GBI

GUIDANCE BRIEFING SERIES

WHAT "GOOD" LOOKS LIKE

Identifying and addressing human rights risks and impacts



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What "good" looks like

Identifying and addressing human rights risks and impacts

Insights from business practice

"Effective human rights due diligence requires companies to identify and address human rights risks and impacts. To do that, you have to walk in someone else's shoes - and keep walking. That's what meaningful human rights due diligence looks like."

Gerald Pachoud, GBI Senior Advisor

Identifying and addressing risks to people is essential to human rights due diligence. This guidance briefing shares insights from practice about what identifying and addressing human rights risks should look like, followed by examples from practice about how companies approach identifying and addressing human rights risks across their value chain. The briefing also shares considerations for policymakers about how to approach requiring companies to identify and address human rights risks as part of mandatory measures.

Why this practice-based series?

In 2011, the States in the UN Human Rights Council unanimously endorsed the UN Guiding Principles on Business and Human Rights (UNGPs). The UNGPs have enjoyed broad support by companies, industry groups, sustainability and human rights experts, civil society, and affected stakeholders because the UNGPs were based on years of rigorous research and broad global engagement

The Global Business Initiative on Human Rights (GBI) is the only business-led initiative solely focussed on supporting companies through peer learning to improve the implementation of their responsibility to respect human rights under the UNGPs and carry out human rights due diligence. That work has resulted in a substantial and detailed repository of practice-based insights and knowledge about what human rights due diligence means when facing real-world challenges, and what can reasonably be expected of companies in their pursuit of respecting human rights and the environment.

As regulations such as the European Union's Corporate Sustainability Due Diligence Directive (CSDDD) and other national laws establish binding obligations that largely codify and operationalise the core principles of the UNGPs, GBI is now sharing its experience and practice-based insights in a guidance series about "what good looks like."

The aim of this series is to help further the development of mandatory due diligence legislation on sustainable business in the European Union and elsewhere in ways that are practical, realistic, and in line with the UNGPs. This guidance also aims to help companies to understand what "good" looks like when it comes to implementing mandatory human rights and environmental due diligence.

Why identifying and addressing human rights risks is essential

Identifying actual and potential human rights risks and impacts is the cornerstone of the corporate responsibility to respect human rights and the obvious first step of human rights due diligence (HRDD). Without this first, essential step, companies cannot prevent harm, engage meaningfully with affected stakeholders or make informed decisions that respect people's rights.

In today's global economy, business operations — whether in the extractive, manufacturing, agriculture or services sectors — are deeply embedded in social and environmental contexts. This interconnectedness means that business decisions can have profound consequences on people's lives, livelihoods and dignity. Understanding and addressing those impacts is not only a matter of corporate responsibility — it is key to long-term business resilience and success.

From a business perspective, human rights risks are tangible and increasingly material. They manifest in concrete ways: a supplier caught using forced or child labour; a digital platform enabling online harassment or misuse of personal data; a project displacing communities without fair process; or a financial institution funding ventures that contribute to environmental degradation and social unrest. These are not reputational risks alone — they represent potential operational disruptions, legal liabilities, and breaches of trust. Investors, regulators, clients and consumers are all demanding greater accountability.

Legal frameworks are catching up, but this is not only about compliance. Companies that embed human rights risk identification into their business models often make better business and operational decisions. They are more attuned to social dynamics, more agile in responding to controversy, and more likely to maintain the trust of communities, customers and employees. They anticipate points of friction before they become disruptive or turn into crises, and they protect their license to operate by demonstrating legitimacy and responsiveness. In increasingly competitive markets, a company's human rights performance is becoming a differentiator.

Whether business-to-business (B2B) or business-to-consumer (B2C), and whether operating in physical supply chains or in digital service environments, companies face complex human rights challenges. By making the identification and assessment of risks a regular and rigorous part of how they do business, companies position themselves not only to avoid harm, but to lead responsibly in a world where expectations — and consequences — are increasing fast.

What identifying and addressing human rights risks and impacts should look like

1. Focus on risks to people first

HRDD is fundamentally about identifying and addressing risks to people — rather than primarily risks to the company. These risks can affect workers, communities, consumers and other groups connected to the company's operations or value chain. The starting point must always be the potential for harm to individuals, not reputational exposure or financial or legal liability alone.

2. Take responsibility across the full value chain

Effective identification requires looking beyond direct operations. Companies should identify where human rights risks may arise across their entire value chain, both upstream and downstream. This includes suppliers, subcontractors, distributors, customers and end users. In many cases, the most severe risks lie beyond the first tier or in service-related functions like finance, logistics or digital platforms.

The cause, contribute and directly linked framework outlined in the UNGPs puts both a floor and a ceiling on companies' responsibility to address risks and impacts, enabling them to define situations where they are or are not involved. A company is not linked with every adverse impact associated with a given relationship. This framework also helps to create a shared language and accountability framework for governments, companies and civil society organisations (CSOs).

3. Build the full picture from multiple sources

A credible risk identification process draws on diverse sources of information. This includes internal reports, grievance mechanisms, stakeholder interviews, human rights assessments and credible external research. Triangulating information ensures that risks are not assessed based on one perspective alone and strengthens the validity of findings. The process is continuous, rather than a one-off or focussed on a single approach.

4. Engage stakeholders when possible, and adapt when it is not

Affected stakeholder engagement is a critical component of effective risk and impact identification, providing essential insights into how people are affected by business activities. However, it is not always possible to engage directly with affected stakeholders — whether due to security risks, limited access, political constraints or other contextual challenges. The absence of direct consultation does not mean that human rights and environmental due diligence (HREDD) cannot be carried out. Instead, companies should acknowledge the limitations and take proactive steps to address them by relying on alternative sources of insight, such as diaspora communities, human rights experts, civil society organisations and independent research. These sources can help build a credible understanding of risks and ensure that the process remains rooted in the perspectives and realities of those most likely to be impacted. GBI's guidance briefing on meaningful stakeholder engagement shares more about practical approaches to engaging with stakeholders.

5. Be both proactive and reactive

HREDD is both a proactive and reactive process. Companies fulfil their responsibility when they take action to anticipate and prevent potential harms, as well as when they respond effectively to actual impacts once they arise, accepting that it is always better to act early. Anticipating risks allows companies to prevent harm before it occurs, which is not only more effective in protecting people, but also more sustainable for the business. The earlier risks are identified and addressed, the greater the opportunity to avoid escalation, reduce harm and build trust with stakeholders.

6. Prioritise without excluding

Companies are not expected to address all human rights risks simultaneously, especially when operating across complex and extensive value chains. In such cases, prioritisation is both necessary and practical. However, prioritisation should never be used to exclude certain risks altogether. It is a tool to determine where to act first — not where to act only. While companies should initially focus on the most severe and likely risks — often referred to as salient risks — these should not be interpreted as the only risks that matter. All identified risks should be addressed over time, with appropriate planning, resourcing and monitoring to ensure that no harm is left unacknowledged or unmanaged.

7. Evolve with the operating context

Human rights risks are dynamic. Companies should track the effectiveness of their responses and remain alert to changing contexts. Monitoring should be ongoing and include feedback from affected stakeholders. Risk identification should be repeated at key moments — such as market entry, expansion or changes in business relationships.

8. Drive decisions

Identifying risks is only meaningful if the findings are used to guide business decisions. For example, companies should ensure that risk insights influence procurement choices, investment decisions, project design and product development. Activities that pose high risks to people should not proceed without considering areas for prevention of adverse impacts, and without robust mitigation and stakeholder involvement.

9. Be honest about challenges and progress

Transparency is essential to building trust and accountability. Companies should document their process, decisions and outcomes internally, and communicate publicly about key risks and how they are being managed. External reporting should be honest about challenges and reflect a commitment to continuous improvement.

Good practice for identifying and addressing human rights risks and impacts



The following good practices and accompanying examples of company action are based on insights from GBI's multi-year work with companies. The lessons drawn indicate how companies have been working towards good practice. Some of these lessons may be more relevant than others depending on the corporate context.

GOOD PRACTICE | Consider risks across the full value chain, including downstream

Lessons drawn from practice:

- Some companies have expanded their HRDD to include downstream risks — such as how products or services are used by clients or end-users. In practice, this has included integrating human rights criteria into existing compliance and customer onboarding tools, as well as reviewing product use cases during the research and development phase of a new product or system.
- In lower-leverage contexts, companies use tools like risk-based questionnaires, contractual clauses and customer dialogue to flag concerns and seek alignment on responsible use.
- One company embedded human rights screening into its sales and commercial workflow, identifying high-risk jurisdictions where the product could be misused. This led to internal escalation procedures and, in some cases, modifications to contractual terms before deals progressed. A key component for the company was raising internal awareness so that sales and commercial colleagues understood the importance of downstream due diligence.

GOOD PRACTICE | Tailor impact assessment approaches to context

Lessons drawn from practice:

- Across different regions and business models, companies have adapted their assessment processes to match the level and type of risk. For initial scoping, some start with broad mapping exercises to identify general areas of concern, followed by targeted deep dives where risks are confirmed.
- In new markets or complex project environments, companies have combined field assessments with context-specific desk research, adjusting the methodology to reflect local political, social and legal realities.
- A company operating in a politically unstable region adapted its human rights assessment methodology to include additional local stakeholder interviews and a scenario analysis component to anticipate possible escalation of tensions linked to land and employment issues.
- Another company chose to conduct in-depth assessments on a particular commodity in every country where the commodity was sourced in order to have an in-depth assessment of the risks and impacts associated with that commodity.

GOOD PRACTICE

Use human rights impact assessments to inform action

Lessons drawn from practice:

- Companies conducting human rights impact assessments (HRIAs) have emphasised the importance of ensuring that findings are actionable. Rather than treating HRIAs as standalone exercises, some companies have used them to shape project-level mitigation plans, stakeholder engagement strategies or grievance mechanism improvements.
- In regions where trust is fragile, the process of conducting the HRIA has also helped to open dialogue with local communities. Following an HRIA, one company revised its community engagement strategy to better reflect informal power dynamics and concerns raised about compensation practices. This led to the creation of a dedicated local liaison team and new protocols for communicating land-related decisions.
- In order to address human rights and environmental risks holistically, a company conducted an HRIA alongside an environmental risks assessment and joined up the two teams as the assessment was being conducted. Following the assessment, the two teams were jointly developing an action plan to respond to potential and actual risks to people and the environment.

GOOD PRACTICE

Use leverage pragmatically and strategically

Lessons drawn from practice:

- In many cases, companies have learned that establishing or increasing leverage — especially with clients or minority joint venture partners — requires sustained effort. Rather than disengaging at the first sign of difficulty, several companies have opted to take practical steps to build influence over time, while also managing expectations through clear and transparent communication. This approach has proven effective, even where changes in partner behaviour have been gradual.
- In a case involving concerns about labour conditions in a partner's operations, a company focused first on building a shared understanding of expectations through structured dialogue. While short-term change was limited, this initial foundation later enabled more robust corrective actions during contract renewal.

GOOD PRACTICE

Strengthen internal capacity for impact identification

Lessons drawn from practice:

- Companies have found that building internal capacity, particularly among operational and technical teams, is critical for effective risk identification. Many have developed training materials, checklists and guidance tailored to specific roles or functions. Some have also introduced cross-training between human rights and environmental teams to encourage integrated assessments and holistic risk management.
- One company developed a human rights "field toolkit" for project managers and provided hands-on training for regional teams. This helped non-specialists to identify issues such as risks of discrimination in recruitment or early signs of community tension during site assessments.
- Some companies develop their own human rights guides that are tailored to help employees understand the company's potential human rights risks and impacts.

GOOD PRACTICE

Collaborate with civil society for local insight

Lessons drawn from practice:

- Partnerships with CSOs play a valuable role in improving companies' access to reliable, context-specific information. In practice, this has included both long-term partnerships and short-term engagements to assess specific risks, such as labour conditions or community grievances.
- Companies have also learned that ensuring the safety and independence of these actors is essential to sustaining effective collaboration.
- A company facing concerns about working conditions for migrant workers in its supply chain worked with a local CSO familiar with migrant worker issues to gather direct feedback and cross-check site-level monitoring results. This helped verify concerns and shape a more targeted supplier engagement plan.

GOOD PRACTICE

Scale HRDD through systems and collaboration

Lessons drawn from practice:

- For companies operating at scale, adapting existing systems and processes to integrate HRDD has been essential. In some cases, human rights considerations have been embedded in enterprise-wide systems — such as procurement platforms, transaction due diligence tools, or risk management dashboards.
- To increase HRDD at its manufacturing sites without creating additional burdens, one company chose to link a new module focussed on human rights to its existing audit processes. The module was also supplemented with a dialogue to foster open communications with the company in respect to human rights risks. At the end of the audit, the findings from the supplementary due diligence were incorporated into the audit report, thus legitimising them for site management and leading to the changes made at the manufacturing sites.
- At the same time, several companies have recognised the value of collaborating across their sector to address shared challenges and improve visibility beyond tier one. Examples of areas where companies are seeking sector collaboration to identify and address risks include artisanal and small-scale mining, smallholder farmers and labour contractors.

CASE STUDY FROM PRACTICE



Addressing risks through collaboration

The collection process for plastics recycling is an informal industry in many parts of the world, providing work for up to 20 million people worldwide.

A multinational consumer goods company set an environmental target to reduce plastic waste to landfill, aiming to achieve recycling plastic containers. As the company scaled up its recycling activities, it realised that it also needed to address the risks associated with the informal nature of recycling.

The plastics value chain is circular. The company purchases recycled plastic materials to create new materials. While the company was conducting HRDD, including audits on its plastic suppliers, it had not considered its tier two suppliers. In many parts of the world and in many sectors, the workers in the tier two supply chain are informal.

As the company researched this informal industry, it identified a range of adverse human rights impacts to waste pickers, which the company could be linked to because of its environmental targets. These included a lack of an adequate standard of living, workplace safety impacts, child labour, forced labour and discrimination amongst other risks.

To mitigate the risks to workers, the company exercised leverage in several different ways:

1. It revised its supplier management policy processes. The company worked with its plastics suppliers to map its supply chains, understand the waste collection structure, and develop an action plan to address identified risks.
2. Starting with pilots, the company is rolling out the revised supplier management policy and processes in the waste management sector over the next few years.
3. In partnership with peers in the Fair Circularity Initiative, the company participated in the development of principles for corporate engagement with the informal waste sector, which is aligned with the UNGPs.
4. Lastly, the company is also trialling the use of technology to empower workers and ensure fair wages.

The company had already worked on labour issues for some time in other parts of the business, but not with tier two suppliers in this particular sector. However, once the risks to informal waste pickers was identified, the company was able to adapt existing processes to respond to the scaling up of its recycling programme. Additionally, because the risks were beyond tier one, collaboration with suppliers and peer companies in the industry was essential for the company to start to address the adverse impacts to informal waste workers

Key considerations for policymakers

As governments around the world move to strengthen mandatory HREDD, there is a growing need to ensure that public policy frameworks are aligned with the standards and expectations set out in the UNGPs. Policymakers have a vital role to play in shaping regulatory environments that are effective, consistent and capable of driving meaningful change. The success of mandatory HREDD measures depends on more than legal obligations; it requires well-designed policy frameworks that are grounded in international standards, responsive to business realities and focused on meaningful outcomes for people. Policymakers have an opportunity to play a catalytic role in shaping markets where respect for human rights is not only expected, but effectively incentivised, supported and enforced.

The following considerations are drawn from business practice and multi-stakeholder engagement and are intended to support the development of well-informed, practical and rights-respecting policies.

1. Anchor requirements in the UNGPs

Any regulatory approach to HREDD should be grounded in the UNGPs. Thisframework sets out internationally recognised principles that distinguish between risks to people and risks to business and clarify the scope of corporate responsibility based on cause, contribution and linkage. Aligning policy measures with the UNGPs helps ensure consistency, facilitates cross-border harmonisation, and reflects the consensus reached by states, businesses and civil society.

2. Provide clarity without prescriptiveness

Effective legislation should offer companies clarity on what is expected — such as the obligation to identify, prevent, mitigate and account for human rights risks — while avoiding overly prescriptive checklists that risk turning HREDD into a compliance exercise. Flexibility is essential for companies to tailor their approaches to their size, sector, risk profile and operating context. Laws should focus on the outcomes and quality of due diligence processes, rather than dictating rigid procedures.

3. Encourage prioritisation, not exclusion

Policymakers should reinforce the UNGPs' principle that companies may prioritise their most severe risks to people in the short term but are expected to address all identified risks over time. Legal frameworks should make clear that prioritisation is not a basis for ignoring or permanently excluding risks. Guidance on prioritisation can help businesses understand how to assess severity and likelihood, and allocate resources accordingly while maintaining a commitment to addressing lower-ranked risks in due course.

4. Recognise the role of leverage and collaboration

Companies' ability to influence business partners — especially in complex or lower-leverage relationships — varies significantly. Regulation should reflect the UNGPs' recognition that businesses are not always in a position to prevent or remediate impacts unilaterally, particularly where they are only directly linked to them. Policymakers can support companies by encouraging the use of collective leverage through existing industry initiatives and multi-stakeholder platforms or purpose-built ad hoc initiatives, and by creating space for companies to stay engaged in challenging contexts where disengagement could worsen human rights outcomes.

5. Enable meaningful stakeholder engagement

Stakeholder engagement is a cornerstone of effective due diligence, but many companies still face barriers to doing it well — such as lack of access, security risks or limited local capacity. Public policy can support good practice by promoting meaningful stakeholder consultation, including the voice of rights-holders, trade unions and civil society in both company-level due diligence and national-level monitoring and enforcement. In parallel, states should protect civic space to ensure that stakeholders can participate freely and safely.

6. Align enforcement with learning and continuous improvement

Enforcement mechanisms should be designed not only to deter non-compliance, but also to support learning, transparency, and continuous improvement. Companies should be encouraged to disclose both progress and challenges in their HREDD efforts without fear of disproportionate penalty. Regulators can support this by using tiered enforcement models, offering capacity-building support, and rewarding companies that demonstrate credible good-faith efforts to identify and address risks.

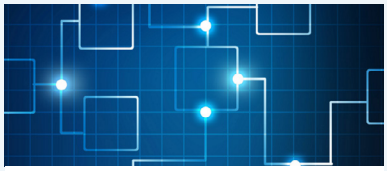
7. Integrate human rights into public sector decision-making

Policymakers should ensure that public procurement, export credit, development finance and trade promotion systems are aligned with human rights expectations. State agencies can lead by example by requiring HREDD from public-private partnerships, infrastructure projects and recipients of state support. This reinforces responsible business conduct and ensures consistency across public and private sector standards.

8. Ensure policy coherence across government functions

HREDD policy should not be siloed. Policymakers should coordinate across ministries and agencies — such as trade, finance, labour, environment and foreign affairs — to ensure that expectations are coherent, mutually reinforcing and do not create contradictory incentives. This is particularly important where human rights risks intersect with environmental impacts, conflict sensitivity, anti-corruption and responsible investment agendas.

Further Resources



Identifying human rights impacts

GBI's business practice portal



Managing Business Relationships

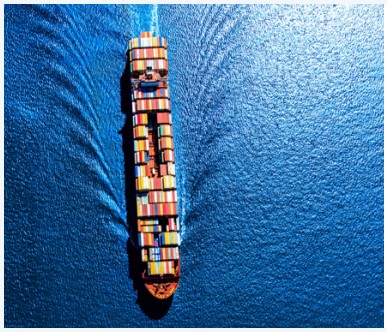
GBI's business practice portal



Using leverage

GBI's business practice portal

Developed by business for business, these evolving resources draw on practical insights across various areas of company practice.



Effective downstream due diligence: Key questions for companies

GBI's resource on downstream due diligence offers additional information about potential downstream risks and questions for companies seeking to implement downstream HRDD.

Credit: Cover image Vural.



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