sustainability statements to not risk legal prosecution.

This does not mean that companies cannot communicate about actual achievements that advance human rights in corporate practice. But it requires companies to measure progress systematically, based on reliable data, ideally recorded with the help of independent third parties. Membership of multistakeholder initiatives that conduct independent assessments and verification of remediation, like for example the Fair Labour Association or industry-specific associations, can support developing credible data on a company's human rights performance.[41]

Based on such data, companies can tell exciting impact stories that can boost corporate reputation as well as the trust of consumers and investors. If companies can report human rights impacts with actual data (such as the number of decent jobs created or the number of people lifted out of extreme poverty) they can provide evidence for the progress they are making over time and for the positive role they play in society. These social impact stories are often more vibrant than environmental data alone (like greenhouse gas emission reductions) and can therefore yield greater positive impacts for corporate reputation.

As one consultant we interviewed remarked: "A picture of a dead child of a migrant worker that died of heat stress on a field of a large multinational food and beverage company will be more shocking and damaging than the announcement that a company did not reach its CO_2 emission reduction targets". On the flip side, the message of a food and beverage company investing in regenerative agriculture will be even stronger if it is

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[40] European Parliament (2024), "Stopping greenwashing: how the EU regulates green claims": www.europarl.europa.eu/topics/en/article/20240111STO16722/stopping-greenwashing-how-the-eu-regulates-green-claims.

[41] Baumann-Pauly D. and Glimcher I. W. (2021), "Seeking a 'smart mix': multi-stakeholder initiatives and mandatory human rights due diligence" (case study), Geneva Center for Business and Human Rights: https://gcbhr.org/insights/2021/10/seeking-a-smart-mix-multi-stakeholder-initiatives-and-mandatory-human-rights-due-diligence/ .

coupled with the demonstrated impact of lifting farmers out of poverty.

Operational risks and opportunities

Beyond reputational risks, companies face operational risks when they are not respecting human rights in their business relationships. A poor reputation due to human rights issues can lead to a host of operational risks, ranging from difficulties finding business partners, accessing finance and advancing projects. Human rights risks can also directly cause operational risks in the form of production delays, high staff cost to manage crisis, lower supply chain resilience and low productivity and product quality. On the flip side, engaging in human rights can create an environment that encourages innovation, helps to de-risk complex business contexts and makes companies operationally more agile and competitive, which allows them to enter emerging markets.

Production delays

For example, lacking engagement of extractive companies with local mining communities can lead to protests, bringing operations to a halt and causing production delays. Given the high cost of operations, this is a situation that companies are keen to avoid. According to the former human rights lead of a large extractives company, "human rights are the foundation for future business success for companies in the extractives sector. Poor relations with mining communities can upend business plans".

High staff cost to manage crisis

The idea that businesses can suffer from getting stakeholder engagement wrong was assessed systematically in a study by Rachel Davis and Daniel Franks in 2004 in the context of the extractives sector.[42] Their research concluded that:

> The greatest costs of conflict identified through the research were the opportunity costs in terms of the lost value linked to future projects, expansion plans, or sales that did not go ahead. The costs most often overlooked by companies were indirect costs resulting from staff time being diverted to managing conflict – particularly senior management time, including in some cases that of the CEO. There may also be costs associated with the inability to recruit and/or retain top talent, particularly in the community relations function.

This case shows that if staff costs for managing crisis were included in calculating risks,

[42] Davis R. and Franks D. (2014), "Costs of company–community conflict in the extractive sector", Shift Project: https://shiftproject.org/resource/costs-of-company-community-conflict-in-the-extractive-sector/.

preventing such types of human rights crises would be a higher priority.

Productivity and quality

Studies have shown that a strong proxy for decent working conditions – part of companies' human rights impact – is turnover rates.[43] If average turnover rates in one facility are significantly lower than in neighbouring facilities and in the industry in the country overall, the key factor is often respect for workers' rights. Company representatives report that from a business perspective, if workers in high-turnover industries like the apparel industry can be retained longer, training investments are paying off and workers are more productive, and they produce higher-quality products.

The provision of workers' benefits can also result in higher retention and productivity. For example, at tea plantations in Kenya, it could be shown that the provision of childcare at plantations helped working mothers to better plan their work and reduce their stress levels, which in turn improved the health of both mothers and children and led to increased productivity and fewer days of absence.[44] The success of such measures also depends on building internal awareness and capacity of supervisors and management.

Supply chain resilience

Operational risks occur across industries. For example, companies in the apparel industry experience different levels of supply chain resilience depending on the type of relationship they have built with their suppliers. There is anecdotal evidence that apparel brands with purely transactional relationships absorb supply chain shocks less well than brands that have established robust partnerships. For example, brands that did not drop suppliers as shops closed during the Covid-19 pandemic but supported them during this period were apparently able to bounce back quicker.[45]

Generally, business resilience seems to be negatively affected when business partners and

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[43] Barret P. M., Baumann-Pauly D. and Gu A. (2018), "Five years after Rana Plaza: the way forward", NYU Stern Center for Business and Human Rights: https://bhr.stern.nyu.edu/publication/five-years-after-rana-plaza-the-way-forward/.
[44] UNICEF Kenya (2019), Implementing a baby-friendly workplace initiative in Kenya: https://www.unicef.org/documents/implementing-baby-friendly-workplace-initiative-kenya-lessons-learned-supporting.
[45] Shoaib, M. (2023). "Are fashion's buying practices really improving?", Vogue Business: https://www.voguebusiness.com/story/sustainability/are-fashions-buying-practices-really-improving; Saxena, S. B., Kaur, H., and Tripathi, S. (2021). "How the pandemic has impacted the various layers of the global garment supply chain" in Kjaerum, M., Davis, M. F., and Lyons, A. (eds). *COVID-19 and human rights*. Taylor & Francis, 2021.*Covid-19 and Human Rights, London and New York: Routledge*, 2021, p. 238-56.

workers are not treated fairly. Consequently, any company in any industry whose business success depends on reliable business partners and stable supply chains is well advised to establish respect for human rights through core business operations such as purchasing practices.[46]

Some interview partners also highlight the connection between respecting human rights and providing effective corporate security. In fact, they point out that in some companies, the human rights department works closely with the head of security to boost overall corporate resilience. A recent study by the International Code of Conduct Association (ICoCA) illustrates this connection in the context of outsourced corporate security to private security contractors.[47] The research shows that poor living and working conditions of guards can result in poor security service. If guards earn too little to afford decent housing and food, they will be performing a high-risk job on little sleep while hungry. This can negatively affect the security service performance they are providing for companies and increase the risk of force abuse.

Worker representation and communication with management

A stable business environment is essential for minimising operational risks. Companies that respect freedom of association and foster dialogue at the factory level tend to experience fewer conflicts and higher retention rates.[48] Effective conflict mitigation enhances overall business stability, which allows for better planning and increases the likelihood of investment and innovation.

Capacity to innovate

Operational risks also include a lack of innovations, which are essential to future-proof a business. To encourage innovation, companies need to invest in employees so that they have the skills and the confidence to suggest new ideas. Limited freedom of expression can stifle innovation because good ideas may not even surface. For example, a longitudinal study from China's pharmaceutical sector finds that investing in occupational

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[46] Wells N. and Rosenthal C.(2023), "How clothing brands exploit suppliers and harm workers – and what can be done about it" [White Paper], NYU Stern Center for Business and Human Rights: https://bhr.stern.nyu.edu/publication/a-broken-partnership-how-clothing-brands-exploit-suppliers-and-harm-workers-and-what-can-be-done-about-it/.
[47] International Code of Conduct Association (ICoCA) (n.d.), Working conditions: https://icoca.ch/working-conditions/, retrieved 7 July 2025.
[48] See, for example, Li C., Kuruvilla S. and Bae J. (2025), "Between legitimacy and cost: freedom of association and collective bargaining rights in global supply chains", *ILR Review*, 78(3), 435-462: https://doi.org/10.1177/00197939251314867.

health and safety standards can contribute to innovation, even more so when these standards are institutionalised in a management system and being certified.[49]

Complex business environments

In interviews with corporate professionals, it was also pointed out that engaging in human rights can give you the "competitive edge" to access new markets. For example, if post-conflict countries like Syria or Ukraine open for business again, knowing how to do business there responsibly can give companies an advantage to be the first back on the scene. Having robust HRDD systems in place should be a differentiating factor for winning public tenders and trusted business relationships can help to de-risk engaging in markets that are still fragile. In the context of Ukraine, for example, UN organisations started discussing recovery efforts with the help of responsible business practices back in 2023.[50]

Stakeholder relationships – Risks and opportunities

Economic success critically depends on internal and external stakeholders. While regulatory and judicial authorities define the institutional and legal context in which companies operate, other stakeholders such as employees and suppliers, consumers and investors, and community relations also shape economic success. Furthermore, the positioning of chambers of commerce and government agencies set the tone for adopting human rights implementation measures. Their support can create an environment that is conducive to accelerating the integration of human rights into business and encouraging companies to translate principles into practice.

Their perception of a company's social footprint can affect, for example, the ability to retain talent and to acquire new business partners. With the rise of social media and global connectivity, stakeholders' ability to stay informed about companies' human rights performance has increased, as has their ability to mobilise public attention.[51]

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[49] Su H.T. and Lee Y.W. (2023), "Does employee care trigger innovation under a healthy and safe working environment? Evidence from the pharmaceutical industry in China", *Electronic Journal of General Medicine*, 20(4), em489: https://pmc.ncbi.nlm.nih.gov/articles/PMC7916613/.

[50] United Nations Development Programme (2023), Recovery of Ukraine through responsible business conduct : values and standards: www.undp.org/ukraine/news/recovery-ukraine-through-responsible-business-conduct-values-and-standards.

[51] Universitat Oberta de Catalunya (UOC) (2024), "Research concludes that Generation Z is the age group with the highest opinions of companies' corporate social responsibility": www.uoc.edu/en/news/2024/generation-z-is-the-age-group-with-the-highest-opinions-of-companies-corporate-social-responsibility.

Ignoring the perspective of consumers, communities or business partners that are affected by the business operations can be costly and lead to legal and reputational risks as discussed above. Taking a proactive stance and acknowledging human rights impacts can benefit companies, and companies that communicate authentically on issues that align with their core values can gain credibility among stakeholders.[52] For example, after Nestlé publicly admitted to forced labour in its seafood supply chain in Thailand in 2015, it was praised by anti-slavery groups.[53]

Employees

In interviews conducted for this report, corporate professionals repeatedly referred to the positive effect of a company's clear human rights position on attracting and retaining talent. One interview partner stated, "Once we made clear that we had made serious efforts to put our house in order after the human rights crisis, we saw more job applications of higher-quality candidates coming in".

Concern about company values is particularly strong among the young generation that is entering the job market. A recent study by a large management consultancy finds that compared to the average of employees, Gen Z employees are significantly more likely to leave if there is a mismatch between their own values and those of the company and its business partners, and they are willing to prioritise alignment in values over financial compensation.[54]

Corporate professionals also underline the role of human rights for retaining employees. "People want to work for good companies, it boosts morale, productivity and innovation." This is true for companies' supply chains and internal operations. Evidence suggests that working for an ethical organisation – determined, for example, by fair treatment and health and safety at the workplace – improves mental well-being and increases retention rates.[55]

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[52] Harvard Business Review Editors (2024), "HBR's picks on managing social and political issues at work", *Harvard Business Review*: https://hbr.org/2024/02/hbrs-picks-on-managing-social-and-political-issues-at-work.
[53] *The Guardian* (2015), "Nestlé admits forced labour in seafood supply chain": www.theguardian.com/global-development/2015/nov/24/nestle-admits-forced-labour-in-seafood-supply-chain.
[54] Deloitte (2023), "Deloitte's 2023 Gen Z and Millennial Survey reveals workplace progress despite new setbacks": www.deloitte.com/global/en/about/press-room/2023-gen-z-and-millenial-survey.html.
[55] Xu Y. et al. (2022), "Reducing employee turnover intentions in tourism and hospitality sector: the mediating effect of quality of work life and intrinsic motivation", *International Journal of Environmental Research and Public Health*, 19(18), 11222: https://pmc.ncbi.nlm.nih.gov/articles/PMC9517394/.

In interviews for this study, corporate professionals emphasised the critical role that senior management plays in enabling the implementation of human rights in corporate practice. The tone for human rights is set at the top and employees only see a company's commitment to human rights as credible if corporate decision making is consistent with this commitment.[56] Furthermore, institutionalised representatives of employees increasingly demand responsible business conduct.

Consumers

Consumer-driven campaigns and boycotts can cause reputational damage. To date, however, consumers' role as drivers of human rights has a mixed track record. Studies have repeatedly proven the cognitive disconnect between consumers' intentions and their actual purchasing behaviour.[57] Similarly, even after massive human rights crisis, such as the Rana Plaza building collapse in Bangladesh, stock prices only briefly dipped for implicated brands.[58]

Consumers can only pay attention to consumer-facing products and brands, whereas no-name brands and B2B businesses are not receiving the same level of attention. For branded products, consumers have expressed an interest in ethical products, and some say that the group of ethical consumers is growing. However, the data that consumers have about brands' human rights performance often come either from the brands themselves and are therefore less reliable or are difficult to interpret.

Just as exaggerated claims can backfire when perceived as a form of social washing, building a brand around social impact can also be a differentiator for a company's positioning in the market.

Corporate activism, meaning that companies take a public stance on political issues, is more complicated. Some studies suggest that consumers expect companies to speak up on human rights-related societal issues such as LGBTQI and racial discrimination, whereas

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[56] See also Davis-Peccoud J., Stone P. and Tovey C. (2025), "Achieving breakthrough results in sustainability", Bain & Company: https://www.bain.com/insights/achieving-breakthrough-results-in-sustainability/.

[57] Sukumaran L. and Majhi R. (2024), "Not all who proclaim to be green are really green: analysis of intention behavior gap through a systematic review of literature", *Management Review Quarterly*, 1-40; Casais B. and Faria J. (2022), "The intention-behavior gap in ethical consumption: mediators, moderators and consumer profiles based on ethical priorities", *Journal of Macromarketing*, 42(1), 100-113.

[58] See, for example, Jacobs B. W. and Singhal V. R. (2017), "The effect of the Rana Plaza disaster on shareholder wealth of retailers: implications for sourcing strategies and supply chain governance", *Journal of operations management*, 49, 52-66.

others disagree and raise concerns about opportunism and a lack of expertise.[59] As New York University professor Alison Taylor highlighted, "before promising to make the world better, do your very best to make your business better".[60]

Business partners

When allegations about a company's involvement in human rights controversies become public, this does not only affect the brand image. Negative publicity can also result in poor ESG ratings that are a key source of information for investors and business partners and can thus make it more difficult to acquire project partners.

An interview partner from the construction industry highlighted that "avoiding human rights controversies is a strong incentive for our employees, because negative ESG ratings can prevent project opportunities, such as working with the United Nations".

Civil society and communities

Corporate professionals highlight that building strong stakeholder relationships is important, for example for better managing crises as they occur. One interview partner experienced both the benefits of engaging with stakeholders and the costs of failing to do so:

> Several years ago, we were alerted by the media about environmental concerns at one of our sites. We were able to resolve the issue for the community quickly. However, we reacted after the issue had become public and to this date, this case is still being brought up against us. We [have] since established systematic and inclusive HRDD processes. In a more recent case, being proactive and transparent paid off. When confronted with new allegations, we were able to demonstrate our ongoing due diligence, and the media report was toned down.

Acknowledging risks rather than ignoring or denying them is the first step to moving towards solutions – and to collaborate if needed. If done well, community engagement,

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[59] See, for example, Kristoffer M. (2020), "Doing well by doing right? Exploring the potentials and limitations of a business case for respecting human rights", Danish Institute for Human Rights: https://www.humanrights.dk/publications/doing-well-doing-right ; Edelman (2024), 2024 Edelman Trust Barometer Global Report: www.edelman.com/sites/g/files/aatuss191/files/2024-02/2024%20Edelman%20Trust%20Barometer%20Global%20Report_FINAL.pdf; Philip-Muller A. and Siev J. (2024), "How companies should – and shouldn't – speak out on political issues", *The Wall Street Journal*: www.wsj.com/business/c-suite/companies-political-messages-public-8f676a85.

[60] Taylor A. (2024), *Higher ground*, Harvard Business Review Press.

often via civil society organisations, allows allocating resources more efficiently. A good understanding of the local context and the drivers of human rights risks is key for defining measures to mitigate these risks. A company that relies on minimalist due diligence (using highly aggregated data for country-level risk assessments, for example) exposes itself and might be caught off guard by site-level allegations.

Local communities, in particular, must play a central role in the meaningful adoption of implementation measures. Strong relationships with community representatives can serve as an early warning system for potential human rights concerns and help companies address issues before they escalate. Actively engaging local communities and drawing on their knowledge also enhances the effectiveness and long-term sustainability of efforts to address human rights impacts.

Civil society organisations sometimes help to represent local communities on the international stage and can be proxy contacts for companies that want to understand community needs.

Multistakeholder collaboration

Some human rights challenges exceed the capacity of individual companies. Our interview partners highlight the value of collaboration with experts and global and local partners – including from civil society, academia, industry peers and government authorities – to address such structural challenges. Pooling resources can support efficient resource allocation and amplify impacts.

The complementarity of hard law and soft law established through standards defined by multistakeholder initiatives (MSIs) is often considered most effective for developing predictable business environments. MSIs can create the operational standards that lead to a level playing field for companies. For example, the Fair Labour Association combines the efforts of a critical mass of international sportswear brands and other relevant stakeholders, and its workplace code of conduct is an industry reference point for responsible sourcing.[61]

[61] Baumann-Pauly D. and Glimcher I. W. (2021), "Seeking a 'smart mix': multi-stakeholder initiatives and mandatory human rights due diligence" (case study), Geneva Center for Business and Human Rights: https://gcbhr.org/insights/2021/10/seeking-a-smart-mix-multi-stakeholder-initiatives-and-mandatory-human-rights-due-diligence/.

The role of investors – Risks and opportunities

Companies that ignore human rights issues related to their operations can face costs that arise directly from this issue – for example, costs from operational stoppages and accidents, remediation and compensation, legal costs associated with litigation and/or litigation avoidance, fines or other forms of sanctions, including personal liability of individuals, branding and reputational damage. Companies' involvement in human rights controversies can reflect negatively on their market valuation.[62] At the same time, investors can also be catalysts of positive change and financial service providers and shareholders can use their leverage to incentivise human rights compliance. Several interviewees noted that investor inquiries are helping to compensate for weak regulation on human rights. Despite the current backlash against ESG, the finance industry "absolutely needs to know the risks" and is *de facto* "acting as an auditor".

Access to finance

Besides the direct costs associated with corporate involvement in human rights abuses, such incidents can also negatively affect companies' creditworthiness, making it more difficult to access loans or find investors. For example, in the context of commodity trading, financial service providers have progressively tightened their risk-assessment processes by requiring information about social and environmental impacts of the trade. As such, banks have become *de facto* regulators of an otherwise obscure industry dominated by privately held companies. Unless commodity trading firms can show robust risk management processes that include human rights, their access to capital is restricted, which affects the agility of business.

ESG ratings

For investors, ESG ratings are an important proxy to make investment decisions. Companies that score high on ESG ratings are attractive for both employees and

[62] See, for example, Xu Y. et al. (2022), "Reducing employee turnover intentions in tourism and hospitality sector: the mediating effect of quality of work life and intrinsic motivation", *International Journal of Environmental Research and Public Health*, 19(18), 11222: https://pmc.ncbi.nlm.nih.gov/articles/PMC9910724/; Nicolas M. L. D., Desroziers A., Caccioli F. and Aste T. (2023), "ESG reputation risk matters: An event study based on social media data", arXiv:https://arxiv.org/abs/2307.11571 ; Kreitmeir D., Lane N. and Raschky P. (2021), "What happens when multinationals appear in reporting on activist assassinations? High-profile media has bite", ProMarket: www.promarket.org/2021/02/16/assassinations-environmental-activists-stocks-drop-company-reputation-shame/.

investors.[63] Companies that rank higher on social indicators have lower employee turnover rates.[64] Also, studies show a trend that younger investors want to invest in causes and companies that align with their values, even if such portfolios underperform on the market and offer lower returns on investment.[65]

While ESG investing has gone mainstream despite the current backlash, the data in the social category of ESG are in short supply and often fail to capture human rights performance.[66] Investors' stewardship strategies to engage with companies have also not yielded the desired results.[67]

Despite the shortcomings in available data,[68] investors clearly care about the social dimension. A study of companies in the S&P100 index, investigating the impact of negative ESG events on companies' stock prices, finds that social risks and governance risks lead to a stronger decrease in the stock price than environmental risks.[69]

The impact of negative events on stock prices is mostly only temporary. Yet, it can affect companies' access to finance by adding to stock price volatility and the company's profile in ESG rating reports that investors strongly rely upon.

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[63] See, for example, Winston A. (n.d.), "Corporate social responsibility", *Sustainability Defined*.: https://sustainabilitydefined.com/corporate-social-responsibility, retrieved 15 July 2025.

[64]. Vitaliano D. F. (2010), "Corporate social responsibility and labor turnover", *Corporate Governance – The International Journal of Business in Society*, 10(5): www.emerald.com/insight/content/doi/10.1108/14720701011085544/full/html.

[65] Harring A. and Kim H. (2023), "'Not just money and math': young people are willing to sacrifice returns for ESG", CNBC: www.cnbc.com/2023/08/27/not-just-math-and-numbers-young-people-are-willing-to-sacrifice-returns-for-esg.html.

[66] Willis C. O. (2017), "Putting the 'S' in ESG: measuring human rights performance for investors" [white paper], NYU Stern Center for Business and Human Rights: https://bhr.stern.nyu.edu/publication/putting-the-s-in-esg-measuring-human-rights-performance-for-investors/; Knaak B. and Baumann-Pauly D. (2025), How are financial institutions in Europe addressing human rights in their core business activities? [white paper], Geneva Center for Business and Human Rights: https://gcbhr.org/insights/2025/03/how-do-financial-institutions-address-human-rights-in-their-core-business-activities.

[67] Goldhaber M. D. (2024), "Reimagining shareholder advocacy on environmental and social issues: the promise and pitfalls of 'E&S stewardship'", NYU Stern Center for Business and Human Rights: https://bhr.stern.nyu.edu/publication/reimagining-shareholder-advocacy-on-environmental-and-social-issues/.

[68] Knaak B. and Baumann-Pauly D. (2025), "How are financial institutions in Europe addressing human rights in their core business activities?" [white paper], Geneva Center for Business and Human Rights, University of Geneva: https://gcbhr.org/insights/2025/03/how-do-financial-institutions-address-human-rights-in-their-core-business-activities.

[69] Nicolas M. L. D., Desroziers A., Caccioli F. and Aste T. (2023), "ESG reputation risk matters: an event study based on social media data", arXiv: https://arxiv.org/abs/2307.11571 .

Screening for human rights impacts

Financial service providers, institutional investors and shareholders may have an interest in companies' human rights performance that goes beyond the developments on the stock exchange.

For banks, screening potential investments for human rights risks is a standard procedure in lending practices and project finance to hedge the bank's own risks. Some pension funds, notably the Norges Bank Investment Management's fund (among the world's largest sovereign wealth investment funds), follow strict ethical criteria for excluding entire sectors or companies from their portfolio.[70] Activist shareholders use general shareholder assemblies and voting to bring in motions to advance social and environmental questions.[71]

On the one hand, while the finance industry has the potential to drive the human rights agenda in business and be listened to, this is often not the priority. As one interview partner remarked, "Human rights tend to be seen as an ethical signal effect but rarely perceived as material". Similarly, another interview partner concludes that the prospects for advancing human rights on a strategic level have become more bleak in the current context: "Our standard HRDD will continue as a means of risk management; however, there is more pushback internally and no longer a mandate encouraging true strategic engagement on human rights".

On the other hand, experts we interviewed for this study consider financial service providers as the new "silent regulators" of the corporate engagement in human rights. They expect banks and investors "to quietly demand more ESG data than ever before from companies because deregulated global markets are more volatile and uncertain and these actors will need more data to assess risks and make good decisions".

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[70] The fund has a small stake in more than 8 500 companies across countries, sectors and currencies worldwide and is now one of the world's largest investors, owning almost 1.5% of all shares in the world's listed companies. See, for example, Norges Bank Investment Management (NBIM) (n.d.-a), Human rights: www.nbim.no/en/responsible-investment/our-expectations/people/human-rights/, retrieved 9 July 2025; Norges Bank Investment Management (NBIM) (n.d.-b), Observation and exclusion of companies: www.nbim.no/en/responsible-investment/ethical-exclusions/exclusion-of-companies/, retrieved 9 July 2025.

[71] See, for example, McNulty T. and Nordberg D. (2016), "Ownership, activism and engagement: institutional investors as active owners", *Corporate Governance: An International Review*, 24(3), 346-358; Chuah K., DesJardine M. R., Goranova M. and Henisz W. J. (2024), "Shareholder activism research: a system-level view", *Academy of Management Annals*, 18(1), 82-120.

2.3. The synergies between human rights and environmental engagement

In the corporate context, environmental and social sustainability are often treated as separate workstreams with environmental sustainability typically receiving more attention and funding than human rights.[72]

Environmental sustainability targets are typically easier to measure than assessing progress on human rights, but these are not separate dimensions and can often only advance in unison. For example, implementing environmental strategies requires the support of people. People will engage in strategies to protect the environment if they can see the benefits for themselves and their communities.

Climate strategies that do not consider the impacts on people are likely to fail and hurt the business. For example, companies that made net-zero pledges but outsource the responsibility for meeting these environmental targets at any cost to others in their supply chain will not develop sustainable climate strategies. In our research, we learned that some apparel companies are now asking their suppliers to stop using air conditioning in factories because of their commitment to reducing CO_2 emissions. As a result, heat stress became a key factor that affected meeting production targets. Workers fainted during heat waves and productivity declined.

[72] TechnoServe (n.d.), "The investment case for regenerative coffee: a path to a more resilient future": www.technoserve.org/regenerative-coffee-investment-case/, retrieved 17 July 2025.

Companies committed to mitigating climate change, deforestation or pollution need to create opportunities for people to support these objectives. For example, economically empowering people might be the condition for halting deforestation. Only if people have enough income to survive without cutting down trees will they protect the forest.

Veja – Anchoring a commitment to protect the Amazon in the business model

The case study of Veja, a French sports shoes company, highlights this point.[1] The company revived wild rubber production in the Amazon region in Brazil and they are currently the biggest buyer of wild rubber in Brazil.

Veja offers above-average prices for rubber, and it pays an additional bonus to rubber-producing families if they can prove that they did not advance deforestation. The company monitors deforestation with satellite imaging and works with local co-operatives and NGOs to train local rubber producer families to ensure that the trees are cut correctly. For over 80% of the producing families, the additional bonus created an incentive to halt deforestation and follow responsible sourcing rules. The rubber production increased the household income of participating families by about 30%.

The number of rubber-producing families in the Veja programme has grown from 150 families to almost 2 000 in less than a decade. The families report that the additional income has enabled them to continue farming without cattle, which would require deforestation to clear land, and say that they are proud "guardians of the forest". The case illustrates how the economic empowerment of local communities enables advancing environmental targets.

Coupling environmental targets and decent income opportunities through financial incentives can be an effective way of advancing environmental sustainability. By integrating human rights, companies can lay the foundation for climate strategies and business operations to be sustainable.[73]

[73] A recent ICJ opinion affirms the duty of states to regulate private actors more effectively in order to address climate change, even though it stops short of creating direct obligations for companies under international law. Bharadwaj B. (2025), "The ICJ's climate ruling: is inaction on climate change now a legal liability?", Chatham House: www.chathamhouse.org/2025/08/icjs-climate-ruling-inaction-climate-change-now-legal-liability.

2.4. Illustrations of business models that have human rights built in

Developing business models that align profits and principles

Implementing human rights and developing a business case is easiest for companies that have developed a business model with human rights as their foundational value. Instead of conducting business as usual and then adding measures to mitigate externalities and meet legal and non-legal expectations, these companies have human rights principles built into core value-creating processes.

Examples of such business models that align profits and human rights principles are relevant for understanding how companies can systematically advance human rights in corporate practice. Research conducted by the Geneva Center for Business and Human Rights identified companies with integrated human rights practices to illustrate what human rights due diligence can look like in practice for entire value chains and industries.

The following sections describe three business practices that illustrate how companies can integrate human rights into core business operations in a way that is scalable and replicable and therefore has potential to transform entire industries. These cases do not endorse the featured companies, nor have they implemented human rights in business practice perfectly. But they document specific business approaches that have had demonstrated positive impacts for workers and communities, not as philanthropic side projects but as part of these companies' central profit-seeking strategies. These business model innovations deserve documentation even if some of them were discontinued. What matters is their potential to become mainstream business models.

Analysing the common features of these business models – such as long-term business commitments, financial incentives for demonstrated progress in advancing human rights and the use of technology to improve the effectiveness of monitoring – provides indications of what good human rights due diligence can look like in practice. Instead of deriving action plans from the abstract and process-focused human rights due diligence concept, this approach starts with what works in practice and then distils the replicable elements to guide corporate practice. In adopting these elements, companies can embed the business case for human rights in their business model.

Decathlon – Developing strategic long-term relations with suppliers[1]

Decathlon is a French sportswear brand and retailer that uses strategic partnerships with their suppliers as a way to advance both joint business objectives and greater compliance with labour rights standards in factories around the world.

Instead of switching suppliers frequently to optimise cost, Decathlon produces 80% of their products with strategic suppliers that have worked with the company for at least five years, ideally longer. This commitment to direct, longer-term sourcing relationships gives the implementation of labour rights at the factory level a chance. Decathlon's country-level managers visit the supplier factories frequently, to support improving productivity, quality and labour rights, the latter being one important business objective.

In the apparel industry this is an unusually long business perspective that has resulted in positive outcomes for workers. In Ethiopia, for example, Decathlon factories had lower annual turnover rates compared to apparel factories in the same region, a proxy for workers' satisfaction. Lower turnover rates are also beneficial for Decathlon because then their investment in training a largely unskilled workforce starts to pay off in the form of productivity gains. As a result of higher productivity, average wages were higher in Decathlon's supplier factories, thanks to several bonus schemes for loyalty and high performance.

Decathlon is currently the fastest growing sports retailer in Europe. Its sourcing model is based on the idea of growing the business jointly with its suppliers. While this model is not implemented perfectly (recent supply chain issues show that further work is needed), it has demonstrated that good-quality, competitive consumer prices and sustainability can be advanced together.

ABN AMRO – Incentivising human rights through lending practices[1]

ABN AMRO is a Dutch bank that until 2021provided financing for the commodity trading industry. In the context of their commodity trade finance business, the bank was publicly held responsible for poor working conditions on palm oil plantations of large palm oil companies to which the bank provided loans. To mitigate their lending risks and to address these labour rights issues, ABN AMRO developed sustainability-linked loans that required palm oil producing companies to join the Roundtable on Sustainable Palm Oil (RSPO), a multistakeholder initiative with a programme to address labour rights in the sector.

As palm oil producers could show progress in addressing labour rights issues according to the independent verification system of the RSPO, ABN AMRO awarded them with preferential interest rates for the loans. Palm oil producers worked towards improving working conditions while ABN AMRO grew its lending business, but the success of this approach was cut short with ABN AMRO's exit from the commodity trade finance business in August 2020. The idea of sustainability-linked loans, however, is currently being explored by other banks, including Dutch banks that continue providing financing for the commodity trade sector.

Lending is one of the core business processes of banks. If structured right, sustainability-linked loans can reduce lending risk and advance human rights. Further impact assessments are necessary to understand the conditions under which sustainability-linked loans are effective.

Trafigura – Creating leverage in complex business environments[1]

Trafigura is a commodity trading company in the business of sourcing minerals that are critical for the energy transition. Cobalt is one key battery mineral that is used in electric vehicles and consumer electronics. Over two thirds of the world's cobalt come from the Democratic Republic of the Congo (DRC) and Trafigura initiated a project in 2018 to address the human rights issues linked to cobalt sourcing, particularly mine safety and child labour in the informal mining sector, which produces between 15% and 30% of the cobalt in the DRC.

The project was conducted with civil society partners and government support at the Mutoshi industrial mining concession (at the time owned by mine operating company Chemaf). The work of the project partners focused on formalising informal mining activities by creating and establishing responsible sourcing standards. Formalisation included the provision of personal protective equipment to miners, registration of miners, exit and entry controls to the project site and controls to prevent access to the mine site for children and pregnant women, creation of open pit mining (no tunnels), training miners or safe extraction methods, and empowerment of the local co-operative to eventually lead these operations.

While the price of cobalt was high, formalisation created financial benefits for all project partners. It also created benefits for the community by enabling women to work on the extraction sites, an activity that they were culturally excluded from in the past. The inclusion of women in the extractive process helped to boost household income and allowed families to send their kids to school instead of to the mines. The female miners also reported feeling safe on the project site, which is invaluable in a context of rampant sexual violence. The mine operating company reported that, thanks to the integration of artisanal miners, conflicts with the local community calmed down and the company was able to reduce the cost of private security arrangements, another indication that there is a business case for formalisation.

As the Covid pandemic hit, the project partners decided to close the Mutoshi pilot project to protect the community, but its lessons became codified in responsible sourcing standards of a newly formed state-owned agency, the Entreprise Générale du Cobalt.[1]

Replicability and scalability of business model innovations

To reiterate: these examples neither endorse the featured companies as a whole nor do they claim that their human rights approach has been perfect. Also, a company could have a good business and human rights initiative in one area but a less convincing record in other areas. The examples above are therefore presented to illustrate innovative business practices that show a way to integrate human rights into core business operations, an approach that makes the business case endemic. Instead of retrofitting human rights into business as usual, business model innovations that embed human rights support business success while advancing human rights.

Each of these case studies provides an example for how companies act upon their insights from human rights due diligence processes and develop business models that address the root causes of systemic human rights risks. The case studies provide positive evidence for integrating human rights into core business processes and at the same time helping to reduce the incalculable cost of systemic risks – through their own activities or in co-ordination with other stakeholders. Furthermore, all examples highlight the need for collaboration with key stakeholders. Shared responsibility increases the effectiveness of sustainability strategies and it can help to pool resources and reduce cost.[74]

2.5. Broadening the understanding of the business case

This section of the report highlights key risks and opportunities for advancing human rights in corporate practice. Beyond moral expectations (doing what is right) and legal requirements (doing what needs to be done to follow the law), there is an economic business case for human rights for companies that want to be successful in the long term.

To explore the conditions under which the economic business case becomes more likely requires a new narrative of the business case. Instead of narrowly focusing on short-term financial performance alone, we need to establish broader success criteria for enterprises that recognise the long-term contributions of business to society. Establishing robust human rights management systems to comply with human rights standards involves cost but it also creates a way to anticipate and prevent operational disruptions, protect brand value and maintain stakeholder trust. Costs should not be considered in silos but in

[74] World Economic Forum Global Agenda Council on Logistics and Supply Chain Systems (2015), "Shared responsibility: a new paradigm for supply chains" [white paper]: https://www.weforum.org/stories/2015/11/why-human-rights-is-a-shared-responsibility/ .

systems.

Current levels of scrutiny that assess the economic payoff of corporate engagement in human rights concerns is somewhat surprising and short-sighted. After all, companies are making all kinds of investments in projects with uncertain payoffs. For example, the rush to invest in AI has yet to prove whether and how it will be useful in corporate practice. Similarly, companies invest in research and development (R&D) to remain competitive – and they do this without knowing the ROI.[75]

Embedding human rights into innovative business models is the most systematic approach to establishing the business case. The case illustrations indicate that human rights can become an integral part of successful businesses in any industry. More business model innovations are needed to identify ways that align profits and principles.

From the sections above it is clear that ignoring human rights is not smart business. While establishing human rights management systems to meet human rights standards is not cost-free, the cost of inaction on human rights risks in the long term are likely to be much higher. Companies need to therefore reframe their human rights engagement – not as a cost that needs to be cut but as an investment that ensures business sustainability. A similar discussion is taking place in the field of anti-corruption. According to a recently produced paper, "while some studies suggest bribery can bring short-term gains to certain firms, the evidence is clear that the long-term costs generally outweigh the benefits".[76]

[75] Howitt R. (2025), "#74 Andrew Winston: How can business leaders find the courage to do the right thing on sustainability?" (Frankly Speaking – A podcast on responsible business),
Apple: https://podcasts.apple.com/gb/podcast/74-andrew-winston-how-can-business-leaders-find-the/id1644106274?i=1000708402585; Winston A. (n.d.), Corporate social responsibility: https://sustainabilitydefined.com/corporate-social-responsibility, retrieved 15 July 2025.
[76] www.u4.no/publications/the-relationship-between-business-integrity-and-commercial-success-2025.

3. Business for the future – a road map for action

This section of the report is designed to provide the key elements for a road map for action by the Council of Europe around BHR. The main objective of such a road map would be to change the narrative about the business case. Beyond organising a dialogue with and between member states about BHR, the Council of Europe could and should become a springboard for working with businesses on how to address specific human rights challenges.

The global context is somewhat paradoxical. On the one hand, companies are reluctant to be too visible on an issue that is controversially discussed and regulation in Europe is still not fully finalised. On the other hand, the human rights issues that challenge companies in everyday business practice are real and require adequate management. The cost of inaction, as outlined in Chapter 2, may be significant. Furthermore, the existing legal instruments are already sufficiently robust to require company action. Therefore, many companies are looking for guidance and a sense of direction. It is with this in mind that the present report has identified three strategic directions: 1) building and reinforcing the existing legal and institutional framework to better position the Council of Europe in the BHR discourse; 2) developing new avenues and partnerships; 3) shifting the working method to bridge to corporate professionals.

3.1. Strategic direction 1 – Building and reinforcing the existing legal and institutional framework

The Council of Europe is not taking full advantage of the existing work and competences. The impact of the existing legal instruments on the global BHR agenda needs to be better assessed, presented and made use of. The current work within the Council of Europe needs to be better co-ordinated and internal and external awareness must be improved. Implementation of this strategic direction requires two types of action – first, raising awareness internally and externally, and second, focusing on the strengths of the Council of Europe.

First, more action is needed to raise awareness internally and externally to better put the Council of Europe on the map of the global BHR global agenda. This requires the

promotion of synergies and awareness, within the Council of Europe and with the outside world.

Two indicators give a clear idea of the challenge ahead.

- The fact that the legal instruments of the Council of Europe are almost never referenced in the internal ethical codes, human right policies and other similar documents developed by corporations.

- The fact that as of today, no European Court of Human Rights ruling has contained a direct reference to the UNGPs or even to CM/Rec(2016)3.

Second, it is important to focus on the strengths of the Council of Europe and the characteristics that make it unique in terms of BHR.

- The existence of well-known legally binding texts on human rights and the long-standing activity of a widely respected regional court of human rights with abundant jurisprudence relevant for business operations.

- A European-based membership that is much larger than the European Union and covers much of central and eastern Europe.

- Even non-Council of Europe members can join specific instruments.

- A demonstrated capacity to develop norms and standards, including legally binding ones, but also to monitor and assist in their implementation.

That said, the Council of Europe must acknowledge that it cannot and shall not seek to cover the whole spectrum of human rights that can be affected by business operations. The European Convention on Human Rights is very much focused on individual rights and some form of collective rights, and the European Social Charter also does not cover all issues of the BHR agenda; even though the evolutive method of interpretation of the Convention by the Court allows the Court to adapt its case law to “present-day” conditions, as illustrated by the fact that environmental impact is increasingly recognised as a human rights issue. Moreover, the legal instruments and, more generally the legal instruments developed by the Council of Europe’s are focused on obligations of the states. It may not be easy to change the standard-setting approach of the Council of Europe, but even though the importance of regulation should not be downplayed, there may be other

ways to impact companies' behaviour. As we have seen in Chapter 2 of this report, companies react to several types of external pressure, among which legislation and regulation are key but no means the sole factors.

3.2. Strategic direction 2 – Developing new avenues and partnerships

The Council of Europe needs to consider that while it has clear strengths, it also operates in a field in which other intergovernmental organisations, such as the UN, the OECD or the ILO have been working for many years and that also includes numerous other international initiatives. This results in companies being confronted with numerous solicitations and guidance. It must also be recognised that effective work in this area may require relative discretion. Given the constraints identified above and the necessary budgetary considerations, an incremental approach is recommended and the development of appropriate partnerships with other institutions and bodies should be privileged. Within the Council of Europe, an impetus to BHR could be provided by setting up a specific body devoted to this area of work. At the same time, the Council of Europe could also facilitate multistakeholder networks, be they organised by states or by the private sector.

Another new avenue that the Council of Europe could develop would involve member states providing ways and means to embed BHR considerations within ministries and agencies. This could go beyond supporting the establishment of national action plans on business and human. rights by offering opportunities for more in-depth and granular discussions drawing on Council of Europe expertise. One area could be the relationship between human rights and corruption from a business perspective, relying on the know-how of the Group of States against Corruption (GRECO). Another example could involve exploring the synergies or potential tensions between the protection of labour rights (including the right to work) and other human rights.

3.3. Strategic direction 3 – Shifting the working method: engaging corporate professionals and educational institutions

To implement the two strategic directions mentioned above, the working methods need to be adapted through a much greater multistakeholder approach and more strategic partnerships. The Council of Europe should not be seen just as an organisation that only talks about BHR issues but as an organisation that works with business (and other

stakeholders) on concrete actions and undertakings. More should be done also in terms of business understandings of how the Council of Europe can safeguard business rights through its legal instruments and the case la w of the Court.

This entails a direct dialogue with companies, including those who are operating in the most sensitive areas. Such dialogue should be solution-oriented rather than judgmental and entail listening to companies' concerns – including concerns related to operating within EU member states as well as to global operations. It further requires several levels of dialogue, from the most official to dialogue under the Chatham House rule and off-the-record meetings. All the actions identified by the Council of Europe should therefore be designed to provide a space of trust. The Council of Europe is uniquely positioned as a convener for such safe space conversations. Establishing thematic communities of practice that discuss overarching topics that affect all industries – aligned with the mission of the Council of Europe, "united around our values" – could complement existing industry-specific platforms. The purpose of such communities of practice would be to develop implementation solutions to systemic human rights issues, including supply challenges, doing business vis-à-vis China and defending the rule of law.

Naturally, this is not to suggest that the Council of Europe should only listen to the private sector but that other channels of communication should be opened or maintained with other stakeholders, including through the networks mentioned above. However, giving a specific space to companies to potentially air their views, concerns and proposals would be important for the Council of Europe's credibility and effectiveness. If and once the space is provided, the biggest challenge will be to maintain and sustain the effort. Building trust and collaboration will need to be based on aligning expectations and being able to deliver on them.

The Council of Europe is uniquely positioned to advance human rights in higher education institutions. To train future business leaders, human rights management skills need to be integrated into business schools with adequate teaching material. Expanding the Council of Europe's current educational offering (such as HELP, Human Rights Education for Legal Professionals) and connecting the Council of Europe's educational networks with networks focused on BHR education (such as the Global Business School Network[77]) could help to accelerate the mainstreaming of human rights in business education – both for

[77] https://gbsn.org/

current and future business leaders.

4. Conclusion – Reframing the business case for human rights

According to the 2025 Global Rights Index developed by the International Trade Union Confederation, "average country ratings deteriorated in three out of five global regions, with Europe and the Americas recording their worst scores since the Index's inception in 2014".[78]

In October 2024, the World Justice Project released its Rule of Law Index that showed that "for the seventh year in a row, the rule of law has declined globally" and there is no reason to believe that this trend will be reversed in 2025, quite the contrary.[79]

At the same time according to the November 2024 Corporate Human Rights Benchmark (CHRB), developed by the World Benchmarking Alliance (WBA), "64% of companies have progressed in five years" even though "concrete actions to address impacts on workers and communities are lacking".[80]

Moreover, according to a 2021 YouGov poll, "over 80 percent of citizens from across multiple EU countries want strong laws to hold companies liable for overseas human rights and environmental violations",[81] whereas a 2023 poll indicated that "almost three quarters (74%) of Europeans support an EU law which would require all companies to reduce their greenhouse gas emissions to limit global warming to 1.5 degrees, with (65%) calling for companies to reduce their emissions even during an energy crisis".[82]
These various polls show a mixed global picture.

On the one hand, there is a clear downwards trend in terms of global respect for the

[78] International Trade Union Confederation (2025), Global rights index: www.ituc-csi.org/global-rights-index?lang=en, retrieved 3 August 2025.
[79] World Justice Project (2024), WJP Rule of Law Index 2024 global press release: https://worldjusticeproject.org/news/wjp-rule-law-index-2024-global-press-release.
[80] World Benchmarking Alliance (2024), "The state of play on business and human rights: trends and insights from five iterations of the Corporate Human Rights Benchmark (2018-2023)": *https://www.worldbenchmarkingalliance.org/corporate-human-rights-benchmark/*
[81] Business & Human Rights Resource Centre (2021), "YouGov poll reveals over 80% of EU citizens support EU laws to hold companies accountable for harms to people & environment": www.business-humanrights.org/fr/derni%C3%A8res-actualit%C3%A9s/yougov-poll-reveals-over-80-of-eu-citizens-support-eu-laws-to-hold-companies-accountable-for-harms-to-people-environment/.
[82] Business & Human Rights Resource Centre (2023), EU: New polling shows strong public support for an EU corporate due diligence law: www.business-humanrights.org/en/latest-news/eu-new-polling-shows-strong-public-support-for-an-eu-corporate-due-diligence-law/.

rule of law and access to justice. On the other hand, there are strong expectations of civil society, public opinion at large and other stakeholders, including business partners and investors, with respect to companies' role and influence over human rights.

Indeed, an increasing number of companies accept that they have an important role to play with respect to human rights. As they recognised themselves at the 2020 Annual World Economic Forum:

> a company is more than an economic unit generating wealth. It fulfils human and societal aspirations as part of the broader social system. Performance must be measured not only on the return to shareholders, but also on how it achieves its environmental, social and good governance objectives.[83]

The aim of the present report is not to constitute the ultimate study on the business case for human rights, but to illustrate, based on empirical evidence and case studies, that companies' respect for human rights is not only the right thing to do but it is also a rational and smart course of action. In other words, there is no inherent antinomy between the notion of competitiveness and the respect of human rights. This report provides several illustrations as to how and why promoting human rights compliance potentially benefits companies' competitiveness in the medium and long term.[84]

In a 2005 address to the UN Commission on Human Rights, the then Secretary-General Kofi Annan emphasised that "we will not enjoy development without security, or security without development. But I also stress that we will not enjoy either without universal respect for human rights. Unless all these causes are advanced, none will succeed".[85]

Twenty years later these words resonate even stronger considering the difficult geopolitical context. Today, companies' role for human rights is still evolving but it is clear that they need to share responsibility with states. In this context, the Council of Europe, as an organisation based on the rule of law and human rights, can and should play a more proactive and strategic role based on its strengths and experience. This can be achieved by reinforcing the Council of Europe's own institutional and regulatory framework, by developing synergies and partnerships with Council of Europe member

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[83] Schwab K. (2019), "Davos Manifesto 2020: the universal purpose of a company in the fourth industrial revolution", World Economic Forum: www.weforum.org/stories/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution/.

[84] In a similar vein, see the recent report of U4 on the relationship between business integrity and commercial success: www.u4.no/publications/the-relationship-between-business-integrity-and-commercial-success/fullversion.

[85] Annan, K. (2005), Secretary-General's address to the Commission on Human Rights, United Nations: www.un.org/sg/en/content/sg/statement/2005-04-07/secretary-generals-address-the-commission-human-rights.

states, other intergovernmental organisations and beyond, and by adjusting its working methods to foster a stronger engagement with companies. A road map for action with concrete outcomes and deliverables would help shape the future of business and the business of the future.

Appendix – Actions for the Council of Europe to consider

The following list outlines possible actions and deliverables to advance the three strategic directions.

Strategic direction 1 – Building and reinforcing the existing legal and institutional framework

Possible actions and deliverables

- Appoint a "BHR Champion"[86] serving as an internal co-ordinator and an external ambassador. This would certainly merit consideration for the reasons exposed in the 2022 document. The BHR Champion should play an internal and external role, and he or she should be independent and credible with the private sector.

- Use existing training platforms such as HELP (Human Rights Education for Legal Professionals) to include more specific modules targeting human rights implementation by business, or adapt existing courses, including the ones based on the Court's jurisprudence and other Council of Europe instruments, to business audiences.[87]

- Set up a Council of Europe BHR award aimed at private-sector initiatives in business and human rights and transformative business models.

- Develop specific capacity-building and awareness-raising activities targeted at the private sector.

- Work with the Court on a stock-taking event around the topic of "BHR as seen by the Court, Inter-American Court of Human Rights and African Commission of Human Rights". The production of a guidance book by the Court could be a good opportunity for such an event.

- Set up an intra-secretariat task force on BHR, chaired by the "BHR Champion" with responsibility for ensuring coherence and promoting synergies. The task force could also be used to identify new avenues and future standards.

[86] See footnote 10 re: the 2022 document, p. 301 and following.
[87] Council of Europe (n.d.), Help e-learning platform: https://help.elearning.ext.coe.int/.

- Promote and diffuse the knowledge and understanding of the HUDERIA methodology within the private sector.[88]

- Make Council of Europe BHR resources and information available on a user-friendly single BHR digital platform (already ongoing). Set up a Chatham House type of consultative process with relevant stakeholders designed to collect feedback and discuss work on possible new Council of Europe standards.

- Expand co-operation in the field of BHR, including actions targeting specific problems or member states.

Strategic direction 2 – Developing new avenues and partnerships

Possible actions and deliverables

- Making the case for a business case on human rights: one could imagine a joint UNGC/Council of Europe/OECD initiative working with companies to develop a handbook with case studies, good practices and elements of thought to be used in internal corporate discussions.

- The 2022 document[89] proposes establishing a special BHR committee under the Steering Committee for Human Rights (CDDH). A formal Council of Europe committee presents advantages and disadvantages that have been well identified in the document mentioned above. Such a policy decision goes beyond the scope of this report.

- A possible alternative to a BHR committee could be setting up a Council of Europe BHR network of experts. The network could bring together experts from many sectors and backgrounds, including policy experts, legal experts and experts from social sciences and humanities. Experts could come from national governments, international organisations, other institutions, the private sector, civil society and academia. Every two years, national governments and stakeholders could renew or nominate new experts. The network could

[88] The "HUDERIA" methodology is guidance endorsed by the Council of Europe for the "risk and impact assessment of artificial intelligence (AI) systems from the point of view of human rights, democracy and the rule of law". See Council of Europe, Committee on Artificial Intelligence (CAI) (2024), Methodology for the risk and impact assessment of artificial intelligence systems from the point of view of human rights, democracy and the rule of law (CAI-2024-16 rev 2) [HUDERIA Methodology]: https://rm.coe.int/cai-2024-16rev2-methodology-for-the-risk-and-impact-assessment-of-arti/1680b2a09f.

[89] See footnote 10 - Council of Europe, Committee of Ministers (2022), Steering Committee for Human Rights – Report on the implementation of Recommendation CM/Rec(2016)3 of the Committee of Ministers to member States on human rights and business. The report is on file at the Directorate General of Human Rights and Rule of Law.

undertake the activities envisaged for the special committee in the 2022 document but, given its informal status, could else develop its programme of work organically.

- Proceed to a full reassessment of section III of CM/Rec(2016)3 in light of the developments since its adoption, based on consultations not only with members but also with NGOs and the private sector, and consider a revision and expansion of section III.

- Include a BHR angle in the preparation and development of future Council of Europe legal instruments.

- Engage in a dialogue with European financial institutions, be they intergovernmental, publicly held or private, as to how they could influence the behaviour of other businesses in support of greater respect for human rights.

Strategic direction 3 – Shifting the working method: engaging corporate professionals and educational institutions

Possible actions and deliverables

- Establishing a "European dialogue on BHR" (annually or every two years): in order not to duplicate existing forums, the dialogue should focus on the European perspective and be based on a true multistakeholder approach, including on the definition of the BHR agenda that could be entrusted to a steering group composed of states, businesses, NGOs and academics.

- Set up one or two pilot "communities of practice" open to companies only and linked to the Council of Europe's areas of strength. Relying in particular on the case law of the Court, these communities of practice could look for example at issues such as forced labour, freedom of expression, freedom of association and environmental protection as a human right. Based on the results of the pilot phase, the communities of practice model could be expanded to other areas.

- Set up a "Friends of BHR coalition" with European-based national human rights institutions (NHRIs) aimed at sharing best practices and discussing common challenges.

- Develop a set of action-oriented and tailor-made "BHR partnership agreements" with other intergovernmental institutions like the OECD or the EU and bodies like Eurochambres, the World Economic Forum, the Responsible

Business Alliance, the International Chamber of Commerce and others.

- Launch a "European responsible supply chain" initiative on how to address supply chain issues in the member states. While supply chain issues may primarily be seen in relation to non-European entities, issues exist within Europe too, in sectors like textiles or agriculture, among others. While this is sensitive considering the current tensions within the EU, this initiative could attract genuine interest.[90] Actively promote and benchmark multilateral stakeholder initiatives (MSIs) developed by the private sector as well as the ones facilitated by member states.[91]

- Prepare the future generation of leaders. The Council of Europe could foster and promote the integration of business and human rights curricula into business schools and other professional schools (such as engineering or law).

[90] Gros M. (2025), "EU countries call for massive cuts to ethical supply chain law", Politico: www.politico.eu/article/eu-countries-confirm-call-for-broad-cuts-to-green-disclosure-rules/.

[91] See, for example, the case of the Netherlands as highlighted in the following document: OECD (2023), "The Netherlands' multistakeholder sectoral agreements promote responsible business conduct", OECD Development Cooperation TIPs – Tools – Insights – Practices: https://www.oecd.org/en/publications/development-co-operation-tips-tools-insights-practices_be69e0cf-en/the-netherlands-multi-stakeholder-sectoral-agreements-promote-responsible-business-conduct_25ba114b-en.html