NO MORE PAPER TIGERS

Making the Ability to Identify Risks and Disclose Them Transparently the First Test of Sustainability

A discussion paper building on the 2026 ReThink HK workshop on meaningful HRDD



THE CENTRE
FOR CHILD RIGHTS AND BUSINESS

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WHAT PROMPTED THIS PAPER?

This paper grew out of discussions at The Centre's ReThink HK 2026 workshop on September 10, which explored what meaningful HRDD looks like, drawing on findings from two of The Centre's research projects.

THE CENTRAL QUESTION

Are we identifying and addressing harm, or simply demonstrating compliance?

These two findings from our research, in particular, got us thinking...

1399

sustainability reports reviewed

Across nine emerging Asian markets, reporting on impact was often **50–80% lower** than reporting on intent.

1 in 3

auditors surveyed

Reported encountering child labour and/or forced labour cases. Only two-thirds of those auditors could confirm them.



Our workshop at ReThink HK

1. EXECUTIVE SUMMARY

Sustainability reporting and social auditing should help businesses understand and address their impacts on people. Yet they can also create a superficially reassuring but incomplete picture of corporate responsibility, without showing meaningful improvements for children, workers and communities.

This was a key takeaway from the workshop "What Meaningful Due Diligence Approaches Look Like in Practice", held at ReThink HK[1] in September. Participants recognised the value of reporting and auditing in supporting compliance, transparency and accountability, but cautioned that reporting requirements and pass-or-fail assessments alone cannot demonstrate meaningful progress. They called for stronger visibility across supply chains, more effective risk identification, structured remediation and clear evidence of improvements over time.

This paper advances a proposition for further discussion: sustainability reporting and social auditing need to be reframed, shifting their purpose from assessing whether organisations comply with requirements to examining how effectively they identify and address risks. To make these tools more than paper tigers, the ability to identify risks and disclose them transparently must become a central test of compliance. Organisations should be expected to demonstrate credible efforts to identify risks and provide an honest, sufficiently complete and evidence-based account of what they know, what they do not know, what is going wrong and what they are doing about it.



A clean report is not necessarily evidence of a responsible business. An honest account of risks, uncertainties, actions and outcomes provides a stronger basis for accountability.

[1] *ReThink HK is Hong Kong's annual business event focused on sustainable development, bringing together businesses, sustainability professionals and other stakeholders to discuss practical approaches to advancing responsible business practices.*

The proposed approach assesses risk-identification capacity, disclosure quality, responses and outcomes as distinct but connected dimensions, tracing findings through decisions and resources to verified improvements. A scoped pilot would test whether this approach makes harm more visible and action more effective in protecting children and other affected people.

Transparency alone is not enough: its value lies in whether it leads to action, accountability and better protection of children, workers and communities.







Photos: attendees at The Centre's ReThink HK 2026 workshop on meaningful HRDD tools on Sep. 10, 2026

2. RETHINK AS A STARTING POINT: A SHARED PURPOSE, BUT A FRAGMENTED PRACTICE

During a workshop with 27 sustainability and social compliance practitioners at Hong Kong's ReThink sustainability conference, we explored what meaningful human rights due diligence looks like in practice, drawing on research presented by The Centre for Child Rights and Business and participants' experience of sustainability reporting and social auditing.

Both sustainability reporting and social auditing are accountability mechanisms that help businesses identify, manage and disclose their environmental and human rights impacts. By doing so, they can help businesses maintain their license to operate and remain viable over the long term, while respecting people's rights and avoiding harm. Although their functions differ, they should reinforce one another. Sustainability reporting communicates a company's commitments, priorities and performance, while social auditing can provide evidence of workplace conditions, management practices and risks on the ground.

The workshop discussion nevertheless exposed a tension between demonstrating compliance and understanding what is actually happening across business operations and supply chains.

Participants associated **sustainability reporting** with terms such as:

"Regulatory" "Storytelling" "Integrity"

Social auditing prompted words such as:

"Pass/fail" "Transparency" "Improvement" "Basic"

The latter ('basic') was understood as a minimum foundation. These associations do not mean that compliance and improvement are incompatible. They do, however, suggest that reporting and auditing face sometimes competing expectations.

These observations are consistent with findings from two recent studies: UNICEF's *Making Children Count*, for which The Centre for Child Rights and Business conducted the research and wrote the report, and The Centre's upcoming global study of social compliance auditors. Two key findings strike a chord:

Sustainability reporting often says more about intentions than results.

A review of 1,399 sustainability reports across nine emerging Asian markets found a substantial gap between what companies say they intend to do and what they report achieving. Across 28 indicators, reporting on impact was often 50% to 80% lower than reporting on intent. This points to a substantial gap in disclosed information, although it does not, by itself, establish companies' actual performance or explain why the gaps exist.

Auditors do not always have the means to substantiate serious concerns.

In The Centre's global study[2] of more than 500 social compliance auditors, one in three reported encountering cases of child labour and/or forced labour. Yet only two-thirds of those auditors could confirm them. This raises questions about whether auditors have sufficient time, resources and access to investigate and substantiate serious concerns.

Together, these findings reveal that sustainability reporting and social auditing are not yet fulfilling their intended purpose: helping businesses identify, understand and address risks to people's rights. While the workshop was too short to explore in depth how sustainability reporting and social auditing could be improved, participants agreed that both tools should ultimately lead to tangible improvements for affected people, including children. This paper argues that better indicators or audit techniques alone will not be enough. The incentives surrounding disclosures must also change.



If organisations are expected to demonstrate that problems do not exist, rather than show that they can identify and address them, the system risks favouring superficially reassuring documentation over useful evidence.

[2] *The full study is slated for public release in February 2027.*

3. THE INCENTIVES PROBLEM: WHEN TRANSPARENCY CAN CONFLICT WITH BUSINESS INTERESTS

To reposition the discussion from compliance and alignment with reporting standards toward risk identification and mitigation, it is first necessary to examine the incentives that shape how sustainability reports and social audits are produced.

Consider a supplier that identifies a child labour case, discloses it and seeks support for remediation.
If disclosure leads automatically to commercial exclusion, while a supplier reporting no cases faces little scrutiny, the system creates an incentive to remain silent, potentially leaving the child without protection or remedy.

A similar tension can arise in sustainability reporting. A company that acknowledges incomplete supply chain visibility, unresolved grievances or missed targets may appear weaker than one that makes broad commitments without revealing comparable detail.

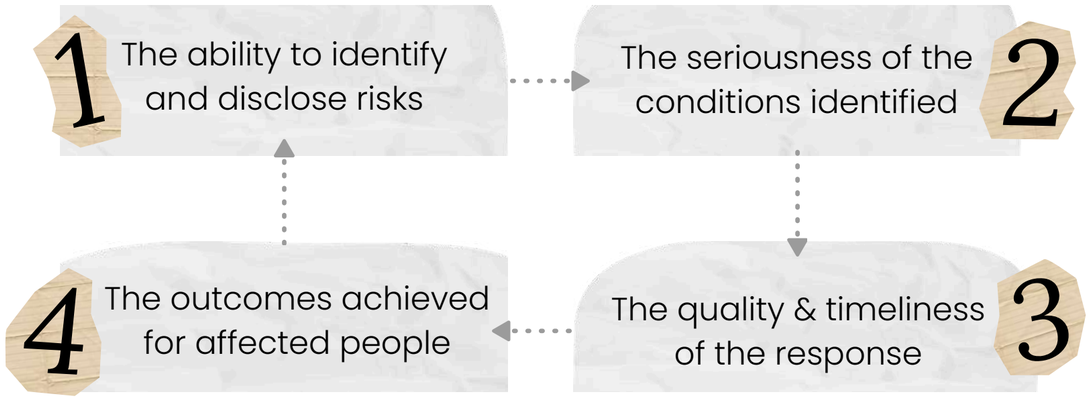
Under these conditions, audits and reports risk becoming performances of assurance: technically complete, professionally presented and insufficiently revealing. They may satisfy a requirement without helping anyone understand whether the children and adults impacted by our supply chains are safer and their rights better protected.



When disclosure is penalised and silence rewarded, audits and reports can become exercises in appearing compliant rather than identifying and addressing harm.

An alternative incentive structure would reward reports that show progress in identifying risks and the top-down and bottom-up efforts to address them. The focus would not be on presenting operations as perfect or risk-free, but on demonstrating an ability to identify risks and a credible plan to tackle them. Audits, in turn, would assess suppliers' awareness of risks, their capacity to address them and the steps they are taking to address them. This approach would give a more realistic picture of business operations and encourage a systematic, ongoing effort to manage risks.

The response should not be to weaken substantive standards, but to ensure they assess four distinct but connected areas:



All four matter, yet assessments can place too much emphasis on the second and fourth areas, relying on claims that few or no serious issues exist or that outcomes have been positive. The proposed approach would give greater weight to companies' capacity to identify and disclose risks and to demonstrate that their responses are timely and effective, rather than relying on claims of good performance alone.

Reward businesses for identifying and addressing risks, not for maintaining a clean record.

4. THE ABILITY TO IDENTIFY AND DISCLOSE RISK AS THE FIRST COMPLIANCE REQUIREMENT

This paper proposes the following principle: An audit or sustainability report should not be considered credible unless it clearly examines the company's ability to identify and disclose risks and provides an honest, evidence-based account of identified risks, findings and responses. This should include assessment limitations and potential risks that remain unassessed or unconfirmed because of gaps in data, access or capacity—even where that account reveals non-compliance or incomplete progress.

Transparency should therefore take precedence over expectations of a spotless record, uniformly positive indicators or administrative closure unsupported by evidence.

In practical terms, organisations should be required to explain:

1. Which operations, suppliers and issues were assessed, how they were assessed and what was excluded
2. What risks, concerns and cases were identified, including those affecting children's rights
3. Where evidence is incomplete, contested or unavailable
4. What immediate protection and longer-term action followed
5. Who is responsible, what resources are committed and when progress will be reviewed
6. What has changed for affected people, including where action has not worked

By examining processes, effort and action alongside outcomes, we can help prevent transparency from becoming a substitute for performance. An organisation should not receive a favourable human rights assessment simply because it openly describes persistent abuse. Honest disclosure provides the basis for accountability; it does not absolve a company of its responsibility to address the harm.

Thorough reporting on the points would also allow companies that invest substantially in social sustainability and children's rights to demonstrate their efforts and give investors a clearer picture of the strengths and limitations of their risk management. This would reduce the pressure to rely on reassuring statements that everything is fine when they do not reflect realities on the ground.

This logic could also apply to more meaningful audits at factory or site level. Understanding the extent to which factories have systems in place to identify risks within their own operations and those of their subcontractors—supported by transparent evidence of challenges, responses and positive and negative outcomes—would help distinguish engaged and sincere producers from those merely trying to maintain "clean records".



A credible human rights assessment is not about showing that no problems exist. It is about demonstrating that you can identify risks, disclose them honestly and take effective action to address them.

5. A PRACTICAL AGENDA FOR MORE MEANINGFUL REPORTING AND AUDITING

5.1 ASSESS TRANSPARENCY SEPARATELY FROM SUBSTANTIVE PERFORMANCE

Reporting frameworks and audit assessments should distinguish between the quality of disclosure and the actual conditions found, as well as the effectiveness of the response.

A business may be transparent about serious, unresolved risks, while another may report few findings but provide little evidence that its operations have been adequately assessed. These situations should not be interpreted in the same way.

Dimension	Core Question
Ability to identify risk	Has the company demonstrated adequate systems, resources and effort to identify risks, including risks to children that may otherwise be overlooked?
Transparency and evidence	Is the account candid, sufficiently complete and supported by credible evidence?
Response and accountability	Are risks being addressed through appropriate action, responsibility and resources?
Outcomes and learning	Is the impact measured and is the organisation adapting when measures fail? As a result, could harm be reduced?

This approach would make concealment, misleading omissions and unsupported claims explicit compliance concerns. It would also prevent a low number of reported cases from being mistaken for evidence of low risk.

5.2 REPLACE ACTIVITY-ONLY REPORTING WITH EVIDENCE OF CHANGE

Participants asked for stronger evidence, comparisons across years, verification and ground-level assurance. A practical next step is to distinguish outcomes from activities. The table below illustrates how companies can provide a more meaningful account of their auditing and supplier engagement.

Classical reporting	More meaningful reporting approaches
No. of audits completed	Include details on: • Audit coverage across supply chain tiers and exclusions. Specify how many suppliers remain unaudited, where risks remain unassessed and how these gaps will be addressed • The types of stakeholders included in the assessment • Recurring findings and unresolved concerns • Potential risks that may remain unidentified, based on the known contextual risks associated with the company's operations • How social audit findings inform the identification of improvement opportunities and support for suppliers
Description of stakeholders engagement	• Describe the activities undertaken to strengthen stakeholder engagement • Report stakeholder feedback on these activities • Provide evidence of change, including changes in awareness, attitudes and systems
Companies' supplier standards	Explain how the focus and content of training were determined. For example, social audits may identify weaknesses in management systems, prompting global buyers to support suppliers through capacity building. Report key information on: • Who received training • The impact of the training • Limitations, including who was not reached and which topics still need to be covered

Classical reporting	More meaningful reporting approaches
Grievance channels established	• Who can access the channels, including the company's own employees and workers across its supply chain • Evidence of stakeholder confidence and use, such as the number of users and complaints received , with comparisons across available channels where appropriate • Unresolved complaints, the reasons they remind unresolved and any planned follow-up • Measures to ensure that reporting is safe and that users are protected from retaliation, to the extent possible
High-level commitment to remediation	Disclose remediation activities based on social audit findings, including information on: • The support provided, delivered and the outcomes over time • The follow-ups with stakeholders involved in remediation. For example, for cases of child labour, reports on whether affected children are safe, receiving appropriate support and able to continue their education.
Company policies/CoC	• Changes in governance structures, procedures, business decisions, resource allocation and implementation.
Commitment to preventing forced and child labour	• Describe the assessments and methods used to identify forced labour and child labour • Identify high-risk areas for forced labour and explain how risks are mitigated • Describe the remediation processes in place • Report issues identified and the extent of follow-up, including both successes and failures

5.3 ASSESS TRANSPARENCY SEPARATELY FROM SUBSTANTIVE PERFORMANCE

A transparency-first approach cannot work if procurement and other commercial decisions continue to penalise suppliers for disclosing problems.

Buyers should establish clear, predictable escalation processes for responding to findings, distinguishing early disclosure and credible remediation from concealment, obstruction or persistent failure to act. Where appropriate, supplier engagement should include technical support, realistic milestones and scrutiny of the buyer's own contribution to the problem.

This does not mean granting automatic immunity or tolerating inaction indefinitely. Serious or continuing harm must inform commercial decisions, with due consideration given to the consequences for affected children and workers. The aim is to ensure that remaining silent is not commercially safer than disclosing problems and working to address them.

Auditors and reporting teams also need the authority to present adverse findings without pressure to downplay them. Organisational incentives should support integrity rather than leave it to individual courage.



Make it commercially safer for suppliers to disclose problems and address them than to remain silent.

6. TURNING THE PROPOSITION INTO A TESTABLE APPROACH – HOW TO GET STARTED

Rather than beginning with another broad reporting framework, interested businesses, auditors and child rights organisations could test these principles through a pilot covering a defined supply chain or operational scope. A pilot could:

1. **Review incentives:** identify where contracts, scorecards or internal targets discourage disclosure.
2. **Set a transparency baseline:** agree on minimum requirements for scope, limitations, unresolved risks and follow-up.
3. **Connect information:** trace selected findings from assessment through management decisions to reporting.
4. **Provide response capacity:** assign responsibility, expertise and resources for investigation and remediation, including child safeguarding expertise where needed.
5. **Review outcomes:** assess whether the approach improves visibility, response quality and protection for affected people, with explicit attention to children's rights and well-being.

7. CONCLUSION

The Centre's workshop at ReThink HK 2026 highlighted both the value of sustainability reporting and social auditing and the limitations of treating them primarily as compliance exercises.

The next step is not to choose between transparency and compliance, but to make transparency central to what compliance means.

A clean report is not necessarily evidence of a responsible business. An honest account of risks, uncertainties, actions and outcomes provides a stronger basis for accountability.



When systems reward appearance over candour, they risk producing paper tigers. When they require honest disclosure and connect it to protection, remedy and learning, they stand a better chance of improving conditions for affected people and advancing children's rights.

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For more information, please contact The Centre.

THE CENTRE FOR CHILD RIGHTS AND BUSINESS

Unit 808, 8/F, Tung Che Commercial Centre,
246 Des Voeux Road West, Sai Ying Pun, Hong Kong

info@childrights-business.org

childrights-business.org

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