

Risk Assessment and Due Diligence

Access to Remedy

Related terms: grievance mechanisms, remediation plan, stakeholder engagement

Explanation: Access to Remedy refers to the processes that enable victims of human rights abuses within a supply chain to obtain effective redress, including compensation, rehabilitation, or guarantees of non-repetition. It is a core component of the UN Guiding Principles on Business and Human Rights (UNGPs) and underpins responsible sourcing policies. Example: A garment factory in Bangladesh identifies forced labor through a supplier audit; the company activates its grievance mechanism, provides the affected workers with safe-housing assistance and wages for lost time, and works with the factory to improve recruitment practices. Practical application: Companies embed Access to Remedy clauses in contracts, train local contacts to handle complaints, and track outcomes in a remediation database. Challenges: Ensuring confidentiality, overcoming cultural barriers to reporting, and aligning remedial actions with local legal frameworks can be complex.

Audit Trail

Related terms: traceability, verification, data integrity

Explanation: An Audit Trail is a chronological record of all data entries, decisions, and actions taken during risk assessment and due diligence activities. It provides evidence that processes were conducted systematically and can be reviewed by internal auditors or external regulators. Example: A electronics manufacturer logs each step of its supply chain mapping—from initial data collection, risk scoring, to corrective action implementation—into a secure software platform, creating a searchable audit trail. Practical application: Maintaining an audit trail enables rapid response to stakeholder inquiries, supports certification audits, and enhances transparency. Challenges: Managing large volumes of data, protecting sensitive commercial information, and ensuring that the trail is tamper-proof require robust IT controls.

Beneficiary

Related terms: stakeholder, affected party, remediation recipient

Explanation: In the context of human rights due diligence, a Beneficiary is any individual or group that directly receives the benefits of a remediation measure or a rights-respecting supply chain practice. Identifying beneficiaries helps companies assess the impact of their interventions. Example: After implementing a living-wage program for agricultural workers, the primary beneficiaries are the workers themselves and their families, who experience improved nutrition and education outcomes. Practical application: Companies map beneficiaries when designing remediation plans to ensure resources are allocated effectively. Challenges: Over-looking indirect beneficiaries, such as community members, can lead to incomplete impact assessments.

Child Labor

Related terms: forced labor, age verification, supply chain risk

Explanation: Child Labor denotes the employment of individuals below the minimum legal working age or

in hazardous conditions that jeopardize their health, education, or development. It is prohibited under international conventions such as ILO Convention No. 182. Example: A cocoa producer in West Africa is found to employ children under 15 for hazardous harvesting tasks; the buyer initiates a remediation plan that includes school enrollment subsidies and community awareness campaigns. Practical application: Companies use age-verification checks, supplier questionnaires, and third-party audits to detect child labor. Challenges: In regions with informal labor markets, age documentation may be unreliable, and cultural norms may mask violations.

Conflict Minerals

Related terms: due diligence, supply chain transparency, ESG reporting

Explanation: Conflict Minerals are natural resources—typically tin, tantalum, tungsten, and gold—extracted from areas where mining finances armed conflict or human rights abuses. The 2010 Dodd-Frank Act and EU Conflict Minerals Regulation require companies to conduct due diligence to ensure responsible sourcing. Example: A smartphone assembler maps its mineral supply chain, identifies a smelter linked to armed groups, and switches to a certified conflict-free source. Practical application: Companies implement the OECD Due Diligence Guidance, publish conflict-minerals reports, and engage with industry initiatives like the Responsible Minerals Initiative. Challenges: Tracing minerals through multiple tiers, limited supplier disclosure, and rapidly changing conflict dynamics complicate compliance.

Corporate Social Responsibility (CSR)

Related terms: sustainability, stakeholder engagement, ESG

Explanation: CSR is a self-regulatory framework whereby businesses integrate social and environmental concerns into their operations and interactions with stakeholders. While broader than human rights due diligence, CSR provides the strategic context for risk assessment. Example: A retailer adopts a CSR policy that commits to zero deforestation, leading to a supply chain risk assessment focused on timber sourcing. Practical application: CSR statements guide the development of due-diligence procedures, KPI setting, and public reporting. Challenges: Aligning CSR ambitions with measurable outcomes, avoiding “greenwashing,” and ensuring cross-functional ownership.

Due Diligence

Related terms: risk assessment, mitigation, UNGPs

Explanation: Due Diligence is the process of identifying, preventing, mitigating, and accounting for adverse human rights impacts linked to a company’s operations and supply chains. It follows the four-step framework of policy commitment, risk assessment, integration & action, and tracking & reporting. Example: A fashion brand conducts a Human Rights Impact Assessment (HRIA) of its denim supply chain, discovers forced labor risks, and implements supplier training and monitoring. Practical application: Due diligence is embedded in procurement contracts, supplier onboarding, and internal audit cycles. Challenges: Limited visibility beyond tier-1 suppliers, resource constraints for small and medium enterprises (SMEs), and evolving legal expectations.

Environmental Impact Assessment

Related terms: sustainability, risk identification, mitigation measures

Explanation: An Environmental Impact Assessment (EIA) evaluates the potential environmental effects of a

project or supply chain activity, identifying risks such as pollution, biodiversity loss, or climate impact. While not a human rights tool per se, environmental harms can translate into rights violations (e.g., access to clean water). Example: A mining company conducts an EIA that reveals downstream water contamination risks affecting local indigenous communities; mitigation includes water treatment facilities and community compensation. Practical application: EIAs are often mandated by regulators and integrated with human rights due diligence to provide a holistic risk view. Challenges: Balancing economic objectives with environmental safeguards and ensuring community participation in the assessment process.

Ethical Sourcing

Related terms: supplier code of conduct, traceability, responsible procurement

Explanation: Ethical Sourcing refers to the procurement of goods and services that are produced in accordance with recognized standards for labor rights, environmental stewardship, and anti-corruption. It operationalizes due-diligence findings into purchasing decisions. Example: A food company sources coffee only from farms certified by the Rainforest Alliance, ensuring fair wages and sustainable farming practices. Practical application: Ethical sourcing programs incorporate supplier questionnaires, third-party certifications, and continuous monitoring. Challenges: Verifying compliance across dispersed supplier bases, cost pressures, and managing trade-offs between price and ethical criteria.

Forced Labor

Related terms: modern slavery, risk assessment, remediation

Explanation: Forced Labor is work performed under the threat of penalty and for which the worker cannot freely leave. It includes debt bondage, human trafficking, and compulsory prison labor. International law, including ILO Convention No. 29, prohibits forced labor. Example: A seafood processor discovers that migrant workers are confined to company housing and have their passports retained; the buyer terminates the contract and works with NGOs to free the workers. Practical application: Companies use risk-based screening, supplier self-assessments, and independent audits to detect forced labor. Challenges: Hidden labor practices, language barriers, and supplier reluctance to disclose violations.

Human Rights Impact Assessment (HRIA)

Related terms: due diligence, risk identification, mitigation measures

Explanation: An HRIA is a systematic analysis that determines the potential and actual human rights impacts of a business activity, guiding the development of mitigation strategies. It is a core component of the UNGPs due-diligence process. Example: A logistics firm conducts an HRIA on its warehousing operations, identifying risks of discrimination in hiring practices; it implements inclusive recruitment policies and training. Practical application: HRIA results inform policy updates, supplier selection, and stakeholder communication. Challenges: Data scarcity, complex supply chain structures, and the need for interdisciplinary expertise.

Human Rights Due Diligence (HRDD)

Related terms: risk assessment, remediation, UNGPs

Explanation: HRDD is the specific application of due-diligence principles to human rights, focusing on identifying, preventing, and mitigating adverse impacts. It requires a continuous, iterative process aligned with corporate policy. Example: A retailer's HRDD identifies child labor risks in cotton farms, prompting

supplier capacity-building and third-party monitoring. Practical application: HRDD is documented in risk registers, integrated into procurement contracts, and disclosed in sustainability reports. Challenges: Scaling HRDD across global supply chains, ensuring supplier cooperation, and balancing confidentiality with transparency.

Key Performance Indicator (KPI)

Related terms: metrics, monitoring, continuous improvement

Explanation: KPIs are quantifiable measures used to evaluate the effectiveness of risk-assessment and due-diligence activities. They enable tracking of progress toward human-rights objectives. Example: A company sets a KPI to reduce the incidence of forced-labor violations by 30% within two years, monitoring audit findings quarterly. Practical application: KPIs are embedded in supplier scorecards, executive dashboards, and performance-linked contracts. Challenges: Selecting indicators that are both meaningful and verifiable, avoiding data manipulation, and aligning KPIs with broader ESG goals.

Legal Compliance

Related terms: statutory obligations, regulatory risk, due diligence

Explanation: Legal Compliance denotes adherence to applicable national and international laws governing labor rights, environmental standards, and anti-corruption. While compliance is a baseline, due-diligence extends beyond legal minimums to address emerging risks. Example: A multinational complies with the UK Modern Slavery Act by publishing an annual slavery statement, yet also conducts broader risk assessments to capture non-legally mandated rights. Practical application: Legal compliance checks are built into supplier onboarding, contract clauses, and internal audit programs. Challenges: Navigating divergent legal regimes, keeping abreast of regulatory updates, and managing conflicts between local customs and international standards.

Materiality Assessment

Related terms: stakeholder mapping, risk prioritization, impact analysis

Explanation: A Materiality Assessment determines which human-rights issues are most significant to the business and its stakeholders, guiding resource allocation. It blends internal risk data with external stakeholder expectations. Example: A retailer's materiality assessment reveals that child labor in raw-material extraction is a higher priority than waste management, leading to targeted audit programs. Practical application: Results inform sustainability reporting, policy focus, and due-diligence scope. Challenges: Balancing diverse stakeholder views, avoiding bias toward high-visibility issues, and updating assessments as contexts evolve.

Mitigation Measures

Related terms: corrective action, risk treatment, remediation plan

Explanation: Mitigation Measures are actions taken to reduce the likelihood or severity of identified human-rights risks. They can be preventive (e.g., supplier training) or remedial (e.g., compensation). Example: After detecting unsafe working conditions, a garment manufacturer installs safety equipment and establishes a joint health-and-safety committee with workers. Practical application: Mitigation measures are documented in action plans, assigned responsibilities, and tracked against timelines. Challenges: Ensuring measures are proportionate, culturally appropriate, and sustainable over time.

Monitoring and Evaluation (M&E)

Related terms: performance tracking, impact assessment, continuous improvement

Explanation: M&E involves systematic collection and analysis of data to assess the effectiveness of risk-assessment and due-diligence initiatives, enabling adjustments and learning. Example: A food processor monitors supplier audit scores monthly, compares trends against baseline, and adjusts training programs where scores dip. Practical application: M&E frameworks include indicators, data sources, reporting frequency, and responsibility matrices. Challenges: Data quality, attribution of outcomes to specific interventions, and resource constraints for longitudinal studies.

Non-Financial Risk

Related terms: ESG risk, reputational risk, supply chain vulnerability

Explanation: Non-Financial Risk encompasses risks related to environmental, social, and governance (ESG) factors, including human-rights violations, that can affect a company's financial performance. Example: A fashion brand faces a reputational crisis after media exposure of forced labor in its supply chain, leading to stock price decline. Practical application: Non-financial risk is incorporated into enterprise-risk-management (ERM) systems, scenario analysis, and investor communications. Challenges: Quantifying non-financial impacts, integrating ESG data with traditional financial metrics, and anticipating emerging societal expectations.

Operational Risk

Related terms: process risk, supply chain disruption, compliance failure

Explanation: Operational Risk refers to the potential for loss resulting from inadequate or failed internal processes, people, systems, or external events. Human-rights violations are a subset of operational risk that can disrupt production. Example: A factory shutdown due to labor protests over unpaid wages creates operational delays and cost overruns. Practical application: Companies embed human-rights risk indicators into operational dashboards and conduct regular risk reviews. Challenges: Detecting early warning signs, coordinating across functions, and balancing operational efficiency with rights-respecting practices.

Policy Commitment

Related terms: corporate governance, code of conduct, public statements

Explanation: Policy Commitment is the formal declaration by senior leadership that the organization will respect human rights, often expressed in a public policy statement or code of conduct. It sets the tone for due-diligence efforts. Example: A multinational publishes a Human Rights Policy aligning with UNGPs, specifying zero tolerance for forced labor. Practical application: Policy commitments are cascaded through training, supplier contracts, and performance incentives. Challenges: Translating high-level statements into actionable procedures, ensuring consistency across jurisdictions, and avoiding "talk-only" commitments.

Remediation Plan

Related terms: corrective action, access to remedy, stakeholder engagement

Explanation: A Remediation Plan outlines the steps a company will take to address identified human-rights violations, including timelines, responsibilities, and verification mechanisms. Example: After an audit uncovers wage underpayment, the buyer drafts a remediation plan that includes back-pay, wage-policy revision, and third-party verification. Practical application: Remediation plans are integrated into supplier

contracts, monitored through M&E, and communicated to affected workers. Challenges: Securing supplier buy-in, ensuring timely implementation, and measuring the effectiveness of remedial actions.

Risk Appetite

Related terms: risk tolerance, governance, strategic planning

Explanation: Risk Appetite defines the level of human-rights risk a company is willing to accept in pursuit of its strategic objectives. It guides decision-making and resource allocation. Example: A retailer decides its risk appetite for child labor is “zero,” leading to strict supplier vetting and continuous monitoring. Practical

application: Risk appetite is documented in governance frameworks, approved by the board, and reflected in procurement criteria. Challenges: Aligning risk appetite with market realities, avoiding overly conservative stances that limit supply options, and communicating the rationale to stakeholders.

Risk Identification

Related terms: risk assessment, materiality, stakeholder mapping

Explanation: Risk Identification is the first step in the due-diligence process, involving the systematic discovery of potential human-rights hazards across the supply chain. Example: Using GIS mapping, a company identifies that a mining site is located near a community prone to land-rights disputes, flagging a risk of displacement. Practical application: Tools include questionnaires, desk research, field visits, and stakeholder interviews. Challenges: Limited data availability, hidden subcontracting layers, and rapidly changing geopolitical contexts.

Risk Management Framework

Related terms: governance structure, policies, controls

Explanation: A Risk Management Framework provides the architecture for identifying, assessing, treating, and monitoring risks, ensuring that human-rights considerations are embedded throughout the organization. Example: An electronics firm adopts an ERM framework that incorporates a dedicated Human Rights Risk Committee, risk registers, and escalation protocols. Practical application: The framework aligns with ISO 31000 standards and integrates with existing compliance systems. Challenges: Achieving cross-functional ownership, preventing siloed risk assessments, and maintaining agility in dynamic supply-chain environments.

Stakeholder Mapping

Related terms: engagement, materiality, risk identification

Explanation: Stakeholder Mapping visualizes the relationships and influence of various parties—workers, NGOs, regulators, local communities—relevant to a supply-chain human-rights assessment. Example: A coffee exporter maps relationships with farmer cooperatives, certification bodies, and activist groups to prioritize engagement. Practical application: Mapping informs consultation plans, grievance-mechanism design, and communication strategies. Challenges: Identifying hidden or marginalized stakeholders, managing conflicting interests, and updating maps as supply chains evolve.

Supply Chain Transparency

Related terms: traceability, disclosure, stakeholder trust

Explanation: Supply Chain Transparency is the openness with which a company shares information about its

sourcing practices, supplier relationships, and risk-mitigation actions. It builds credibility and enables external verification. Example: A retailer publishes a supplier list, audit results, and remediation updates on its website. Practical application: Transparency is achieved through public reporting, blockchain-based traceability, and participation in industry coalitions. Challenges: Balancing commercial confidentiality with stakeholder expectations, ensuring data accuracy, and avoiding “greenwashing” through selective disclosure.

Supply Chain Traceability

Related terms: transparency, technology, verification

Explanation: Traceability is the ability to track a product or component from its origin through each step of the supply chain, enabling verification of compliance with human-rights standards. Example: A food company uses QR-code scanning to trace cocoa beans back to individual farms, confirming no child labor involvement. Practical application: Technologies include barcoding, RFID, and blockchain platforms that record transaction data immutably. Challenges: High implementation costs, data interoperability issues, and resistance from suppliers wary of increased scrutiny.

Supplier Code of Conduct

Related terms: policy commitment, contractual clause, ethical standards

Explanation: A Supplier Code of Conduct is a set of expectations that suppliers must meet regarding labor rights, environmental stewardship, and ethical behavior. It operationalizes the buyer’s human-rights policy. Example: A fashion brand requires all textile suppliers to adhere to a code that bans forced labor, mandates fair wages, and demands safe working conditions. Practical application: Suppliers sign the code, undergo self-assessment, and are subject to periodic audits. Challenges: Enforcement across multiple tiers, cultural differences in interpreting standards, and ensuring the code is not merely a checklist.

Supplier Audits

Related terms: verification, risk assessment, corrective action

Explanation: Supplier Audits are systematic examinations of a supplier’s facilities, records, and practices to verify compliance with human-rights standards and contractual obligations. Example: An audit team visits a shoe factory, reviews payroll records, and interviews workers to confirm compliance with the buyer’s code of conduct. Practical application: Audits can be announced or unannounced, conducted by internal teams or third-party auditors, and followed by corrective-action plans. Challenges: Audit fatigue, limited coverage of indirect suppliers, and potential for “audit-only” compliance without genuine improvement.

Supply Chain Mapping

Related terms: risk identification, stakeholder analysis, data collection

Explanation: Supply Chain Mapping visualizes the flow of goods, services, and information across all tiers, helping identify where human-rights risks may arise. Example: A cosmetics company maps its ingredient supply chain, revealing a third-tier palm-oil supplier located in a region with documented land-conflict issues. Practical application: Mapping combines data from invoices, customs records, and supplier declarations, often using software tools for visualization. Challenges: Incomplete data, hidden subcontractors, and rapidly changing supplier networks.

Supply Chain Risk Assessment

Related terms: due diligence, materiality, mitigation

Explanation: Supply Chain Risk Assessment evaluates the probability and impact of human-rights violations within the supply chain, forming the basis for targeted due-diligence actions. Example: A retailer scores each supplier on forced-labor risk using a weighted matrix that incorporates country risk, sector vulnerability, and past audit findings. Practical application: Results feed into risk registers, inform audit prioritization, and guide resource allocation. Challenges: Balancing depth of assessment with time constraints, avoiding over-reliance on secondary data, and maintaining dynamic updates as conditions change.

Supply Chain Sustainability

Related terms: ESG, responsible sourcing, long-term resilience

Explanation: Supply Chain Sustainability integrates environmental, social, and governance considerations to ensure that sourcing practices are viable over the long term and respect human rights. Example: A furniture manufacturer adopts a sustainability program that includes forest-conservation commitments, fair-trade certification, and worker-wellness initiatives. Practical application: Sustainability metrics are embedded in supplier scorecards, procurement policies, and annual reporting. Challenges: Aligning sustainability goals with cost pressures, measuring indirect impacts, and securing buy-in from all supply-chain actors.

UN Guiding Principles on Business and Human Rights (UNGPs)

Related terms: corporate responsibility, state duty, due diligence

Explanation: The UNGPs provide a global standard for preventing and addressing business-related human-rights impacts, outlining the state duty to protect, corporate responsibility to respect, and the importance of remedy. Example: A mining company adopts the UNGPs framework, establishing a human-rights policy, conducting impact assessments, and providing grievance mechanisms for affected communities. Practical application: The UNGPs guide policy development, risk-assessment methodology, and reporting practices. Challenges: Translating the principles into operational tools, ensuring consistent application across jurisdictions, and measuring compliance.

Verification

Related terms: audit, third-party certification, data integrity

Explanation: Verification is the process of confirming that information provided by suppliers or internal systems accurately reflects reality, often through independent checks. Example: A certification body verifies that a textile mill's labor records match on-site observations, confirming compliance with the buyer's code of conduct. Practical application: Verification can involve document review, physical inspections, worker interviews, and technological tools such as blockchain. Challenges: Resource intensity, potential for fraud, and reconciling differing verification standards across regions.

Zero-Tolerance Policy

Related terms: compliance, enforcement, risk mitigation

Explanation: A Zero-Tolerance Policy declares that any occurrence of a specific violation—commonly forced labor or child labor—is unacceptable and will trigger immediate remedial action, often including contract termination. Example: A retailer's zero-tolerance stance on forced labor leads it to cease business with a

supplier upon discovering documented instances of debt bondage. Practical application: Policies are communicated to suppliers, reinforced through contractual clauses, and supported by monitoring systems. Challenges: Determining appropriate thresholds, managing supply-chain disruptions, and ensuring that punitive measures do not unintentionally harm workers.