



Human Rights-Related Risks

Does Your Organization Verify the Ethical and Responsible Conduct of Its Suppliers?

Laws are changing around the world to impose on companies to prevent human rights violations resulting from their own activities or related to their products, services or operations through their business relationships. The growing pressure on supply and distribution chains certainly brings challenges, but also creates opportunities for organizations to strengthen their reputation and corporate responsibility mechanisms, and mitigating risks. This process will require a multidisciplinary and proactive approach, including strengthening compliance programs, ongoing due diligence focused on supply chains, as well as developing engagement and awareness programs.



Increasingly complex supply chains

Growing consumer awareness about worker exploitation

2,575

people rescued from situations similar to slavery in Brazil in 2022¹

Human rights violations can generate particularly devastating crises because they stem from practices such as forced labor, child labor, discrimination, and other forms of abuse. These tend to cause public outrage and provoke strong reactions from multiple stakeholders with conflicting interests, such as workers, consumers, investors, NGOs, and government agencies. In addition, human rights violations can result in legal and regulatory consequences such as fines, penalties, and lawsuits, as well as financial restrictions and possible international sanctions, including trade embargoes. Therefore, addressing these risks requires technical, legal, financial, and communication expertise.

Prevention: The Right Path

The work should include, among other initiatives, proactive actions to 1) identify, map, and address human rights violations risks related to their activities and operations, as well as their commercial relationships, 2) create clear policies and raise awareness among key audiences such as employees and suppliers about these standards, 3) build alliances with stakeholders who can collaborate to strengthen these practices, and 4) develop a crisis management plan to mitigate the impacts of potential problems.

Benefits of a Responsible Supply Chain:

- **Risk Management:** Helps mitigate risks and reduce potential negative impacts to companies such as legal proceedings, reputational crises, and loss of customers, thereby increasing financial stability and maintaining competitiveness in the market.
- **Brand Strengthening:** Contributes to a more positive image, increasing a company's perceived value by consumers, investors, and other stakeholders.
- **Regulatory Compliance:** Assists companies in complying with increasingly stringent national and international human rights regulations, avoiding fines, sanctions, and other reputational impacts.
- **Market Expansion:** Enables companies to explore new business opportunities in markets that value sustainable practices.
- **Talent Attraction and Retention:** Contributes to building a positive corporate culture, increasing employee satisfaction and engagement, and consequently, leveraging companies' ability to attract and retain talent.
- **Access to Financing:** May increase a company's ability to obtain credit lines and obtain more attractive loan terms, considering that social and environmental responsibility is becoming an increasingly important consideration for banks, investors, and other such institutions.

“Companies are facing increasing pressure to conduct comprehensive due diligence on their operations and take proactive measures to identify possible human rights violations at all stages of their supply chains. FTI Consulting aids in identifying and mitigating these risks at all operational stages of companies”.

How FTI Consulting Can Help:

Our team of experts in Strategic Communications, Forensic & Litigation Consulting, and Corporate Finance can quickly implement a multidisciplinary program including:

- **Supply Chain Compliance Program:** Conducting a comprehensive assessment of compliance programs, focusing on the supply chain, service providers, and other third parties, including verification of connections (up to fourth-level relationships) to identify, map-out, and mitigate key risks related to third parties and their related parties.
- **Operational and Supply Chain Due Diligence:** Developing and implementing an on-site due diligence and investigation model to assess all actors as well as working conditions at all stages of company operations.
- **Certification Assistance:** Identifying the most appropriate certifications for each business and aiding in the implementation of the necessary practices and policies to meet those required standards.
- **Regulatory Monitoring and Advocacy:** Monitoring and tracking laws and regulation and, in turn, developing programs to influence the adoption of new, reasonable, and feasible laws and regulations related to human rights and business.
- **Stakeholders Awareness:** Developing training sessions, communication materials, events, and social marketing campaigns. Participating in forums and conducting research to identify trends and best practices. Constant monitoring and evaluation of actions taken to generate transparent reports.
- **Stakeholder Mapping and engagement:** Collaborating with various stakeholders to strengthen the company's reputation and responsible practices, including NGOs, academia, customers, employees, and local communities.
- **Crisis Preparation and Response:** Developing crisis manuals and providing support in case of human rights violations for a quick and effective response.

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¹ RADAR SIT. Information and Statistics Panel of Labor Inspection in Brazil. Available at <https://sit.trabalho.gov.br/radar/>. Accessed on January 24, 2023.

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