

Guide

How to Uncover Hidden ESG Risks in Your Supply Chain

Assent

Faster Intelligence. Stronger Supply Chains.

Introduction

Manufacturers with complex supply chains face unique challenges when it comes to supply chain sustainability management. For most manufacturing verticals, the supply chain contains the majority of sustainability impacts. That's why you need to collect data from — and about — your suppliers to create meaningful insights into your total risk and performance.

One of the biggest challenges manufacturers face when it comes to sustainability is that they don't have the deep visibility into their supply chain that is required to capture hidden risks or the ability to translate that information into actionable business intelligence. Most supply chain sustainability solutions deliver minimal, shallow information, and are not designed for the specific needs of manufacturers.

This guide gives you best practices to improve your sustainability risk management and protect your business from the biggest supply chain threats. You'll learn:

- Which hidden risks to prioritize
- A method for proactively uncovering and mitigating those risks
- What a strong ESG risk monitoring program looks like



Hidden Risks Are the Costliest

Your supply chain holds the majority of sustainability risks and impacts, spanning a wide range of topics. However, not all these topics should be weighed equally — some sustainability risks pose more of a threat to your compliance and reputation than others, including human rights violations like the use of forced labor, modern slavery, and child labor. Governance and code of conduct risks are also more common in manufacturing supply chains, including corruption, bribery, money laundering, and criminal activity as well as environmental impacts such as greenhouse gas (GHG) emissions.

Part of what makes these risks so dangerous is that they are hidden in the supply chain — your direct suppliers may not even be aware of bad actors and may not have the deep visibility to identify and report these hidden risks. It's also possible that suppliers will choose not to disclose this information in order to protect themselves. For example, a supplier using child labor is not going to self-disclose that information.

Even if you have a supply chain sustainability management solution in place that collects data from suppliers, without a specific process for reviewing your suppliers' sustainability risk levels beyond direct surveys, you are exposed to serious legal, financial, and reputational consequences.

In many cases, even if your company is not found fully responsible for the environmental or human rights impacts of your supply chain, the costs of inaction are significant:

- Months (or years) of market access loss, often costing millions in lost revenue
- Cost of replacing suppliers, which may require reengineering your product
- Irreparable brand and reputation damage
- Legal fees
- Time and resources spent completing due diligence to collect missing supply chain sustainability data and demonstrate compliance
- Inability to meet customer and investor expectations, leading to lost revenue and access to capital
- Fines or prison time

No matter how strong your internal supply chain sustainability programs and technologies are, you need strategies and services dedicated to revealing hidden risks to eliminate surprises.

The Real-Life Costs of Hidden Risk

Automotive Manufacturer Subsidiary Allegedly Uses Child Labor in the U.S.

In July 2022, a major automotive original equipment manufacturer (OEM) was accused of using child labor in a metal stamping plant in Luverne, Alabama. A Reuters investigation alleges that children as young as 12 were employed by the plant, which is now under investigation by the U.S. Department of Labor and Alabama Department of Labor. The employer has denied allegations it knowingly employed minors, pointing to a lack of due diligence by temporary worker agencies as the root cause of the labor violation. It is yet to be seen how much this investigation will cost the plant, the OEM, and the work agencies.[1]

Mining Company Loses Millions in Investment Dollars After Slavery Lawsuit

A mining corporation headquartered in North America, settled out of court after facing legal allegations of slavery and torture at mining operations in Africa. The Canadian Supreme Court ruled that even though the human rights violations occurred in its international supply chain, the parent company could still be held responsible. Following the lawsuit, BlackRock Inc. divested millions in investment dollars from the company.[2]

Supplier to U.S. Coffee Giant Sued Over Links to Forced & Child Labor

A Brazilian coffee supplier to a major U.S. brand was sued over "slavery-like conditions." According to the lawsuit, laborers — some under the age of 16 — were subjected to long work hours in scorching weather without appropriate breaks. The outcome of the lawsuit has yet to be determined, but the Business and Human Rights Centre points out that the coffee industry is vulnerable to such risks and has one of the highest rates of workers being rescued from conditions of forced and/or child labor.[3]

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1 Reuters. (2022, July 22). Exclusive: *Hyundai subsidiary has used child labor at Alabama factory.* https://www.reuters.com/world/us/exclusive-hyundai-subsidiary-has-used-child-labor-alabama-factory-2022-07-22/

2 Business & Human Rights Resource Centre. (2018, May 21). *Campaigners welcome Blackrock's divestment from Nevsun following campaign over alleged use of forced labour in Eritrea; Nevsun denies use of forced labour.* https://www.business-humanrights.org/en/latest-news/campaigners-welcome-blackrocks-divestment-from-nevsun-following-campaign-over-alleged-use-of-forced-labour-in-eritrea-nevsun-denies-use-of-forced-labour/

3 Business & Human Rights Resource Centre. (2025, April 24). *USA: 8 Brazilian workers sue Starbucks over alleged forced labour by company's supplier.* https://www.business-humanrights.org/en/latest-news/usa-starbucks-sued-over-alleged-forced-labour-in-brazilian-supply-chain/



How to Proactively Uncover & Mitigate Risks

There are two methods for discovering sustainability risks in your supply chain:

Direct Monitoring

Contacting suppliers directly to gather sustainability performance data, typically using questionnaires, industry template surveys, or site visits.

The goal is to capture where your suppliers are strong in their sustainability reporting and where they have gaps. Direct monitoring works best when you treat your suppliers like partners in your supply chain sustainability journey, and where you have more control in your sphere of influence.

Enhanced Supplier Screening

Evaluating supplier performance and detecting risks by monitoring public domain mentions, including adverse media and denied parties screening. The objective is to proactively collect sustainability risk data to fill in gaps from direct monitoring and protect you from bad actors that may conceal information.

Understanding Enhanced Supplier Screening

Enhanced supplier screening is a continuous process that involves reviewing the public domain for any mention of your suppliers or their related partners, filtering results for any negative sentiment or news stories that would prompt action from your organization. Importantly, enhanced supplier screening aims to get ahead of the story rather than reacting to legal or regulatory actions. Enhanced supplier screening is a combination of AI and manual effort, requiring expertise in sustainability, supply chain management, and product compliance.



Because it requires time and expertise, many generic supply chain sustainability solutions do not provide any form of enhanced supplier screening.

Let's look at Assent's enhanced supplier screening service to understand the fundamental components of a strong program.

Monitor a Broad Range of Sources

Assent's team of experts uses AI capabilities to monitor over 2 million digital sources from 182 countries and numerous languages. These include:

- Denied and debarment lists, to prevent you from partnering with a forbidden supply chain entity
- Print, radio, and television mentions that publish industry news, including paywalled content from industry journals
- Social media
- Publications from non-governmental organizations (NGOs), watchdog groups, and legal offices
- Government publications and notices

Focus on Actionable Intelligence

A robust monitoring program will turn up a vast number of search results, but only a fraction of them are important. Without expertise to help determine what's relevant, supplier screening can become overwhelming and inefficient.

Assent screens all hits and flags for negative sentiment, extracting unnecessary information pertaining to positive or neutral information. We solely focus on negative sentiment to give you a clearer picture of ongoing risks and what situations would negatively impact your company and supply chain initiatives. In addition, we assign risk categories (e.g., human rights or serious litigation) and a risk score to help you prioritize responses and deliver thorough, comprehensive information. Having an expert-led program helps cut through the noise of the public domain to get to what's urgent and useful for you to obtain your sustainability goals.



Make Risks Visible

Collecting all this sustainability risk data from deep in your supply chain is only useful if you can see it and act on it. Once Assent has collected your risk data, we roll it up into sustainability dashboards that show you exactly where in your supply chain the major risks lie, which suppliers are a weak link in your corporate sustainability strategy, and what types of risks require the most attention. Assent also helps support the linkages of different entities back to the initial supplier, to clearly label who is connected with you and where the risk truly lies, so you can take action.

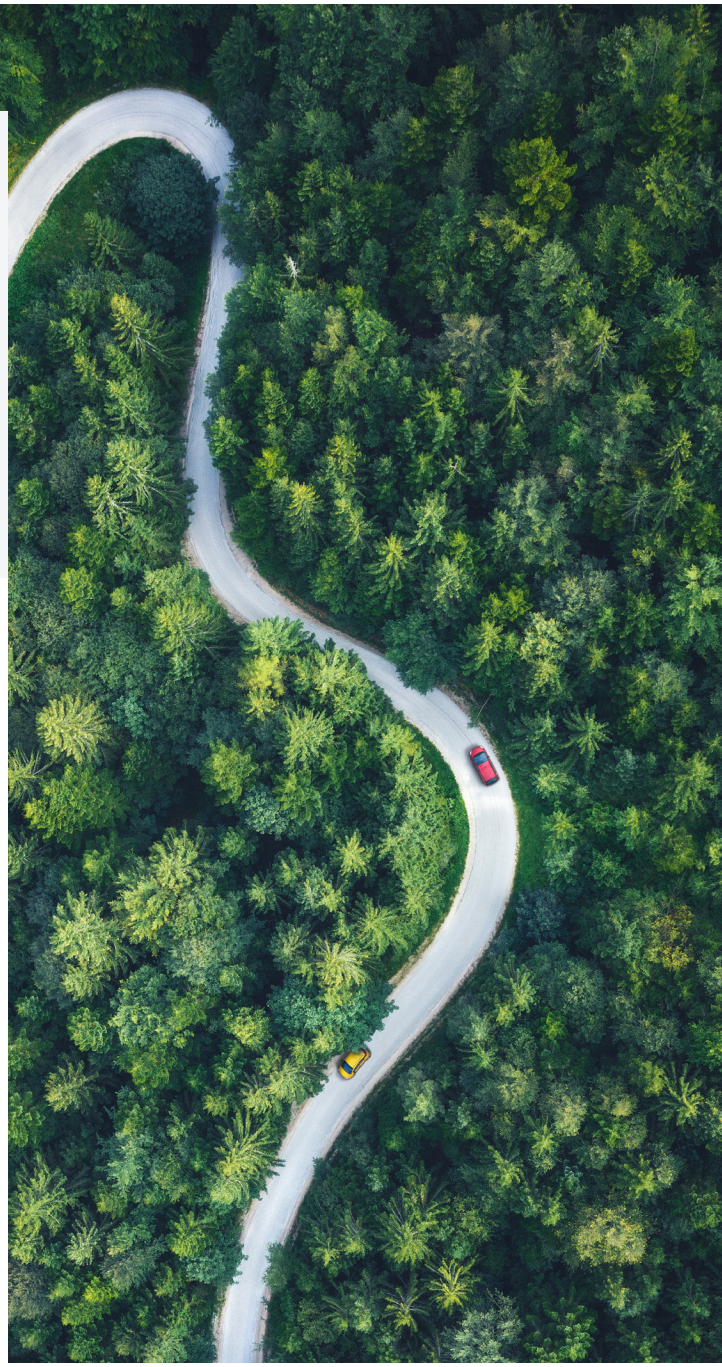


Building a Stronger Supply Chain Sustainability Program

Unlike other businesses, manufacturers require deeper visibility into their operations and the supply chains supporting them for accurate sustainability reporting and real risk management. That's why a supply chain sustainability management program is incomplete without both direct and enhanced supplier screening, providing full 360-degree visibility into your sustainability risks.

Get a demo of our ESG solution to see how you can protect your brand from the most costly dangers in your supply chain.

Book a Demo



The best way to do this is to combine software and services into a comprehensive sustainability solution.

Assent's ESG solution for manufacturers provides a sustainability foundation for businesses with complex supply chains by delivering a powerful software platform paired with expertise-driven services for sustainability consulting, enhanced supplier screening, and supplier education and support. Unlike sustainability software tools built to simply store data, the Assent solution delivers a complete supply chain sustainability management system that sees deeper into your supply chain, letting you work smarter and proactively address sustainability risks.

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