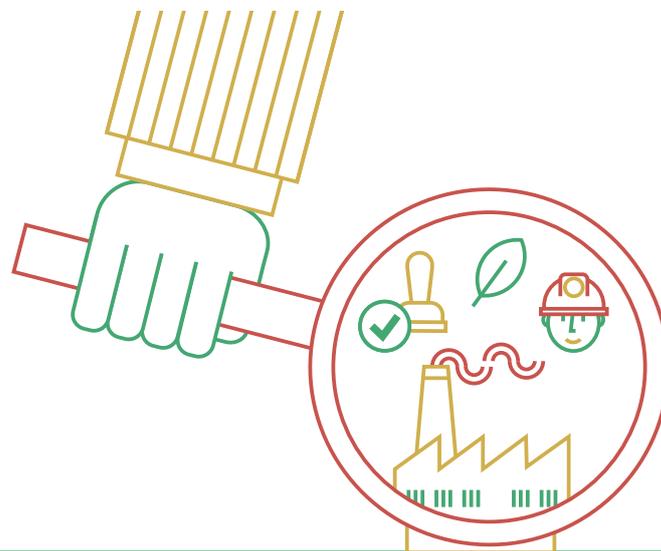


Certifications, social audits and supplier management tools: What is their role in companies' human rights due diligence?



Voluntary sustainability schemes such as social audits, certifications or supplier management tools are increasingly used by companies as part of their corporate responsibility strategies. This Q&A explains the **role and limitation of these schemes in companies'**

human rights due diligence¹ (HRDD). Based on the [UN Guiding Principles on Business and Human Rights \(UNGPs\)](#)², it provides an overview of the most important points to consider when applying such schemes.

- 1 Human rights due diligence (HRDD) is a systematic approach to managing human rights risks and impacts. For more information, refer to focusright's [practical guide for companies](#).
- 2 The principles of the UNGP are also contained in the [OECD Guidelines for multinational enterprises](#), which cover a broader range of topics that are relevant for responsible business conduct. The OECD Guidelines encourage companies to contribute to economic, environmental and social progress, and to minimise adverse impacts that may be associated with the company's operations, products and services.

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1. What are voluntary sustainability schemes, and what types of services do they offer?

As more and more companies work on topics related to responsible business conduct, a multitude of sustainability schemes have emerged to support their efforts. The schemes share a common objective: providing tools and support for companies in the identification and management of social or environmental issues in the (mostly upstream) value chain.

An **overview/classification of sustainability schemes** can be found in the [ITC Standards Map](#) and in the Business & Human Rights Helpdesk's [Standards Compass](#) for companies.

Taking different approaches to achieve this objective, the schemes offer a range of services:

Types of services offered

Examples of service providers/organizations (non-exhaustive)

Social standards/audit methodologies

Amfori Business Social Compliance Initiative (BSCI), Sedex Members Ethical Trade Audit (SMETA), SA8000

Sustainability certifications/labels

Fairtrade³, Global Organic Textile Standard (GOTS), Roundtable on Sustainable Palm Oil (RSPO)

Sustainable supplier management/evaluation tools

Sedex, Intertek Inlight™, EcoVadis

Sustainability risk data providers

Maplecroft, Reprisk, IntegrityNext

Exchange of know-how, sector collaboration and support in production countries (e.g. joint project implementation)

Fair Wear Foundation, Fairtrade, International Code of Conduct Association (ICoCA), Partnership for Sustainable Textiles

³ An in-depth analysis of Fairtrade's contribution to HRDD has been conducted by van Baar, A. & Knoote, F. (2022): A Fair Price for Human Rights Due Diligence. Bonn: Fairtrade International/Amsterdam: Vrije Universiteit Amsterdam.

The organizations or providers behind the sustainability schemes typically offer a combination of the above listed services, of which companies can choose from. Many companies, as part of their HRDD, responsible

business conduct or responsible supply chain management, make use of multiple schemes, based on their individual risk exposure.

2. Do we still need to conduct human rights due diligence when we apply sustainability schemes?

Yes: voluntary sustainability schemes and HRDD are two different things. **The responsibility to respect human rights always lies with the company itself. It cannot be outsourced or fulfilled through external sustainability schemes**, such as a social audits, certifications, or supplier management tools. As a conse-

quence, companies that apply these schemes do not automatically implement HRDD or comply with related laws. However, the sustainability schemes may be useful pieces in a puzzle of policies, processes and measures that altogether represent the company's HRDD (see Q4).

3. What are the limitations of sustainability schemes in implementing human rights due diligence?

A company's HRDD must follow some key principles to be aligned with the UNGP. HRDD is a continuous management system that translates the company's responsibility to respect human rights into the core of its daily business. It is tailored to each company and its specific operating context. Consequently, implementing **HRDD means something different for each company**, considering its business model, governance structure and

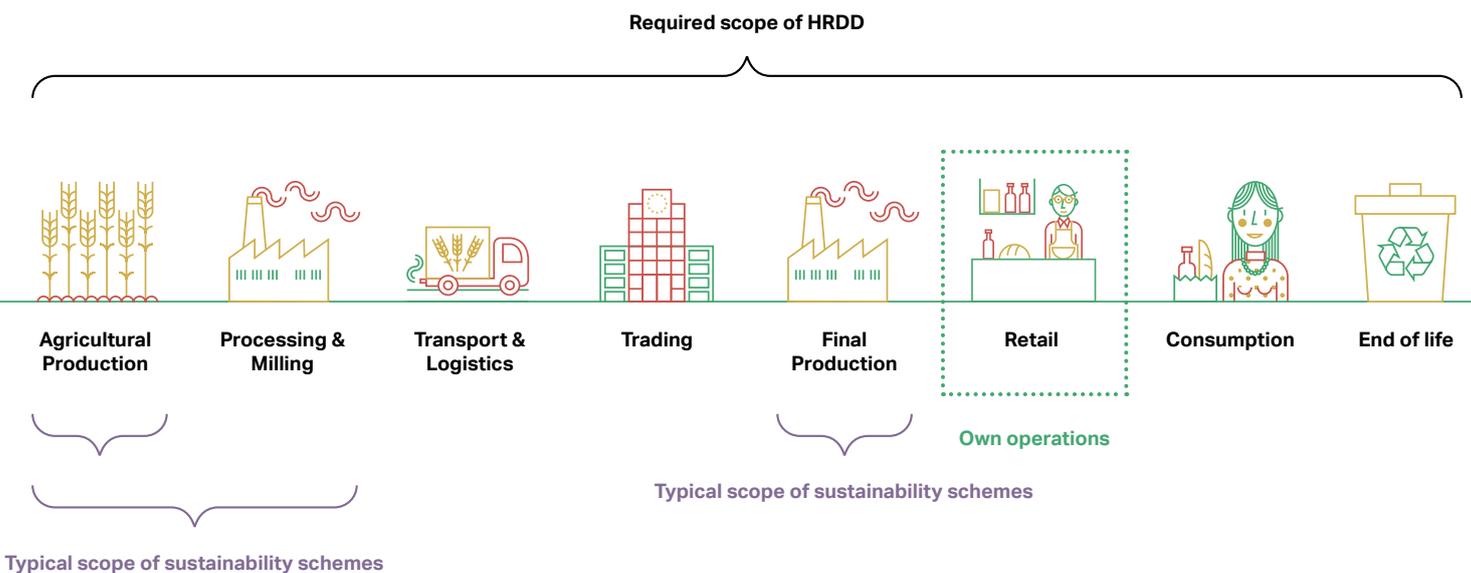
value chain. Trying to implement HRDD through standardised, external sustainability schemes – which are limited to their pre-defined purpose and scope – contradicts the all-encompassing and company-specific approach of the UNGP. Some of the most important limitations of such schemes compared to the fundamental principles of HRDD are summarised below:

	Fundamental principles of HRDD	Typical limitations of sustainability schemes ⁴
Human rights and labour rights covered	Consider the internationally recognised human rights – at a minimum, those expressed in the International Bill of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work .	Thematic scope is typically limited to certain pre-defined labour rights or human rights, without covering all internationally recognised human rights that may be relevant for your company. Or the methodology used is not suitable for identifying negative impacts on these rights.
Personal scope	Consider the risks and impacts on all potentially affected groups of people, even if they have no formal connection to the company (e.g. neighbouring communities, end users, people affected by end-of-life processes).	Personal scope is often limited to the company's or supplier's own staff (formal workers), e.g. in the case of social audits. Typically, not all potentially affected people are considered (such as subcontracted staff, informal workers, surrounding communities etc.).

⁴ Actual limitations of a specific scheme compared to the requirements of the UNGP depend on the details of the scheme and must be evaluated on a case-by-case basis. Some schemes offer flexibility and can adapt the scope based on the company's needs.

	Fundamental principles of HRDD	Typical limitations of sustainability schemes
Potential versus actual impacts	Consider both actual and potential impacts (risks), which might arise in general and in a specific context and take preventive measures to avoid the materialization of risks.	Many schemes focus on identifying and correcting actual impacts, without sufficient consideration of potential impacts (risks) that need to be prevented. Methodologies that are suited to identify general industry or context-specific risks, such as broader stakeholder engagement or in-depth research, are not always part of the schemes' approach.
Methodology	Gather information through the consultation of subject-matter experts and meaningful consultation with potentially affected groups of people (rights-holders) and other relevant stakeholders.	Some schemes rely on written or document-based inputs by suppliers (incl. self-declarations) or a number of short interviews (e.g. with management and workers), and lack meaningful engagement with potentially affected people or other relevant stakeholders, such as experts.
Value chain scope	Consider the risks and impacts the company causes or contributes to through its own activities, and that are directly linked to its operations, products, or services by its business relationships along the full (up- and downstream) value chain, including own operations.	Risks and impacts related to the company's own operations or the use/consumption of its products and services (downstream value chain) are typically not included. Most schemes are limited to selected stages of the upstream value chain, e.g. specific factories or production sites. Intermediate steps in the value chain, such as transportation and logistics, are typically excluded.

Difference in value chain elements covered



4. How can sustainability schemes contribute to human rights due diligence?

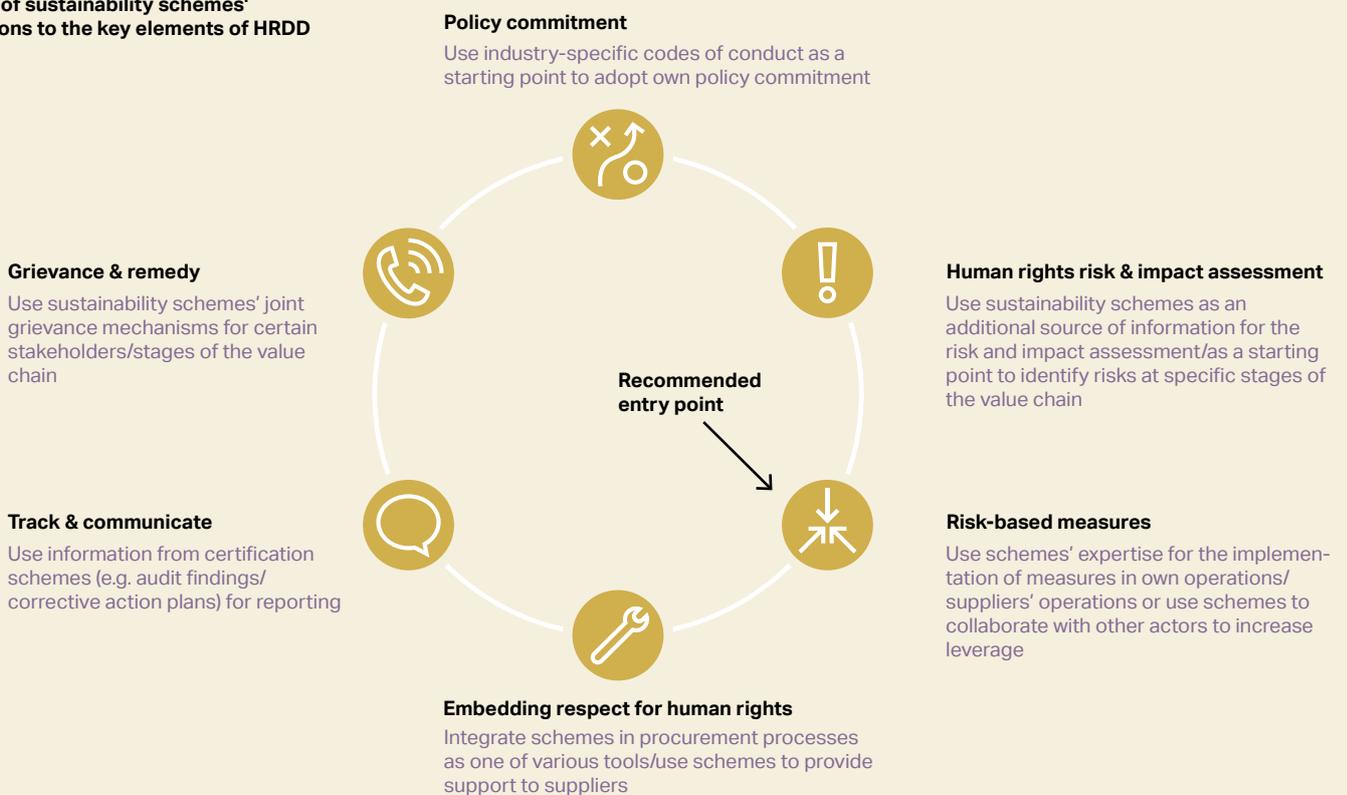
Implementing HRDD consists of the following key elements: (1) adopting a policy commitment; (2) assessing human rights-related risks and impacts; (3) taking measures to address the identified risks and (4) embedding human rights in the different functions and processes of the organization; (5) tracking and communicating progress and (6) providing access to grievance and remedy for affected people.

Some of these elements can be supported – but not replaced – through external sustainability schemes.

In this sense, the schemes can be part of the toolbox the company uses to implement HRDD.

The following graph provides an overview of the elements of HRDD and gives examples of how external sustainability schemes could contribute to their implementation:

Examples of sustainability schemes' contributions to the key elements of HRDD



While sustainability schemes can contribute to all elements of HRDD, the **recommended entry point for their application is the definition of risk-based measures**. These are the measures the company implements to address negative impacts on people at the prioritised stages of the value chain. The measures are defined based on a systematic assessment of the company's human rights risks and impacts along the full value chain, and the prioritisation of the most severe issues⁵. The risk assessment gives an overview of

which human rights issues may arise at which stages of the value chain, and which groups of people are most exposed to negative impacts. This is the information you need to select the sustainability scheme that best contributes to addressing your company's specific risks and impacts. In this sense, **sustainability schemes can support you in managing, tracking, and reporting on some of the previously identified human rights risks.**

⁵ When evaluating the severity of the identified (potential and actual) impacts, the focus lies on the risks to people, not the risk to the company itself.

Example:

<p>Basis – risk assessment:</p> <p>As part of its HRDD, the company has conducted a high-level risk analysis in line with the requirements of the UNGP and identified its salient human rights issues. One of the prioritised issues is living income in agricultural production, at the very beginning of the value chain.</p>	<p>Measure 1:</p> <p>As part of the risk-based measures, the company now chooses to conduct social audits of agricultural production sites to assess and track the topic of living income more in depth in prioritised (high-risk) locations.</p>
	<p>Measure 2:</p> <p>Additionally, the company collaborates with a local organisation that has issue- and context-specific expertise to implement measures to close the living income gap of farmers which was identified through the social audits.</p>

5. How can social audits contribute to human rights due diligence?

Social audits can be announced, semi-announced or unannounced. Social audits are often used by companies as a tool to identify and improve negative impacts related to certain labour and human rights internally or at specific stages of the upstream value chain. Some, but not all social audit schemes offer a certification or label in case of a sufficient audit result (see Q6).

Companies applying social audits as part of their HRDD must be aware that this approach provides a **momentary snapshot of the situation at the evaluated site and cannot guarantee respect for human rights**, especially not over time. The effectiveness of social audits has been criticised by civil society and academic experts. Serious tragedies, such as [the Rana Plaza building collapse in Bangladesh](#) or [the fire at the Ali Enterprises textile factory in Pakistan](#), have occurred shortly after social audits were conducted and no (safety) risks were found.

Some of the opportunities and limitations of social audits as a tool for HRDD relate to:

Opportunities

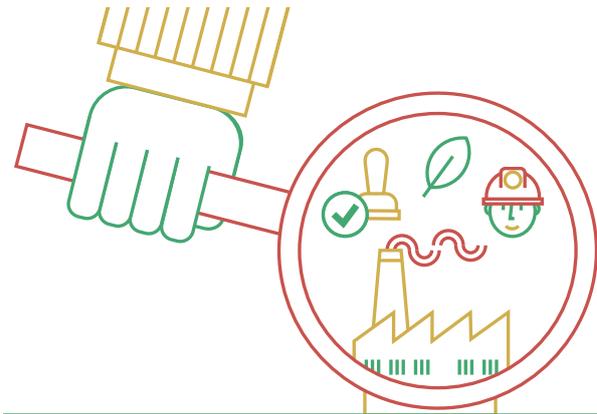
- **Systematic approach:**
 - Provide a systematic approach to assess certain labour rights risks at specific sites, especially regarding objectively measurable criteria (e.g. wages or working hours).
 - Provide a methodology to keep track of certain working conditions at direct suppliers and within the organization and compare performance over time.
- **Practicability:** can offer a cost-efficient and scalable solution to assess and address labour rights risks and impacts at certain stages of the value chain more in depth.
- **Awareness raising & collaboration:** translate abstract requirements (e.g. in codes of conduct) into concrete findings and corrective actions on-site and use them as a basis for collaboration.

What are social audits?

A social audit is a formal, investigative process to assess and report on an organization's compliance with certain labour rights and/or human rights standards. It is typically conducted by a third party and includes an on-site visit, document review and a limited number of interviews with workers. It allows the identification of gaps and definition of corrective action plans.

Limitations

- **Inappropriate for certain topics:** audits have been found to be an insufficient review method for some human rights and related topics, such as discrimination or sexual harassment, the right to freedom of association or indigenous peoples' right to free, prior and informed consent (FPIC).⁶
- **Methods used:**
 - Due to limited time and resources, meaningful engagement with rights-holders⁷ is usually not part of social audits.
 - In cases where audits are (semi-) announced, the audited entity may be able to make temporary improvements or hide risks and impacts.
- **Problematic incentives:** in cases where the audited company hires the auditor, there might be problematic incentives to provide favourable reports.
- **Effectiveness:** audits can take a tick-the-box-approach focusing on symptoms rather than the root causes of issues, with little or no improvement realised over time.



Given the limitations of social audits, it is recommended to **apply them in combination with other risk-based measures**. Additional measures can include conducting in-depth risk assessments that rely on meaningful stakeholder engagement and taking a shared responsibility approach with suppliers (see Q7). Social audits can be effective when they are used as one of several measures to assess and address certain pre-defined salient risks.⁸

6. How can sustainability certifications or labels contribute to human rights due diligence?

Like social audits, sustainability certifications or labels can be used as risk-based measures and contribute to addressing some of the company's previously identified human rights risks. Additionally, some of the organizations awarding the certificates or labels offer extensive subject-matter expertise, networks to relevant stakeholders and further measures such as the implementation of local projects in collaboration with suppliers. Certifications or labels are typically awarded based on a successful (social) audit result, which means that the opportunities and limitations described in Q5 apply equally to these schemes.

What are sustainability certifications/labels?

Sustainability certifications or labels are marks issued to products, sites or companies that inform business partners and consumers about the fulfilment of specific sustainability-related criteria. Certifications and labels are typically awarded after the successful completion of a periodic audit by the certification body.

An important contribution of certifications to HRDD is that they **can be applied in cases where the company lacks traceability of its value chain**. Even when the company does not know where exactly its critical raw materials or products come from, it can source certified raw materials or products that fulfil certain sustainability criteria at the (unknown) stage of production

(e.g. certified cotton, cocoa, palm oil). Some companies also use certification schemes as a first and pragmatic risk-based measure to address non-priority human right issues. Like social audits, sustainability certifications or labels **should not be used as a stand-alone measure but should be complemented by other measures**.

⁶ See e.g. ECCHR, Brot für die Welt & MISEREOR (2021): Human rights fitness of the auditing and certification industry? (p. 3)

⁷ For more information about meaningful stakeholder engagement, refer to Global Compact Network Germany (2022): What makes stakeholder engagement meaningful? 5 insights from practice

⁸ For more information, refer e.g. to Helpdesk Wirtschaft & Menschenrechte (2022): INFOPAKET 8. Runder Tisch: Wirtschaft & Menschenrechte – Austausch zwischen NGOs und Unternehmen «Welche Rolle können Audits im Sorgfaltsprozess spielen?» (in German)

Example:

Basis – risk assessment:

During its high-level risk assessment in line with the requirements of the UNGP, a company identified occupational health and safety (OHS) in gold mining as one of its salient human rights issues. However, the company does not have traceability of its gold value chain and does not know which country or mine the material is extracted from.



Measure 1:

As one of its risk-based measures, the company chooses to source certified gold, using a certification scheme that covers the topic of OHS in the mining phase. Being aware of the limitations of the social audit/certification approach and given the high severity of the human rights issue, the company decides that a certification alone is not enough to address the identified risk.

Measure 2:

As an additional measure, the company improves the traceability of its gold value chain through supplier dialogues.

Measure 3:

Once the country of origin of the gold is clear, the company will participate in a multi-stakeholder initiative that addresses the risk at a sectoral level in the production country and implement a local project to improve OHS in collaboration with a specialised NGO.

7. Supplier management tools: what needs to be considered to achieve sustainable positive impact?

To reduce the complexity of managing human rights risks in the company's upstream value chain, many companies rely on IT-based supplier management tools. These tools help them gather, organise, and evaluate sustainability-related information from suppliers. However, applying such tools indiscriminately to all suppliers can generate an overwhelming amount of data that will not be useful to the company that gathers it. To avoid the creation of "data cemeteries", it is recommended to **apply the supplier management tools in a targeted, risk-based way** and only request information that is relevant for managing specific, previously identified human rights risks. This could include evidence of suppliers' implementation of specific human rights-related policies, or a list of complaints received through their internal grievance mechanism. Such information could then be used as a basis for a more in-depth dialogue with the supplier.

What are supplier management tools?

Supplier management tools are IT-based solutions to request and gather sustainability-related information from suppliers. They complete self-assessment questionnaires and upload supporting documentation, based on which their sustainability performance can be automatically evaluated. Typically, the focus of the tools lies on tier 1 (direct) suppliers, with the option to gradually expand coverage to suppliers in further tiers of the value chain.

In addition to the quantity of the collected data, **the quality of the data collected through these tools can represent a challenge.** Suppliers who do not have robust HRDD in place may lack the capacity and expertise to properly assess their human rights risks. This can make the information collected through such tools unreliable. Furthermore, disclosing human rights risks to their business customers may present a risk to business continuity when clients “cut-and-run” after learning about the human rights-related challenges of their suppliers. Hence, suppliers that are answering sustainability questionnaires can face a conflict of interest.



The spirit of the UNGP demands a **shared responsibility approach to assessing and addressing human rights risks along the value chain.** For this reason, impact-oriented supplier management should focus on continuous improvement and go beyond data collection or supplier questionnaires. Consider the following recommendations to take a shared responsibility approach in your supplier management:

- Establish **long-term supplier relationships** based on trust and mutual engagement: identify and address human rights issues in partnership between the supplier and buyer company.
- Take a **dialogue-based and collaborative approach** with suppliers: understand the suppliers' challenges and limitations in implementing sustainability requirements, and jointly identify the root causes of human rights issues.
- Effective collaborative approaches may include **capacity-building or trainings for suppliers**, or (financial) incentives for the successful implementation of sustainability requirements.
- Understand your **own company's contribution to human rights issues arising in your value chain** (e.g. own purchasing practices⁹ such as short lead times leading to overtime at supplier factory) and adjust your own practices accordingly.
- **Share the “compliance costs”** that arise from fulfilling higher social sustainability standards between buyers and suppliers.
- **Do not “cut-and-run”:** terminate supplier relationships only as a last resort when the supplier is unable or unwilling to improve the identified issues.

Some sustainability schemes support companies and their suppliers in implementing this shared responsibility approach, e.g. through providing a platform to exchange know-how about responsible purchasing practices, offering capacity building for suppliers or approaches to sharing the costs of complying with higher sustainability standards.

⁹ For more information about responsible purchasing practices, refer to the Common Framework for Responsible Purchasing Practices.

② Guiding questions to evaluate the contribution and limitations of sustainability schemes to your human rights due diligence

There is no one-size-fits-all process for companies to assess the suitability and select the specific sustainability schemes that best contribute to their HRDD. However, you can **reflect on the following guiding questions** to evaluate which sustainability scheme best contributes (and to what extent) to your overall HRDD:

Guiding questions	Examples of considerations
1. Strategic objective: how does the sustainability scheme fit into our overall (sustainability) strategy/ HRDD management framework?	“As part of our HRDD framework, we apply sustainability schemes as a basic measure to address our previously identified salient human rights issues. We then take additional measures to address the more severe issues in depth.”
2. Ambition level: how stringent do we want our HRDD to be and which sustainability scheme offers standards, services and methodologies that correspond to this ambition?	“We look to implement stringent social standards, and therefore choose scheme X with longer, more in-depth social audits covering more human rights issues and more potentially affected people.”
3. Which human rights issues are covered by the sustainability scheme? Which of our company’s previously identified salient human rights issues does it cover/not cover?	“Salient issues covered by scheme X: working hours, minimum wage, health & safety. Salient issues not covered: living wage, community impacts, customer safety.”
4. Which stages or activities of our up- and downstream value chain , including our own operations, are covered by the sustainability scheme, and which ones are not covered?	“Stages/activities covered by scheme X: certain tier 1 suppliers involved in the final production of goods. Not covered: tier 2+ suppliers, own operations, downstream value chain.”
5. Which core element(s) of HRDD do the services offered by the sustainability scheme relate to? For which group(s) of people and at which stage(s) of the value chain?	“Scheme X offers a social audit, which is a risk-based measure that covers formal workers at direct (tier 1) suppliers.”
6. Does the sustainability scheme involve meaningful consultation of (potentially) affected groups of people ? If yes, which groups of people and what makes the stakeholder engagement meaningful?	“Scheme X includes a social audit with a limited number of short workers’ interviews. However, the interview methodology might not ensure meaningful engagement with workers (e.g. too short, no open questions, not based on mutual trust etc.).”
7. Which support does the sustainability scheme offer (e.g. training, capacity building, compliance costs) to enable actors in the value chain to implement measures and improve respect for human rights?	“Scheme X offers capacity building for tier 1 suppliers to put in practice the required improvements from the corrective action plan.”

Further information

- Helpdesk Business & Human Rights: [What standards can achieve](#)
- ISEAL Briefing Note (2020): [Corporate due diligence, sustainability standards and certification](#)
- OECD (2022): [The role of sustainability initiatives in mandatory due diligence: Background note on Regulatory Developments concerning Due Diligence for Responsible Business Conduct](#)
- SHIFT (2013): [From Audit to Innovation: Advancing Human Rights in Global Supply Chains](#)
- [OECD Alignment Assessments of Industry and Multi-Stakeholder Programmes](#), e. g. with the [OECD minerals guidance](#) and for the [garment and footwear sector](#)

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Concept, content and text	focusright ltd, focusright.ch
Design	Joël Walser. ArtWork., joelwalser.com
Illustrations	Natalia Gianinazzi, natalia-gianinazzi.ch
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