

How Can Commodity Traders Identify Potential Adverse Impacts?

Guidance

Helping companies implement the UNGPs



The **Commodity Trading Sector Guidance on Implementing the UN Guiding Principles on Business and Human Rights (Commodity Trading Guidance)** aims to help representatives of commodity trading firms to implement the **UNGPs** in company systems and cultures.

This explainer summarises how commodity traders can identify all the potential or actual human rights impacts of their activities.

For commodity trading firms, actual or potential human rights risks exist across most supply chains. Some firms may only be involved in the production of commodities (upstream), some in transportation and storage (midstream) and others in the processing of the final product (downstream). Larger trading firms may own production facilities and have more control over value chains (for example, land, processing and logistics assets such as ships, port facilities and warehouse). Some examples of human rights violations that may arise in these supply chains include:

Upstream: Unfair working conditions, violations of land rights and forced displacement, child and forced labour, the infringement of Indigenous peoples' rights etc.

Midstream: Unsafe road transportation practices, unsafe working conditions on shipping vessels, human rights violations by private security companies on board ships, the exploitation of migrant workers, poor storage facilities that contaminate surrounding lands etc.

Downstream: Poor working conditions in smelters and refineries, forced displacement of communities to building transforming facilities, the emission of toxic pollutants etc.

Human rights impact assessments (HRIAs) at a glance

There are several approaches to HRIAs in different fields. The overarching steps for an HRIA as outlined by [Boele & Crispin](#), the [Danish Institute For Human Rights](#) and others, include:

Step 1: Understand the context

- Identify current and historical human rights context at national, regional and local levels. This may initially be through using publicly available sources of information, but it should..
- Identify all the relevant stakeholders, including potentially impacted communities.

Step 2: Identify and prioritise human rights impacts

- Engage stakeholders externally and internally. Rights-holders and impacted communities should be treated as active agents in the assessment process and be empowered to participate and share information.
- Incorporate any information collected through grievance mechanisms, whistleblowers, complaints, NGO or CSO reports.
- Identify issues that present potential or actual human rights impacts while ensuring that such assessments are based on internationally recognised human rights standards and principles. This includes drawing upon jurisprudence and commentary on such international human rights standards...



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Human rights impact assessment

Identifying the actual or potential human rights impacts is how a company can take action to address, prevent or mitigate those impacts. Human rights impact assessments (HRIAs) are one step in the human rights due diligence process. Commodity trading firms can either conduct human rights impact assessments by relying on internal expertise or they can engage third party experts. Consulting external experts can be particularly useful for small or medium-sized trading firms that face resource constraints in carrying out their own impact assessments.

Principles for human rights impact assessments

The UN Guiding Principles note that as part of assessing human rights impacts, businesses should:

- consult with potentially impacted rights-holders and communities;
- be gender-sensitive and be aware of human rights impacts on groups that are particularly marginalised or vulnerable (which requires a strong understanding of local and national contexts);
- assess impacts from the perspective of risk to people rather than risk to business; and
- identify human rights risks and impacts on an on-going basis (such as periodically throughout the project cycle, or prior to significant decisions about amendments or extensions to activities).

For more information on implementing the UNGPs in the commodity trading sector, visit the [Commodity Trading Guidance website](#).

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- Prioritise potential or actual human rights impact areas based on frequency, severity, irremediability and scale.

Step 3: Assess impacts and plan

- The findings should be analysed to give a detailed understanding of all the potential human rights impacts associated with that business activity.
- Responsibility for the implementation, monitoring and follow-up of mitigation measures should be assigned within the company's governance system.
- Transparency should be maintained during the HRIA process and the results of that process should be easily available to stakeholders.

Triggers for commodity trading firms

The Danish Institute for Human Rights has [recommended](#) developing 'triggers' for human rights impact assessments as a method to identify where it would be appropriate and necessary to immediately investigate whether there are actual or potential harms. For commodity trading firms, some triggers may be:

- when there is a mandatory legal requirement or a contractual obligation to conduct due diligence;
- before making the decision to enter a long-term offtake agreement;
- when engaging with upstream entities (such as a mining company) in a new country context with known human rights issues (such as forced labour, restrictions on freedom of expression etc);
- when the activities will affect common property resources used by an entire community (such as grazing land and fishing waters);
- when an NGO, CSO, human rights group or other whistle-blower raises concerns about human rights impacts arising from the business project or activities.



Implementing the UN Guiding Principles on Business and Human Rights

Guidance for the Commodity Trading Sector