

ETI Technical Guidance on

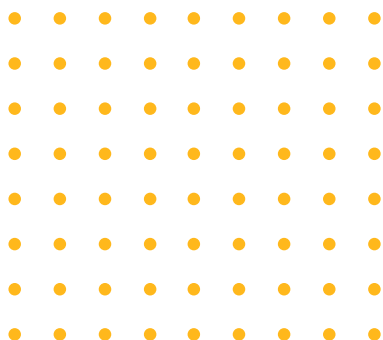
Responsible disengagement



Ethical
Trading
Initiative

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Acronyms and abbreviations

ETI	Ethical Trading Initiative
HRDD	human rights due diligence
ILO	International Labour Organization
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
UN	United Nations
UNGPs	UN Guiding Principles on Business and Human Rights

Acknowledgements

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Shift

Introduction

About this guidance

This technical guidance explores what responsible business practices entail in the context of sourcing changes, specifically when “disengaging” – that is, making substantial reductions in sourcing volumes or terminating supply chain business relationships.¹ It is designed to support companies in preparing for and executing sourcing changes responsibly, suggesting practical steps and offering real-world examples of processes to identify, prevent and mitigate associated human rights risks in different contexts.

Approaching disengagement decisions responsibly can be complex due to competing demands, time pressures, and fast-changing situations – but it is achievable. The insights, tools, and practical experiences in this guidance can help companies navigate these challenges and develop approaches that avoid negative impacts on people **before, during, and after disengagement decisions**.

Building on ETI’s efforts to promote responsible business behaviour, this guidance draws on insights from companies’ own experiences of disengagement as well as the views and recommendations of international organisations and civil society groups that have reported on the human rights impacts of disengagement. It is relevant for companies across different sectors, along with their business partners, suppliers, service providers, and subsidiaries. It may also be useful for civil society organisations concerned with preventing human rights impacts.

The guidance is organised around three main sections, which together provide a clear pathway towards responsible disengagement:

Section 1:

What is responsible disengagement, and how is it understood under key international standards?

Explains the concept of responsible disengagement and highlights core principles drawn from international standards on business and human rights.

Section 2:

What sourcing contexts, operational scenarios, or market shifts could lead companies to consider disengagement?

Outlines scenarios that could lead to disengagement, with practical examples.

Section 3:

How can companies prepare for and carry out disengagement responsibly?

Explores how companies can evaluate, plan and execute disengagement in ways that prevent or mitigate harm to people in the supply chain. Includes practical steps such as risk assessment, stakeholder engagement, and implementing mitigation and remedy measures in line with international standards.

¹ This guidance document uses “disengagement” to refer to termination (or “exit”) and/or order reduction.



Methodology

The objective of this document is to provide a practical, credible guidance on responsible disengagement for companies by identifying:

- **International standards and core principles**
- **Best practice examples and common implementation challenges**
- **Actionable steps that have been tested in real-world contexts**

The research that informs this technical guidance followed a qualitative, mixed-methods approach that combining desk-based research and literature review, interviews with key stakeholders, and experiential insights drawn from practice-based inputs and strategic consultations.

BOX 1: Key reference points for this technical guidance

- ▶ UN Guiding Principles on Business and Human Rights (UNGPs).
- ▶ Interpretive guidance on responsible disengagement from the Office of the United Nations High Commissioner for Human Rights (OHCHR).
- ▶ Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises on Responsible Business Conduct.
- ▶ OECD sector-specific due diligence guidance, which elaborate expectations for suspension and termination of business relationships as part of ongoing due diligence processes (for example, Section 3.2.5 of the 2018 OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector).
- ▶ Relevant guidance from the International Labour Organization (ILO), including materials on responsible retrenchment and crisis response, which provided an important labour rights perspective on transitions, closures and exits.
- ▶ Guidance and analyses from multistakeholder initiatives, civil society organisations, development finance institutions and industry-led frameworks, which helped to shed light on how international standards are interpreted in practice.

See Bibliography for a full list of reference materials.

Section 1:

Understanding responsible disengagement

1.1 What is responsible disengagement?

Disengagement refers to a company's decision to withdraw partially or fully from a business relationship or operating context.

It may not always be a complete exit: disengagement can also take the form of a sharp decline in order volumes, which may have similar impacts on suppliers and workers as full termination. Disengagement may involve a single supplier or a group of suppliers (such as those operating within a particular region or sector).

A company may consider disengagement under different circumstances, as a result of commercial drivers, findings from human rights due diligence, or external factors such as high risks or challenging contexts or climate-related impacts. Section 2 looks at these different factors in more detail.



Definition: Responsible disengagement

“Responsible disengagement” means withdrawing partially or fully from a business relationship or operating context in a way that identifies, prevents and mitigates impacts on the rights of people in the supply chain, in line with international standards, collective bargaining agreements and national laws.² Regardless of the reasons for disengagement, companies are expected to consider its consequences for potentially affected people.

1.2 International standards on responsible disengagement

Both the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct require companies to conduct risk-based due diligence to identify and prevent negative impacts resulting from their business decisions – including decisions to stop producing, building or buying.

Under the OECD Guidelines, disengagement is recognised as a possible outcome of due diligence, but one that should be considered only as a last resort. The Guidelines set out three situations (“triggers”) in which disengagement may be appropriate:

- 1 Where attempts at mitigating adverse impacts have not succeeded
- 2 Where the severity of the impact is so great that disengagement is warranted
- 3 Where mitigation is not feasible

Where companies decide to disengage, the OECD Guidelines state that this should be done responsibly. This includes engaging in meaningful consultation with affected stakeholders and, where possible, taking reasonable and appropriate measures to prevent or mitigate adverse impacts arising from the disengagement itself.

² ETI (2022) Myanmar enhanced due diligence sectoral assessment, p 5.

Before ending a business relationship, companies therefore have a responsibility to assess potential adverse impacts and adjust their behaviour accordingly, ensuring that any disengagement decision follows international standards and prioritises the protection of people who may be affected.

1.3 Ten principles for responsible disengagement

Informed by international human rights standards (Box 1), this guidance identifies 10 core principles that apply whenever a company considers disengaging from a business relationship:

- 1 Human rights responsibility:** Regardless of context or reason for disengagement, companies have a responsibility to respect human rights. Commercial drivers and contractual clauses, such as force majeure, do not override this responsibility.
- 2 Stakeholder engagement:** Meaningful engagement with affected stakeholders should inform every stage of the process. This includes consulting workers, suppliers and other relevant parties – and involving internal departments such as human rights teams – to ensure risks are fully understood and addressed.
- 3 Human rights due diligence:** Companies must carry out human rights due diligence (HRDD) on an ongoing basis. These processes should be embedded throughout all stages of operations and reassessed regularly – including before major decisions or changes, such as changing or terminating business relationships.
- 4 Informed decision making:** A decision to disengage should be informed by a human rights risk assessment, considering potential and actual impacts on workers and other affected stakeholders.
- 5 Prioritising engagement over exit:** Companies should use their leverage to prevent, mitigate or remedy human rights impacts before considering disengagement. Exit should be a last resort when risks cannot be addressed despite reasonable efforts.
- 6 Disengagement as a process:** Responsible disengagement is not a single event but a process that includes early planning, informed decision-making, preparation, execution and post-disengagement actions to minimise harm.
- 7 Remediation:** If the company causes or contributes to adverse impacts – whether through its decision to disengage or related actions – it has a responsibility to provide or cooperate in providing remedy.
- 8 Responsibility and collective impact:** Companies should take responsibility for preventing and mitigating adverse impacts in proportion to their contribution – such as the share of business they represent for the supplier – while also considering the broader context: if several buyers disengage simultaneously, the cumulative impact on workers and communities can be severe. Responsible disengagement therefore requires assessing both individual and collective influence and, where possible, collaborating with other buyers to reduce harm and support sustainable outcomes.
- 9 Disengagement in the context of sourcing strategy:** Disengagement should be considered within the company's wider sourcing strategy. If the withdrawal is a shift to cheaper production that correlates with weaker labour protections or poorer human rights performance, it undermines efforts to improve working conditions. Such moves create disincentives for suppliers and production countries to invest in better standards – like closing living wage gaps or enabling collective bargaining – due to fear of losing commercial competitiveness. The company should consider whether the disengagement is aligned with its commitment to human rights.
- 10 Just transitions:** Supply chain shifts are increasingly driven by climate-related impacts and sustainability goals. Responsible disengagement is therefore a critical component of just transition strategies, ensuring that changes in sourcing do not disproportionately harm workers and communities.

Section 2:

When disengagement becomes a consideration

Decisions to disengage from business relationships may be prompted by a range of different reasons and situations, and the steps needed for a responsible disengagement will vary accordingly.³

Common reasons for considering disengagement include:

- ▶ **Commercial drivers:** underlying business priorities that shape sourcing strategies.
- ▶ **Due diligence findings:** identifying severe risks or impacts through HRDD processes.
- ▶ **High-risk or challenging operating environments:** contexts where conditions make continued engagement difficult or untenable.
- ▶ **Climate-related impacts:** changes driven by environmental factors or sustainability considerations.

Often, companies face a combination of these commercial, operational and risk-related considerations at the same time.

Regardless of the context, companies have a responsibility to manage disengagement in line with the core principles outlined in this guidance: ensuring the process prevents and mitigates harm to people and supports respect for human rights.

Particular consideration should be given to workers who may be affected but harder to access, such as homeworkers, and workers in more vulnerable positions, such as migrant workers, who may not have the same levels of social protection.



³ OHCHR (2023) *Business and human rights in challenging contexts*, p 8

2.1 Commercial drivers

Companies often face business considerations that lead them to consider disengagement from a particular operating context or supplier relationship. These may include a desire to shift operations away from one geography to another for cost or profitability reasons, sourcing different raw materials, or winding down operations at a site following project completion.

Other common factors include dissatisfaction with supplier quality or production capabilities, transitioning to new strategic commodities or products, loss of certifications, or failure to meet procurement performance indicators on quality or volume.

In some cases, companies also face urgent or unexpected external changes. Covid-19 is a well-documented example, wherein sudden shifts in consumer demand prompted many businesses to significantly reduce orders or disengage from suppliers unable to fulfil them.⁴

2.1.1 Macroeconomic and market conditions

One supplier described how a buyer disengaged from its operations in Turkey due to rising production costs and increasing economic volatility. Buyers cited “inflation, currency instability, and unpredictability in the business environment” as reasons for “reduced cost competitiveness and limitations to the buyer’s ability to forecast input prices”.⁵ The buyer subsequently shifted sourcing to Egypt, where state investment in the textile sector enabled suppliers to offer lower production costs and more favourable payment terms. In several cases, this disengagement formed part of a broader buyer decision to exit the Turkish market altogether, reflecting concerns over sustained commercial uncertainty rather than supplier-specific performance.

2.1.2 Strategic repositioning and product requirements

A supplier was unable to provide the necessary evidence to demonstrate alignment with a buyer’s new requirements for its global supply base after a large grocery retailer made a strategic shift towards premium and sustainably positioned canned goods. The supplier was therefore exited from the buyer’s supplier portfolio. In this case, disengagement “reflected a change in the buyer’s commercial strategy rather than shortcomings of the supplier such as delivery or contractual performance”.⁶

2.1.3 Certification and reputational risk

A retail buyer disengaged from a supplier within the banana supply chain after a producer lost its fair-trade certification. The loss of certification undermined the buyer’s ability to meet its ethical sourcing commitments and maintain brand positioning in key consumer markets. Despite continued production capability, the buyer disengaged from the supplier on commercial and reputational grounds.⁷

2.1.4 Trade policy and cost structure

The introduction by the US government of 25% tariffs on derivative products containing steel and aluminium was projected to increase total production costs in the electronics manufacturing sector by approximately 23%.⁸ As these costs could not be absorbed without materially affecting margins or pricing competitiveness, buyers shifted their sourcing of steel components to suppliers based in Mexico, where tariff exemptions applied.

⁴ SOMO (2020) *Responsible disengagement in the time of corona* (2020).

⁵ Interview with supplier representative.

⁶ Interview with buyer company representative.

⁷ Interview with buyer company representative.

⁸ Jozepa, I. and Webb, D. (2025) *US trade tariffs*. UK Parliament Research Briefing, House of Commons Library (16 December),

2.2 Human rights due diligence findings

International standards⁹ require companies to conduct ongoing due diligence and take steps to identify, prevent and mitigate adverse impacts associated with their operations and business relationships. Where significant impacts are identified, companies are expected to use or increase their leverage to influence partners to address these impacts. If efforts to do so fail, or if human rights due diligence (HRDD) processes reveal adverse impacts that are severe, persistent or cannot be adequately mitigated, companies may need to consider whether continuing the relationship would lead to further harm.



Disengagement due to human rights issues is more challenging than disengagement due to planned business decisions, as you can prepare for the latter. While scientific and agronomic issues can lead to straightforward order reductions, exits driven by human rights concerns or cultural norms become much more challenging, especially if the flagged impacts might be permissible in the operating context (as seen in examples like US child labour laws and the Brazilian prison labour model)."

Purchasing company interviewee

2.2.1 Collective disengagement linked to sector-wide human rights impacts

Interviewees highlighted a collective disengagement approach taken by buyers in the seafood sector following due diligence reviews of tuna sourcing practices. A group of peer companies jointly reassessed their sourcing and purchasing policies and committed to cease purchasing tuna caught using long-line fishing methods, due to the well-documented association of these practices with forced labour and other labour rights impacts. The disengagement was framed as a risk-based response to systemic human rights concerns that could not be effectively mitigated at the individual supplier level.¹⁰



⁹ OECD (2018). *Due Diligence Guidance for Responsible Business Conduct*. Information on disengagement is provided under Step 3 and Question 39 (Annex).

¹⁰ *Ibid.*



2.3 High-risk or challenging contexts

Disengagement decisions can also be triggered by particularly high-risk or challenging contexts. These contexts complicate HRDD by creating dilemmas around the operating environment and increasing the risk of involvement in adverse human rights impacts. Examples include:¹¹

- ▶ **Grave human rights situations:** Armed conflict, political turmoil, or systemic rights violations – especially where the state itself is implicated – significantly heighten the risk of company involvement in serious abuses. For instance, if products are used in violations or relationships exist with state agencies engaged in abuses, concerns about complicity may arise.
- ▶ **Conflicting legal requirements:** Local laws may require actions inconsistent with international human rights standards, such as restrictions on privacy or freedom of expression.
- ▶ **Limited human rights protections:** National laws and regulations may provide a level of human rights protection that falls significantly short of internationally recognised standards. This can be compounded by poor enforcement and systemic issues such as inequality, poverty, corruption, limited government capacity, and weak respect for the rule of law. These gaps increase the risk that companies become linked to adverse impacts.

2.3.1 Political tensions in Myanmar

The coup d'état in Myanmar in February 2021 prompted significant deterioration in the respect of human rights, and companies sourcing from the country had to reassess their presence and consider disengagement. In the 18 months following the coup, workers' rights to freedom of association and collective bargaining were severely impacted – including through military violence against workers in response worker organisation and trade union activity – and there were reports of forced labour risks and precarious employment conditions.¹² As a result, some companies decided to disengage from the country as they considered that they could not effectively implement due diligence to mitigate the risks to people.¹³

2.3.2 Xinjiang, China

Another example of companies considering, executing or failing to execute disengagement due to ongoing, unmitigated and severe human rights impacts is the Xinjiang region of China and Uyghur forced labour camps. As companies found themselves unable to gather credible information on sourcing links in the region, they made public decisions to disengage.¹⁴

¹¹ OHCHR (2023) *Business and human rights in challenging contexts*, pp 5–8.

¹² ETI (2022) *Myanmar enhanced due diligence sectoral assessment*.

¹³ Joint ETIs (2024) *Human rights due diligence in challenging contexts: Introduction, case studies and resource overview*.

¹⁴ Anti-Slavery International (2022) *Analysis of the European Commission proposal for a Directive on corporate sustainability due diligence*, p 15.



2.4 Climate change impacts

Companies increasingly consider disengagement as part of their climate strategies. Many plan to decrease fossil fuel use and other environmentally harmful practices while also reducing greenhouse gas emissions. Rising temperatures and changing weather patterns are affecting operations and sourcing as the suitability of growing regions shifts. Increased heat, flooding and shifts in pest and disease patterns pose risks to existing sourcing markets, potentially disrupting supply chains.

Transition plans may involve disengagement from certain operating contexts and business relationships, due to:

- ▶ **Localised climate impacts:** Disruption of operations, financial loss and risks to worker health and safety¹⁵ may lead companies might to consider exit from regions prone to intensified flooding, recurrent heatwaves or drought. One interviewee gave the example of recurrent floods in Vietnam, which lead companies to ask textile suppliers to invest in infrastructure to protect against climate events.¹⁶ When suppliers were unable to demonstrate plans for protecting their facilities, buyers disengaged at the end of the production cycle, citing concerns around damage to the products.¹⁷
- ▶ **Systemic impacts on raw material availability:** Climate change and nature loss can significantly alter crop viability and disrupt supply chains. Systemic pressures – drought, pests and disease, climate-driven crop failures, and climate events that cause economic shocks – can prompt companies to disengage from certain raw materials and sourcing regions.¹⁸ For example, when Brazil's orange harvest fell by 24% from the previous year due to disease caused by extreme heat stress and drought, international buyers decided to replace oranges with other fruits from Brazil.
- ▶ **Climate transition plans and net-zero commitment:** Companies may divest from suppliers or industries with poor environmental performance. For instance, the Norwegian Pension Fund Global divested from 23 palm oil companies in 2013, due to deforestation concerns, while increasing investments in other palm oil producers with better environmental and social performance.¹⁹
- ▶ **Emerging legislation:** Regulations prioritising climate and environmental goals may require or incentivise disengagement from certain suppliers, commodities, industries or regions. For example, the EU Regulation on Deforestation-Free Products obliges EU companies to demonstrate products do not originate from deforested land, prompting shifts away from high-risk regions.

¹⁵ Economist Impact (2024) *Climate change's disruptive impact on global supply chains and the urgent call for resilience*.

¹⁶ Agence France-Presse (2025) *Vietnam flooding death toll reaches 90 amid landslides and relentless rain* (The Guardian, 23 November).

¹⁷ Interview with expert.

¹⁸ AIM-Progress and Human Level (2024) *Sourcing strategies: Responsible engagement and disengagement considerations in a changing climate*.

¹⁹ Taylor, M. (2019) *Norway's wealth fund ditches 33 palm oil firms over deforestation*, Reuters, 28 February and Heineken, H. (2019) *Citigroup, Standard Chartered, and Rabobank cancel substantial loans to palm oil company Indofood over labor abuses. Will others take a stand?* [Rainforest Action Network Blog] The Understory, 22 July

Section 3:

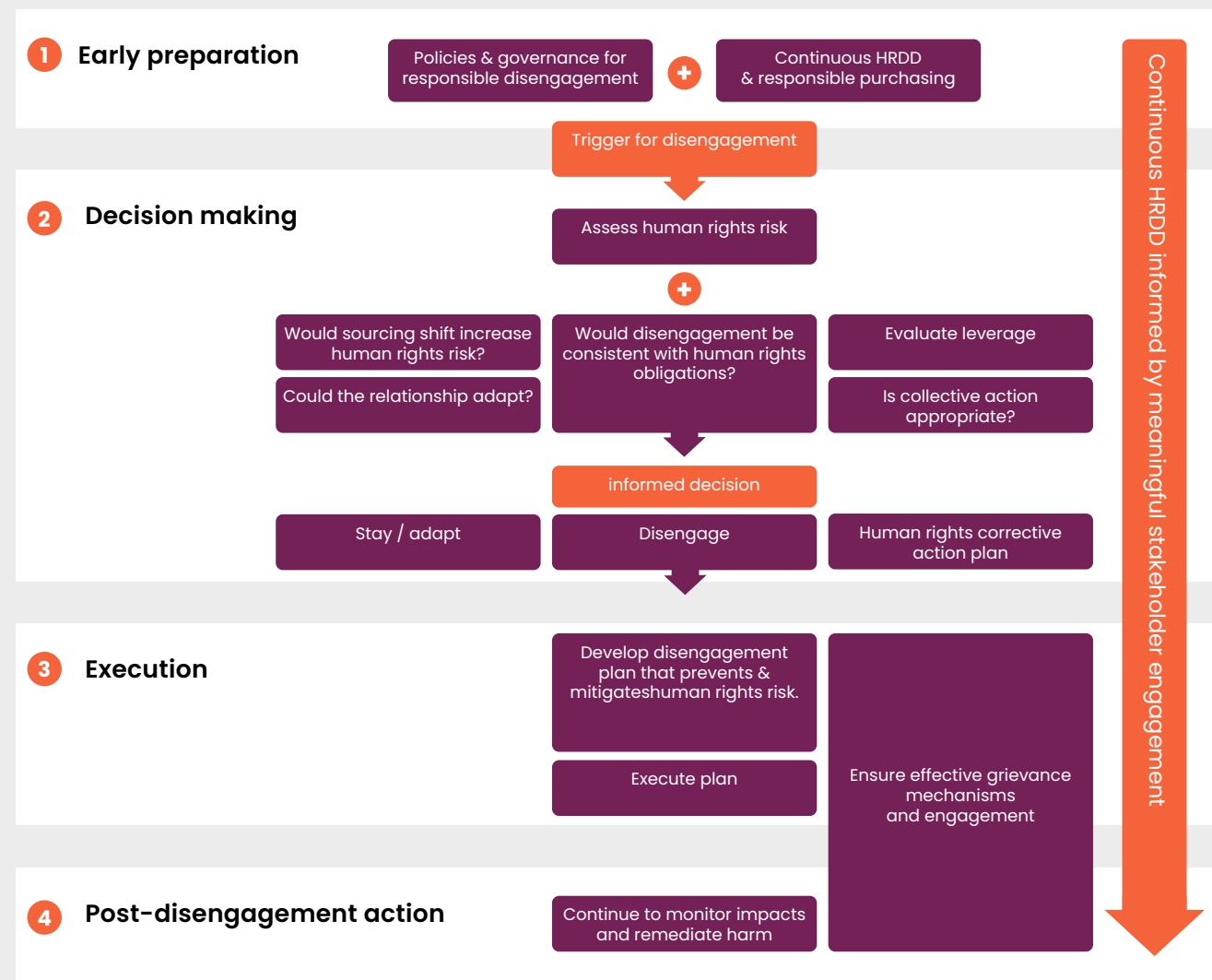
Responsible disengagement in practice

Responsible disengagement is more than deciding whether to exit an operating context or business relationship. It is a proactive strategy that aims to identify, prevent and address negative impacts that may arise as a result of the disengagement.

The process involves four stages, visualised in Figure 1:



Figure 1: Stages of responsible disengagement – An overview



3.1 Early preparation

Companies should embed responsible disengagement considerations into their business practices early, ensuring that frameworks, relationships and leverage mechanisms are in place long before any potential need arises. The goal is to integrate these considerations into ongoing human rights strategy, due diligence and management systems. This proactive approach enables companies to better influence outcomes and minimise harm if disengagement becomes necessary.

3.1.1 Clear internal frameworks and policies

In practice, this means developing clear internal frameworks or policies for responsible disengagement that are aligned with the UNGPs and OECD guidelines. These should:

- ▶ Define the company's responsibility for responsible disengagement in relation to its human rights obligations.
- ▶ Outline requirements for preparation, decision making and execution – including stakeholder engagement.
- ▶ Assign governance roles and responsibilities across functions.
- ▶ Identify key contextual information needed for decision making.

Companies can strengthen these frameworks by aligning with resources such as this responsible disengagement guidance, FairWear's Responsible Exit Strategy Guidelines,²⁰ and the ACT Responsible Exit Policy and Checklist.²¹

These policies should be supported by mechanisms for creating and using leverage to advance human rights outcomes, such as contractual clauses, escalation pathways, and collaborative initiatives with peers, civil society and trade unions. The leverage decision tree (Figure 2 in Section 3.2.1) highlights opportunities for creating and using leverage. For example, the Responsible Contracting Project Supplier Model Contract Clause 9 provides sample wording for addressing responsible disengagement in supplier contracts.²²

9. Responsible Exit

In any termination of this Agreement by either party, whether due to a failure by the other party to comply with this Agreement or for any other reason (including the occurrence of a force majeure event or any other event that lies beyond the control of the parties), the terminating party shall (a) consider the Adverse Impacts; (b) collaborate with the other party to address such Adverse Impacts and employ reasonable efforts to avoid or mitigate them; and (c) provide reasonable notice to the other party of its intent to terminate this Agreement [which notice shall be shared promptly with affected stakeholders]. Termination of this Agreement shall be without prejudice to any rights or obligations under this Agreement arising prior to termination, including, without limitation, payment that is due for invoices submitted by Supplier pursuant to Buyer's purchase orders prior to termination, including for partially or completely manufactured conforming goods.

²⁰ Fair Wear (2018) Responsible Exit Strategy Guidelines.

²¹ ACT (2022) Responsible Exit Policy and Checklist.

²² Responsible Contracting Project (2023) The Supplier Model Contract Clauses (SMCs) 1.0

3.1.2 Stakeholder mapping and ongoing HRDD

Preparation includes identifying key stakeholders (eg, vulnerable groups, migrant workers), building an understanding of operational context and the nature of the business relationship – such as level of dependency, and therefore the likely impacts of a possible disengagement (eg, job loss, income loss, reduced access to healthcare). Businesses should assess partner capacity to manage these impacts and identify opportunities to strengthen systems and relationships that support continuity and worker protection in the event of change.

This mapping should be integrated into HRDD processes from the start of the business relationship, reviewed at regular intervals, and updated whenever contexts change. Continuous HRDD helps companies understand local realities, build trusted relationships with suppliers and worker representatives, and establish grievance mechanisms – creating the communication channels needed for meaningful dialogue when sourcing changes or disengagement become necessary.

3.1.3 Responsible purchasing practices

Embedding human rights considerations across commercial functions, from production planning to contract setting, ensures that purchasing decisions support decent outcomes for workers. When buying teams understand the human rights implications of their actions, they can work through challenges collaboratively, often avoiding disengagement altogether. And if disengagement is unavoidable, these teams are better equipped to plan gradual transitions that reduce harm to workers.

Responsible business practices strengthen leverage with suppliers and build networks with peers and civil society organisations – resources that become invaluable when addressing adverse impacts or coordinating responsible disengagement plans.

Find out more

- ▶ **The Common Framework for Responsible Purchasing Practices**
- ▶ **ETI's Responsible Purchasing Practices Resource Hub**

BOX 2: Sourcing strategies, responsible purchasing practices and business models

When asked how buyers can minimise adverse impacts of disengagement, supplier interviewees highlighted the importance of good sourcing strategies and purchasing practices. Specifically, they identified the following as key enablers for resilience and preparedness when business relationships change:

- ▶ **Stable pricing systems**
- ▶ **Financial clarity**
- ▶ **Planning and forecasting relationships**
- ▶ **Longer-term contractual relationships**
- ▶ **Open communication**



3.2 Deciding to disengage

Crucially, disengagement should not be treated as a predetermined outcome. The decision of whether to withdraw from a business relationship must be informed by an assessment of the human rights risks that are likely to arise from disengagement and meaningful engagement with stakeholders. These considerations should influence whether disengagement is appropriate and, if it is, how it can be carried out responsibly,²³ in a way that minimises adverse impacts.

3.2.1 Assessing human rights risks

Companies have a responsibility to respect human rights and to identify, prevent or mitigate adverse impacts of its decisions – including the decision to disengage. This responsibility applies even when decisions are triggered by unforeseen, unexpected events, such as the Covid-19 crisis, and irrespective of contractual clauses (eg, force majeure clauses may limit contractual obligations, but they do not remove a company's human rights responsibility).

Supply chain shifts are a normal part of business, but the impacts of disengagement on human rights can vary widely. As outlined in Section 3.1, ongoing HRDD underpins responsible disengagement. Before deciding to disengage, companies should assess the likely risks to human rights from disengagement – and therefore whether doing so would be consistent with their responsibility to respect human rights. This includes considering factors such as:

- ▶ The financial stability of the supplier/suppliers.
- ▶ The portion of the supplier's/suppliers' production that depends on the company's orders.
- ▶ The likelihood of cumulative impacts if other companies disengage during the same timeframe.
- ▶ Contextual risks for workers (eg, poverty, lack of social safety nets, job market volatility).
- ▶ Any exacerbating factors that increase the severity or likelihood of impacts (see Box 3).

²³ OECD (2018) *Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector*.

While decisions should always be informed by an assessment of the risk to human rights, the depth of assessment (and subsequent action) should be proportionate to the level of risk – that is, the likelihood and severity of harm (Box 3). Where risk is low, such as a single buyer with small volumes leaving a supplier that has diverse clients, a light-touch assessment consulting relevant internal functions and the supplier may be enough. Where risk is high, such as large-scale withdrawals or simultaneous exits that could disrupt livelihoods or entire regions, companies should invest in a more thorough assessment in collaboration with suppliers, workers and other stakeholders. This could include working with NGOs to deliver factory- or community-based social programmes or with local authorities to support reskilling or redeployment where layoffs are being considered.²⁴ In any case, the company should be ready to remediate harm if it occurs (Figure 4) – even if initial assessments underestimated the risk.

Understanding why the company may be considering disengagement (Section 2) can help to guide decision making – importantly, it may indicate **whether other buyers are likely to be considering disengagement at the same time. If this seems probable, the company should connect with peers to better understand risks and act collectively to avoid adverse impacts.**

Commercial drivers

If commercial drivers are involved and withdrawal forms part of a broader sourcing strategy aimed at shifting to suppliers or regions with lower costs but weaker human rights performance, this approach risks undermining responsible business practices. Business conduct should demonstrate respect for human rights across all operations. Where moves to cheaper production correlate with weaker labour protections or worse human rights performance, they can create disincentives for suppliers and production countries to invest in improving standards – such as enhancing benefits for workers, closing the living wage gap, and enabling collective bargaining agreements due to fears of becoming less commercially competitive. Such practices weaken efforts to advance human rights.

Climate change impacts

Climate change is increasingly shaping sourcing decisions as rising temperatures, water scarcity and unpredictable weather events make certain geographies or suppliers less viable. Disengagement driven by climate considerations must be planned, implemented and monitored in a way that aligns with a company's human rights commitments. Responsible climate-related disengagement is central to achieving a just transition, ensuring that workers, producers and communities affected by climate-driven changes are supported through the shift.

Most climate impacts develop gradually, creating time and opportunity to plan and mitigate rather than resorting to sudden withdrawal. Before deciding to disengage, companies should explore alternative approaches that maintain business relationships while adapting to climate realities. These may include supporting climate-resilient production, such as developing or promoting suitable crop varieties that are more tolerant to drought, heat or flooding, or helping producers transition to new crops or products that are becoming viable in their region by offering training and skills development opportunities to workers and farmers. Partnerships with local trade unions, civil society, government agencies and vocational training providers are essential to make these transitions effective and fair.

Skills development and social dialogue are widely recognised by institutions such as the ILO and trade unions as being central to just transitions. Companies should engage directly with workers and producers to understand their priorities and integrate these considerations into sourcing and transition plans. Good-quality climate risk data is increasingly available and should inform strategy and decision-making, reviewed alongside human rights commitments and responsibilities.

24 See, for example, the various case studies in joint ETIs (2024) *Human rights due diligence in challenging contexts: Introduction, case studies and resource overview*.

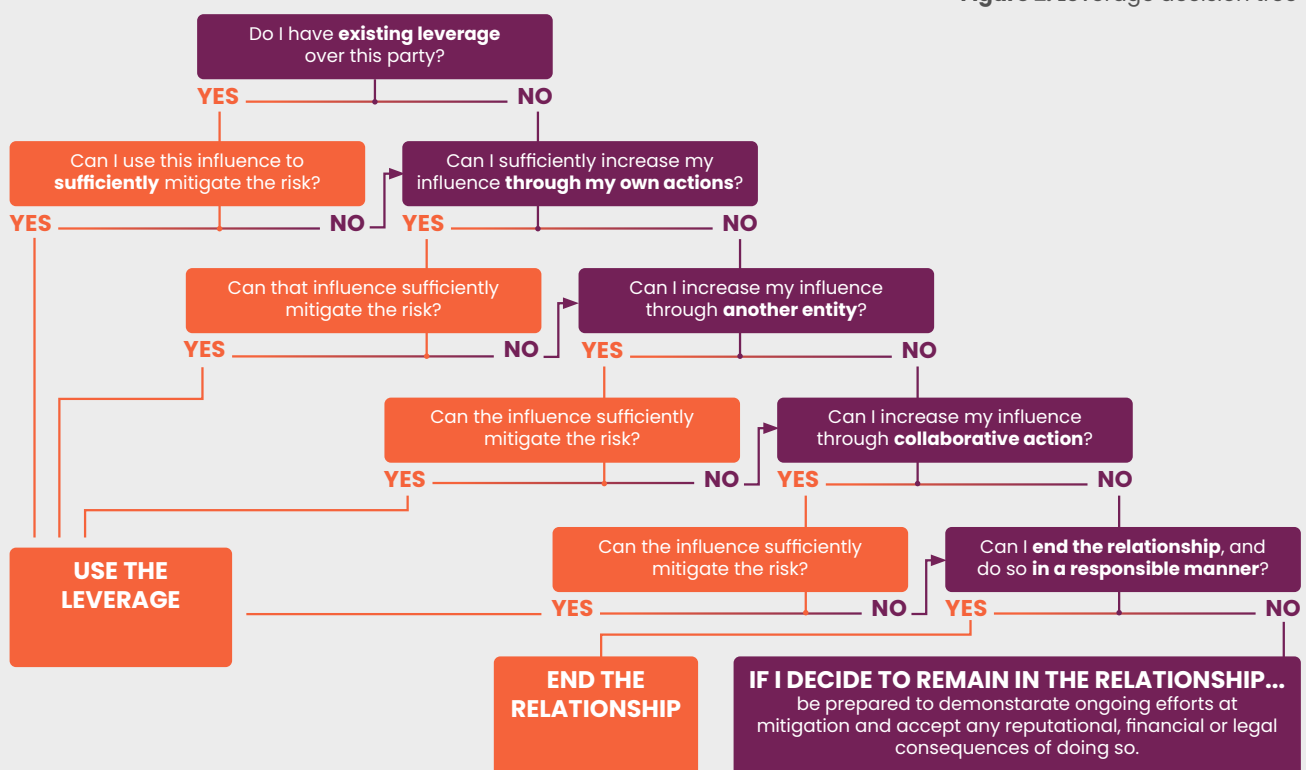
HRDD concerns

When disengagement is being considered due to human rights due diligence findings, the company should first assess whether doing so would ultimately lead to better human rights outcomes. The existing business relationship often provides leverage – an opportunity to influence improvements.

If a company has leverage (or if leverage can be built or strengthened) to ensure human rights risks are avoided or sufficiently mitigated, this should be the starting point. Only when the company lacks sufficient leverage (and the ability to realistically build it) should disengagement be considered appropriate (Figure 2). See **Building and using leverage when disengagement is considered due to human rights risks**.

It is important to note that national contract laws that restrict or ban disengagement cannot be a reason for companies to avoid disengagement from contexts where the business relationship is involved in severe human rights impacts.²⁵

Figure 2: Leverage decision tree



BOX 3: Understanding risk to inform proportional action

Severity²⁶ is about how serious, widespread and hard to fix the impacts would be. For example, risks are greater if workers in a region depend on one industry and several buyers withdraw at once, leaving few alternatives.

Likelihood depends on factors like the operating context, the business relationship and whether vulnerable groups are involved. Broader socioeconomic conditions – such as poverty, weak safety nets and volatile job markets – can make impacts both more likely and harder to address.

²⁵ Anti-Slavery International (2022) Analysis of the European Commission proposal for a Directive on corporate sustainability due diligence, p 15.

²⁶ OECD (2018). Due Diligence Guidance for Responsible Business Conduct, Question 3 (p.42).

3.2.2 Engaging with stakeholders

Stakeholder engagement is an essential part of HRDD and should inform every stage of responsible disengagement – from early risk assessment to planning and implementation. When disengagement becomes a possibility, companies should prioritise dialogue with both internal and external stakeholders to ensure decisions are well-informed and adverse impacts are minimised.

Internal functions

In practice, decisions to disengage are often taken by management and/or commercial teams, particularly when commercial drivers are involved, with human rights considered later – typically during execution or even after the fact.¹ By that stage, negative impacts may have already occurred, and the company's ability to influence the outcome or the relationship is limited.

To meet international standards for responsible disengagement, companies should involve staff responsible for human rights early in the process and ensure they have influence in decision making. Some companies address this by establishing Responsible Sourcing Committees – cross-functional bodies that include procurement, sustainability and responsible sourcing teams – to oversee disengagement decisions.

Suppliers

Once disengagement becomes a possibility, the company should communicate with the supplier as early as possible, explaining the reasons. This communication should be clear, open and timely, giving the supplier an opportunity to address concerns before a final decision is made.

In practice, companies can be hesitant to share decisions to disengage with suppliers due to concerns around competition (eg, whether it prompts the supplier to reach out to another brand or retailer), quality (whether the supplier will continue to produce with the same care and attention) and avoiding uncertainty (whether the supplier disengages earlier than required for the buyer's plans).

However, failing to communicate with suppliers in a timely fashion about the fact and the implications of the disengagement risks leaving insufficient time and resources to identify and mitigate adverse impacts on workers as a result of disengagement. It is important clear and timely communication is prioritised.

Worker representatives

Decisions on how and when to involve worker representatives can be nuanced. Workers are key stakeholders, and their experiences and priorities should inform risk assessments and the disengagement process.

However, where the risk of adverse impacts is low, involving worker representatives in every discussion may be unnecessarily disruptive. Consultation should therefore be guided by risk and context, ensuring meaningful engagement when impacts could occur. See also Section 3.2.1, which discusses proportionality, and Box 3, on severity and likelihood.

Particular consideration should be given to workers who may be affected but harder to access, such as homeworkers, and workers in more vulnerable positions, such as migrant workers, who may not have the same levels of social protection.

Building and using leverage when disengagement is considered due to human rights risks

When human rights concerns prompt companies to consider disengagement, they should first approach this as an opportunity to build and use leverage to improve outcomes for workers.

Leverage can take different forms, and even the possibility of disengagement can be part of a leverage strategy. Companies can start by considering commercial and contractual leverage. This might include limiting the scope of the relationship (for example, by refraining from extending or renewing partnerships) or implementing a prevention plan, such as temporarily suspending operations to encourage the business partner to address adverse impacts. However, commercial and contractual leverage alone may not be sufficient to change behaviour, so companies should also explore other forms of leverage.

Figure 3: Leverage toolkit



Strategies to motivate a business partner to prevent, mitigate or remedy adverse impacts on human rights include:

Considering existing leverage opportunities: This may involve leverage with the business partner responsible for the impacts, governments, peers or industry groups. For example, if the company represents a significant share of the partner's revenue, this can create pressure for change. Similarly, government or industry intervention can influence the partner's approach.

Increasing leverage through company actions: Where leverage is limited, companies can strengthen it by conducting deeper due diligence, building technical capacity to support the partner, or engaging through management relationships, such as taking a role in operations.

For example, a buyer company explored opportunities to invest in improvements to supplier facility conditions – including better ventilation, air conditioning and insulation – in the context of increasingly extreme heat and humidity in Karachi. The company supported suppliers in upgrading their systems over two years. This approach helped ensure that facilities could continue to provide safe working conditions, without the need for disengagement.

Increasing leverage through another entity: Governments, investors, industry associations, or civil society organisations can act as strategic partners to expand the company's influence.

Collaborative action: If the supplier works with the company's peers or other supply chain actors committed to human rights, the company can organise joint action to amplify impact.

If efforts to increase leverage fail, the company may consider ending the relationship (see, for example, the decision tree visualised in Figure 2). In such cases, it should weigh the potential impacts based on credible assessments. If disengagement is chosen, actions should follow the approach outlined in sections 3.3 and 3.4.





High-risk and challenging contexts

If companies find themselves operating in high-risk contexts, they should ensure that their human rights due diligence processes are adjusted and sensitive to the higher level of risk.²⁷ This should include developing a grounded understanding of the operational environment, including the role that local government or other influential bodies may play in either supporting or infringing on the rights of affected stakeholders. It requires attention to how the situation may be shaping local labour laws, or governance conditions – for example, where martial law or state of emergency has been declared – and the implications this may have for people within their supply chains. The purpose of this enhanced HRDD is to adjust practices accordingly and strive to uphold human rights even as conditions evolve.

In conflict-affected contexts, this assessment should also include the company's potential impact on conflict dynamics and whether its own activities and relationships – including disengagement – affect the situation.²⁸ Companies should consider “whether exiting could exacerbate tensions within a conflict-affected setting and whether the adverse impacts of the decision to exit or suspend the operations outweigh the benefits.”²⁹ UNGP 23 makes clear that, in conflict situations, businesses should consult experts from within government, civil society, national human rights institutions and other relevant multistakeholder initiatives in deciding on an approach.³⁰

²⁷ OHCHR (2012) *The corporate responsibility to respect human rights: An interpretive guide*.

²⁸ UNGP 17(b): Human rights due diligence: “Will vary in complexity with the size of the business enterprise, the risk of severe human rights impacts, and the nature and context of its operations”.

²⁹ UNDP (2022) *Heightened human rights due diligence for business in conflict-affected contexts*, IV.C.3.

³⁰ UNGP 23 Commentary: “In complex contexts such as these, business enterprises should ensure that they do not exacerbate the situation. In assessing how best to respond, they will often be well advised to draw on not only expertise and cross-functional consultation within the enterprise, but also to consult externally with credible, independent experts, including from Governments, civil society, national human rights institutions and relevant multi-stakeholder initiatives.”

3.3 Disengaging

Once a company has made an informed decision to disengage from a supplier, the process should be managed responsibly to minimise harm to workers and other stakeholders. This stage involves developing and executing a disengagement plan and taking measures to prevent and mitigate adverse impacts.

3.3.1 Developing a disengagement plan

What to consider

The plan should be drafted collaboratively between different internal functions (including human rights and buying teams), the affected supplier and, if appropriate, worker representatives. It should be informed by:

- ▶ **The company's responsible disengagement policy** – see Section 3.1.1.
- ▶ **Existing agreements** such as collective bargaining agreements and contracts.
- ▶ **Ongoing human rights due diligence** – see Section 3.1.3.
- ▶ **Early input from and discussion with different internal functions**, including the buying team and the human rights team. This should include discussion and agreement of measures (and resources) to mitigate potential adverse impacts.
- ▶ **Engagement with stakeholders** such as trade unions, NGOs and civil society as well as workers or worker representatives if they are likely to be affected. Companies should invite perspectives on the disengagement plan – especially on whether proposed mitigation and remediation measures would effectively address adverse impacts. The company should ensure that effective grievance mechanisms are in place so that workers and other potentially affected stakeholders can report their experiences of the disengagement and its impact.
- ▶ **Opportunities for collective action** with other buyers, trade unions and civil society.
- ▶ **International standards and local labour laws.**

Early preparation (Section 3.1) should ensure this information – or the means to obtain it – is readily available.



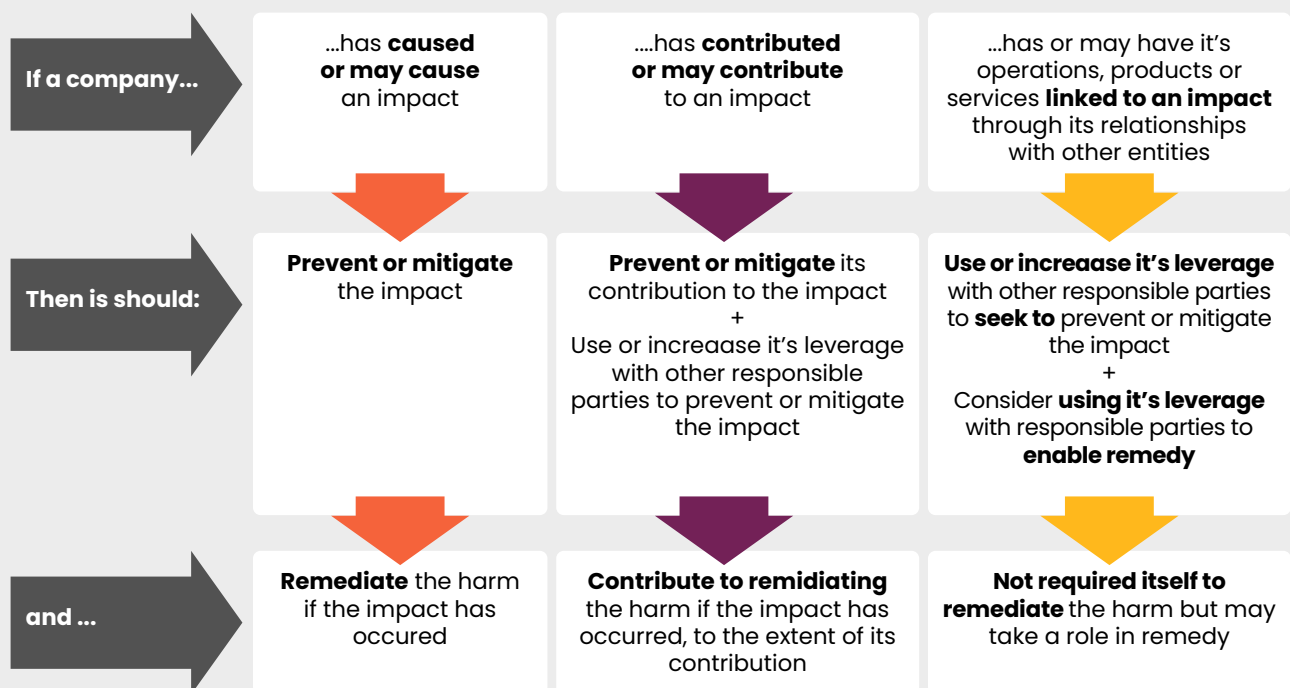
What to include

- ▶ Potential impacts on the supplier and any agreed mitigation measures (eg, early payment of severance if this will be needed).
- ▶ A clear and specific timeframe for phased decreasing and/or ending orders. Where appropriate, disengagement should be gradual, with a commitment to maintain orders for a defined period; and time for the supplier to secure business from alternative buyers.
- ▶ Resources for training, technical support or contractual assistance to mitigate impacts.
- ▶ Information about grievance mechanisms and remediation pathways that provide an effective remedy for adverse impacts on workers and other affected stakeholders.
- ▶ Be supported by collective action with peers, trade unions, and civil society organisations where appropriate.

The plan should reflect the likelihood and severity of potential harm (see Box 3) and be proportionate to the company's contribution to that risk (Figure 4). For example, the timeframe for disengagement should correspond to:

- ▶ The company's order volume as a percentage of factory/worksite capacity and to the orders the supplier could reasonably have expected based on historic volumes and forecasts.³¹
- ▶ The likely impact on workers. For example, if the decision is likely to lead to the workforce being fully or partially laid off, the company should ensure the supplier has adequate time to communicate this to the workforce and give them an opportunity to find other means of income.
- ▶ The investment/commitment cycles. For example, if the supplier is one of fresh produce, the disengagement period should be aligned with the life cycle of the crop and the harvesting period.³²
- ▶ The notice should be early enough to allow time for the supplier to seek alternative business.

Figure 4: Remediation planning



³¹ RPP Working Group (2025) Purchasing Practices HRDD Framework, Requirement 3.1.2.

³² Interviews with representatives from two different companies and an expert.

3.3.2 Executing the plan

Once disengagement begins, the focus shifts to implementing mitigation measures in line with the plan and in continuous communication with the supplier.

Communication

When communicating with the supplier:

- ▶ **Provide clear, open, and timely dialogue.**
- ▶ **Ensure the supplier receives all information in writing including:**
 - Reasons for disengagement
 - Efforts to date, to address these issues.
 - The agreed timeline and phased plan to decrease orders.
- ▶ **Allow the supplier to ask questions and continue to propose mitigation measures.**



Prevention and mitigation measures

Mitigation steps include:

- 1 Providing reasonable notice to workers and affected stakeholders about disengagement.**
- 2 Offering ongoing support throughout disengagement, such as:**
 - Technical knowledge transfer or support on human rights issues.
 - Advance payments for already-made orders.
 - Adjusting delivery terms to allow longer supply periods.
 - Ensuring workers (including third-party workers) continue to receive wages and health benefits during the transition.
 - Training and reskilling workers or providing financial support to help them secure new employment.
- 3 Where workforce reductions become unavoidable, require the supplier to follow fair and transparent procedures that respect workers' rights. This includes:**
 - Providing early written notice to workers and explaining the reasons for the decision.
 - Consulting with worker representatives or trade unions where they exist, and exploring alternatives to job loss before final decisions are made.
 - Applying objective and non-discriminatory criteria if layoffs are necessary.
 - Allowing reasonable time-off during the notice period for workers to seek alternative employment.
 - Ensuring all wages, benefits, and legally mandated severance payments are made in full and on time, including adherence to collective bargaining agreements.

4 Documenting these steps and sharing evidence with the supplier as part of the exit process

– see also Monitoring and documentation.

For example at a time of decreased sales during the Covid-19 pandemic, UK supermarket Morrisons committed to advancing payments to its smaller food makers,³³ farmers and suppliers; H&M announced that it would take delivery of already produced garments, as well as production goods, and that the goods would be paid for under previously agreed payment terms and prices; L'Oréal prioritised immediate payments to and shortening payment terms with suppliers who were at risk of going out of business;³⁴ and Unilever offered early payment to its most vulnerable small and medium-sized suppliers to help them with financial liquidity.³⁵



Monitoring and documentation

Throughout the disengagement process:

- ▶ Track compliance with severance laws and collective agreements.
- ▶ Monitor the supplier's ability to meet its obligations, involving worker representatives where possible.
- ▶ Maintain detailed records, documenting all actions taken and lessons learned for accountability and continuous improvement of the company's own HRDD processes.

BOX 4: Practical considerations

While companies should be considerate of the supplier's agency in overseeing and managing communication with their workforce, preventing adverse impacts for workers is a shared responsibility.

Trade unions have reported that, despite requests from the disengaging company, suppliers can be slow to notify workers of potential disengagement and adverse impacts, for fear of losing the workforce. Workers are then dismissed with insufficient notice to find new employment, increasing adverse impacts.

To avoid such a scenario, companies should request written confirmation from the supplier that workers have been notified and make use of direct relationships with trade unions to verify this.

³³ Morrisons Corporate (2020) Morrisons to make immediate payments to help small suppliers with cashflow [Press Release]

³⁴ ILO (2020) COVID-19 and enterprises

³⁵ Triponel, A. and Sherman, J. F. (2020) Moral bankruptcy during times of crisis: H&M just thought twice before triggering force majeure clauses...

3.4 After disengagement

Once a company has made an informed decision to disengage from a supplier, the process should be managed responsibly to minimise harm to workers and other stakeholders. This stage involves developing and executing a disengagement plan and taking measures to prevent and mitigate adverse impacts.

3.4.1 Continuing responsibility

Disengagement does not absolve a company of its responsibility to respect human rights; the company remains accountable for addressing adverse impacts it has caused or contributed to – both those arising from the disengagement itself and those linked to the business relationship before disengagement. The responsibility to continue monitoring impacts may continue for several months after disengagement (typically around six months), depending on the nature, timeline and context of the relationship, and could include the following actions:

Remediating adverse impacts: Where the company has caused or contributed to harm, implement effective remedies (see Section 3.3.1 and Figure 4 therein). This may involve financial compensation, support for affected workers, or other measures agreed during the disengagement plan.

Monitoring and follow-up: Continue to monitor the situation after exit to ensure mitigation and remediation measures are effective and that no new harms emerge.

Keeping grievance mechanisms open: Ensure workers and other affected stakeholders can still raise concerns and access remedy after disengagement.

Documenting and reporting: Record all remediation steps and outcomes, and report internally (and externally where appropriate) to demonstrate accountability.

3.4.2 Looking beyond disengagement and exploring re-engagement

- ▶ Assessing whether the company has leverage to influence successor buyers or other actors to mitigate any remaining impacts.
- ▶ Evaluating the potential for future re-engagement and communicating any conditions or expectations for re-entry.
- ▶ Periodically reviewing the decision to disengage to determine whether re-engagement is viable and appropriate.



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