



SOURCEINTELLIGENCE 

HUMAN RIGHTS REGULATIONS AND THEIR BUSINESS IMPACT

E-BOOK

Effectively Navigating the Complex
Human Rights Regulatory Landscape

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INTRODUCTION

Over the last several decades, society has become more aware of social issues. This has spread to governments, which are now demanding stronger company oversight and due diligence processes. One of these concerns is modern-day slavery, which is the exploitation of other people for personal or commercial gain. Common forms of modern-day slavery include child labor, trafficking, and forced labor. More companies are now aware of these concerns. Whether driven by government regulation, internal ESG policies, or protection of their public image, identifying and removing modern-day slavery from supply chains is becoming a requirement.

Whether it is sugar, fish, electronics, or garments, it is crucial to understand that imports account for between 25% and 30% of global GDP, making up a sizable portion of the global economy. [1] The harsh truth is that most organizations do not have heightened supply chain visibility. Without accurate and comprehensive due diligence policies and processes in place, it is challenging for companies to be certain their supply chain does not contain modern-day slavery practices.

 The focus of this e-book is to shed light on human rights regulations and due diligence parameters. You will also learn how using technology innovations to manage due diligence can combat modern-day slavery and exploitation in your supply chain.



HUMAN RIGHTS FUNDAMENTALS

Most countries view basic human rights as universal regardless of nationality, gender, race, language, religion, ethnicity, and other values. These ideals represent the right to liberty and freedom from torture and slavery. Human rights also involve the right to express, form an opinion, have an education, and work. [2]

UNICEF defines human rights as a basic standard that protects and preserves basic human dignity without discrimination.

**40.3
Million**

Are in some form of
Modern Slavery


1 in 4

Victims of Modern
Slavery are children

**24.9
Million**

People globally are in
Forced Labor

HUMAN RIGHTS REGULATIONS: SUPPLY CHAIN AND RISK MANAGEMENT

Supply chain and risk management involve various human rights regulations. Due diligence of rights in the supply chain has become integral. It is one of the main reasons the U.N. supported the guiding principles on basic human rights in the business landscape. [3] Parts of those guidelines revolve around due diligence laws in the supply chain.

These principles require companies to take strategic steps to ensure human rights are met within their operations. As of 2022, corporate-based human rights strategies are an integral piece of overall supplier management.

Internal human rights assessments allow organizations to perform risk analyses and identify human rights violations. In line with existing supply chain assessments, it is just as important to develop preventive measures to identify potential risks and direct new supply chain initiatives.

Once organizations can identify human rights risks and abuses, they can adopt a proactive approach to take corrective measures.

SUPPLY CHAIN-CENTRIC HUMAN RIGHTS VIOLATIONS

FROM DEBT BONDAGE TO CHILD LABOR: MODERN-DAY SLAVERY

The last thing organizations should do is allow modern-day slavery to creep into their supply chain processes. The most common supply chain-centric forms of modern-day slavery are debt bondage, human trafficking, forced labor, child labor, and sexual exploitation. [4]

From Nike to Apple, many large corporations have had tarnished supply chain reputations due to child labor and debt bondage practices. [5] Although bonded labor is criminalized internationally by the Palermo Protocol, it is still present. Currently, Africa and Asia rank the highest for exploiting children and minors for work. [6,7] Similarly, sexual exploitation and human trafficking are at an all-time high in South America.

While not as prevalent, modern-day slavery also exists in both the E.U. and U.S. economies, particularly with the exploitative labor of undocumented migrants. [8] These practices cross the boundaries of ethics, regulations, and laws.

Currently, there are over 40 million people (about twice the population of New York) in modern slavery, with one in four victims being children. [9]

HOW HUMAN RIGHTS IMPACT BUSINESSES

In the case of human rights violations, businesses can suffer a heavy blow in the form of a tarnished market reputation and compromised production processes. Additionally, governments are continually implementing new regulations to stop worker exploitation.

One of the most common examples in recent history is when the U.S. State Department, Department of Commerce, Department of Homeland Security, and Department of Treasury highlighted the forced labor conditions and risks in Xingjiang, China. As a result, a law was developed that put direct pressure on U.S. importers. [11]



THERE IS MORE THAN ONE ACT OF HUMAN RIGHTS REGULATION

U.S. Tariff Act (1930)

The U.S. Tariff Act prohibits all imports into the U.S. of goods made with forced, convicted, or indentured labor. [13]

- **Who Needs to Comply?** All companies importing goods into the United States.
- **Compliance:** If U.S. Customs and Border Patrol believes that goods may have been produced with forced labor, the importer must provide "clear and convincing" evidence to prove otherwise. A few examples of this type of evidence include a certificate of origin, an affidavit from the producer of the product, and evidence of the producer's anti-forced labor compliance.
- **Non-Compliance:** The imported goods can be confiscated, and sanctions applied to companies and individuals.

U.S. Uyghur Forced Labor Prevention Act (2021)

Complementing Section 307 in the US Tariff Act of 1930, this law works to ensure goods made with forced labor in the Xingjiang region of China do not enter the U.S. market. [12]

- **Who Needs to Comply?** All companies importing goods into the United States.
- **Compliance:** All imported goods that have a tie to the Xingjiang region of China are considered to be made with forced labor and confiscated immediately. The law requires "clear and convincing" evidence, proving that nowhere in the supply chain are the goods linked to forced labor from the Xingjiang region.
- **Non-Compliance:** The enforcement framework has not yet been implemented, but it is anticipated that beyond confiscated shipments and sanctions, financial and criminal penalties will apply.

U.K. Modern Slavery Act (2015)

The U.K. Modern Slavery Act consolidated slavery and human trafficking offenses in the U.K. and introduced new preventative steps and a regulatory oversight body. [14]

- **Who Needs to Comply?** All companies in the United Kingdom.
- **Compliance:** None initially. The act provides guidelines to assess, investigate, and penalize companies or individuals caught taking part in modern-day slavery practices.
- **Non-Compliance:** Penalties vary based on case but can result in monetary fines or imprisonment.

Australia Modern Slavery Act (2018)

The Act implemented a reporting requirement for large Australian businesses to annually assess their businesses for instances of modern-day slavery. [15]

- **Who Needs to Comply?** Businesses and entities conducting businesses in Australia that have an annual revenue of at least AUD \$100 million.
- **Compliance:** Besides an anti-modern-day slavery statement, companies must describe their risk to modern-day slavery, the actions they are taking to limit that risk, and how effective those actions have been in a statement submitted to the Minister and included in the Modern-Day Slavery Register. This includes direct businesses practices and supply chains.
- **Non-Compliance:** The Minister may require the company to undertake remedial actions and the names of non-complying companies are released to the public.

Netherlands Child Labour Due Diligence Law (2019)

The Netherlands Child Labour Due Diligence Law requires companies operating in the Netherlands to complete internal due diligence within their supply chains for child labor and submit a public declaration with their findings. [16]

- **Who Needs to Comply?** All companies that sell or supply goods to the Netherlands.
- **Compliance:** Businesses must conduct internal due diligence on potential child labor, investigate and mitigate reasonable suspicions of child labor in their companies and supply chain, and submit an affidavit to the Dutch government with their actions.
- **Non-Compliance:** Fines ranging from EUR 4,3500 to EUR 870,000, or 10% of global revenue. Multiple offenses can lead to the company director receiving up to a two-year prison sentence.

French Devoir de Vigilance (2017)

The French Devoir de Vigilance law requires French companies to develop, publish, and implement a human rights due diligence plan. [17,18]

- **Who Needs to Comply?** French companies with over 5,000 employees, regardless of operation location.
- **Compliance:** All imported goods that have a tie to the Xingjiang region of China are considered to be made with forced labor and confiscated immediately. The law requires "clear and convincing" evidence, proving that nowhere in the supply chain are the goods linked to forced labor from the Xingjiang region.
- **Non-Compliance:** The enforcement framework has not yet been implemented, but it is anticipated that beyond confiscated shipments and sanctions, financial and criminal penalties will apply.

EU Anti-Trafficking Directive 2011/36/EU (2011)

A binding agreement between all E.U. member states to ban modern-day slavery. [19]

- **Who Needs to Comply?** All E.U. member states.
- **Compliance:** Although each E.U. member state is responsible for developing its laws to prevent modern-day slavery, they must include due diligence processes within companies and associated supply chains.
- **Non-Compliance:** Penalties are based on each member state's laws, but the EU is looking to criminalize human trafficking.



In most of these laws, the onus falls on the company to complete their due diligence, provide proof showing modern-day slavery practices are not present, and report their findings to a government body. If a company does not meet guidelines, implements subpar due diligence, or is found to use modern-day slavery, there can be serious financial and reputational consequences.



Human Trafficking



Debt Bondage



Sexual Exploitation



Child Labor



Forced Labor

Figure A: Types of modern-day slavery

ESG METRICS AND GOALS

IT'S ABOUT "DOING GOOD" RATHER THAN "LOOKING GOOD"

ESG metrics play a significant role in supply chain and risk management. Focusing on the "right" ESG metrics allows companies to broaden the scope of their reporting and become more proactive in their initiatives.

ESG metrics are essential for companies with large supply chains. However, ESG auditing can be complicated. It requires organizations to perform extensive communication across all suppliers and effectively collect, manage, and report relevant data.

WHAT IS A HUMAN RIGHTS DUE DILIGENCE PROGRAM?

A Human Rights Due Diligence Program (HRDD) is a dedicated approach for groups to manage human rights risks and abuses within their organization. It outlines steps the company should carry out to identify, prevent, mitigate, and record potential human rights concerns within their direct operations and supply chains. [20] Additionally, HRDD propels organizations to learn from past mistakes and adopt new preventative measures. It plays an important role in helping companies meet human rights regulations, protect their image, and meet moral obligations.

THE BENEFITS OF BUILDING AN HRDD PROGRAM

One of the advantages of an effective HRDD program is that it mitigates both financial and reputational risk. Consumers are making it clear that human rights are a key factor when purchasing goods. This can be a major differentiator in crowded industries. A positive reputation goes a long way.

Another benefit is that it allows organizations to meet universal human rights principles and ensure global coverage of regulations. This ensures the company remains in good standing, does not receive fines, and reduces confiscated shipments at various international borders. Additionally, it promotes a proactive approach to help businesses be prepared for future regulation and adapt to global policy changes. Human rights due diligence provides long-term risk management.

FORCED LABOR, TECHNOLOGY, AND DUE DILIGENCE

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That is why Source Intelligence has created a human rights due diligence solution to support due diligence requirements. It allows companies to trace their supply chain, automate data collection from suppliers, and flag potential human rights concerns on several factors. This ensures consistency in supply chain assessments and streamlines reporting for government regulations.

CONCLUSION

Ensuring your business does not employ modern-day slavery practices is not only recommended but required in most countries. Additionally, the number of human rights regulations is only increasing, which will continue to pressure companies to implement robust human rights due diligence practices.

Beyond just government requirements, human rights violations carry major risks. The consequences can be long-lasting, from financial penalties to a damaged reputation. An effective HRDD program is a necessity in today's business world.



However, developing a robust HRDD program requires time and expertise. Finding ways to streamline the due diligence process is necessary. A terrific way to augment existing HRDD frameworks in today's technology-forward world is with tech-driven programs.

Technology solutions can help identify supply chains, transform supply chain processes, and cut out manual work. With automation, supply chain players can address social responsibility problems and ensure compliance, regardless of language barriers and country.

Source Intelligence offers a dedicated technology solution that allows supply chain entities to virtually submit documentation, providing a central location to review for compliance and spot potential red flags. Our collaborative and dynamic approach is ideal for risk mapping. With relevant insights, you can integrate our tech solution to prevent forced labor, debt bondage, exploitation, and trafficking elements from your supply chain procedures and meet global modern-day slavery regulations.

**Want to maintain your competitive edge and uphold high supply chain standards?
Get in touch to learn more about our technology-powered assessment solutions.**

[Schedule a demo](#)

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