

Child labour risk assessment: systematically capturing human rights risks in the supply chain

The child labour risk assessment is a structured process for identifying, evaluating and minimising the risk of child labour occurring in one's own supply chain. It is an integral part of human rights due diligence and is gaining considerable importance through regulatory requirements such as the Supply Chain Due Diligence Act (LkSG) and the Corporate Sustainability Due Diligence Directive (CSDDD). For technical buyers and suppliers, it is both risk management and protection of their own market viability.

Key facts

- Child labour risk assessment is a core component of risk analysis within human rights due diligence.
- The risk is typically assessed by country, industry, supply chain tier and product type.
- A distinction is made between abstract and concrete risks; only in the case of concrete risks are there often immediate remedial and reporting obligations.
- Supplier self-disclosures are frequently insufficient in practice and should be supplemented by external data sources.
- The assessment is not a one-off event but must be repeated regularly, in practice usually annually or on an event-driven basis.
- Where risk is high, preventive measures, audits and grievance mechanisms offer the most effective levers.

Definition: child labour risk assessment

Child labour risk assessment refers to the systematic examination of how likely and how severe child labour in one's own supply chain tiers may be. It encompasses the identification of affected regions, industries and raw materials as well as the assessment of one's own leverage. The result is a prioritised risk picture on which preventive and remedial measures are built.

Distinguishing from other human rights risks

Child labour must be assessed separately from forced labour, unsafe working conditions or unacceptably low wages, even though their causes are often interconnected. In the risk analysis it is treated as a distinct risk topic with its own severity and likelihood. For procurement this means: data collection, evaluation and measures must differentiate rather than lump all human rights risks together in one catch-all.

- Child labour: work that violates children's rights, for example through minimum age requirements or endangerment
- Forced labour: work under threat of penalty or under coercion

- Occupational health and safety: safety and health in the workplace

Abstract versus concrete risk

An abstract risk exists where, based on the overall situation, no immediate violation in one's own supply chain is to be expected, but the danger exists in principle. A concrete risk exists where indications – such as reports, audit findings or complaints – point to a possible violation in a specific supplier relationship. This distinction determines the depth of obligations: prevention in the case of abstract risks, immediate remedial action and often reporting obligations in the case of concrete risks.

Methods and approach of child labour risk assessment

Best practice is a tiered process that begins with the analysis of one's own procurement structure and ends with prioritised measures. It can be readily integrated into the existing procurement process and an established procurement approval workflow.

Step 1: analyse supply chain and procurement structure

First, the purchased commodity groups, raw materials and services are recorded and examined for their countries of origin. Particular attention is paid to upstream products such as metals, textiles, agricultural commodities or mining products, which in practice often lie several supply chain tiers upstream of the direct supplier. Supplier master data maintenance provides the data basis here, supplemented by subcontracting analysis to uncover hidden sub-tier levels.

- Categorise commodity groups by country of origin and sourcing country
- Identify affected raw materials and intermediate products
- Document supply chain depth and subcontracting

Step 2: risk assessment by likelihood and severity

For each region and commodity group, the likelihood of child labour and the severity of its impact are assessed. Common criteria are country risks from recognised risk lists, industry risks, the share of problematic raw materials, the supply chain tier and the company's own negotiating position and leverage. The result is typically a risk matrix from which priority countries and suppliers can be derived.

Step 3: involve suppliers and document results

Risk-relevant suppliers are surveyed via self-disclosures, codes of conduct and annexes on delivery capability and labour practices. The results feed into supplier status and influence future contract awards. The assessment and its underlying basis must be retained in documented form, in practice often for at least seven years, and be traceable for internal and external auditors.

Key KPIs of child labour risk assessment

Metrics make the topic manageable and robust vis-à-vis management and auditors. Coverage, quality and measure metrics that are integrated into supplier management and risk analysis have proven effective.

Coverage and process metrics

The most important metric is the proportion of risk-relevant spend for which a complete assessment is available. In addition, the proportion of self-disclosures received and the proportion of suppliers with a valid code of conduct are counted. In practice, more mature organisations typically strive for values well

above 90 per cent; higher values require time and a functioning e-procurement system.

- Assessment coverage of risk-relevant spend
- Response rate of self-disclosures
- Proportion of suppliers with a signed code of conduct

Outcome and measure metrics

The number and severity of findings, the proportion of measures closed within defined deadlines and cases with effective remediation demonstrate effectiveness. The number of tips received via grievance mechanisms is also a metric – whereby a low number is not automatically a good sign, but may indicate a lack of awareness.

- Number of identified risks and open cases
- Rate of remedial measures implemented on time
- Proportion of suppliers with an escalated risk rating

Risks and controls in procurement

Missing or superficial assessments can have considerable legal, reputational and commercial consequences for companies. Procurement is the pivot point here, because it has access to suppliers and the authority to shape contracts and award decisions.

Regulatory and commercial risks

Tightened due diligence obligations arising from the LkSG, the CSDDD and future export and procurement rules can lead to fines, exclusion from public tenders and civil law risks. In addition, customers may threaten exclusion from certifications or supply programmes. Commercial damage ultimately stems from reputational loss and supply disruptions – a threat to one's own ability to deliver.

Control instruments in operational procurement

The most effective controls combine contractual, procedural and substantive measures: codes of conduct and contractual assurances, audit and inspection programmes, grievance mechanisms for employees and third parties, and supplier training. The onboarding of new suppliers should follow a tiered process with risk-based in-depth checks – similar to a series production approval process with defined release criteria.

- Anchor a code of conduct as a minimum standard in all procurement contracts
- Plan risk-based audits and on-site visits
- Establish grievance mechanisms and communicate them actively
- Link procurement decisions to supplier status

Limits of control in deep supply chains

The further a risk lies from one's own value creation, the lower the direct control. Raw materials and traded goods can often only be addressed via certificates, cross-industry initiatives and supplier commitments. Here, structured market monitoring helps, continuously updated via commodity markets, NGO reports and country indices.

Current developments: regulation and due diligence

The regulatory environment for child labour risk assessment is moving significantly: supranational

frameworks, national implementing laws and growing customer requirements overlap.

From the LkSG to the Corporate Sustainability Due Diligence Directive (CSDDD)

The German Supply Chain Due Diligence Act already requires affected companies to carry out an annual risk analysis as well as preventive and remedial measures and grievance procedures. The European Corporate Sustainability Due Diligence Directive (CSDDD) will extend the requirements across a broader value chain and additional environmental and human rights aspects. Companies should therefore design their assessment from the outset so that it can scale to extended due diligence obligations.

Product-specific rules and documentation obligations

Industry-specific rules – for example on timber, conflict minerals or packaging under the PPWR – supplement general due diligence and require product-level evidence. For procurement, they mean additional documentation obligations directly at the article or purchase order line level. These can be usefully interlinked with the existing process steps of demand planning and RFQ creation.

Digitalisation and data sources

Increasingly, e-procurement platforms, risk databases and AI-supported media scans support the assessment. They are useful as a supplement, not as a substitute for one's own checks. Data quality in supplier master data maintenance remains crucial: without clean site, ownership and commodity group information, even the best data sources fail.

Typical metrics

Assessment coverage of risk-relevant spend: typically > 90 %

Proportion of the risk volume with a completed assessment; mature organisations strive for higher values

Supplier self-disclosure response rate: typically 70–90 %

Depending on incentive systems and follow-up

Proportion of suppliers with a code of conduct: typically > 95 %

Minimum requirement for the supply base

Measure completion rate: typically > 80 % within the deadline

Proportion of remedial measures closed on time

Practical example

A medium-sized mechanical engineering company with around 300 suppliers also included the topic of child labour as part of its annual risk analysis. An initial screening by country and commodity group showed: the main problem lay not with the direct supplier in Germany, but in second- and third-tier sourcing of cast and forged parts as well as electrical components from Asian procurement markets. From this, the company derived a tiered set of measures.

- Self-disclosure and contract adjustments for around 40 risk-relevant suppliers
- Inclusion of the topic in supplier status as a rule for contract award
- Subcontracting analysis at the five most critical suppliers with on-site visits
- Establishment of a grievance mechanism that also reaches the employees of sub-suppliers

Conclusion

Child labour risk assessment is not a compliance add-on but a manageable element of procurement risk management. Those who evaluate country, industry and product information in a structured way and consistently implement the results in award decisions, contracts and audits reduce both legal and supply-side risks. The decisive factor is integration into the existing procurement process rather than a parallel universe. Regular repetition, clean documentation and functioning grievance channels secure effectiveness in the long term. In this way, the company protects not only children's rights but also its own competitiveness and reputation.

Frequently asked questions

What is a child labour risk assessment?

A child labour risk assessment is a structured process for examining how likely and how severe child labour in one's own supply chain may be. It combines information on countries, industries, raw materials and suppliers. The result is a prioritised risk baseline for preventive and remedial measures.

Who must carry out a child labour risk assessment?

In Germany, the obligation primarily applies to companies within the scope of the Supply Chain Due Diligence Act (LkSG), depending on headcount and turnover. The Corporate Sustainability Due Diligence Directive (CSDDD) will expand the circle of affected companies to further European businesses over time. Regardless of the legal obligation, however, many customers also demand such an assessment contractually.

How often must the risk analysis be repeated?

In practice, an annual repeat has established itself as the usual benchmark, as provided for by the LkSG, for example. In addition, an event-driven update should be carried out, for example when new sourcing countries, new commodity groups or critical media reports arise. The repeat must be evidenced by documentation.

Which data sources are suitable for the assessment?

Typical sources include recognised country and industry indices, reports from non-governmental organisations, customs and trade data, and cross-industry raw material initiatives. Supplier self-disclosures supplement but do not replace these sources. A documented, traceable methodology is essential.

What are the consequences of a detected case of child labour?

In the case of a concrete risk, immediate remedial action and, depending on the regulation, reporting obligations generally apply. Where a violation exists, a remediation plan with defined measures and deadlines is required. Commercially, exclusion from customer programmes looms, and legally, fines and civil law claims – always examine in each individual case.

How deep into one's own supply chain must checks go?

From a regulatory perspective, the depth depends on the respective provision: core requirements frequently concern the company's own business activities, direct contractual partners and extended tiers of the supply chain. Where there is an abstract risk in deeper tiers, contractual arrangements and spot checks are generally sufficient. In the case of concrete indications, more extensive duties apply.