

US SANCTIONS ENFORCEMENT ACTION HIGHLIGHTS THE IMPORTANCE OF HUMAN RIGHTS DUE DILIGENCE

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Legal Briefings - By **Kyle Wombolt, Pamela Kiesselbach, Antony Crockett and Anita Phillips**

A recent enforcement action by the US Department of the Treasury's Office of Foreign Assets Control (**OFAC**) has highlighted the importance of human rights due diligence as part of an effective sanctions compliance programme.

The US action reflects a global trend of increased regulatory focus on supply chains in relation to a range of business conduct issues, including corruption, modern slavery, and other human rights violations.

The company, e.l.f. Cosmetics Inc (**ELF**), faced a maximum penalty in excess of US\$40 million but agreed to pay US\$996,080 to settle its potential civil liability for 156 apparent violations of US sanctions on North Korea after their compliance programme failed to detect that approximately 80% of the false eyelash kits it imported from two suppliers in China contained materials sourced from North Korea.

This action is a reminder to businesses to implement effective supply chain due diligence and audits to verify the country of origin of goods and services. Companies that do not conduct thorough supply chain due diligence when sourcing products and services, particularly from higher risk regions, are at an increased risk of sanctions violations.

An OFAC/Homeland Security Advisory issued around six months prior to the ELF enforcement action advises companies to implement human rights due diligence processes as described in the 2011 United Nations Guiding Principles on Business and Human Rights (**UNGP**). The Advisory and OFAC's observations regarding the inadequacies of ELF's due diligence processes show that while international standards such as the UNGP are, in and of themselves, not legally binding, failure to implement those standards may be taken into account by prosecutors and other regulators.

[To read more detail about this matter, US sanctions, due diligence best practices and penalties for violations visit our blog](#)

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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