Strengthening Supply and Value Chain Risk Management: The Role of Development Finance Institutions' Environmental & Social Safeguard Policies

Policy Brief[1]

Key messages

- As upstream supply chains and downstream value chains have become ever more complex, **public and private sector purchasers of goods and services along those supply and value chains have increasingly been exposed to human rights risks and impacts** in those chains, such as forced labor, child labor, unsafe working conditions, forced evictions and gender-based violence.
- **Multilateral development banks (MDBs) and bilateral development finance institutions (collectively DFIs)[2] finance public and private sector clients[3] across a wide range of sectors where human rights risks and impacts are evident** including services, agriculture, mining, renewables, construction, manufacturing and digital transitions. Such risks and impacts usually manifest **several tiers away in upstream supply chains or down the value chains,** not only the initial tiers.
- DFIs have **been active in supporting the growth of domestic and international supply and value chains**. They have developed specialized lines of financing for supply chains, in support of the Sustainable Development Goals (SDGs) and the green transition and are supporting numerous initiatives to address environmental and social (E&S) risks in supply chains.
- However, **these approaches have not yet been adequately reflected in DFIs' own E&S Safeguard policies**,[4] which set out the responsibilities of the DFIs and their clients respectively to manage E&S risks in their supply chains as part of DFI lending and investment processes. Many existing E&S Safeguards requirements for clients **limit the scope of E&S risk management to a restricted group of suppliers in supply chains, and only to labor and biodiversity and natural resource management issues**, and do **not cover downstream value chains**, among other apparent limitations. These limitations have yet to be tested in complaints brought to DFI Independent Accountability Mechanisms (IAMs).
- **The limited scope of E&S Safeguard Policies may cause DFIs and their clients to miss serious human rights issues within deeper layers of upstream supply chains and in downstream uses or disposal of financed products and services**. The limited requirements in E&S Safeguard Policies for supply chain due diligence stand in contrast not only to DFIs' own initiatives on sustainable supply chains, but also to: (a) **international norms** and associated due diligence practices, such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct which set expectations for a comprehensive, risk-based approach to value chain due diligence; (b) a broadening web of **legislation** addressing E&S risks in supply chains; and importantly, (c) a growing body of **initiatives, technological innovations and practices** which demonstrate the feasibility of deeper-tier E&S risk management in practice.
- **DFIs should expand the scope of their E&S Safeguard Policies to encompass human rights risks throughout value chains**, beyond the current limited focus on a restricted set of suppliers and labor and biodiversity concerns. The scope should include users and consumers of products and services (downstream) as well as upstream suppliers. Strengthened, risk-based E&S Safeguard Policies and processes, aligned with international standards and evolving legislation, could help mitigate harm to vulnerable populations, support inclusive development and contribute to the fulfillment of DFIs' mandates.

Abbreviations and acronyms

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
AfDB	African Development Bank
CAO	Compliance Advisor Ombudsman (of the IFC and MIGA)
DFI	Development Finance Institution
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
E&S	Environmental and social
ESF	Environmental and Social Framework (of the ADB, AIIB and/or World Bank)
ESG	Environmental, social and governance
ESMS	Environmental and Social Management System
ESP	Environmental and Social Policy (of the EBRD)
ESPF	Environmental and Social Policy Framework (of the IDB)
EU	European Union
FI	Financial intermediary
IAM	Independent Accountability Mechanism (of a development finance institution)
IDB	Inter-American Development Bank
IDB Invest	Inter-American Investment Corporation (part of the IDB Group)
IFC	International Finance Corporation (part of the World Bank Group)
ILO	International Labor Organization
ISS	Integrated Safeguard System (of the AfDB)
MDB	Multilateral Development Bank
MIGA	Multilateral Investment Guarantee Agency
MNE	Multinational enterprise
OECD	Organization for Economic Co-operation and Development
OHCHR	Office of the UN High Commissioner for Human Rights
PSs	Performance Standards (of the IFC)
PV	Photovoltaic
RBC	Responsible Business Conduct
SME	Small and medium-sized enterprises
UN	United Nations
UNGPs	UN Guiding Principles on Business and Human Rights

1. DFIs are engaged in supply chain sustainability in various ways - but stronger risk management is needed

Supply chains in DFI-financed projects take many forms, from local to national, to regional, to global, or some combination of these. DFI-financed projects may be extremely complex, involving thousands of suppliers in the complete supply chain. A health center, for example, is a convergence point of a deeply interconnected and international supply chain. Each major component – from steel and concrete to MRI machines and sanitation systems – relies on raw materials, specialized manufacturing, and shipping routes that span continents. DFIs may play many roles such as supporting local entrepreneurs to supply to a local DFI-funded project, investing in businesses with long supply chains spanning multiple geographies across developing markets, integrating local small and medium-sized enterprises (SMEs) into global value chains, and financing large public sector projects with extensive supplier networks spanning multiple layers into upstream supply chains.[5] Supply chains vary significantly across sectors with different structures and networks for sourcing, production, aggregating, processing, distribution and end use. Service supply chains differ in structure from product and works supply chains, as do downstream value chains relating to the use of products and services.

DFIs finance both private and public sector clients and have different entry and leverage points with each. Several (but not all) DFIs finance **sovereign borrowers** that typically have specific public procurement processes that may be set out in legislation. DFIs have collaborated to establish procurement standards which include sustainability requirements.[6] This includes contractual and disqualification provisions on a range of E&S issues including forced labor, gender based violence, sexual exploitation and abuse, and sexual harassment.[7] Public sector actors are some of the largest purchasers of goods, services and works worldwide. Public procurement globally accounts for 13-20% of global GDP with estimated expenditure at nearly USD $9.5 trillion, which makes it a significant vector for supporting sustainability if sustainability requirements are incorporated into procurement requirements.[8] **Private sector actors** are at the core of providing the goods, services and materials for supply chains, from SMEs to large multinational corporations. Private sector actors manage supply chain risks in their own operations using different and often far more flexible approaches than sovereign borrowers.

Environmental and social sustainability is often an integral part of DFI support to supply chains.[9] DFIs provide supply chain financing, including to deep tiers within supply chains,[10] and many are helping to shape global supply chains as part of the green transition.[11] DFIs are working in various ways to foster resilient and inclusive supply chains[12] and are helping SMEs to meet international sustainability standards and thereby facilitate access to new markets and globalized supply chains.[13] Supporting SMEs in supply chains promotes more resilient and transparent trade relationships,[14] aligned with environmental, social and governance (ESG) standards, and more inclusive markets, particularly for women entrepreneurs.[15] DFIs have recognized the importance of fostering business linkages between DFI-funded projects and local and national businesses suppliers, in order to enhance economic impacts beyond the project itself. It is not uncommon for DFIs to include jobs created in supply chains, including in deeper tiers, within assessments of their own development impact.[16]

DFIs finance projects that specifically aim to reduce E&S impacts in supply chains[17] and, given the increasing market and regulatory demands for ESG reporting, they also use supply chain financing to enhance supply chain visibility for reporting and regulatory compliance.[18] DFIs are supporting digital innovations to improve sustainability and traceability of supply chains,[19] recognizing the importance of transparency for the efficient and effective management of E&S impacts.[20] They also carry out extensive research, analysis and advisory work on these issues.[21]

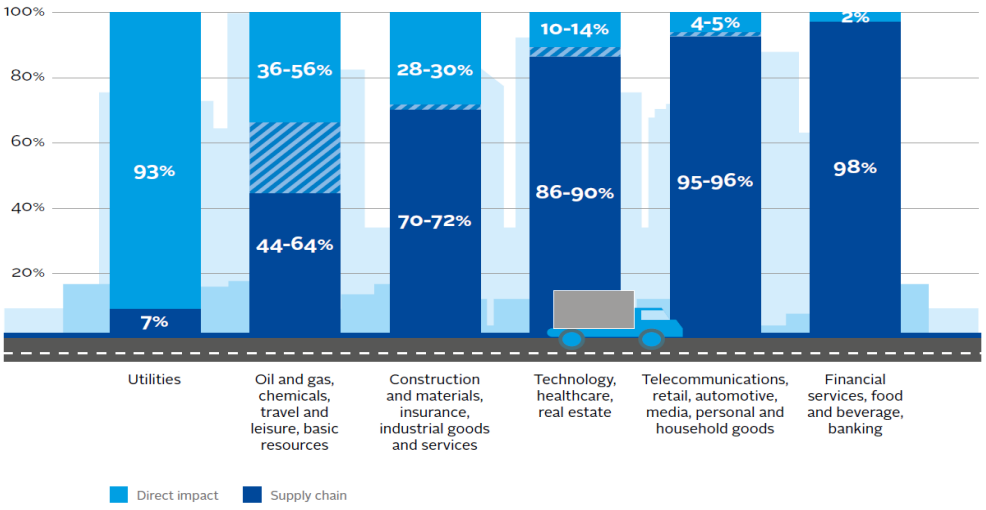
Some DFIs have also developed **specific toolkits on identifying and managing human rights risks in supply chains**.[22] Many DFIs provide clients with guidance and tools to help them apply the E&S Requirements in the

DFI's E&S Safeguard Policies.[23] Yet, as discussed in the remainder of this Policy Brief, there are risks in DFI-financed value chains which fall outside the scope of existing E&S Safeguard policies and are not being addressed, and where clients and their suppliers may benefit from further DFI support and guidance.

2. There is likely a wide range of E&S risks across DFI-financed value chains

As supply chains have expanded, so too has the scrutiny of the E&S impacts within them. **For numerous sectors, many of the E&S risks and impacts are linked to supply chain activities rather than direct operations**. A visual presentation of this phenomenon is in Figure 1, below, albeit limited to environmental (not social) risks and impacts.

Figure 1 – Share of a sector's environmental impact located in the supply chain



From UN Principles for Responsible Investment, Principles for Responsible Investment: Managing ESG risk in the supply chains of private companies and assets, (2017), drawing on Trucost information and cited in EBRD, Guidance on assessing and managing environmental and social risks in the supply chains of sub-projects, (undated).

Issues such as working conditions, environmental impacts and fairness in contracting are increasingly under the spotlight. Supply chain risks may impact significantly on a client's core operations. While implementing sustainability standards in supply chains can pose significant challenges, failing to address these risks and impacts can contribute to perceptions of supply chains as vectors of exploitation and undermine their resilience and stability.

The growing complexity and sophistication of value chains have expanded the risks that accompany them. Addressing these risks may entail many challenges including financial costs, capacity constraints, regulatory uncertainty, inadequate transboundary cooperation, and difficulties in enforcing traceability in weak regulatory environments, in circumstances where DFI and client leverage may be limited. With these factors in mind, it is especially important to focus on risks that are material to the given project as well as risks that are material to those affected by the project ("**risk-based due diligence**"[24]). DFIs, like their clients, will rarely if ever have the capacity to address all risks in supply and value chains, particularly operations with widespread, deeper supply chains. An all-encompassing approach would in any case not necessarily be an efficient, effective and proportionate one. Instead, **prioritization should be at the heart of the process**, starting with scoping/mapping to the most severe and likely risks such as those highlighted in Boxes 1 and 2

below. This should be followed by more detailed due diligence to determine more precisely where and what those identified risks and impacts are and what are the most appropriate measures to address them. Several DFIs have published guidance addressing a range of these risks.[25] There is also extensive guidance and support for a risk-based approach among businesses and international standard setters.[26]

Box 1: Examples of prevalent human rights risks in selected sectors with supply chains financed by DFIs

While human rights and other types of E&S risks and impacts will vary by context, there are some risks that are prevalent in specific sectors.[27] Where these sectors are the focus or in the value chain of DFI-funded projects, these risks may be present. The issues below may nevertheless represent only a fraction of the full spectrum of E&S risks and impacts in particular operations and contexts.

Agriculture [28]

- **Forced and child labor**, including bonded labor, are prevalent across many sub-sectors in agriculture. A number of sub-sectors have come under scrutiny, in particular cocoa, coffee, cotton, sugar cane, palm oil, soy, and fishing and seafood supply chains in developing regions.
- **Poor working conditions** due to low wages, long hours and a lack of enforcement of labor standards in harvesting, warehousing and storage.
- **Unsafe working conditions** are prevalent as agriculture is one of the most hazardous sectors of activity in terms of fatalities, injuries and work-related diseases.
- **Land rights impacts** from larger scale agricultural expansion at the beginning of agricultural supply chains can result in the denial of land and resource tenure, loss of livelihoods, violence and/or displacement of communities, particularly indigenous peoples and small-scale farmers, from their lands, without proper consent or compensation.

Mining [29]

- **Unsafe or hazardous working conditions** and inadequate safety protocols may expose many mining workers to life-threatening risks.
- **Environmental degradation** from extraction can affect local communities' access to clean water and healthy ecosystems, which are critical for their health and livelihoods.
- **Gender-based violence**, including harassment and abuse in and around extraction sites, particularly in remote areas, is often inflicted upon female workers and women and girls in local communities.
- **Violence, threats and wider retaliations against environmental and human rights defenders** by government, business and other non-state actors. Human rights violations of this kind are particularly pervasive in the mining industry.
- **Land rights impacts** from construction activities in mining supply chains.

Manufacturing (garments, footwear, electronics) [30]

- **Unfair labor practices**, including violations of freedom of association and the right to collective bargaining and exclusion of trade unions or labor inspectors from Export Processing Zones, which may be carried out as an inducement to foreign investment.
- **Unsafe and poor working conditions,** high production quotas, minimal safety standards, prolonged hours, gender based violence and sexual harassment are commonly reported problems.
- **Failure to establish or pay a living wage**, and underpayment or non-payment of wages, are common and well-documented concerns.
- **Forced and child labor** are more prevalent where recruitment practices such as charging recruitment fees to workers, particularly migrant workers, and outsourcing are used.

Renewable energy[31]

- **Forced and child labor may occur in connection with the extraction** of materials like silicon, cobalt and rare earth metals, which are essential for solar and wind components. Health and safety protections are also frequently lacking.
- **Violations of migrant workers' rights** in construction, manufacturing and operation such as through charging recruitment fees to workers, withholding of worker identity documents, reprisals and intimidation, and prohibiting the changing of employers. Multiple layers of subcontracting may obscure responsibility for respecting migrant workers' rights.
- **Land rights impacts** from acquisitions for large-scale renewable projects that are the source of energy used by a client can result in the denial of land and resource tenure, loss of livelihoods, violence and/or displacement of communities, particularly indigenous peoples and small-scale farmers, from their lands, without proper consent or compensation.

Construction (infrastructure)[32]

- **Unsafe working conditions in the sourcing of materials** like sand, silicates and aggregates, may occur at the beginning of the supply chain for construction materials.
- **Precarious contracting arrangements**, including refusal to recognize employment relationships in cases where objective criteria clearly indicate that formal employment contracts should be established, and the charging of recruitment fees to workers.
- **Failure to establish or pay a living wage**, and underpayment or non-payment of wages in connection with construction, transport, distribution, and the warehousing of construction materials.
- **Land rights impacts from acquisitions** for infrastructure or for end-use of construction waste, can result in the denial of land and resource tenure, loss of livelihoods, violence and/or displacement of communities, particularly indigenous peoples and small-scale farmers, from their lands, without proper consent or compensation.

There is also growing attention to adverse risks and impacts in the downstream value chain relating to the use, storage, distribution, transport, marketing, sales and disposal of products and services. Downstream risks may be inherent in a given product, service or solution, or may relate to a client's business model, the customer or end-user, the context, or irresponsible or unintended uses of products or services. Excluding or failing to address these risks and impacts can result in clients missing significant risks integral to their businesses or public functions.

The management of downstream risks is already well recognized and practiced in the financial sector and is recognized to varying degrees in DFI Safeguard policies. Downstream risks and impacts can be prevented and mitigated through similar due diligence measures as those highlighted in this Policy Brief such as: requiring responsible product design with technical functionalities that restrict unauthorised use; adapting sales processes to include human rights reviews; adapting "know your customer" processes; placing restrictions on sales to certain types of parties or countries; requiring the responsible marketing of products; using contractual provisions governing the terms of use and restrictions on transfers to new parties; requiring after-sales audit rights or using after-sales servicing to check on the use of products or services; providing training on the appropriate use of products or services; communicating and educating users, civil society organizations and the general public about the ways in which products or services can be abused by third parties; and ensuring responsible end-of-life disposal.

Box 2: Examples of prevalent human rights risks in selected sectors with downstream value chains financed by DFIs[33]

Digitalization

- Abridgements of a range of human rights relevant to digitalization and the purchase, acquisition, processing and/or end use of data, including:
  - insufficient data protection and failure to protect against cybertheft of data;
  - business models built on the extraction, re-use and re-sale of data (including potentially to law enforcement or intelligence agencies) without adequate safeguards or consent;
  - monetization of manipulative or addictive user services;
  - discrimination through algorithms and automated decision and/or biased profiling, which may have discriminatory or inequality-enhancing impacts;
  - the use of algorithmic systems that manufacture virality and fuel social conflict;
  - the development or deployment of intrusive facial recognition technologies;
  - inappropriate content moderation, and
  - the sale or use of surveillance tools that violate the right to privacy or target human rights defenders or political opponents.

Financial Services

- Financing clients and projects involved in the kinds of risk and impacts highlighted in Boxes 1 and 2.

Logistics/Distribution

- Unsafe and poor working conditions, minimal safety standards, prolonged hours.
- Discrimination resulting from discriminatory distribution models.

Equipment Providers

- Providing equipment used to further illegal occupation.
- Providing equipment to projects involving forced evictions.
- Providing equipment to projects involving denials of land and resource tenure, loss of livelihoods, violence and/or displacement of communities from their lands, particularly indigenous peoples and small-scale farmers, without proper consent or compensation.
- Unsafe or hazardous working conditions and inadequate safety protocols in the end-of-life disposal of ships.

Pharmaceutical

- Incentivising the sale of harmful products that result in harm to vulnerable populations from the use or overuse of products (such as opioid dependence).
- Sale of drugs used for capital punishment such as drugs used in lethal injections.

Food and Beverage

- Irresponsible product design of unhealthy products.
- Irresponsible marketing of unhealthy products such as “junk food” or alcohol to children.

3. There are numerous drivers of strengthened DFI value chain requirements

DFIs have a clear role to play in providing financing, setting E&S requirements and supervising their client borrowers and investees. Investment teams dealing with supply chains have been instrumental in broadening and deepening DFI supply chain financing and practices which undergird the expanding interlinkages of global trade.[34] Through initiatives such as those sampled earlier in this Policy Brief (Section 1), DFIs have generated a significant body of evidence on the value of enhancing E&S performance in supply chains.[35]

DFI clients have the primary responsibility to manage their own supply and value chains. This involves choosing their suppliers, engaging with them to address sustainability challenges, addressing risks and impacts, shifting suppliers as needed to reduce risks and improve sustainability outcomes, and preventing and mitigating risks with respect to downstream uses where relevant, in a wide variety of operating contexts.

There are numerous reasons why DFIs should set robust supply chain requirements in E&S Safeguard policies (see Section 4) and actively support clients' implementation efforts, especially where client capacity is lacking:

- **Reputational risk management.** Serious human rights abuses occur in supply and value chains, and the failure to manage supply chain risks effectively can make DFIs complicit in these abuses. The increasing interest from stakeholders in E&S impacts,[36] combined with increasingly sophisticated tools and initiatives to trace and uncover those risks and impacts in value chains,[37] means that there is an increasing reputational risk for DFIs and their clients as more risks and adverse impacts are uncovered.
- **Access to finance**. Investors are also showing increasing interest in E&S impacts in supply chains. Such impacts may have material impacts on returns, as they may expose companies to hidden and uncontrollable risks that can affect operations, harm reputations and reduce performance.[38]
- **Contributing to DFIs' development mandates, including on poverty reduction**. DFIs' mandates differ but many if not most include a focus on poverty reduction. There is a substantial body of evidence linking child labor, forced labor and human trafficking to income poverty and other dimensions of poverty.[39] DFIs commonly have exclusion lists which exclude these severe risks from the projects they finance, but if requirements do not extend beyond immediate suppliers to cover upstream production activities such as raw material extraction and agriculture which feed into other industries, they will be inadequate.[40] Rigorous due diligence by DFIs, exercising collective leverage and requiring clients to address these risks and impacts throughout their supply chains, will help DFIs to fulfill their poverty reduction mandates.[41]
- **Contributing to DFIs' mandates to do no harm**. A central objective of E&S Safeguards is to avoid harm to people and the environment. Where clients do not have systems in place to identify, prevent and mitigate and account for risks in their supply and value chains, this may lead to harms to workers, communities and the environment, undermining the purpose and foundations of DFIs' operations and mandates. Conversely, a focus on improving E&S impacts can lead to more robust and resilient supply chains.
- **Operational benefits**. By ring-fencing E&S responsibilities, E&S Safeguard policies may inadvertently curtail ambition, stifle innovation, produce wasteful inefficiencies by focusing DFIs and clients on less significant, proximate risks, rather than salient risks deeper in supply or value chains, and limit opportunities for clients to build and exercise leverage to address more systematic issues that may affect their longer-term business prospects. Whatever the state of the "ESG" debate at any given moment, robust E&S (including supply and value chain) risk management systems provide a foundation for business continuity, resilience and robustness.[42] Clients that can demonstrate strong E&S practices are in position to capture greater market share.
- **Improved responses to supply-chain shocks and disruptions.** The COVID-19 pandemic, armed conflicts, extreme weather events and other environmental shocks, and geopolitical tensions, are creating even greater commercial impetus for clients to increase visibility over their supply chains, thus facilitating E&S due diligence.[43]
- **The increasing uptake of global standards on business and human rights and Responsible Business Conduct.** The UN Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines on Multinational Enterprise on Responsible Business Conduct (OECD Guidelines) and ILO Tripartite Declaration of Principles concerning Multilateral Enterprises and Social Policy (MNE Declaration) (see Box 3) are increasingly being integrated in regional and national regulatory frameworks (see Box 4) and DFI operational policies, and generally set more stringent standards for value chain risk management than most E&S Safeguard Policies. These standards reflect and address the complexity of global supply

and value chains in the 21st Century[44] and aim to transform these chains from drivers of exploitation and environmental degradation to drivers of E&S sustainability. Multistakeholder initiatives are helping to translate these norms into innovative practices on supply chains, including in relation to contracting practices,[45] which may in turn stimulate innovation and ambition among DFIs and their clients.

Box 3: Drivers of better supply chain management – global normative standards

UN Guiding Principles on Business and Human Rights (UNGPs)

The UNGPs are normative standards grounded in the international human rights framework. They use a **risk-based approach** that expects businesses, governments and stakeholders to **prioritize** the identification and management of the most severe risks in a business' operations and its "business relationships," even if these are several tiers across the value chain. Upstream and downstream supply/value chains are "business relationships" within the meaning of these standards. As highlighted above, the most severe risks are usually at the beginning (or outer reaches) of the chain of business relationships that provide products, equipment or services for a business' operations or through use of products or services by end-users or consumers, in logistics and distribution or end of life disposal. In order to address those risks, **businesses and public actors procuring goods and services should seek to build their leverage[46]** through setting appropriate criteria for screening suppliers, evaluating suppliers' bids, integrating requirements in contractual provisions, monitoring and using their leverage to prompt actors in the supply chains to prevent, mitigate and remedy environmental and social (including human rights) risks and impacts within the supplying operations or use of products and services. Where the purchasers themselves incentivize or otherwise contribute to the emergence of those risks or impacts, for example, through their purchasing requirements or practices, the purchasers are expected to change their requirements or practices and to contribute to remedying harms in those value chains.

OECD Guidelines on Multinational Enterprises on Responsible Business Conduct (OECD Guidelines)

The OECD Guidelines apply to multinational enterprises from OECD countries wherever they operate. The human rights chapter of the Guidelines is aligned with the UNGPs. The Guidelines also cover a wider range of responsible business conduct topics including environmental issues, competition, disclosure, corruption, consumer protection, science and technology, and taxation. Similar to the UNGPs, the OECD Guidelines expect businesses to take a **risk-based approach** to the management of their operations and business relationships, including **upstream and downstream** value chains.

The OECD has developed extensive guidance and tools on responsible business conduct due diligence in connection with supply chains in the garments and footwear, minerals, agriculture and financial sectors.[47] The OECD's work on conflict mineral supply chains, prompted by 2010 US legislation requiring due diligence on minerals sourced from the Democratic Republic of Congo and neighboring countries,[48] demonstrated that severe risks and impacts deep in supply chains can be effectively addressed. A wide range of legislation, research, tools, resources and forums have followed since then, addressed to E&S risk management at all levels of mineral value chains.[49]

ILO Tripartite Declaration of Principles concerning Multilateral Enterprises and Social Policy (MNE Declaration) (2022)

The ILO MNE Declaration offers guidelines to multinational enterprises, governments, and employers' and workers' organizations in such areas as employment, training, conditions of work and life, and industrial relations, grounded in principles contained in international labor Conventions and Recommendations. Paragraph 10 of the Declaration affirms the responsibility of MNE's to carry out **human rights due diligence**, in line with the UNGPs, throughout their business relationships.[50]

- **Legislative developments on mandatory due diligence and disclosure on supply chains** are responding to the growing demand for better E&S management and transparency in supply chains.[51] National legislation (Box 4) may often be narrower in scope and application than international standards, but may also be accompanied by legal liability.[52] This may have direct consequences for many DFI clients.

Box 4: Drivers of better supply chain management – legislative initiatives

- **Laws requiring mandatory human rights and environmental due diligence, including on supply chains**: the EU Corporate Sustainability Due Diligence Directive (2024), the German Supply Chain Due Diligence Act (2021), France's Duty of Vigilance Law (2017) and Norway's Transparency Act (2022). As of May 2025 some of these laws were being debated which may result in some modifications, the extent of which is uncertain.[53]
- **Draft laws on human rights and environmental due diligence, including on supply chains**: Korea is considering a 'Bill on Human Rights and Environmental Protection for Sustainable Business Management' (2023). Thailand is drafting a mandatory human rights and environmental due diligence law to strengthen corporate responsibility, business compliance, and supply chain accountability (2025). The inaugural meeting in March 2025 of the OECD's Inclusive Platform on Due Diligence Policy Cooperation brought together 60 country representatives, many of which are considering introducing legislation.
- **Sectoral laws on supply chains** include the EU Deforestation Regulation (2023), Japan's Act on the Promotion of Use and Distribution of Legally Harvested Wood and Wood Products (Clean Wood Act) (2016), the EU Conflict Minerals Regulation (2017),[54] and Batteries Regulation (2023).
- **Laws prohibiting imports of goods made with forced labor**: The US Uyghur Forced Labor Prevention Act (UFLPA) (2021) establishes a rebuttable presumption that goods mined, produced, or manufactured wholly or in part in the Xinjiang Uyghur Autonomous Region of China or by an entity on the UFLPA Entity List are prohibited from importation into the United States. The US 1930 Tariff Act, Section 307 can also be used to block the entry of products of forced labor. The EU Forced Labour Regulation (2024) prohibits placing products made with forced labor anywhere in the world on the European Union market. The Government of Canada launched a public consultation to strengthen the forced labor import provision introduced in 2020 into its Customs Tariff Act in October 2024.
- **Corporate due diligence disclosure laws covering supply chains** include the EU Corporate Sustainability Reporting Directive (2023),[55] Canadian Fighting Against Forced Labour and Child Labor in Supply Chains Act (2023), Australian Modern Slavery Act (2018), UK Modern Slavery Act (2015), and California Transparency in Supply chains Act (2010).
- **Government guidance on responsible supply chains** include Japan's Guidelines on Respecting Human Rights in Responsible Supply Chains (2022)[56] and the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains (2015),[57] which seek to align with the UNGPs and OECD RBC guidance.

- **Reduced exposure to unexpected costs**. DFI clients may be subject to boycotts, legal claims or reputation damage from being associated with severe human rights risks. By one count, consumer boycotts of products tainted by human rights abuses cost companies around $2.8 billion a year.[58] Other examples include unexpected exposure to claims for compensation.[59]
- **Digital technologies are enabling deeper supply chain due diligence**. Geospatial technologies have enabled mapping of risks and vulnerabilities through all tiers of supply chains, including notably in the COVID-19 context,[60] and are helping to identify forced labor risks throughout renewable energy supply chains.[61] The use of digital technologies for enhanced data collection, sharing and analysis, including cloud computing, blockchain, big data analytics and Artificial Intelligence, may significantly strengthen monitoring, traceability and collaboration with key supply chain stakeholders.[62] The increasing availability and utilization of these technologies calls for an *enabling* supply chain risk management framework in DFI Safeguard Policies, and a higher level of ambition than has generally been reflected so

far, while also recognizing the need for appropriate safeguards for the use of digital technologies.[63] In parallel, there is a growing recognition that digital technologies are not necessarily a panacea and that the (often, significant) resources that are invested in monitoring may sometimes distract from or reduce the resources and attention needed to address the root causes of exploitative practices on the ground. A judicious balance is needed in this regard.

- **Complaints to DFIs and their Independent Accountability Mechanisms (IAMs)**. To date there have been very few complaints to IAMs to test the supply chain provisions of E&S Safeguard Policies.[64] Perhaps the most well-known exception concern's CAO's investigation in 2014 into IFC's loans to Delta Wilmar, a palm oil processing company operating in Indonesia.[65] The CAO investigation report documented numerous shortcomings in relation to IFC's management of risks and impacts associated with the company's palm oil supply chain, including a finding that IFC treated the loans in question "as if the supply chain requirements of the Performance Standards did not apply."[66] At the time of writing, similar allegations were being investigated by CAO in connection with IFC's investments in Wings Group's PT Sayap Mas Utama, Indonesia.[67] Beyond these isolated cases, few IAMs have so far considered how E&S Safeguard Policies should be interpreted and applied to supply chains or broader value chains.[68] However this is likely to change, in OHCHR's view. The same factors that have been driving increased attention to supply chains in a general sense, highlighted earlier in this Brief, are likely to increase awareness and stimulate accountability for E&S risks and impacts in DFI supply chains.

4. Supply chain E&S risk management practices have been improving

The drivers outlined above are already motivating private and public sector actors to address at least the most severe risks in global supply chains. There is a growing range of initiatives aimed at improving E&S performance in supply chains, a few of which are listed illustratively in the Annex. Some initiatives are focused on a particular sector or industry, while others are geographically focused. Some are multistakeholder in nature, and they may or may not involve governments. Their practical impacts may vary, but taken together, they demonstrate that it is possible to address E&S concerns throughout the supply chain, including but not limited to the immediate sourcing tiers. MDBs and other DFIs have also developed guidance and tools for clients on supply chains (See Box 5).

Box 5: Selected examples of MDB supply chain initiatives

- EBRD's **Environmental and social risk management toolkit for financial intermediaries includes a series of sector supply chain guidance notes** that provide practical, succinct sections on supply-chain mapping and traceability, risk identification and risk mitigation that includes certification supply chain schemes, multistakeholder initiatives and an overview of potential risk mitigation actions.
- The **Multilateral Financial Institutions Sexual Exploitation and Abuse and Sexual Harassment** Working Group covers actions on addressing these risks in supply chains, including through actions in the procurement process.[69]
- The **MDB Sustainable Procurement Resource Hub**[70] is a joint initiative by MDB partners to create a one-stop online database to access and share knowledge on the latest advances in sustainable public procurement including in supply chains.
- IFC's **Global Map of Environmental & Social Risk in Agro-commodity Production** provides an early and high-level country and commodity-level evaluation of E&S risks associated with agro-commodity primary production and can help to identify risks that may be numerous tiers into upstream supply chains.[71]

DFIs have committed to expand support for countries and other clients on the **green transition**,[72] financing transformative investments to ensure a just transition towards decarbonized and climate-resilient economies, moving away from reliance on fossil fuels[73] and towards a far greater uptake of renewable

energy. Solar and wind are at the forefront of the shift to renewables. According to the International Energy Agency, **solar power is projected to represent 80% of the growth in global renewable capacity between 2024-2030** and will become the largest renewable energy source by 2029.[74] This makes it all the more important that solar supply chains and other renewable energy supply chains are aligned with the requirements of a green and just transition.[75]

One of the most pressing challenges in this regard is **balancing the demand for solar panels with addressing allegations of forced labor and related human rights violations arising in the majority of solar photovoltaic (PV) supply chains**, linked to polysilicon production. The impetus for action in this context is strong given the severity of reported human rights violations in this context.[76]

Since 2021 **MDBs and some of the major bilateral DFIs have embarked on a coordinated approach to addressing solar PV supply chain challenges**, through one or more joint working groups dedicated to addressing these issues, along with individual DFI action plans and measures, although in OHCHR's understanding the details of this work are not generally made public. In parallel, **traceability** methods have improved significantly, although end-to-end traceability across the value chain remains a longer-term goal.[77] Addressing human rights risks and impacts in such contexts remains extremely challenging given the continuing obstacles to due diligence and independent auditing.[78]

The UNGPs and global RBC standards generally encourage DFIs and their clients to "lean into risk," remain engaged, and seek opportunities to **build and exercise leverage** to improve the situation in supply chains and other business relationships as far as possible. But where all feasible leverage options have been exhausted (individually and collectively with other actors), and the situation has not changed, DFIs and their clients "should consider ending the relationship, taking into account credible assessments of potential adverse human rights impacts of doing so" through a process of human rights due diligence that focuses on the impacts of a potential exit or potential decision to remain.[79]

When deciding whether to exit a business relationship, it is legitimate to consider how "crucial"[80] that relationship is, for example, whether an alternative source of supply of a critical product or service is reasonably available elsewhere. In all cases where a DFI or client decides to remain engaged despite evidence of ongoing human rights abuses, it should be able to justify its decision and mitigation actions publicly on the basis of objectively reasonable criteria and "accept any consequences – reputational, financial or legal – of the continuing connection" to the impacts in question.[81] **The more severe the human rights impacts, the more difficult it is to justify remaining**.[82]

It is difficult to assess on the basis of publicly available information the extent to which DFIs have attempted to exercise leverage collectively beyond the establishment of the working groups mentioned above, or have exited existing projects. Individual initiatives of DFIs include the **World Bank's requirements for forced labor declarations for solar panel procurement**[83] and the publication by EBRD of specific E&S criteria that financial intermediary sub-projects/sub-investments involving solar power must meet in order to qualify for Green Economy Transition financing.[84] **In 2024 EBRD also published a solar sector supply-chain guidance as part of its E&S toolkit for FI clients**, which discusses solar PV supply chain characteristics and E&S risks, the state of the art and future actions to improve supply chain mapping and traceability, and supply chain risk identification and mitigation initiatives and options.[85]

This situation stands in contrast to the collective action taken to address state-imposed forced labor in connection with the cotton harvest in Uzbekistan. There, concerted efforts were carried out over several years by civil society organizations,[86] multistakeholder initiatives[87] and the private sector, including a widespread boycott of Uzbek cotton due to forced labor and child labor in the yearly cotton harvest. These actors were joined by various governments, the UN and the World Bank,[88] the cumulative effect of which eventually prompted a positive shift in government policy. The ILO monitored the cotton harvest in

Uzbekistan from 2015-2021 under an agreement with the World Bank, and eventually reported the near-elimination of systemic child labor and systemic forced labor from Uzbek cotton production. While forced labor has not been completely eradicated,[89] **this experience demonstrates that systemic change is possible, even in very challenging contexts, when parties, including MDBs, exercise leverage collectively**.[90] At the same time, forced labor easily morphs as business configurations change, hence joint vigilance and efforts to address root causes must continue, and until they are, legal and reputational risks will likely continue.[91]

Box 6: Progress on E&S due diligence in critical mineral supply chains

As the world transitions from fossil fuels to renewable energy in order to reduce global greenhouse gas emissions to net zero by 2050, the demand for critical energy transition minerals which are essential components in many rapidly growing clean energy technologies – including solar panels, wind turbines, electric vehicles – is expected to almost triple by 2030. Many of the areas of projected mining expansion are in high-risk contexts with potentially severe environmental and social impacts.[92]

The **2024 UN Secretary-General's Panel on Critical Energy Transition Minerals**[93] seeks to address competing demands in the rush to secure these minerals, and to build trust between governments, local communities and industry, by addressing issues relating to equity, transparency, investment, sustainability and human rights. DFIs have important roles to play in encouraging sustainability in critical mineral supply chains, along with a growing range of multistakeholder initiatives, and are starting to do so.[94]

To illustrate how the boundaries of value chain risk management practice are shifting:

- **Cobalt for Development (C4D)** is piloting an approach to improve the conditions for artisanal miners and their communities in the Democratic Republic of Congo. In cooperation with local artisanal mining cooperatives, government authorities and civil society organizations, the project builds capacities and provides technical assistance and material support to improve the health, environmental and working conditions at artisanal mines.[95]
- In 2021, several leading manufacturing companies based in Europe initiated a **Responsible Lithium Partnership** to promote the responsible use of natural resources, such as lithium, in Chile's Salar de Atacama. This partnership aims to encourage a dialogue between indigenous communities, civil society, academia and public and private sector organizations to develop a shared vision for the future of the Salar de Atacama watershed. In 2024, participants of the Multi-Stakeholder Roundtable (Mesa Multiactor) agreed on a framework for natural resource management in the Salar de Atacama basin.[96]
- In order to better understand the complex, often opaque consumer electronics supply chain, **Fairphone** has reportedly been mapping all the different materials, suppliers and manufacturing locations involved in creating its phone. In addition to its first-tier assembly manufacturer, Fairphone has reportedly mapped all second-tier component suppliers and is researching third and fourth-tier suppliers.[97] The information is reportedly **integrated within Fairphone's due diligence process, framed by the UNGPs and OECD RBC guidance**,[98] aiming for positive impact in mining and mineral trading based on stakeholder engagement and collaboration, as well as better risk management practices.
- **Ørsted, Siemens Gamesa, Siemens Energy Grid Technologies and Circulor** have reportedly accomplished the world's first end-to-end traceability of the copper used in the transformers of the wind turbines across **six tiers of the supply chain**, including component makers, material processors, and mine sites in Chile and Indonesia.[99]

5. MDB E&S Safeguard policy requirements on supply chains are generally limited in scope

E&S Safeguards originated in the late 1980s in response to a particular set of physical E&S risks associated with traditional infrastructure investment projects. Originating with the World Bank, E&S Safeguard policies have been replicated in all major MDBs and many bilateral DFIs as well, based on their recognized value to the banks, their clients and their investees. They are now a key component of MDB's "license to operate" and value proposition[100] and serve as an essential tool for promoting sustainability and managing E&S risks throughout the project cycle, based on publicly disclosed and differentiated requirements for MDBs and their clients respectively and accountability through the MDB's Independent Accountability Mechanisms.[101]

The analysis below draws upon a textual comparison of MDB E&S Safeguard policy provisions on supply chains published by OHCHR in May 2025, available here. The analysis highlights developments and gaps in E&S Safeguard policies on an illustrative, rather than comprehensive basis. **AIIB** is an outlier and is omitted from the analysis given that its Environmental and Social Framework does not contain any specific provisions on supply chains, and its application to supply chains otherwise is not clear. **IDB Invest** provides extensive supply chain financing but is not explicitly included in the analysis given that it relies on the IFC Performance Standards.[102]

i. Limitations on the depth & scope of suppliers to be assessed

The 2012 Sustainability Framework, including Performance Standards, of the IFC originally set the standard for supply chain risk management for MDBs. The Performance Standards have since been used or formally adopted by many other financial and corporate institutions including bilateral DFIs such as the DFIs in the Association of European Development Finance Institutions (EDFIs),[103] Export Credit Agencies, Equator Principle banks,[104] and other banks, industry associations and corporates. However, the E&S Safeguard Policies of most leading MDBs do not appear to have kept pace with evolving normative and legislative demands, stakeholder expectations, and deep-tier supply chain risk management practices of businesses, government procurement practices and multistakeholder initiatives.

MDBs often set the scope of application of their E&S requirements through their definitions of "suppliers," as illustrated in Box 7 below. Currently, **only EBRD and IFC expressly include suppliers beyond the first tier.** EBRD, in its updated Environmental and Social Policy (2024), has expanded the scope of its E&S Safeguard Policy requirements to include suppliers beyond the first tier. The IFC's Performance Standards do not do so explicitly however a 2021 addition to its Guidance Note 1 clarified that the definition of "primary suppliers" in the Performance Standards extends to suppliers in deeper tiers.[105] However, as outlined further below, **no MDB clearly and unequivocally requires clients to identify and prioritize the most severe risks for action throughout the full value chain**.

Box 7: Definitions of suppliers in DFI E&S Safeguards covered by E&S requirements

ADB E&S Framework (ESF 2024): "Primary suppliers. Suppliers who, on an ongoing basis, provide directly to a project goods or materials essential for production and/or service processes that are necessary for a specific project activity and without which a project or project activity cannot continue."[106]

AfDB Integrated Safeguards System (ISS 2023): "Primary suppliers are suppliers who provide directly to the project goods, services or materials essential for the core functions of the project, set of activities or other initiatives, including during the implementation phase. 'Core functions' of a project constitute those production and/or service processes essential for a specific project activity without which the project, activities or other initiatives cannot continue."[107]

EBRD E&S Policy (ESP 2024): "Core suppliers: Those suppliers and sub-suppliers who provide goods, equipment or materials essential to the project."[108]

EIB E&S Standards (ESS 2022): "Primary suppliers are those suppliers who provide directly to the project goods or materials essential for the core functions of the project."[109] "The term "core functions" shall be understood as those production and/or service processes essential for a specific project activity without which the project cannot continue."[110]

IFC Performance Standards (Performance Standards 2012) Performance Standard 1, Guidance Note 1 clarification added in 2021: "A primary supplier is a supplier who on an ongoing basis forms part of the supply chain of goods or materials essential for the core business processes of the project. A primary supplier may supply its goods or materials directly to the project (a Tier I primary supplier), to the Tier I primary supplier (a Tier II primary supplier) or may be at a deeper tier of the primary supply chain…"[111]

IDB E&S Policy Framework (ESPF 2020): "Primary suppliers are those suppliers who, on an ongoing basis, provide directly to the project goods or materials essential for its core functions."[112]

World Bank E&S Framework (ESF 2016): "Primary suppliers are those suppliers who, on an ongoing basis, provide directly to the project goods or materials essential for the core functions of the project."[113] "… Core functions of a project constitute those production and/or service processes essential for a specific project activity without which the project cannot continue."[114]

Positive dimensions of existing DFI Safeguards on depth and scope of suppliers:

- **Expansion beyond direct suppliers** to sub-suppliers (EBRD) and to tier II or deeper tiers of the supply chains (IFC).[115]
- **Includes suppliers of services** in addition to suppliers of goods and materials (AfDB). However, for other MDBs it may not be clear where the line between contractors and supply chain is to be drawn. For the ADB, those who provide labor or services are considered "contractors" and are not part of the supply chain. Because contracted workers are afforded more protections under client E&S labor requirements, in contrast to supply chain workers, proper categorization is paramount. Workers in contractors' supply chains should be accorded the higher level of protection, as a matter of policy and practice, in OHCHR's view.

Weaknesses or gaps in existing DFI Safeguards on depth and scope of suppliers:

- **Most E&S Safeguards are limited to direct, tier 1 suppliers.** Several MDBs specifically limit application of their E&S Safeguard Policy requirements only to suppliers that supply "*directly,"* to projects (ADB, AfDB, EIB, IDB, World Bank), meaning that the DFI and client are not formally required to assess risks further in the supply chain, and neither is the tier 1 supplier. By way of contrast, the UNGPs and OECD Guidelines expect businesses to identify and address where human rights risks and impacts are the most severe among their business relationships, regardless of the tier of the supply chain.
- **Most E&S Safeguards focus only on suppliers "essential" to the project, rather than those identified through risk-based prioritization.** All MDBs with definitions tie scope to suppliers "*essential"* to the project. This may appear to have a virtue in pragmatism, but the effect will often be to exclude other suppliers that may be involved in severe risks and impacts. This may create risks for the project as well as for those impacted, thus undermining the purpose of development financing. By way of contrast, the UNGPs and OECD Guidelines expect businesses to prioritize the most severe impacts among their business relationships, focusing on the severity of the impact rather than the relationship to the operations.
- **None of the MDBs have a clear and unequivocal requirement that clients should identify and prioritize the most severe risks** for identification and further management action, **throughout the supply chain**.

This is surprising as it is both the essence of risk-based management and an important **efficiency** measure, as it seeks to focus attention on the most adverse impacts, rather than requiring clients to focus on everything, everywhere, all at once.[116] The concept of risk-based due diligence is ostensibly well-accepted among DFIs and reflected in responsible business conduct standards (see Box 3), and is meant to focus attention on what needs to be addressed first as a matter of priority, rather than on what is most convenient or easiest for the client. The various DFI initiatives on solar panel supply chains, which focus on severe (forced labor) deep in supply chains, can be seen as the embodiment of such a risk-based approach. Such practices should be more explicitly accommodated and incentivized in updated E&S Safeguard Policies.

- **E&S Safeguards may further restrict policy application to a narrower subset of "core" suppliers.** Several DFIs add additional restrictions, limiting the scope of Safeguards only to suppliers that are essential for the *core business* (AfDB, EIB, IDB, IFC, World Bank) and/or supply on an "*on-going basis*" (ADB, IDB, IFC, World Bank). This may mean that supply chains for the construction phase of projects may not be covered,[117] notwithstanding that the construction phase may often be associated with material impacts that are not otherwise present in project implementation, including child labor and forced labor impacts. Some restrict the scope further still, limiting only to suppliers "*without which a project or project activity cannot continue"* (ADB, AfDB, EIB, World Bank). Under the UNGPs, the question of whether a product or service is "essential" to a project is relevant to decisions about whether or not to exit the business relationship,[118] but it should not limit the scope of suppliers to be assessed.
- **Limited to goods or materials but not services.** Services provided through supply chains, as with supply chains for the production of goods, may be associated with severe human rights risks including forced labor, child labor and other E&S risks otherwise covered by E&S Safeguards. However most E&S Safeguards policies except for those of the AfDB exclude suppliers providing services.[119] As noted earlier, this may be because service providers are treated as "contractors" instead of "suppliers," but if so, this is not necessarily clear for external stakeholders or potentially even MDB staff and may impede the consistent application of policy. This could usefully be clarified in E&S Safeguard Policy updates, in OHCHR's view.

ii) Limitations on the breadth of issues covered and risk management actions required

All of the MDBs analyzed, except EBRD, limits E&S supply chain requirements to **two specific sets of issues**: **supply chain workers, and biodiversity conservation and natural resources management**. This contrasts sharply with the UNGPs, OECD Guidelines, and the expanding global web of legislative requirements, which tend to take a broader, topic-inclusive approach. **The EBRD's recently updated Environmental and Social Policy (ESP 2024) breaks new ground by *not* limiting its or its clients supply chain E&S due diligence only to these two sets of issues**.

With respect to **supply chain workers**, all MDBs have specific requirements to address forced labor, child labor and serious occupational health and safety issues. The EBRD takes a broader approach by including gender-based violence harms. The EIB requires clients to pay attention to discrimination against migrant workers and restrictions on freedom of association and core labor rights within the EU, however these protections do not apply to supply chain workers outside the EU. The Safeguards of the AfDB, EIB, and IFC require the client to **remedy** harms to supply chain workers. In contrast, IDB, ADB and the World Bank require the client to require the primary supplier to remedy them. Whether this amounts to any material difference in practice is unclear. Where the given harms cannot be remedied, MDBs usually require the client to shift to suppliers or sub-suppliers which can meet the requirements. However **the EBRD ESP 2024 is the only MDB E&S Safeguard policy that explicitly requires "responsible disengagement"** in such situations.[120]

As to supply chains affecting **biodiversity conservation and natural resource management**, all MDBs have specific requirements about sourcing products with potential impacts on biodiversity conservation and

natural resource management, but their approaches differ. See the textual comparison of MDB E&S Safeguard policy provisions here.

Box 8: Scope of risk management actions required under E&S Safeguards

ADB ESF 2024: "...The E&S assessment will also consider risks and impacts associated with the primary suppliers as required by ESS2 and ESS6."[121] Supplier actions in response to significant risks of child or forced labor in relation to primary supply workers must be "to the satisfaction of ADB."[122]

AfDB ISS 2023: "The ESA shall also consider the risks and impacts associated with the primary suppliers, as required by OS2 and OS6. The Borrower shall address such risks and impacts in a manner proportionate to the Borrower's control or influence over its primary suppliers, as set out in OS2 and OS6."[123]

EBRD ESP 2024: "During the environmental and social assessment process and throughout project implementation, the client will identify significant environmental and social risks associated with the project's core supply chains. *Where significant risks are identified, the client will use reasonable efforts to prevent and mitigate these risks and to remediate impacts as necessary*. Where relevant, these measures will be integrated into the ESMS and/or a supply-chain management system, commensurate with the complexity of the supply chains and the associated environmental and social risks and impacts and appropriate to the nature and scale of the project. The management system will take into account:

(a) the *severity* and likelihood of the risks and impacts;
(b) *whether the client caused, contributed or is directly linked to these risks and impacts*; and
(c) the *client's leverage over the relevant core suppliers*.

Where necessary, the client will also assess whether terminating the relationship with a supplier would exacerbate the environmental and social risks and impacts identified. Requirements for addressing significant labour risks in the supply chain are outlined in ESR 2; requirements for addressing significant supply chain risks for living natural resources are defined in ESR 6."[124] (*Emphasis added*).

EIB ESS 2020: No clear provisions.

IFC Performance Standards 2012: "Where the client can reasonably exercise control, the risks and impacts identification process will also consider those risks and impacts associated with primary supply chains, as defined in Performance Standard 2 (paragraphs 27–29) and Performance Standard 6 (paragraph 30)."

IFC GN1: Generally, where the client can reasonably exercise control, the client should collaborate with its primary suppliers to propose mitigation measures proportionate to identified risks on a case-by-case basis, while recognizing that assessing and addressing supply chain implications beyond the first or the second tier suppliers may not be practical or meaningful to the client or the supplier." *But compare IFC GN 2:* "Clients should *utilize their influence to the fullest extent* to eradicate child labor and forced labor in their supply chain."[125] *(Emphasis added).*

IDB ESPF 2020: "Where the Borrower can reasonably exercise control, the risks and impacts identification process will also consider those risks and impacts associated with primary suppliers, as defined in Performance Standards 2 (paragraphs 36–38) and Performance Standards 6 (paragraph 29)."[126]

World Bank ESF 2016: "The environmental and social assessment will also consider risks and impacts associated with the primary suppliers[34] as required by ESS2 and ESS6. The Borrower will address such risks and impacts in a manner proportionate to the Borrower's control or influence over its primary suppliers as set out in ESS2 and ESS6."[127]

Positive dimensions of existing DFI Safeguards on breadth of issues covered and risk management actions required:

EBRD's 2024 E&S Policy represents an improvement over other MDBs as the following supply chain requirements applicable to EBRD clients align more closely with the UNGPs, OECD MNE Guidelines and emerging regulatory requirements and practices on responsible supply chain management:

- **All significant E&S issues in supply chains are covered,** not just those limited to labor and natural resources management.
- Due diligence on supply chains is required **throughout project implementation.**
- Clients are required not just to identify issues but **to prevent and mitigate** risks and **remediate** impacts.
- Clients are required to **integrate** these actions into the **appropriate management system** (ESMS or supply chain management).
- Prioritization of action should take into account the **severity** as well as likelihood of risks and impacts, with greater weighting given to severity.[128]
- Actions required should take into account the **client's relationship** to the risks and impacts.
- **Risks need to be identified irrespective of client control or leverage.**[129]
- Action required should take into account the **client's leverage** over suppliers, not only control, calling for the creative use of a range of tools and potential collaboration to manage risks and promote supply chain sustainability.
- Clients should assess impacts of terminating the relationship with the supplier, through a "**responsible disengagement plan**".
- In addition the **EBRD Policy** (applicable to EBRD rather than the client) specifically recognizes that some E&S risks and impacts prevalent in certain supply chains may not be addressed at the project level, due to factors beyond the control of individual clients. The EBRD notes that it will **collaborate** with others **to address more systemic problems**, thus seeking to build joint leverage and collective action.[130]

Weaknesses or gaps in existing DFI Safeguards on breadth of issues covered and risk management actions required:

By comparison with EBRD's ESP 2024, the UNGPs and the OECD MNE guidelines, common shortcomings in other MDBs' Safeguards from a supply chain risk management perspective include the following:

- The lack of any requirements **for the DFI to carry out due diligence on clients' supply chains or clients' approaches to managing their supply chains**. In contrast, the UNGPs assign responsibilities to all actors at all levels of supply chains to take action to prevent and mitigate risks and impacts, and where relevant, contribute to remedy.
- **E&S assessment in supply chains is limited to only two topic areas and to limited issues within those topic areas**: labor (child labor, forced labor and significant health and safety) and biodiversity and nature conservation. In contrast, the UNGPs encourage businesses to consider all relevant human rights issues as part of preliminary scoping, and not just labor and biodiversity.
- **Limited to upstream supply chains but not downstream value chain**: This limitation applies to all MDB Safeguard policies reviewed for this Policy Brief, with a limited exception in the case of the EBRD ESP 2024 which includes product safety requirements throughout the product lifecycle when a project involves the production or trade in consumer products.[131] (Examples of downstream risks are provided in Box 2). In contrast, the UNGPs and OECD MNE Guidelines set expectations for risk management throughout the value chain, including upstream supply chains and downstream users and consumers, including off-takes.[132]
- Scope is usually limited to suppliers over which the client exercises "control or influence," and **E&S Safeguards generally do not sufficiently incentivize clients to proactively build leverage, individually and collectively** with other relevant actors. The definition of "influence" may appear similar to the concept of "leverage" reflected in the UNGPs.[133] However the UNGPs do not tie responsibility for identifying and addressing human rights risks and impacts to "control or influence", or leverage, but rather to where there is a business relationship. The best example of an E&S Safeguard policy requirement to build and exercise all available forms of leverage is EBRD ESP 2024, ESR 2, para. 45,

which requires: "*Where the client does not have a direct contractual relationship with a sub-supplier, the client will use reasonable efforts to build and exercise all available forms of leverage to prevent and mitigate the risks identified*."[134] IAMs have, on occasion, applied this test in practice.[135] However most MDB E&S Safeguards do not require clients to proactively seek to expand their influence or leverage, but rather, for the most part, appear to take the client's existing control or influence as a given. Some E&S Safeguards require clients to demonstrate to the MDB why they *cannot* exercise control or influence over a supplier[136] which, absent a clear baseline requirement to build available leverage, may inadvertently create perverse incentives and discourage proactive engagement with risk, in OHCHR's view.

- **Does not consider impacts on affected stakeholders.** IFC's Guidance Notes state that deeper supply chain due diligence may not be "*meaningful to the supplier*" but does not consider whether it would be meaningful to affected stakeholders in the supply chain.[137]

6. Recommendations for better supply chain risk management in DFI-financed operations

MDBs are already addressing supply chains risks in numerous ways, as highlighted in Section 1, and often factor positive supply chain outcomes, such as supply chain job creation, in assessments of their own development impact.[138] However, subject to the exceptions discussed, they **mostly fall short of requiring a consistent, robust approach to managing E&S risks in supply chains in line with the UNGPs and global RBC standards**, emerging legislative requirements, and leading supply chain risk management and procurement practices. For DFIs, this carries clear consequences: growing reputational exposure as supply chain information becomes more transparent and available to scrutiny, declining policy leadership as private sector actors leapfrog DFIs on the reach and sophistication of their supply chain risk management, and – as past experience shows – the real possibility of complicity in abuses that directly undercut DFIs' development mandates.[139]

Given the potentially long life (5-10 years) of E&S Safeguard Policies, particular **care is needed to define supply and value chain E&S risk management requirements in a way that levels up with the thickening web of global, regional and national normative and regulatory requirements.** While some DFIs with sovereign clients may have separate approaches and requirements for sustainable procurement,[140] these approaches are generally not subject to the same public disclosure, consultation and accountability requirements that accompany E&S Safeguard Policies.

MDBs and bilateral DFIs may also **be missing important opportunities to incentivize staff and clients to innovate, raising their ambition to create more sustainable supply and value chains**. Supply chains and broader value chains are changing rapidly in response to commercial pressures, geo-political shifts, sourcing practices and evolving technologies. DFIs have demonstrated impressive innovation in developing appropriate financing tools to support a wide diversity of supply and value chains; similar innovation is now needed to enhance their positive development outcomes and reduce negative E&S impacts.

The research for this Policy Brief did not go far into bilateral DFI policies and practices, however to the extent that bilateral DFIs use the IFC Performance Standards, a similar observation would likely apply. OHCHR expresses the hope that the analysis and gaps identified in this Policy Brief may contribute to strengthened E&S Safeguards and more robust, consistent supply chain and value chain risk management practices in future, across multilateral and bilateral DFIs, including the EDFIs.

To strengthen supply and value chain sustainability, OHCHR recommends that DFIs consider taking the following measures:

A. Strengthening E&S Safeguard policies

The recommendations in this section focus on strengthening E&S Safeguard policies and improving their alignment with international standards as well as industry and public procurement best practices.

1. **Adapt E&S Safeguard policies** by expanding the **scope, grounded in a risk-based approach, rather than by pre-defined, limited boundaries**. An authentically risk-based approach would eschew fixed boundaries and prompt DFIs and their clients to prioritize the most severe risks and impacts in supply and value chains, according to their severity (scale, scope and remediability)[141] over likelihood. This would include the following:
   i. **Expand the scope of suppliers covered, going beyond tier 1 or direct suppliers and other Safeguard policy limitations** (such as "essential," "on-going", "core"), to where the most severe risks lie.[142] As noted above, almost all MDBs (except EBRD under the ESP 2024, and IFC in light of the June 2021 update to Guidance Note 1[143]) have significant limitations on the scope of the suppliers to be covered by due diligence. Focusing only on direct or longer-term partners perceived to be easier to control can lead to: (a) inefficient allocation of scarce resources and time to assessing lower risk actors in the value chain; (b) missed opportunities to build leverage to reinforce supply chain sustainability over the longer term; and (c) failure to address severe impacts and higher-risk business relationships. The recommended expansion of scope would not mean that clients would have to map and address their entire value chain, which for large projects may entail thousands of upstream suppliers, sub-suppliers and/or downstream users/consumers and entities involved in logistics and disposal. Rather, an authentic risk-based approach should focus on value chain partners that may be involved in the greatest risks and impacts on the environment and people and require them to reduce their risks and impacts or find others who can, with appropriate support from the DFI. It may be that the biggest risks in a supply chain are not connected with "essential" or "core" suppliers, which might be relatively large, well-managed companies with strong E&S standards, or which might be operating in countries with adequate regulatory capacity. It would make little sense to focus on "essential" or "core" suppliers in such circumstances. Instead, a general, high-level risk mapping exercise would highlight areas and actors associated with risks that require more detailed investigation and action. Risk-based due diligence should be proportionate to the risks and impacts expected and prioritized to address the most severe risks first. There is an ample body of guidance, practical examples and initiatives on risk-based due diligence in supply chains that could be drawn upon in this regard.[144]
   ii. **Expand the scope of risks covered, going beyond forced labor, child labor, health and safety and biodiversity and natural resource management impacts**. The current (limited) scope of supply chain due diligence stands in contrast to MDBs' own research, literature and tools and approaches to supply chains, which recognize that sustainability concerns can and do run throughout the whole supply chain and across **all Safeguard issues**.[145] In other words, **each and every client E&S Safeguard requirement should include provisions on value chain management**, in addition to labor and biodiversity requirements, in OHCHR's view.
   iii. **Expand the scope of subject matter to include *services*** as well as goods, materials and equipment, or at least **clarify where services are covered**. If service providers are treated as contractors, subject to stronger E&S Safeguard requirements than those applicable to supply chain workers, then workers in contractors' supply chains should be entitled to that higher level of protection.
   iv. **Cover the downstream value chain as well**, including downstream uses, marketing, transportation, distribution, and disposal of products and services. This is especially important where goods and services will be used by consumers.

2. **Adapt E&S Safeguard policies to require proactive and dynamic due diligence measures** focused on the most severe E&S risks wherever they are located in the value chain. A more proactive, risk-based approach

embedded in E&S Safeguards would incentivize DFIs and clients to look for emerging value chain risks as they reach a level of maturity and materiality. This may also help off-set risk aversion, ring-fencing, perverse incentives and organizational culture constraints within DFIs. Key elements of such an approach are:

i. **Better risk identification is the starting point** for more targeted prevention and mitigation actions, yet it is not clear to OHCHR whether supply chain risk analysis is routinely carried out by DFI deal teams.[146] DFIs should make clear that clients are expected to collect appropriate information from different sources as part of their initial and on-going due diligence, including meaningful engagement with relevant stakeholders, site visits, two-way supplier dialogue, strengthening the client's own due diligence systems, and ensuring that grievance mechanisms are available, accessible and effective.

ii. The newer generation of DFI E&S Safeguard policies include requirements for open and transparent **stakeholder engagement** free of intimidation or reprisals. E&S Safeguard Policies have long required free, prior and informed consent (FPIC) in relation to decisions affecting indigenous peoples, yet these requirements do not extend to supply chains or value chains. Supporting clients and their suppliers to understand the importance of and to engage in more meaningful stakeholder engagement can help strengthen value chain resilience while improving the lives of those affected along the way. This is ultimately about better risk management and finding solutions with business partners and others, informed by evidence of what works.[147]

iii. **Avoid over-reliance, or uncritical reliance, on audits or certifications** as a supplier assessment and monitoring tool. Audits and certifications are proliferating, driven by stakeholder demand and rapid technological advancements. However, they may not always be effective in identifying and addressing hidden or emerging risks, such as forced labor or supply chain discrimination issues covered by E&S Safeguard policies,[148] and may sometimes place too much emphasis on process over outcomes. Judicious use of *credible* programs of voluntary standards, traceability and/or certifications to accompany a client's own due diligence can help clients to manage E&S risks effectively.[149] There has been significant progress in mapping, tracing and transparency across a wide range of value chains, driven in part by evolving digital technologies. The **key issue for DFIs and their clients is to understand the strengths and weaknesses** of different audit and certification initiatives and methodologies, and *not* to assume that these will substitute for E&S Safeguard policy compliance. Educating staff and clients on a regular basis about the utility as well as possible limitations of these initiatives may contribute valuably to E&S Safeguard policy implementation,[150] taking into account sectoral and supply chain specificities and the client's resources and capacities.

iv. **E&S Safeguards should require informed prioritization of the most severe risks**, following an initial broad scoping of risks and impacts for the value chain, as highlighted above. DFIs' various initiatives on solar supply chains, down to the level of raw materials, indicate that it is possible to take action in deeper tiers of supply chains where risks are severe.

v. **In particularly high-risk sectors or geographies or with respect to severe impacts**, **DFIs should conduct their own supplier due diligence** in order to understand supplier capacity and approaches and to be in a better position to judge a client's due diligence, and should also require clients to notify and seek prior approval from the DFI in relation to key supply chain actions.[151]

vi. **E&S Safeguards should require more detailed prevention, mitigation and remedial actions** by clients and their supply chain partners. This should be accompanied by detailed provisions on **monitoring and verification** to reinforce a focus on tracking of the effectiveness of due diligence outcomes.

vii. E&S Safeguards should specify that there is a **distinction between the resolution of corrective actions** to bring a project into compliance **and remediation which involves providing remedy for actual harms** to stakeholders, as is already reflected in mitigation hierarchies, and clarify that both types of actions may be necessary in supply chains.

viii. E&S Safeguards should supplement the focus on the client's **"control"** over suppliers and sub-suppliers, with the concept of **"leverage,"** and more **explicitly incentivize proactive engagement with risk and building of leverage.** A client should address risks where they have control, and where they can establish a chain of control that is passed along through contractual conditions from the client to suppliers are thereafter to sub-suppliers. Where clients do not have control they should seek to build

leverage to increase control (through procurement[152] requirements for example) and exert leverage where possible using a range of actions. **Leverage is a dynamic and proactive concept**, aligned with international norms under the UNGPs and OECD Guidelines, focusing on the client's ability to influence its supply chains or value chains and to build influence where the client does not currently have it. However there seems to be a tendency among some DFIs to view "control and influence" in static or immutable terms. Moreover, as discussed above, a requirement in E&S Safeguards that clients demonstrate their *lack* of control may inadvertently generate perverse incentives and discourage proactive engagement with risk, absent a clear baseline requirement to build and exercise all available leverage. There is a wide range of ways to build and exercise leverage including commercial leverage, relationship leverage, legal leverage, capacity building, collaboration and collective action. For example, DFIs can request clients to join relevant initiatives for their sector(s) or countries, to have exclusion requirements, renegotiate supplier contracts, shift over time to lower-risk suppliers, step up engagement with suppliers, or adopt new methods of monitoring supplier activities. There is a large literature and many examples to draw upon in this regard, which could usefully be collected, curated and made available, updated regularly, for the benefit of DFI staff and clients.

3. **DFIs should clarify the application of E&S Safeguard policies to the different types of financing supporting supply chains** (such as supplier finance, trade finance, via financial intermediaries). It is beyond the scope of this Policy Brief to discuss these types of finance in any detail. However, the application of E&S Safeguards to these different types of financing, as matter of formal policy as well as practice, does not seem straightforward and may benefit from clarification.[153]

B. Other recommended actions

1. Some MDBs are helping to build the capacities of their clients to integrate sustainability into their procurement practices along their supply chains, using a wide range of tools and approaches. Where this is not already happening, it is recommended that DFIs undertake **capacity building, training and resources to help strengthen the application of E&S Safeguard policies within supply chains,** alongside the DFI's other supply chain capacity building activities. This would help to ensure that SMEs and other stakeholders in emerging markets are not excluded from supply chains and may contribute to improving local E&S standards. This seems particularly crucial in resource-constrained markets where robust due diligence processes are more difficult to implement.

2. There appears to be a need for more **collaborative action among DFIs, leveraging their convening power and technical assistance to make collaborative action as effective, and cost-effective, as possible**. Private sector and multistakeholder initiatives on supply chain sustainability have facilitated the dissemination of good practices, joint engagement with suppliers or layers in supply chains, collaboration on tools and approaches to improve risk management, location-specific joint due diligence work (such as mapping out the risks for a particular sector and geography with guidance provided at the national level), and improved understanding of the benefits of supply chain sustainability for clients, workers and the environment, which may serve as inspiration for further DFI collaboration.[154] The joint actions of DFIs to address solar supply chain risks are also very noteworthy, subject to the caveats mentioned earlier. DFIs should be encouraged to use their convening power to engage the **broader ecosystem of stakeholders**, including governments, industry associations, and civil society organizations, to support the overall implementation of E&S Safeguard requirements and to encourage all relevant actors to play their roles in promoting sustainable supply chains.

3. MDBs have demonstrated the capacity to take **collective action** to address systemic challenges,[155] leveraging their convening power and other comparative advantages. Collective action improves the cost-benefit analysis and multiplies leverage and makes it possible to co-create solutions to challenges that

would be impossible for a DFI or client to address individually. Collective action will be particularly relevant when there are:

i. **State sponsored E&S challenges in the supply chain**. Individual private sector companies alone will rarely if ever be able to address state-sponsored violations. The appropriate action for individual companies will more likely be to exit in such circumstances, subject to an assessment of human rights impacts of exiting and other considerations outlined in UNGP, principle 19 (as discussed in Section 4 above). However, for the leading DFIs, and particularly the MDBs, the deployment of collective leverage may offer realistic prospects for impact over time, as was exemplified in the Uzbekistan cotton case discussed earlier.

ii. **Systemic E&S challenges in supply chains**. E&S risks and impacts in supply chains will not always be able to be addressed at the project level due to factors beyond the control of individual clients, including contextual factors such as widespread discrimination, humanitarian crises, pervasive criminality or corruption, and cost cutting pressures resulting in coercive and/or exploitative practices. Here again, multi-party, collective approaches may be more likely to achieve results. These efforts should be identified strategically using tools such as sector wide impact assessments[156] or regional impact assessments, which assess an entire system rather than a particular project. A comprehensive analysis of this kind can guide all relevant actors in playing their various roles according to their mandates and comparative advantages, in a coordinated fashion. These tools can be used to carry out enhanced due diligence where the context indicates that more in-depth analysis and engagement may be required, such as in situations of fragile and conflict affected areas.[157] Existing multilateral forums (e.g. UN, OECD, G7) can be utilized to identify and advance collective leverage in complex E&S scenarios.

4. DFIs should combine **greater attention (and support) to addressing risks in supply and value chains alongside opportunities.** DFI Boards could stimulate action on this issue by encouraging the respective institutions to adopt a **"net perspective"[158] on development impacts**, which integrates negative and positive impacts. Doing so might help to tap into some of the energy and dynamism of impact investing and channel it to efforts to improve value chains. As indicated earlier, some DFIs already include estimates of the number of jobs created in supply chains as part of their assessments of their own development impact. E&S risks in supply and value chains should be evaluated on an equal footing and in an integrated fashion with positive impacts, in OHCHR's view. The impact of DFIs' important work in measuring and verifying development impact could be enhanced considerably if predicated upon a more holistic conception of impacts.

Annex
Examples of supply chain initiatives

There is a wide and growing range of initiatives to strengthen and deepen supply chain E&S risk management. *The list below is only illustrative*. **The intention is to demonstrate how leverage can be built and used by institutions, individually and collectively, for more effective supply chain E&S risk management** on various issues and across sectors.

These are a number of initiatives that **map and assess** supply chain initiatives:

- ISEAL assess sustainability systems and accreditation bodies against a Code of Conduct and related Codes of Good Practice.
- United Nations Forum on Sustainability Standards (UNFSS) mapping and analysis of voluntary sustainability standards (VSS).
- International Trade Centre's Standards Map.
- German Helpdesk for Business and Human Rights Standards Compass & Belgian Business and Human Rights Toolbox.
- Consumer Goods Forum's Sustainable Supply Chain Initiative Benchmark.

Multistakeholder initiatives on supply chains in the financial sector

- Dutch International Responsible Business Conduct Agreements, notably the Banking Sector Agreement, involved collaborative work to identify and address risks in several supply chains.
- Finance Against Slavery and Human Trafficking (FAST) includes a connection diagnostic and risk mapping tool for the finance sector to identify connections to these risks in their financing value chains.

Multistakeholder Initiatives on supply chains in the extractives sector

- The Initiative for Responsible Mining Assurance (IRMA) independently assesses industrial-scale mines against an equally governed, consensus-based E&S standard, including a chain of custody standard for responsibly mined minerals. Unlike some other chain of custody standards, IRMA goes beyond traceability by integrating performance requirements that ensure responsible practices at the mine or processor of origin.[159]

Multistakeholder initiatives on supply chains in the cotton sector

- Better Cotton is reportedly the largest MSI in the cotton sector, is iSEAL compliant, and its operating principles include observance of the UN Guiding Principles on Business and Human Rights. Better Cotton provides an auditable chain of custody standard and farm-level principles and criteria, backed by a certification process, capacity building for farmers, and a claims process. Members have been suspended in the past on human rights grounds.

Government-supported supply chain initiatives

- The G7 Sustainable Supply Chain Initiative focuses on sustainable agricultural supply chains.
- The **German Government** has set up a series of sector dialogues and implementation guidance to support implementation of the German Supply Chain Law.
- The **Dutch government** established a Responsible Business Conduct Agreement for the Renewable Energy Sector to facilitate dialogue between the renewable energy industry (including wind), trade unions, civil society and government actors on responsible sourcing.

UN-supported initiatives

- The ILO Child Labor Platform is a business-led initiative to eliminate child labor in supply chains.
- The 8.7 Alliance on Supply Chains aims to end forced labor, modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor.
- UN Global Compact Supply Chain Sustainability and Sustainable Procurement.

ENDNOTES

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[2] The research for this Policy Brief focused mainly on E&S Safeguard Policies and practices of several of the leading Multilateral Development Banks (MDBs): African Development Bank (AfDB), Asian International Infrastructure Bank (AIIB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IDB), IDB Invest, International Finance Corporation (IFC) and the World Bank and a selection of the bilateral European Development Finance Institutions (EDFIs). The recommendations may be relevant to other MDBs and bilateral DFIs as well, particularly to the extent that they use the IFC Performance Standards.

[3] This Policy Brief focuses on DFI financing of clients and their supply and value chains. DFIs also engage in procurement on their own behalf but that is outside the scope of this Policy Brief.

[4] DFI E&S Safeguard Policies are typically comprised of: (i) a policy that applies to the DFI itself, laying out its role and responsibilities in implementing the institution's sustainability mandate and reviewing clients' E&S due diligence and performance (E&S Policy); and (ii) specific E&S requirements for clients covering both processes and outcomes with respect to specific E&S topics (Client E&S Requirements) (collectively E&S Safeguard policies).

[5] Some of these roles are explained in IFC, Supply Chain Finance by Development Banks and Public Entities: Guidebook (2021).

[6] *See e.g.* Joint Statement by Heads of Multilateral Development Banks and the WTO on Boosting Supply Chain Trade in Emerging Markets (Oct 2024); MDB Sustainable Procurement Resource Hub - A global hub for resources on sustainable public procurement in development projects for MDBs and partner countries; https://www.adb.org/sites/default/files/page/559571/mdb-hop-joint-statement-sustainable-procurement-initiative.pdf; ADB, Sustainable Public Procurement: Guidance Note on Procurement (2021); *and* World Bank, Supply Chain Management: An introduction and practical toolset for procurement practitioners (Mar. 2023).

[7] *See* https://www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework#SPD *and* https://www.mfiseash.org/addressing-seash-mfi-development-operations - a resource hub among MDBs "to support their staff, partners, country stakeholders and clients to address SEA/SH in development operations"

[8] World Bank, Global Public Procurement Database: Share, Compare, Improve! (Feature Story, March 23, 2020). *See also* UNOPS & ILO, Promoting Decent Work through Public Procurement (2024). The ILO has a long history of calling for leveraging of public contracts to safeguard wage levels, in particular, going back to the Labour Clauses (Public Contracts) Convention, 1949 (No. 94).

[9] For example, ADB and IFC have jointly published a Reference Note on Sustainable Trade Finance, which can help financial institutions, manufacturers, producers, and other stakeholders better understand sustainable trade and the eligibility requirements for sustainable trade deals as reviewed by ADB and IFC. *And see* OECD, Linking integrity, business conduct and public procurement: New approaches for sustainable supply chains (2025).

[10] A "tier" in a supply chain indicates the position of a supplier relative to the DFI's client. "Tier 1" suppliers supply directly to the client; tier 2 suppliers supply to tier 1 suppliers, and so forth. For examples of programs and projects *see* IFC Global Supply Chain Finance (GSF), ADB Supply Chain Finance, IDB Invest Trade and Supply Chain Finance, World Bank Global Value Chains, *and* https://www.ebrd.com/work-with-us/projects/psd/52501.html. *And see* ADB, BAFT (Bankers Association for Finance and Trade), Deep-Tier Supply Chain Finance: Unlocking the Potential (2024), p. 1.

[11] *See e.g.* https://2023.tr-ebrd.com/global-supply-chains-and-the-green-transition/ *and* https://www.worldbank.org/en/programs/egps/brief/resilient-and-inclusive-supply-chain-enhancement.

[12] *See e.g.* https://blogs.worldbank.org/en/trade/making-greener-supply-chains-work-developing-country-exporters *and* https://www.worldbank.org/en/programs/egps/brief/resilient-and-inclusive-supply-chain-enhancement.

[13] IFC Partners For Sustainable Supply Chain Finance, Global Finance (March 4, 2024); https://blogs.adb.org/blog/did-your-purchase-harm-environment-or-society-system-will-tell-you; *and* https://blogs.adb.org/blog/transparency-will-make-global-trade-and-supply-chains-more-resilient-socially-responsible.

[14] ADB, BAFT (Bankers Association for Finance and Trade), Deep-Tier Supply Chain Finance: Unlocking the Potential (2024), p. 1. Chapter 5 of the latter report frames supply chains as an "ESG enabler."

[15] *See* https://www.ifc.org/en/what-we-do/sector-expertise/gender/inclusive-supply-chains.

[16] *See e.g.* "AfDB and EIB collaborate with regional MDBs and national development agencies and private investment firms on the Joint Impact Model (JIM). This econometric tool estimates the number of indirect jobs created by an institution's investments, including supply chain jobs…." Head of MDBs Viewpoint Note: MDBs Working as a System for Impact and Scale (April 2024), p. 16.

[17] *See e.g.* https://www.eif.org/what_we_do/equity/news/2024/nine-realms-lands-eur-50-million-from-eif-to-decarbonise-the-supply-chain-sector.htm *and* https://www.adb.org/news/features/qa-trade-key-climate-action-how-can-multilateral-development-banks-help-make-it-sustainable.

[18] ADB, BAFT (Bankers Association for Finance and Trade), Deep-Tier Supply Chain Finance: Unlocking the Potential (2024), Chapter 5. The Chapter notes that evolving regulatory frameworks and standards, including the International Financial Reporting Standard, mark a significant shift toward standardized global sustainability reporting standards that could be expected to be a "major driver in supply chain monitoring, encouraging companies to align with standardized ESG reporting frameworks, and enabling stakeholders to make informed decisions based on comparable sustainability data."
[19] *See e.g.* https://video.ebrd.com/media/Digital+drivers+for+sustainable+supply+chains/0_vu6xgxbc; https://www.ifc.org/en/events/2022/how-to-use-geospatial-data-to-monitor-land-conversion-and-avoid-reputational-risks; *and* https://blogs.worldbank.org/en/latinamerica/small-farmers-central-america-export-coffee-european-union.
[20] A. Garcia Herrero, Resilience of Global Supply Chain: Facts and Implications *Asian Development Bank Institute Working Paper* 1398 (2023), p. 18; *and* https://blogs.adb.org/blog/transparency-will-make-global-trade-and-supply-chains-more-resilient-socially-responsible.
[21] *See e.g.* IADB, https://www.globalvaluechains.org/cggcproject/inter-american-development-bank/; *and* Sustainable Global Supply chains Research Network, Deborah Winkler (World Bank), Chapter 2: *Leveraging global value chains for better jobs and shared prosperity in developing countries*, *in* Sustainable Global Supply chains Report 2024https://www.iadb.org/en/project/RG-T4190.
[22] *See e.g.* BII & Ergon, Managing human rights risk in supply chains: A toolkit for companies (2025); EBRD Guidance on assessing and managing environmental and social risks in the supply chains of sub-projects (undated); S. Gibbons & S. Kelly, Managing social and environmental risks in supply chains for IDB-financed projects, IDB Technical Note (2022).
[23] *See e.g.* EBRD Guidance on assessing and managing environmental and social risks in the supply chains of sub-projects (undated); S. Gibbons & S. Kelly, Managing social and environmental risks in supply chains for IDB-financed projects, *IDB Technical Note* (2022); World Bank, Supply Chain Management: Procurement Guidance (2023); IFC's Global Map of Environmental & Social Risk in Agro-commodity Production (GMAP) tool; *and* ADB's ESG Service Directory for SMEs.
[24] *See* UNGPs, principle 17.
[25] As one notable example, EBRD has produced a set of guidance notes for its FI clients on E&S risks in the batteries, cocoa, cotton, palm oil, solar, soy and wind sectors. The guidance notes provide succinct, informative overviews of the sector, supply chain mapping and traceability, risk identification, and possible risk mitigation measures. *See* guidance documents under the tab "Issues."
[26] *See e.g*. Business Europe, Omnibus I: CS3D, CSRD and taxonomy - a BusinessEurope position paper (April 2025), p. 8, https://mneguidelines.oecd.org/duediligence/.
[27] For updated information on human rights impacts across a range of supply chains *see* ILO, supply chains, Business & Human Rights Resource Centre, labor rights site; *and* ILO, OECD, IOM and UNICEF, Ending child labour, forced labour and human trafficking in global supply chains (2019).
[28] *See e.g.* IFC Global Map of Environmental & Social Risk in Agro-commodity Production (GMAP); OECD & FAO, OECD-FAO Guidance for Responsible Agricultural Supply Chains (2016); Landesa, Global Land Risks and Opportunities in Corporate Supply Chains (January 2021); Land Portal; ILO, Occupational safety and health improvement in agriculture global supply chains. Drivers and constraints: A synthesis review, p. 4; *and* IFC, EBRD, & CDC Group, Addressing Gender-Based Violence and Harassment: Emerging Good Practice for the Private Sector (2020)
[29] *See e.g*. OECD, Responsible sourcing in mineral supply chains; Business and Human Rights Resource Centre on extractives; World Bank, Breaking barriers for women in mining (June 14, 2024); *and* Global Witness, Missing voices: The violent erasure of land and environmental defenders (Sept 2024), p. 17.
[30] *See e.g*. OECD, OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector; ILO Better Work Programme; ILO Decent Work in Supply Chains; *and* UNEP FI, Human Rights Toolkit, Manufacturing.
[31] *See e.g.* UNEP FI, Human Rights Toolkit, Renewables; Business and Human Rights Resource Centre on Renewable Energy & Human Rights Benchmark; UN Secretary-General's Panel on Critical Energy Transition Minerals (2024); *and* Business and Human Rights Resource Centre & Equidem, Rush to renewables: Toward migrant worker rights and a just energy transition in the Gulf (2024).
[32] UN Human Rights, The Other Infrastructure Gap: Sustainability – Human Rights and Environmental Perspectives (2018); UNEP FI, Human Rights Toolkit, Infrastructure Sector, Responsible Sourcing of Sand and Silicates - Sustainable Minerals Institute - University of Queensland; Danish Institute for Human Rights, A Human Rights Due Diligence Guide for the Danish Construction Sector (2023).
[33] For more detailed discussions *see* OHCHR, Mandating Downstream Human Rights Due Diligence (2022); DIHR, Due diligence in the downstream value chain: case studies of current company practice (2024); GBI, Effective downstream human rights due diligence: Key questions for companies (2023); B. Hogan & J. Reyes, Downstream Human Rights Due Diligence: Informing Debate Through Insights from Business Practice, *Business and Human Rights Journal* (2023), 8: 434–440; SOMO, Downstream due diligence: Setting the record straight (2022); UN Human Rights, B-Tech – series of briefings on human rights and digitalization under the UNGPs; OECD, Rights in the digital age: Challenges and ways forward; OECD, Children in the digital environment: Revised typology of risks; *and* UNEP FI, Human Rights Toolkit, Digital Economy.
[34] Even with the expected contraction of global value chains in the post-2025 period, many supply chains (local and global) are expected to remain in place.
[35] *See also* Boston Consulting Group, Why Companies Must Address Human Rights in Their Supply Chains (June 27, 2024); World Business Council for Sustainable Development, CEO Guide to Human Rights (2020), including discussion of supply chains; *and* PRI, Managing ESG Risk in the Supply Chains of Private Companies and Assets (2017).
[36] *See e.g*. Allianz Global Investors, Human rights – the weakest link in supply chains? (23 Nov 2023).
[37] *See e.g.* International Energy Agency & OECD, The Role of Traceability in Critical Minerals Supply Chains (2025), pp.19-25; *and* https://www.somo.nl/linking-labour-issues-in-china-to-global-brands/. Traceability is also recognized as an increasingly important

aspect of ensuring a business's quality control and sustainability. *See e.g*. https://www.rfgen.com/blog/unpacking-supply-chain-traceability-a-comprehensive-guide/.

[38] *See e.g.* the numerous supply chain initiatives from the Investor Alliance for Human Rights *and* UN PRI, Principles for Responsible Investment: Managing ESG risk in the supply chains of private companies and assets (2017).

[39] ILO, OECD, IOM & UNICEF, Ending child labour, forced labour and human trafficking in global supply chains (2019), pp. 20.

[40] ILO, OECD, IOM & UNICEF, Ending child labour, forced labour and human trafficking in global supply chains (2019), pp. 9-10, & 15.

[41] *See also* ILO Protocol 29 of 2014 to the Forced Labour Convention of 1930 that notes that "due diligence by both the public and private sectors to prevent and respond to risks of forced or compulsory labour" should be supported.

[42] Commitment to ESG issues may vary within geographies and over time, and the ESG debate is often politicized. However the long-term trend is towards strengthened attention to these issues. *See* P. Davies & B. Huber, ESG and Sustainability Insights: 10 Things That Should be Top of Mind in 2025, *Harvard Law School Forum on Corporate Governance* (Jan. 18, 2025).

[43] EBRD, Guidance on assessing and managing environmental and social risks in the supply chains of sub-projects (undated).

[44] For a discussion *see* Institute for Human Rights and Business and Global Business Initiative on Human Rights, State of Play: The Corporate Responsibility to Respect Human Rights in Business Relationships (2012), chapter 8.

[45] The Responsible Contracting Project (RCP) seeks to improve human rights in global supply chains through innovative contracting practices by developing and disseminating practical contractual tools to support more cooperative relations between supply chain firms and better human rights outcomes for workers.

[46] Under principle 19 of the UNGPs "leverage" refers to situations "where the enterprise has the ability to effect change in the wrongful practices of an entity that causes a harm."

[47] *See* https://mneguidelines.oecd.org/duediligence/.

[48] *See* https://www.sec.gov/rules-regulations/2012/08/conflict-minerals.

[49] *See* https://mneguidelines.oecd.org/mining.htm.

[50] *See* Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

[51] *See e.g*. IFC, Beyond the Balance Sheet program.

[52] See e.g. Ropes & Gray Corporate Social Responsibility Legislation Summary (April 2025).

[53] In the case of the EU CS3D, numerous business have called for retaining risk-based due diligence aligned with international standards rather than a more limited proposal which would focus on tier I suppliers. *See* Business Europe, Omnibus I: CS3D, CSRD and taxonomy - a BusinessEurope position paper (April 2025), p. 8. To similar effect, in relation to the German supply chain due diligence law, *see* SME statement on the German Supply Chain Act: Practical rules to ease the burden on small and medium-sized companies should be implemented quickly (March 2025).

[54] Examples of regulations encouraging critical mineral traceability directly, or indirectly as part of wider due diligence procedures are listed in International Energy Agency & OECD, The Role of Traceability in Critical Minerals Supply Chains (2025), pp. 27-29. Country examples include Canada, China (People's Republic of), DRC, the European Union, Indonesia, Rwanda, Tanzania and the USA.

[55] For an indication of corporate support for this Directive *see* WeAreEurope, 2025 post-Omnibus CSRD Business Survey (May 2025).

[56] For further information and a comparative review of many of these measures *see* OECD, Review of G7 Government-led Voluntary and Mandatory Due Diligence Measures for Sustainable Agri-food Supply Chains, (2024), Annexes. *See also* Business & Human Rights Resource Centre, mandatory due diligence *and* MSPEC_Annex adCC.pdf.

[57] *See* Guidelines for MNEs - Organisation for Economic Co-operation and Development.

[58] AIM-Progress, Why Responsible Sourcing Matters – For Good Business.

[59] Germany's Bundestag (parliament) and IKEA Deutschland announced that IKEA would contribute €6 million to a new German government fund designed to compensate victims of the former East German dictatorship, including those making IKEA furniture. DW, Ikea to compensate East German prisoners for forced labor (Oct 29, 2024).

[60] N. Hutchins, How geospatial technologies were used to map supply chains during COVID-19, *Geospatial World*, blog (Aug. 1, 2020). *See also* TraceX Technologies, Technology Solutions for EUDR: Simplifying Deforestation-Free Supply Chains (Sept. 17, 2024).

[61] For a discussion of continuing challenges in this regard, and recommendations for a more effective data ecosystem to address forced labor in global supply chains, *see* BSR, Building an Effective Data Ecosystem to Address Forced Labor in Global Supply Chains (Mar. 18, 2024).

[62] G.F. Massari *et al*, Transformative supply chains: the enabling role of digital technologies, *International Journal of Production Economics* (Feb. 19, 2025).

[63] *See* OHCHR, Multilateral Development Bank and Digital Risks, Policy Brief (Sept. 2025); *and* OHCHR, Development Finance Institutions and Digital Risks (forthcoming 2025).

[64] The few cases include CAO's compliance investigation into IFC's investment in Delta Wilmar, Indonesia (Mar. 2016) (palm oil supply chain), CAO's compliance appraisal of IFC's investment in Wings Group's PT Sayap Mas Utama, Indonesia (Mar. 2023) (palm oil supply chain), and a CAO dispute resolution process in relation to IFC investments in Indorama Kokand/Hamkor Bank, Uzbekistan (concluded Nov. 27, 2024) (cotton sector).

[65] *See* documentation at CAO, Indonesia: Wilmar Group-03/Jambi.

[66] CAO, Investigation Report – IFC's investment in Delta Wilmar (Wilmar-03) (Mar. 2016) *at* p.12.

[67] CAO Compliance Appraisal of Complaint Regarding IFC Investment in Wings Group's PT Sayap Mas Utama, Indonesia, and its Palm Oil Supply Chain (Mar. 28, 2023), including (p.4): "Available documentation indicates that IFC's due diligence did not assess the potential E&S risks and impacts within PT SMU's supply chain nor did IFC require any such assessment from its client."

[68] The IFC CAO is one of the few IAMs to consider these issues. *See,* CAO Advisory Memos on Supply Chain Business Opportunities and Risks (2018),
[69] *See* https://www.mfiseash.org/addressing-seash-mfi-development-operations.
[70] *See* https://www.sppresourcehub.org/. For examples of MDB policy guidance *see* World Bank, Supply Chain Management: An introduction and practical toolset for procurement practitioners (Mar. 2023); *and* ADB, Sustainable Public Procurement: Guidance Note on Procurement (2021).
[71] *See* https://gmaptool.org.
[72] 2024 Joint Multilateral Development Banks (MDBs) Statement for COP 29 – MDBs' Support to Implementing the Paris Agreement.
[73] For a quick review of MDB actions on this *see* https://www.wri.org/insights/mdb-climate-finance-2023.
[74] *See* International Energy Agency, Solar PV page.
[75] *See* Danish Institute for Human Rights, Human rights and solar energy: A primer for the Danish solar energy sector (2025). Discussions at DFIs are also extending to other equipment needed for renewable energy projects, such as inverters, batteries, and wind turbines.
[76] *See e.g.* ILO, Report of the Committee of Experts on the Application of Conventions and Recommendations, ILC.113/III(A) (2025) pp. 362-364, and the concerns and recommendations of the various UN human rights mechanisms cited there; OHCHR, OHCHR Assessment of human rights concerns in the Xinjiang Uyghur Autonomous Region, People's Republic of China (Aug. 2022), paras. 118-128; *and* OHCHR, China: Update on the work of UN Human Rights Office (Aug. 27, 2024).
[77] EBRD, Sector supply-chain guidance: solar energy (2024), pp.2-3.
[78] *See* the references above, note 76.
[79] UNGPs, principle 19, commentary.
[80] For a discussion *see* OHCHR, Business and Human Rights in Challenging Contexts Considerations for Remaining and Exiting (2023).
[81] UNGPs, principle 19, commentary.
[82] *Id*.
[83] "There is a significant risk of forced labor in the global supply chain for solar panels and solar components. To support forced labor risk mitigation, the Bank requires Borrowers to strengthen solar related procurement processes by including forced labor bidder declarations, qualification requirements and strengthened contractual provision in procurements involving financing of solar panels/solar components." *See* https://www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework#SPD.
[84] EBRD, E&S eligibility criteria for solar for GET financing.
[85] EBRD, Sector supply-chain guidance: solar energy (2024).
[86] *See* https://www.antislavery.org/latest/elimination-of-state-imposed-forced-labour-in-uzbekistan-now-protect-decent-work/.
[87] *See* https://www.cottoncampaign.org/about.
[88] World Bank remedial actions were triggered by a critical investigation report of the World Bank Inspection Panel in relation to the World Bank-financed Rural Enterprise Support Project (RESP) II in Uzbekistan in 2013.
[89] *See* ILO, 2021 Third Party Monitoring of Child Labor and Forced Labor during the Cotton Harvest in Uzbekistan; https://www.ilo.org/resource/news/uzbek-cotton-free-systemic-child-labour-and-forced-labour *and* https://www.worldbank.org/en/results/2024/07/16/helping-uzbekistan-undertake-a-historic-social-and-economic-transformation. However the incidence of forced labor reportedly increased since 2021 given that the root causes of the coercion of cotton pickers had not so far been addressed: ILO, Observation (CEACR), adopted 2024, published 113th ILC session (2025); Abolition of Forced Labor Convention, 1957 (No. 105) – Uzbekistan (Ratification 1997).
[90] For a useful discussion of cotton sector E&S risk management globally *see* EBRD, Sector supply-chain guidance: cotton (2024).
[91] See cases on Uzbekistan cotton closed in November 2024 by the CAO following dispute resolution, Uzbekistan: Indorama Kokand/Hamkor Bank-01, and the compliance review request to IPAM in relation to EBRD's Indorama Agro Capex Loan in 2023.
[92] *See e.g*. J.R. Owen, D. Kemp, A.M. Lechner *et al.* Energy transition minerals and their intersection with land-connected peoples, *Nature Sustainability* 6, 203–211 (2023), K. Sturman, *et al*., Mission critical: Strengthening governance of mineral value chains for the energy transition, EITI (2022); *and* ADB, Building Resilient and Responsible Critical Minerals Supply Chains for the Clean Energy Transition (2024).
[93] *See* https://www.un.org/en/climatechange/critical-minerals.
[94] ADB, Building Resilient and Responsible Critical Minerals Supply Chains for the Clean Energy Transition (ADB Brief 298) (2024).
[95] *See* Cobalt for Development (C4D) - Towards responsible artisanal cobalt mining in the DR Congo.
[96] *See* https://plataforma-mesamultiactor.hub.arcgis.com/; *and* Collaboration to promote responsible handling of lithium in Chile. | Mercedes-Benz Group > Sustainability > Human Rights > Supply Chains.
[97] *See* Mapping the journey of your phone - Fairphone.
[98] *See* Fairphone, Supply Chain Engagement: From Risk to Impact (2024), pp.7-10.
[99] Circulor, Collaboration Powering the Future: World's First End-to-End Traceability for the Wind Sector, Impact Study (June 19, 2024).
[100] *See e.g.* World Bank, External Review of the Board Approved Reforms to the Inspection Panel Toolkit and the Creation of the World Bank Accountability Mechanism, Brief (Jan. 30, 2024): "Accountability is at the core of the World Bank's value proposition as premier development financial institution." Useful evaluations include World Bank Independent Evaluation Group, Safeguards and Sustainability Policies in a Changing World (2010) (including chapter 4 on benefits and costs of Safeguards); *and* ADB Independent Evaluation, Real-Time Evaluation of ADB Safeguard Implementation Experience Based on Selected Case Studies (Nov. 23, 2016).

[101] IAMs can serve a range of important accountability functions but are only one part of the remedy ecosystem in any context. *See* generally OHCHR, Remedy in Development Finance: Guidance and Practice (2022).
[102] It is not clear if IDB Invest applies the expanded scope of suppliers set out in IFC's 2021 Guidance Note, para. GN53.
[103] *See* https://edfi.eu.
[104] *See* https://equator-principles.com.
[105] In PS 1, para. 10, & PS 2, para. 4, fn 4, the term "primary suppliers" is defined as "those suppliers who, on an ongoing basis, provide goods or materials essential for the core business processes of the project."
[106] ADB Environmental and Social Framework (2024), Definitions.
[107] AfDB Integrated Safeguards System (2023), Glossary.
[108] EBRD Environmental and Social Policy (2024), Section II Definitions.
[109] EIB E&S Standards (Feb 2022), ESS2, Footnote 11.
[110] EIB E&S Standards (Feb 2022), ESS 9, Footnote 4.
[111] IFC Guidance Notes on IFC Performance Standards (2012), Guidance Note 1, para GN53, Footnote GN9 *and see* IFC Performance Standards on Environmental and Social Sustainability (2012), Performance Standard 2, FN 4: "Primary suppliers are those suppliers who, on an ongoing basis, provide goods or materials essential for the core business processes of the project" *and* IFC Performance Standards on Environmental and Social Sustainability (2012), Performance Standard 6, Footnote 21: "Primary suppliers are those suppliers who, on an ongoing basis, provide the majority of living natural resources, goods, and materials essential for the core business processes of the project."
[112] IDB Environmental and Social Policy Framework (2020), Definitions. Moreover IDB's Guidelines for ESPS 2, para. GL13, state: "Second, third, and further levels of the supply chain (sometimes referred to as Tier 2 and Tier 3 suppliers) are not covered by the specific supply chain provisions in ESPS 2."
[113] World Bank Environmental and Social Framework (2016), Glossary.
[114] World Bank Environmental and Social Framework (2016), ESS1 Footnote 34.
[115] Through the policy definitions of primary supplier in Performance Standards 2 and 6, and the clarification in its updated 2021 Guidance Note 1, paragraph GN53, footnote GN9.
[116] On the efficiency argument for risk-based due diligence see SME statement on the German Supply Chain Act: Practical rules to ease the burden on small and medium-sized companies should be implemented quickly (March 2025): "The EU Corporate Sustainability Due Diligence Directive (CSDDD), which was adopted in 2024, makes it clear that obligated companies must focus on the most serious human rights and environmental risks along their supply chain and prioritize them instead of collecting information and contractual assurances from their suppliers in a non-specific and large-scale manner."
[117] *See e.g.* IFC, Guidance Note 2, para. GN93, which states that "….The supply chain requirements of Performance Standard 2 do not apply to material or components used in the construction phase of the project." OHCHR's understanding, however, is that the "ongoing basis" limitation does not always operate as a constraint in practice, as illustrated by the significant supply chain due diligence currently required by MDBs for solar power projects, in which solar panels are often purchased in one large order at the initiation of construction.
[118] UNGPs, principle 19, commentary.
[119] In IDB's case, the Guidelines for ESPS 2, para. GL13, state: "The identification of core functions is specific to each project and may include services." However services are not explicitly included in the IDB ESPF definition of primary suppliers.
[120] EBRD ESR 2, para. 47: "As a last resort, after failed attempts to prevent or mitigate significant risks or adverse impacts, and/or when there is no reasonable prospect of compliance with paragraphs 44 to 46 of this ESR, the client will develop and implement a responsible disengagement plan in relation to the relevant supplier(s) or sub-suppliers."
[121] ADB Environmental and Social Framework (2024), ESS1 para. 36.
[122] See ADB Environmental and Social Framework (2024), ESS2 para. 44, "[w]here there is a significant risk of child labor or forced labor in relation to primary supply workers, the borrower/client will require the primary supplier to assess and identify those risks consistent with paras. 20-26, *to the satisfaction of ADB*." (emphasis added).
[123] AfDB Integrated Safeguards System (2023), OS1 para 30.
[124] EBRD Environmental and Social Policy (2024), ESR 1 para. 21.
[125] IFC Performance Standards on Environmental and Social Sustainability (2012), Performance Standards 1, para. 10, GN 1, para. 53 and GN 2, para. GN96.
[126] IDB Environmental and Social Policy Framework (2020), para. 12.
[127] World Bank Environmental and Social Framework (2016), ESS1, para. 34.
[128] EBRD, Guidance on assessing and managing environmental and social risks in the supply chains of sub-projects (2024), p.5: "The severity factor has a greater weighting than the likelihood factor."
[129] For a discussion of different kinds of leverage that may be available to DFIs *see* OHCHR, Remedy in Development Finance: Guidance and Practice (Feb. 2022), pp. 48-58.
[130] EBRD Environmental and Social Policy (2024), para. 2.10. "The EBRD acknowledges the importance of addressing the environmental and social risks in supply chains. The EBRD recognises that environmental and social risks and impacts prevalent in certain supply chains may not be addressed at the project level, due to factors beyond the control of individual clients…. Where concerted efforts are required to address these, the EBRD will engage with relevant industry initiatives, multilateral institutions and other relevant stakeholders to explore common responses towards the elimination or reduction of such risks."
[131] EBRD Environmental and Social Policy (2024), ESR 4 para. 32-33.

[132] *See e.g.* OHCHR, Mandating Downstream Human Rights Due Diligence (2022), *and* Danish Institute for Human Rights, Due diligence in the downstream value chain: case studies of current company practice (2024).
[133] *See e.g.* EBRD ESP 2024, ESR 2, fn 35: "Leverage refers to the ability of a business entity to effect change in the practices of another party that is causing or contributing to adverse human rights impacts." *Cf.* IDB ESPF Guidelines for ESPS 1: "For the purpose of ESPS 1, 'control' means the ability to make decisions and direct the behavior of third parties to function or act in a desired or appropriate way whereas 'influence' is the capacity to affect the behavior of third parties by shaping their views or actions."
[134] *See also* EBRD ESP 2024, ESR 2, para. 46. A more attenuated example is AfDB ISS 2023, ESOS 2, para. 44: "Where there are significant risks related to OHS, child or forced labour or modern slavery, and to the extent technically and financially feasible, the Borrower shall undertake efforts to raise its level of influence over the supply chain." Some MDBs also recognize the need to collaborate with third parties where "control or influence" is limited (e.g. IFC Guidance Note 1, para. 2; IDB Guidelines for ESPS 1, para. 2). *See also* World Bank, Supply Chain Management: An introduction and practical toolset for procurement practitioners (Mar. 2023), p.11, on how to "create leverage" in the four main phases of the procurement process.
[135] CAO Compliance Appraisal of Complaint Regarding IFC Investment in Wings Group's PT Sayap Mas Utama, Indonesia, and its Palm Oil Supply Chain (Mar. 28, 2023), including (p.4): "Although Wings Group is a vertically integrated business, and Wings Group links are found at each level of the client's supply chain, IFC did not structure the project in a manner that increased the client's control and leverage of its supply chain to address potential E&S risks."
[136] Under ADB Environmental and Social Framework (2024), ESS2 para. 46, a borrower/client should "*demonstrate the extent to which it cannot exercise control or influence* over a primary supplier by providing details of the considerations for such determination, which may include legal, regulatory, and institutional factors." (Emphasis added).
[137] IFC Performance Standards on Environmental and Social Sustainability (2012), GN 2 para. GN96.
[138] *See* Danish Institute for Human Rights, Human rights at development finance institutions - Connecting the dots between environmental and social risk management and development impact (2021).
[139] Examples include the IFC's investments in palm oil in Indonesia (Delta-Wilmar), and the solar supply chain and Uzbekistan cotton sector examples discussed in this brief.
[140] *See e.g.* ADB, Sustainable Procurement: Guidance Note on Procurement (2021).
[141] UNGPs, principle 14.
[142] IFC should in particular integrate the updates on supply chains in its 2021 update of its Guidance Note 1 into its updated Performance Standard for both its own financing and given that the Performance Standards are a reference for numerous other DFIs, Export Credit Agencies, the Equator Banks and other actors.
[143] IFC Guidance Note 1 (June 2021), GN53, fn 9.
[144] *See* for example the extensive guidance documents, initiatives, collaboration and additional materials from OECD on risk-based responsible business conduct due diligence in supply chains covering global and regional supply chains that gives just one indication of how much work has been done on these issues.
[145] *See e.g*. CAO Advisory Memos on Supply Chain Business Opportunities and Risks (2018), p. 16 and 29 that recommends that IFC include specific guidance on supply chains in all IFC Performance Standards when it next updates them.
[146] This was an issue identified in CAO Advisory Memos on Supply Chain Business Opportunities and Risks (2018), p. 6: "Supply chain risk analysis and mitigation is not yet a consistent element of routine analysis for all IFC deal team staff." It is difficult for external observers to know whether this has since become more routine practice at IFC or at other MDBs.
[147] M. Hodge, What is risk-based due diligence? And what is it not? Getting back to basics as part of EU Omnibus simplification (Blog, Apr 8, 2025).
[148] For further lessons learned on supply chain approaches, *see* OECD, OECD alignment assessments of sustainability initiatives in an evolving regulatory context (2024). There has been a growing criticism of relying too heavily on auditing. *See* Business and Human Rights Resource Centre microsite on social auditing. Alternatives to identifying forced labor include proactive management of worker recruitment policies and practices. *See e.g*. Responsible Recruitment Gateway.
[149] *See e.g*. the discussion on the relationship between initiatives and robust human rights due diligence and the importance of client policies on human rights in Business and Human Rights Resource Centre, Transition Minerals Tracker (2025), p. 17.
[150] *See* CAO, CAO Advisory Memos on Supply Chain Business Opportunities and Risks (2018), pp. 32-38, *and* Rights CoLab, Investor HREDD Tools, Certification Red Flags.
[151] *See* ADB Environmental and Social Framework (2024), ESS2 para. 44, "[w]here there is a significant risk of child labor or forced labor in relation to primary supply workers, the borrower/client will require the primary supplier to assess and identify those risks consistent with paras. 20-26, *to the satisfaction of ADB*." (emphasis added).
[152] For example *see* World Bank, Supply Chain Management: An introduction and practical toolset for procurement practitioners (Mar. 2023), p.11, on how to "create leverage" in the four main phases of the procurement process: (a) strategy development and procurement planning; (b) the evaluation of suppliers and contractors; (c) awarding contracts; and (d) the contract management phase.
[153] Danish Institute for Human Rights, Fit for Purpose? An analysis of development finance institutions' management of human rights risks in intermediated finance (Apr. 2024); Urgewald, Unequal Support: Rethinking the IFC's Trade Finance Priorities (2024).
[154] *See e.g*. the AIM-Progress Oxfam Business Advisory Service joint project on suppliers' grievance mechanisms which shares lessons learned, recommendations, and early successes for workers and suppliers.

[155] *See e.g.* the Multilateral Financial Institutions (MFIs) Sexual Exploitation and Abuse and Sexual Harassment (SEA/SH) Working Group that includes a whole line of action on addressing these risks in supply chains, through actions in the procurement process.
[156] *See* https://www.humanrights.dk/tools/sector-wide-impact-assessments.
[157] *See* UN Working Group Business and Human Rights, Business, human rights and conflict-affected regions: towards heightened action (2020).
[158] *See* OEB, DEG, Explorative Research Study on Approaching DFI's Development Impacts from a Net Perspective (2022).
[159] International Energy Agency & OECD, The Role of Traceability in Critical Minerals Supply Chains (2025), p.24.