

Sales Partners and Human Rights Due Diligence in the Technology Sector

Best Practices Brief

AUGUST 2022

1. Key Takeaways

Leading hardware and software companies (referred to as vendor companies) have put processes in place to identify and address the risk that customers could use their products and services in ways that adversely impact human rights. Many technology companies utilize sales channels involving sales partners who buy, distribute, integrate, and resell products and services to end customers. Vendor companies are exploring ways to increase their visibility into channel partner sales and support their sales partners in addressing human rights risks and ensuring the responsible use of technology.

Currently, many sales partners and some vendor companies in the technology industry lack human rights commitments and human rights due diligence (HRDD) as part of their sales processes. Existing due diligence processes generally focus on legal compliance with export controls and sanctions, bribery and corruption risks, and the financial viability of sales partners. These basic screening processes mitigate some human rights risks, but do not fully address the wide range of adverse human rights impacts that can be associated with the use of technology.

There are several challenges to effective HRDD across sales channels in the technology sector: sales channels involve a large volume and variety of partners; parts of the sales partner market lack stability; there is a long chain before a product reaches the end customer; sales often involve a mix of products and services from different vendors; sales and legal compliance teams tend to lack expertise in ethics or human rights; there are significant financial and performance pressures in sales; and there are a variety of different sales models. HRDD approaches must directly address these challenges to be effective.

All actors in the sales channel have a responsibility to respect human rights and should adopt a human rights policy and commit to conducting adequate HRDD of sales. Because of the complexity of sales channels and the overlap of actors, BSR proposes a layered model in which all entities conduct varying levels of due diligence based on their size / maturity and their exposure to human rights risk. The implementation of effective HRDD across sales channels will require time, iterative steps, and significant coordination across the industry.

2. Introduction and Context

Many of the human rights risks of hardware and software companies are related to the misuse of their products and services in ways that cause, contribute, or are linked to adverse human rights impacts. This includes, for example, the use of technology by a government entity to surveil political opponents, shut down internet access, facilitate censorship, or enable other human rights violations.

Many technology vendor companies rely heavily on sales partners—third parties who buy, distribute, integrate, and resell products and services to end customers around the world. This means vendors often lack full insight into or control over who their products and services are sold to and how they are ultimately used. The [UN Guiding Principles on Business and Human Rights](#) (UNGPs) require all companies to respect human rights and implement appropriate human rights due diligence processes to identify and address actual and potential human rights impacts across the entire value chain—including related to the sale and use of products and services. Therefore, to fulfill their commitments to implement the UNGPs, vendors need their sales partners to also address end-use human rights risks.

In light of this challenge, Hewlett Packard Enterprise (HPE) funded BSR to develop this brief outlining guidance and best practices related to the human rights expectations of technology sector sales channels. It was informed by interviews with HPE staff and a variety of global sales partners. This brief comes in the context of expanding scrutiny from the business and human rights field as well as regulators on the human rights impacts of the downstream¹ sale and use of products and services. Whereas human rights risks in supply chains, or upstream impacts,² have received significant scrutiny over the past three decades, today stakeholders are increasingly demanding companies address adverse human rights impacts across their entire value chains. BSR's [primer on human rights due diligence of products and services](#) outlines this development and provides guidance for companies across all industries on getting started.

Although this brief is relevant for companies across all industries who utilize sales partners, it is primarily geared toward technology companies in the hardware and software industry who develop and sell products and services for enterprise and government customers. Increased [media coverage](#) and external stakeholder focus on the misuse of technology products and services has put pressure on hardware and software companies to better address the human rights risks associated with the sale and use of their products and services.

BSR notes that developing effective human rights due diligence processes in sales channels will take time and coordination across the industry. This brief is intended to provide guidance and best practices to assist companies in this journey.

¹ Downstream refers to the part of a value chain involving the development, sale, and use of products and services.

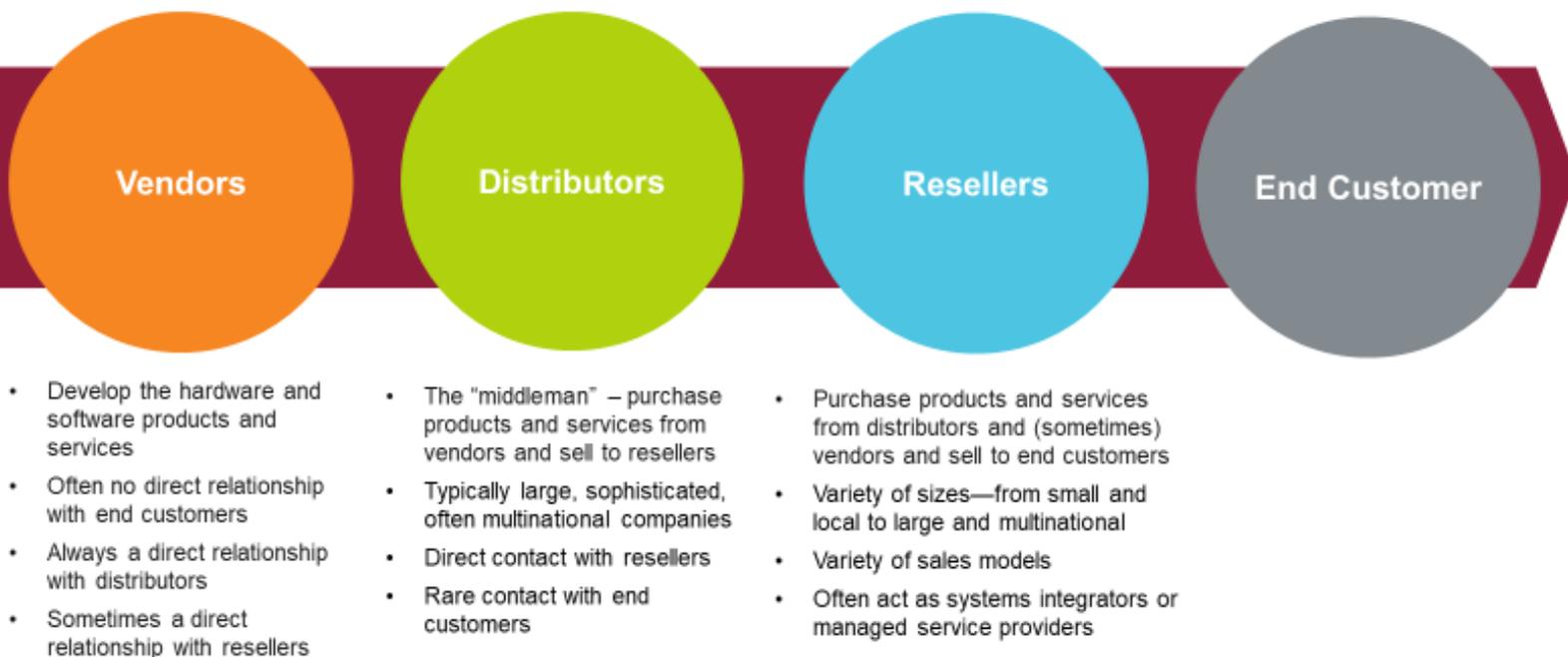
² Upstream refers to the supply chain, the part of the value chain involved in providing components to products and services.

3. Sales Partners: The Missing Link in the Downstream Chain

The UNGPs require all companies to respect human rights and implement human rights due diligence processes to identify and address actual and potential human rights impacts across the entire value chain—including related to the sale and use of products and services. Identifying and addressing these impacts is not merely a moral imperative, it is also important for the business itself—effective HRDD addresses legal and reputational risks, reduces the chance of operational disruptions, meets evolving regulatory requirements and investor expectations, and leads to improved talent attraction and retention.

Many hardware and software companies work with sales partners (often referred to as “channel partners”) to enable them to connect with end customers and sell their products all around the world. Sales partners with a local presence and specialization can often better meet local end customer needs than the vendor companies can on their own. Large hardware and software companies may have tens of thousands of sales partners around the world. Although there can be many layers in each sales channel, they can generally be broken down into the following entities:

The Hardware and Software Sales Channel



- **Vendors** are the companies who develop the hardware and software products and services. This can include everything from networking equipment, laptops, cameras, and servers to cloud storage, software as a service, and AI solutions. Although vendors may conduct sales directly, many vendors also sell through channel partners. In this scenario, vendors do not have a direct relationship with end customers. Vendors always have a direct relationship with distributors, but

often do not have a direct relationship with resellers unless those resellers are responsible for a large volume of sales and can therefore more efficiently contract directly with the vendor.

- **Distributors** are the “middlemen” in the hardware and software sales channel. They purchase products and services from vendor companies, often in bulk orders, and sell them to resellers. They serve as a “one-stop shop” for resellers, providing a wide variety of products and services from different vendor companies. They often provide financing to resellers as well. Distributors are typically large, sophisticated, often multinational companies. They tend to manage their reseller community and can therefore have more direct contact with resellers than vendors do. Distributors rarely have direct contact with end customers.
- **Resellers** purchase products and services—often through a distributor but sometimes directly from the vendor—and sell them to end customers. Resellers come in a variety of shapes and sizes, from large multinational corporations to small local outfits. They typically specialize in certain kinds of products and services, and while some resellers simply sell products and services as-is, many resellers provide value-added services. For example, some resellers act as **systems integrators**—combining products and services from a variety of vendor companies to provide a custom solution to end customers. Some resellers also provide **managed services** to end customers, essentially acting as an outsourced IT department. Resellers who provide these value-add services typically have more visibility and interaction with end customers.

Increasingly, sales partners fulfill multiple of these roles. For example, vendors, distributors, and resellers often also act as systems integrators, and at times distributors work directly with end customers. Additionally, the market structure for sales partners is in constant flux. [Mergers and acquisitions](#) among international distributors and resellers are increasingly common, resulting in an ever changing and complex web of players. Hardware and software vendors often share common distributors and resellers, and this overlap is only increasing with mergers and acquisitions among partners. In many ways, hardware and software sales channels bear resemblance to supply chains—multiple actors at various tiers, of varying sizes and levels of sophistication, and shared across the industry. The best way to effectively manage human rights risk amidst this complexity is adequate HRDD and a shared approach based on the UNGPs across all entities in a sales channel.

4. Current State of Human Rights Due Diligence Across Sales Channels

Currently, some technology vendors and many sales partners lack robust HRDD as part of their sales processes. Existing due diligence processes generally focus on legal compliance with export controls and sanctions, bribery and corruption risks, and the financial viability of sales partners.

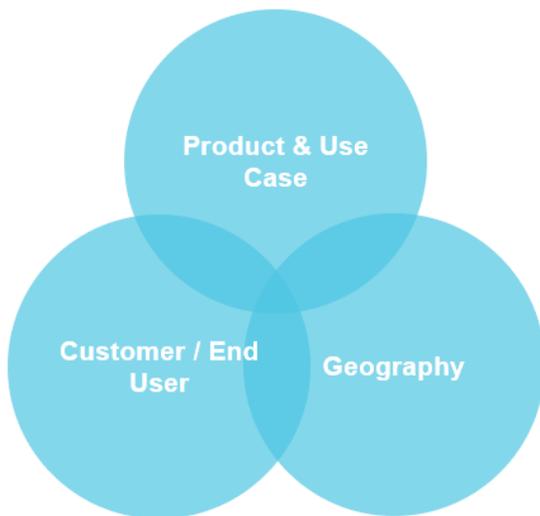
Vendors typically require their sales partners to share basic information about end customers when an order is made so they can perform KYC (“Know Your Customer”) legal compliance checks to verify the end customer is not a sanctioned entity, and ensure the products and services being sold are not subject to export controls. Some vendors have introduced comprehensive human rights screenings and assessments to catch and respond to opportunities with the highest risk of potential impact on people—however, because distributors often order large amounts of stock in advance, vendors sometimes do not receive information about the customer or intended use until after the order is placed or the sale is complete.

Distributors typically assess both vendors and resellers for business legitimacy, financial risk, and bribery and corruption risk, and may or may not have visibility into end customers—particularly if the product or service is not subject to any licensing restrictions or export controls. Some vendors also assess and designate approved resellers. Processes among resellers vary more widely given the wide range of sizes and maturity levels. Resellers often vet their enterprise customers for business legitimacy and financial risk and may or may not conduct some form of risk assessment that considers legal or human rights-related risks. However, many resellers are very small local companies, often without robust ethics policies or resources.

These basic screening processes may catch some sales with a high level of human rights risk by preventing certain sales to sanctioned customers and / or geographies that also have a history of utilizing technology to commit human violations. However, because non-sanctioned entities can also utilize products and services in ways that result in harm, these basic screening processes do not comprehensively address the wide range of adverse human rights impacts that can be associated with the use of technology.

End-Use Risk Framework

The following factors interact to contribute to the human rights risks associated with the use of technology products and services.



- **The Product and Use Case:** Certain products and certain uses of technology come with higher levels of human rights risk. This includes, for example, any technology used for surveillance, to inform high-stakes decision making processes, or in safety-critical industries (e.g., health care, transportation).
- **The Customer / End User:** Certain customers also come with higher levels of human rights risk, particularly when they utilize technology to aid in activities that significantly affect people's lives—for example, government entities involved in law enforcement, the military, intelligence, and the provision of social services. Certain industries can also be high-risk, such as healthcare, defense, law enforcement, telecommunications.
- **The Geography:** In countries with a history of human rights violations, weak rule of law, and a high-rate of corruption, misuse of products and services may be more likely. Government entities in these geographies are also more likely to be high-risk. However, it is important to note that misuse of products and services can occur in “low-risk” geographies as well.

5. Challenges to Effective Human Rights Due Diligence Across Sales Channels

Sales channels involve multiple actors with no single actor having complete visibility or control of sales. For this reason, vendors, distributors, and resellers all have a responsibility to address the adverse human rights impacts associated with the sale and use of technology products and services and all should conduct HRDD of sales. However, there are several factors that make it challenging to implement effective HRDD in hardware and software sales channels:

- **The large volume and variety of sales partners:** Sales partners come in a wide variety of sizes, types, and maturity levels. Distributors and resellers play different roles and have different levels of knowledge about the end customer and end use of products and services. Vendor companies typically like to treat all sales partners equally and may be required to do so under competition laws--however, the sheer variety makes it challenging to apply the exact same HRDD expectations to all sales partners, and small partners may not have the expertise or capacity for robust HRDD.
- **The lack of stability in the sales partner market:** Regular mergers and acquisitions and shifting relationships between vendors, distributors, and resellers makes it difficult for vendors to maintain meaningful relationships and due diligence processes.
- **The long chain before a product reaches the end customer:** A single product or service may traverse multiple sales partners before it arrives at the end customer, making it challenging for both vendors and distributors to understand who the end user is and the intended end use.
- **The mix of products and services from different vendors:** Sales partners often sell a range of products and services from different vendors within one sale. Additionally, one company's products or services are often combined with others by a reseller. This also makes it challenging for vendors and distributors to understand the potential nexus between a company's products and the potential misuse.

Why Human Rights Matter for Companies

- Demonstrate positive impact for people and society
- Reduced legal risk
- Reduced chance of operational disruptions
- Reputational benefits
- Greater attraction and retention of talent
- Meet investor expectations
- Get ahead of regulatory requirements

- **The lack of human rights or ethics expertise on both sales and legal compliance teams:** Sales teams and legal compliance teams are heavily involved in reviewing sales and are therefore a natural point for identifying the human rights risks associated with certain sales and flagging high-risk cases for further review. However, these teams typically lack the background in human rights or ethics that would enable them to effectively assess these risks.
- **Financial pressure and performance incentives:** Hardware and software sales sometimes have low margins and are highly competitive across the entire sales channel. This leads to pressure to sell a large volume as quickly as possible, as well as a lack of resources for sales and legal compliance teams to conduct in-depth due diligence. In this operating

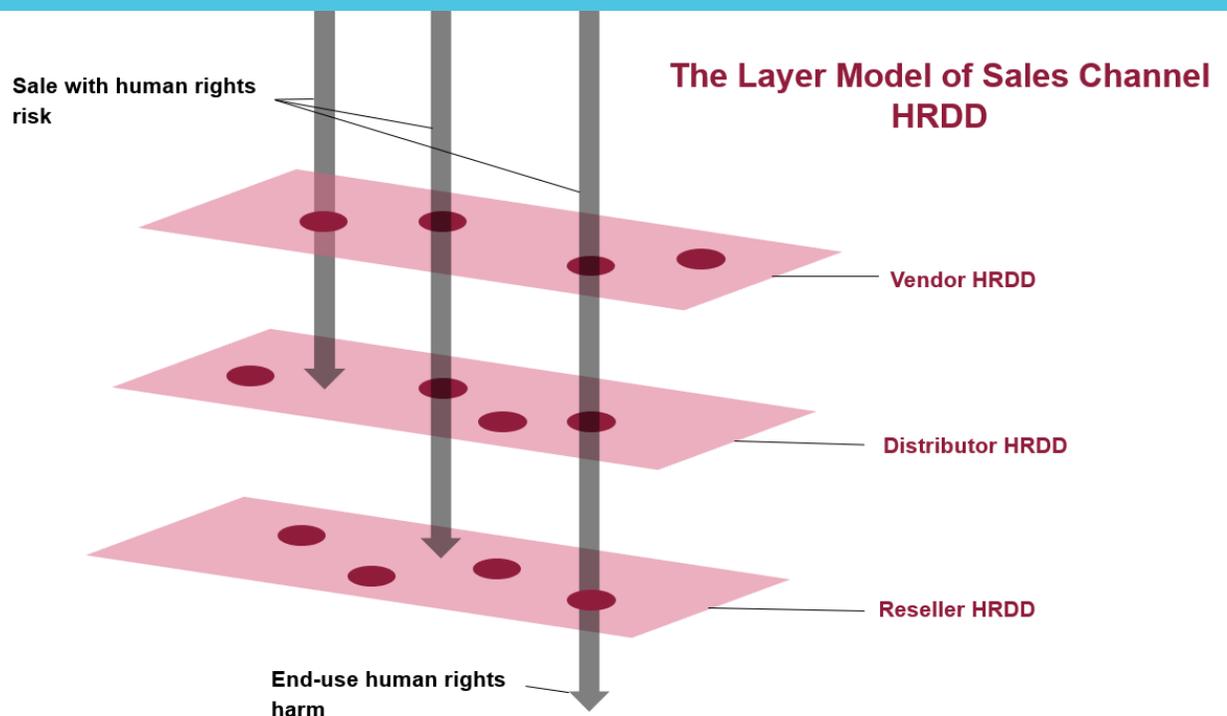
context partners at all levels push back on more onerous due diligence requirements that may slow down or impede a sale, and worry they will lose business to other less scrupulous partners who don't have such requirements.

- The variety of sales models:** Not all sales partners have the same sales model. Many use a sales-assisted model, meaning they require end customers to go through their sales team and have a formal contract to purchase products and services. This model is more amenable to HRDD because sales teams often have regular contact with the customer, know who they are, and understand the use case they are pursuing. However, other sales partners use a self-service model, meaning they have an in-person or online store where customers can simply purchase off-the-shelf products and services directly from the partner without any kind of review or contract. This model makes it challenging to know who customers are and how they plan to use the products and services.

The existence of these challenges does not mean that more robust human rights due diligence across sales channels is impossible; rather, HRDD approaches in the hardware and software sectors must directly address these challenges to be effective.

6. Best Practices for Human Rights Due Diligence in Sales Channels

All actors in the sales channel should commit to respecting human rights and conduct adequate HRDD of sales to address the human rights risks associated with the use of hardware and software products and services. To address the complexity of sales channels and the overlap of actors, BSR proposes a layered model in which all entities conduct varying levels of due diligence based on their size / maturity and their exposure to human rights risk. This approach is in line with the UNGPs, which recommend companies



prioritize action to address the most severe human rights risks,³ and recognize that small and medium-sized enterprises may necessarily have less comprehensive HRDD processes and management structures.⁴

BSR notes that the implementation of effective HRDD across hardware and software sales channels will be a journey requiring time and significant industry coordination. Companies are not expected to be able to implement all best practices at once, and therefore the recommendations below are also organized into suggested “initial steps” and “advanced steps,” with initial steps focused on laying foundations, and advanced steps focused on more robust, long-term efforts.

6.1 RECOMMENDATIONS FOR ALL ENTITIES IN THE SALES CHANNEL

Initial Steps	Advanced Steps
Initiate collaboration across the sales channel, including with competitors, to develop and share best practices	Publicly commit to not sell products for specific prohibited use cases that involve the potential for severe human rights violations
Develop a human rights policy or commitment in line with the UNGPs	Develop a process for flagging high-risk sales, assessing the associated human rights risks, and identifying mitigations.
Explore relevant lessons learned from the supply chain context	Develop feedback loops across the sales channel and with relevant external stakeholders to ensure ongoing HRDD

- Collaborate across the sales channel, including with competitors, to develop and share best practices.** Sales channels are a complicated web of overlapping actors. End use human rights risks are systemic and shared across the entire industry, particularly when the products and services of multiple vendors are combined. Collaboration across the technology sector is [necessary](#) to identify gaps and share best practices in order to ensure effective human rights due diligence of sales can be a reality across the entire sales channel. Companies can explore existing fora for collaboration among the industry or consider creating a new one. Collaboration will be challenging, and there may be significant barriers, such as state-owned enterprises and competitor companies whose business model benefits from ignoring human rights risks being less open to taking action. Over time, human

³ UNGPs Principle 17 states: “Where business enterprises have large numbers of entities in their value chains it may be unreasonably difficult to conduct due diligence for adverse human rights impacts across them all. If so, business enterprises should identify general areas where the risk of adverse human rights impacts is most significant, whether due to certain suppliers’ or clients’ operating context, the particular operations, products or services involved, or other relevant considerations, and prioritize these for human rights due diligence.”

⁴ UNGPs Principles 14 states: “The responsibility of business enterprises to respect human rights applies to all enterprises regardless of their size, sector, operational context, ownership, and structure. Nevertheless, the scale and complexity of the means through which enterprises meet that responsibility may vary according to these factors and with the severity of the enterprise’s adverse human rights impacts.”

rights-minded companies in the technology sector can build sufficient consensus and momentum to raise expectations and improve the industry overall, though there may always be outliers.⁵

- **Adhere to minimum human rights requirements.** To implement best practices, all entities in sales channels, from the largest vendor to the smallest reseller, should aim to have 1) at least a basic human rights policy or commitment in line with the UNGPs,⁶ 2) a commitment not to sell products for prohibited use cases that involve the potential for severe human rights violations, and 3) a process for flagging high-risk sales and assessing the associated human rights risks. The nature of these elements will necessarily differ depending on the entity type and size and are elaborated in more detail below.
- **Explore relevant lessons learned from the supply chain human rights context.** Supply chain human rights challenges are similar in many ways to sales channel challenges—there are a range of actors of varying sizes and types at different “tiers,” common partners shared across vendors, and challenges in achieving visibility along the entire chain. There may be several lessons learned in the supply chain human rights field—which has matured significantly in the past decade thanks to extensive industry collaboration, focused work, and the proliferation of regulatory requirements around the world—that can be applied to sales channels. This might include incentives structures for more robust HRDD, models for effective industry collaboration that address antitrust concerns, and best practices for working with small-scale entities on human rights and change management.
- **Develop feedback loops to ensure ongoing HRDD.** HRDD is a continuous process, and it is important that companies are focused on how products and services are used and misused out in the world, not just on the sale itself. Mechanisms such as reporting channels and systematic communication feedback loops across sales channels can help ensure everyone is identifying, adapting, and learning from new trends and misuse patterns. These are described in more detail below. Because it can be challenging for companies to identify misuse, it will also be important to engage and collaborate with civil society organizations and experts who can provide information about what is happening in particular markets that companies can use to help identify misuse, particularly when it is connected to government actors.

6.2 RECOMMENDATIONS FOR VENDOR COMPANIES

The UNGPs state that when a business has leverage to address the adverse human rights impacts it is connected to, it should exercise that leverage. Vendor companies are the source of products and services and are often recognizable brands, and as a result often have the most comprehensive leverage across the sales channel. Many large vendors share common distributors and resellers and can usefully establish baseline standards for all sales partners. Setting baseline standards would address the financial pressure and competition challenges by evening the playing field, ensuring that sales partners who might independently choose to implement more robust HRDD do not lose customers or partners to less

⁵ Anti-trust concerns are often seen to be a barrier to collaboration among companies. However, these concerns can generally be addressed with a little effort, and this has been successfully managed in the supply chain context.

⁶ UNGPs Principle 16 states: “As the basis for embedding their responsibility to respect human rights, business enterprises should express their commitment to meet this responsibility through a statement of policy.” It further describes basic requirements for human rights policies.

scrupulous entities. Below are recommendations for vendors to improve their own HRDD processes and exercise their leverage across their sales channels.

Initial Steps	Advanced Steps
<ul style="list-style-type: none"> • Seek senior leadership buy-in on human rights commitments in sales • Include basic human rights requirements in partner codes of conduct • Integrate HRDD into sales structures or processes • Train relevant staff on end use risks and the basics of HRDD in sales 	<ul style="list-style-type: none"> • Include a human rights clause and list of prohibited use cases in Acceptable Use Policies (AUPs) and relevant customer contracts and require sales partners to include them as well • Include specific human rights requirements in contracts with sales partners as relevant • Alter performance incentives for sales teams • Provide sales partners with human rights training and guidance • Create incentives for sales partners to conduct more robust human rights due diligence • Create a misuse reporting mechanism for partners

- **Integrate HRDD into sales structures or processes:** Given the large volume of sales, a customer gating and escalation process is an effective way to catch potentially high-human rights risk sales without unnecessarily encumbering low-risk sales. This kind of structure typically includes:
 - **Criteria to flag high-risk sales and integrating them into existing internal sales review processes.** These criteria should be simple and prescriptive, and not require specialized background to assess. The end-use risk framework in the textbox above is a good place to start for developing criteria. Assessing sales against these criteria will require vendors to have information about the customer and the use case, which they may need to require sales partners to collect, if they do not already.
 - **Flagged sales are reviewed by a specialist team with human rights expertise before they are approved.** This team should have the power to approve the sale, approve the sale with conditions, or reject the sale. Vendors that already have strong legal compliance teams may choose to integrate this escalated review into existing compliance reviews undertaken by legal specialists, while some vendors may prefer it be conducted by the human rights team and others may establish a special review committee made-up of people from a variety of roles. Whatever approach is chosen, these teams will need sufficient human rights expertise to assess the risk of complex, nuanced, gray-area cases. Vendors can also consider adding a minimum size threshold

for escalated review at their level—for example, if a flagged sale is very small, the vendor could require the decision be made by the sales partner.

- **Train relevant staff on end use risks and the basics of HRDD in sales.** Large companies' legal compliance processes related to sales are typically quite robust and can provide a good starting point for integrating HRDD. Sales and compliance staff should not be expected to be human rights experts; however, a basic understanding of human rights as it relates to the business, how the company's products and services can be used in ways that cause harm, and how to identify high-risk sales, are all important skills for these teams to learn for HRDD in sales to be effective.
- **Alter performance incentives for sales teams.** Sales teams are naturally incentivized to meet sales targets and additional due diligence requirements may be seen as an impediment to those goals, which could lead sales teams to cut corners. To avoid this, vendors should consider altering performance expectations to add an incentive for responsible sales—for example, this might include bonus commissions on sales where all information about customer and end use has been collected or supporting the customer on responsible deployment to reward "responsible" sales. Once well established, strong HRDD processes can create their own sales incentives, as sales teams generally do not find it worthwhile to pursue sales that are likely to be rejected.
- **Include a human rights clause and list of prohibited use cases in [Acceptable Use Policies \(AUPs\)](#) and relevant customer contracts, and require sales partners to include them as well.** Prohibited use cases in AUPs and other contractual clauses can serve as helpful mitigations in sales transactions, particularly those that may have been flagged as higher risk. When prohibited use cases are clearly laid out in AUPs and contract clauses, end customers are notified of expectations of responsible use. Additionally, such provisions enable vendors and sales partners to terminate the contractual relationship if misuse resulting in human rights harm is discovered.
- **Include basic human rights requirements in partner codes of conduct.** Most vendors have partner codes of conduct geared toward ensuring ethical business conduct and mitigating corruption risks. These codes of conduct should also include human rights commitments—outlining the vendor's human rights policy, expectations that sales partners adhere to the both the vendor's policy and the UNGPs, and the expectation that sales partners take steps to avoid sales to customers that are likely to use products and services in ways that harm the rights of others. For an example, see [HPE's Partner Code of Conduct](#).
- **Include specific human rights requirements in contracts with sales partners.** In addition to the standard partner code of conduct, which focuses on behavior, vendors may wish to require additional human rights steps from sales partners. While some standards may be universal, others may be more appropriate for certain types of partners (i.e., distributor vs. reseller) and partners of a certain size. All partners should be required to meet the minimum human rights requirements described in the "recommendations for all entities" section above.

Larger and more mature partners, such as distributors and large resellers, can be expected to have more sophisticated HRDD practices integrated into their sales processes — similar to those recommended for vendors. Vendors may also wish to include additional requirements for certain products and services with a higher risk of misuse, certain types of customers (such as government customers), or certain geographies. For example, vendors could restrict sales of higher risk products to select channel partners to ensure they have experience in identifying high-risk sales.

- **Provide sales partners with human rights training and guidance.** Vendors typically provide training and resources to sales partners on business ethics and compliance, and basic human rights training could be usefully added. Additionally, vendors should provide practical guidance about how sales partners can identify sales with a high human rights risk, such as by profiling problematic use cases and high-risk customer types to look out for. Because many sales partners act as systems integrators, vendors should consider how their products and services can be combined with others and whether industry collaboration is needed to identify characteristics of high-risk sales.
- **Include human rights reviews in existing partner audits.** Many vendors conduct ethics and compliance audits with a randomly selected group of sales partners annually. A human rights review could be integrated into this process, wherein auditors verify that the partner is meeting the human rights expectations of the vendor. These audits should be geared toward capacity building and should only become punitive if the partner consistently fails to address identified issues. Vendors can include a “right to verify” clause in partner contracts that explicitly stipulates their right to examine compliance with human rights expectations.
- **Create incentives for sales partners to conduct more robust human rights due diligence.** Given the competitive nature and sometimes tight margins of the hardware and software industry, vendors should create incentives for sales partners to spend more time and resources on HRDD. This could be as simple as providing sales partners with a discount on products and services if they send complete customer information, including the intended use case, or fill out a basic human rights risk assessment using the vendor’s criteria.
- **Create a misuse reporting mechanism for partners.** Even if all entities in a sales channel performed the best possible HRDD, misuse of a product or service by a customer that leads to human rights harm can still occur. Vendors should create a mechanism for sales partners to report cases of discovered misuse and other issues related to HRDD in sales so that they can work together with partners to solve them. The goal of this reporting mechanism should be collaborative problem solving rather than punitive so that partners feel comfortable sharing information and know it will not be considered a breach of contract if it’s reported voluntarily.
- **Seek senior leadership buy-in.** Creating a robust, functional HRDD process takes time, resources, and often multiple iterations. Even simple processes will require training and additional effort by sales and compliance teams, and senior leadership needs to be supportive of this and set expectations to ensure all staff take it seriously. Without senior leadership support, any additional due diligence processes risk becoming mere checkbox exercises.

6.3 RECOMMENDATIONS FOR DISTRIBUTORS

As typically large and mature companies, distributors can be expected to have robust HRDD processes. Because they act as a middleman between vendors and resellers, distributors can serve as a clearinghouse for information sharing, and take the lead in vetting and capacity building of resellers. Specific recommendations for distributors are below.

Initial Steps	Advanced Steps
<ul style="list-style-type: none"> Require resellers to collect customer and end-use information and share it up the chain with vendors. Adopt a strong human rights policy Integrate HRDD into sales structures 	<ul style="list-style-type: none"> Identify and assess existing resellers with high exposure to human rights risk. Include human rights criteria in vetting of new resellers. Serve as a communication nexus for the entire sales channel.

- Require resellers to collect customer and end-use information and share it up the chain with vendors.** Identifying the end customer and the intended use case are the most important aspects for assessing the human rights risk associated with end use. Distributors should pass down requirements from vendors to collect this information from resellers (unless this is impossible, for example due to the reseller using a self-service model) and pass it up the chain to vendors. All actors along the sales channel should ideally know the end customer and intended use case of every sale in which they are involved.
- Distributors should have a strong human rights policy and integrate HRDD into sales structures.** Because distributors sell a wide variety of products and services and sometimes act as systems integrators, they should create their own set of criteria for flagging high-risk sales and implement a process like that described in the vendor section above. Vendors can and should assist with this by sharing how they consider misuse risks. Distributors may choose to stop or add conditions to a high-risk sale on their own; however, they should share this information with vendors so that vendors can track the misuse risks associated with their products and services.
- Identify and assess existing resellers with highest exposure to human rights risk.** This is a common approach to human rights risk assessment in the supply chain context and applies to sales channels as well. Most resellers around the world in the hardware and software industry are small and medium-sized enterprises selling IT solutions to other small and medium-sized enterprises, and so most resellers' human rights risk exposure is likely going to be quite low. Distributors should work together with vendors to identify the resellers with the most exposure to human rights risk based on the end-use risk framework described above and make them the focus of human rights training / guidance and a more thorough review of sales. This focus may include resellers that frequently sell higher risk products and services, work with high-risk end-customers, and / or operate in high-risk geographies. End use risks can be amplified due to corruption, and resellers with a history of business ethics issues may also be higher human rights risk.

- **Include human rights criteria in vetting of new resellers.** These criteria should be geared toward 1) identifying and preventing new business relationships with resellers whose business activities do not align with human rights, such as resellers who sell and manage mass surveillance systems for governments, and 2) identifying resellers with a high exposure to human rights risk for additional training and review of sales.
- **Serve as a communication nexus for the entire sales channel.** As a middleman between vendors and resellers, distributors can act as a connection point for communication and information sharing about sales and end-use human rights risks. Distributors should regularly be in contact with their reseller community to learn about trends in use cases and challenges in conducting HRDD, and share that information up to vendors, who can incorporate those learnings into product development, AUP provisions, etc. Similarly, when vendors have new information or guidance to share across their sales channels, they should rely on distributors to reach all their resellers. These feedback loops will help everyone spot issues, more effectively share best practices, stay on top of trends, and adjust quickly to changing risk environments.

6.4 RECOMMENDATIONS FOR RESELLERS

As the final point in a sales channel, resellers are closest to end customers and use cases. Resellers that use a sales-assisted model are often in regular contact with end customers and have a sophisticated understanding of the use case in order to provide effective technological solutions. This makes resellers best positioned to conduct effective HRDD of sales and discover when customers misuse products and services in ways that cause harm. However, because resellers come in a wide variety of sizes and maturity levels, what this HRDD looks like in practice should be based on their size / maturity and their exposure to human rights risk.

Initial Steps	Advanced Steps
<ul style="list-style-type: none"> ● Adopt a human rights policy ● Do not use self-service models for high-risk end customers or high-risk products and services. Embed automated alerts and holds in order to identify these sales. ● Integrate HRDD into sales process appropriate to size, business model, and level of human rights risk exposure. 	<ul style="list-style-type: none"> ● If high human rights risk exposure, develop more comprehensive HRDD processes ● Provide customer guidance on responsible use and maintain contact with customers over time

- **Large national and international resellers should have a strong human rights policy and integrate HRDD into sales processes.** Because large resellers sell a wide variety of products and services, and often act as systems integrators, they should create their own set of criteria for flagging high-risk sales and implement a process like that described in the vendor section above. Vendors and distributors can and should assist with this by sharing information about their own understanding of human rights risks. Large resellers may choose to stop or add conditions to high-risk sales on their own; however, they should regularly and systematically share this information up the chain with distributors and vendors.

- **Small resellers should have a basic human rights policy and due diligence process appropriate for their size and business model.** A human rights policy needs to meet the basic requirements in Principle 16 of the UNGPs, which state that a policy must be approved at the most senior level of the company, be informed by relevant internal and external expertise, stipulate the company's human rights expectations of personnel, business partners, and other parties linked to its operations, products, or services, and be publicly available and communicated internally and externally to relevant parties. A HRDD process should be risk-based and can be simple. Small resellers should be aware of their general human rights risk exposure, prohibited use cases from vendors, as well as high-risk use cases to look out for. Small resellers should seek assistance from distributors and vendors in understanding these factors, as well as how misuse can be mitigated through things like contract clauses and feature limitations. Small resellers can choose to escalate sales decisions up the chain for assistance.
- **Resellers working in high-risk markets with high-risk customers should have more robust HRDD processes.** Resellers in these contexts should develop a more sophisticated process for identifying high risk sales, vetting customers, and applying mitigation measures. Vendors and distributors should assist small resellers in this process.⁷
- **Provide customer guidance on responsible use and maintain contact with customers over time.** Resellers using a sales-assisted model (i.e., sales staff are always involved) should provide basic guidance to end customers of high-risk sales about responsible use. This guidance will necessarily be specific to the products, services and use cases, and small resellers may not have the knowledge or resources to do this. Large resellers and distributors should take the lead on developing such guidance, with the assistance of vendors as relevant, which should be shared collaboratively across the chain.
- **Do not use self-service models for high-risk end customers or high-risk products and services.** Certain industries and types of customers can be high-risk due to the nature of their work or their ability to affect larger groups of people, such as government entities in countries with a poor human rights record. Additionally, certain hardware and software products come with an inherently higher human rights risk, such as products that can be used for surveillance (e.g., video cameras, biometrics products, AI products and services), any products that involve data analysis, and technology that supports military, intelligence, and related industries. Resellers should consult with distributors and vendors to identify these high-risk products and services and require all high-risk end customers and products to go through a sales-assisted process to better identify and address potential human rights risks or stop the sale if the risks cannot be adequately mitigated. Resellers can use automated screening processes to identify and hold orders that meet pre-defined high-risk criteria, and utilize the end-use risk framework above to more precisely assess the risk associated with a particular sale.

⁷ This is in line with Principle 14 of the UNGPs, which states: "some small and medium-sized enterprises can have severe human rights impacts, which will require corresponding measures regardless of their size."

7. Conclusion

Effective human rights due diligence across hardware and software sales channels will be challenging, take time to implement, and require good faith collaboration across the industry. However, to effectively address the adverse human rights risks associated with the misuse and abuse of technology products and services, and to comply with emerging regulations requiring human rights due diligence across value chains, all hardware and software companies should invest in HRDD across their sales channels. BSR hopes this brief provides helpful guidance for moving forward.

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ACKNOWLEDGMENTS

The authors wish to thank Hewlett Packard Enterprise for their funding and support, Ericsson for their peer review, and the other technology vendors, distributors, and resellers consulted for this brief.

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