

# Risk & Resilience

Insight on human rights & sustainability strategy

Trade, Supply  
Chain Dynamics,  
and Human Rights

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# Abstract

Despite recent signs of relief, unpredictable and rapidly shifting US trade policy has sowed uncertainty into global supply chains. Companies are considering a panoply of measures to navigate the expected realignment of production costs through US tariffs and potential retaliatory policy from other countries. Those measures, however, may carry human rights risks that are serious for stakeholders and potentially for companies. Effective supply-chain strategy in response to evolving tariff policy should integrate human rights considerations for operational and brand integrity, regulatory compliance, and managing non-tariff measures affecting access to key markets. This piece highlights key trade-related human rights and their implications for corporate strategy and governance.

## Trade-Related Human Rights Risks

Cost will inevitably be a key driver as companies reshape supply chains in response to tariffs. But baseline costs of labor, material inputs, transportation, and trade may overlook serious risks to workers and communities in global supply chains. As discussed further below, these risks may in turn create regulatory, trade, and litigation challenges for companies. Six human rights risks are most likely to be relevant for companies across sectors as they reconsider their sourcing models:

### 1 Forced labor and child labor

The combination of price pressure and economic slowdown in key economies may drive suppliers to rely on more vulnerable worker populations, including migrant labor and children.

### 2 Worker welfare

Another common strategy for cost-cutting is to ask more for less from workers, through longer working hours, rushed orders ahead of anticipated policy changes, insufficient or delayed pay, reduced rest breaks, and less investment in safety measures, such as personal protective equipment.

### 3 Freedom of association

While worker organizing is already restricted in much of the world, price pressures and economic uncertainty create a heightened risk for freedom of association, as employers seek discretion to cut costs and respond to changing policy.

### 4 Healthy environment

Environmental harms are a serious risk, particularly if production is shifted to jurisdictions with poor regulation and enforcement, which disproportionately impacts marginalized communities and Indigenous populations.

### 5 Conflict-related risk

Policy changes regarding critical minerals in the U.S and China are likely to lead to increased sourcing from conflict-affected and high-risk areas, which are linked to a host of serious human rights and humanitarian law risks. Beyond mining, economic destabilization may breed an increase in crime and political violence, which, in turn, increases the risk of government infringement of privacy, freedom of expression, non-discrimination, and human rights abuses by public security and the legal system.

# Legal & Compliance Risks for Business

These human rights risks are not only serious for affected stakeholders. They are also increasingly significant for global companies. The challenge relates in part to brand risks from being associated with serious harm to people; in part to operational risks related to vulnerable supply chains; and in part to investor concerns. And a growing element of that risk flows from regulation.

## 1 Non-tariff trade measures

Much ink has been devoted in recent years to emerging regulation mandating human rights and environmental due diligence, notably in Europe (see below). But the most significant sustainability-related legal and compliance risks to companies arguably relate to non-tariff trade measures. In the U.S., [section 307 of the Tariff Act](#) prohibits the import of goods made, in whole or in part, by forced labor, indentured labor or child labor. The [Uyghur Forced Labor Prevention Act](#) reinforces the impact of this barrier for goods originating in Xinjiang, China, by creating a rebuttable presumption that such goods are made with forced labor and are therefore (presumptively) banned from import into the U.S.

The [EU's Forced Labor Regulation](#) similarly bans the entry of goods made, in whole or in part, with forced labor. It applies to all companies operating in the EU, regardless of their revenue or where they are incorporated. The upcoming [Deforestation Regulation](#) requires EU-based importers of cocoa, coffee, palm oil, soya, rubber and wood (as well as derivative products) to conduct due diligence and provide detailed documentation, such as geolocation data, to show that a product did not originate from deforested land after 2020 and that it was produced in accordance with local laws.

## 2 Due diligence & disclosure

These express sustainability-related trade measures are reinforced by mandatory due diligence and disclosure regimes, which may trigger specific responsibilities for companies to reassess risk when there are substantial changes to business operations or sourcing patterns. (See, e.g., the EU [Batteries Regulation](#), [Conflict Minerals Regulation](#), and [Corporate Sustainability Due Diligence Directive](#) (CS3D), [Norway's Transparency Act](#), and [France's Loi de Vigilance](#).)

Changes in supply chains—particularly when shifting sourcing countries—may also shape disclosure requirements for securities reporting and targeted sustainability regimes, such as modern slavery disclosures in the [UK](#), [Canada](#) and [Australia](#), and the [EU's Corporate Sustainability Reporting Directive](#). Such disclosures have a compliance dimension that is buttressed by potential civil liability and enforcement actions related to misrepresentation.



# Implications for Sustainability Strategy & Governance

The dynamics and uncertainty of the global trade landscape encourage adaptable supply chains. Such adaptability, however, should not be myopic. Human rights risks related to shifting supply chains and procurement practices are serious for stakeholders and for companies. Effective corporate strategy should endeavor to informed nimbleness, integrating human rights and environmental due diligence from the outset to ensure that it accurately captures the implications of adaptation and navigates the network of human rights-related trade regulation in key markets.

Four measures can assist companies in developing sustainability-calibrated operational and supply-chain strategy in response to shifting trade policy:

## 1 Supply chain traceability

Investing in supply chain traceability is increasingly important to track chain of custody for tariff preparedness, comply with non-tariff trade measures, and prioritize parts of the supply chain for more intensive human rights due diligence. While complete supply chain visibility is likely a chimera—and technology remains inherently limited and of variable quality—a mix of approaches drawing on targeted questionnaires, contract terms, and data analytics can strengthen decision-making and enhance corporate resilience to a range of compliance and litigation risks.

## 2 Strategic due diligence

Along with standard cost and operational issues, strategic due diligence of potential production and sourcing markets should consider the six priority risks above—from the perspective of seriousness to stakeholders as well as legal risk for the company. Prevalence of forced labor specifically may raise market-access risks in the US and EU. Other human rights and environmental issues, however, may affect a host of brand, operational, and legal risks.

## 3 Cross-functional coordination

Cross-functional coordination in negotiating and overseeing supplier agreements is critical to ongoing management of these diverse risks. The increasing significance of human rights and environmental issues in shaping business risk means that sustainability-related contract terms should be carefully calibrated to manage priority risks to stakeholders and non-tariff trade measures, including through tailored oversight mechanisms relating to specific deliveries.

## 4 In-depth human rights due diligence

When moving production or sourcing to high-risk markets—particularly forced labor or conflict—conduct targeted, in-depth human rights due diligence to develop tailored policies and protocols. Such due diligence can enhance operational efficiency through early risk identification and mitigation; it can also strengthen corporate resilience to potential future scrutiny by regulators, courts, investors, and other stakeholders.

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