

EU Forced Labour Regulation

Strategic guide for
companies



Regulation in a nutshell

The **EU Forced Labour Regulation (FLR)**, adopted on November 19, is a new EU law empowering Member States to **detain, seize, or remove products made, even partially, with forced labour**. It applies to all goods sold in the EU, regardless of origin, with risk-based investigations and enforcement starting in 2027. This guide outlines the key aspects of the regulation and provides practical steps for businesses to prepare for compliance.

What will you find in this guide?

- Overview of the EU Forced Labour Regulation and its implications for global supply chains.
- FLR's role within the EU and global legislative frameworks, highlighting key synergies and differences.
- Key strategies for businesses to align with the regulation and avoid potential risks.

Who is this guide for?

- **Compliance teams** and **legal departments** ensuring that supply chains adhere to the EU Forced Labour Regulation.
- **Supply chain managers** and **procurement specialists** dedicated to identifying risks and enforcing ethical practices throughout the value chain.
- **ESG specialists** and **Chief Sustainability Officers (CSOs)** overseeing the corporate sustainability agenda, including providing strategic direction and managing ESG risks.

Overview and scope

The EU FLR aims to eliminate the use of forced labour in global supply chains by prohibiting the sale or import of products linked to forced labour within the EU, regardless of their origin. It encourages companies to scrutinise their entire supply chains and ensure that labour standards are upheld at every stage. A key feature of the FLR is its broad scope, which applies to both EU-produced and imported goods. **Unlike other regulations, the FLR uses a risk-based approach, meaning companies will only undergo investigations if potential forced labour risks are identified.** This regulation is set to take full effect in 2027, giving businesses time to adjust and comply.

Forced labour definition

The EU FLR adopts its definition from the [**Article 2 of the Convention on Forced Labour, 1930 \(No. 29\)**](#) of the International Labour Organization, which includes any work performed involuntarily under the threat of penalty, including child labour.

Who is covered

The regulation applies to all companies producing, exporting, or selling goods to the EU, including online sales. Specific support measures will be available for small and medium-sized enterprises.

What is covered

The regulation broadly covers any product involved in commercial transactions, from raw materials to finished goods, but excludes transport services.

FLR and EU legislation framework

FLR is one of the key components of the EU's efforts to ensure that companies maintain responsible and ethical supply chains. In recent years, several initiatives have been introduced within the EU that focus on different aspects of sustainability, human rights, and environmental responsibility in corporate supply chains. **The most notable initiatives within this framework:**

- **Corporate Sustainability Due Diligence Directive (CSDDD)** requires large companies to address human rights and environmental impacts in their supply chains.
- **Conflict Mineral Regulation** ensures profits from conflict zone minerals do not fund armed forces or human rights abuses.
- **Carbon Border Adjustment Mechanism (CBAM)** ensures a fair carbon price and prevents carbon leakage in imported goods.
- **EU Battery Regulation** ensures sustainability of batteries throughout their life cycle, including sourcing, recycling, and repurposing.
- **Deforestation-free Regulation** bans products linked to deforestation from the EU market.

The CSDDD is closely related to the FLR, as both aim to eliminate human rights abuses in corporate supply chains. They complement each other by addressing different aspects of ethical sourcing and corporate responsibility.

- The FLR has a wide scope, applying to all companies related to products within the EU, while the CSDDD covers only larger companies with a certain turnover and number of employees.
- Both initiatives promote ethical supply chains, but the CSDDD mandates due diligence, whereas the FLR encourages companies to prepare for potential investigations.
- Aligning with the CSDDD will help companies meet FLR requirements, as the CSDDD covers human rights and environmental standards alongside forced labour compliance.



To learn more about how your company can prepare for the upcoming CSDDD regulation, please check the [Sirius guide](#).

How does FLR work

The implementation of the FLR will be managed at both the EU level (by the Commission) and the member state level, with authorities appointed within a year after its implementation. **A Union Network Against Forced Labour Products** will coordinate enforcement between member states and the EU Commission. The EU Commission will establish a web portal, the **Forced Labour Single Portal**, to provide access to guidelines, risk databases, investigations, and bans, ensuring transparency and accessibility across all EU languages.

The core component of the regulation is the investigation process when forced labour risks are identified. The process includes the following steps:

Step 1. Initiation of the investigation

It begins when authorities receive reports from organizations, cooperating authorities, whistleblowers, or when a substantiated concern is identified. National authorities handle investigations within the EU, while the European Commission steps in for non-EU companies or cross-border matters.

Step 2. Preliminary Phase of the Investigation

Authorities request information from companies about the measures taken to prevent forced labour. They may also seek input from stakeholders like whistleblowers. Companies have 30 days to respond.

Step 3. Investigation

If further investigation is needed, authorities notify the company within 3 days. They may request additional documentation, interviews, or inspections. Companies must respond within 30-60 days.

Step 4. Decision and consequences







Authorities issue a decision within 9 months, banning or withdrawing products if forced labour is found. Companies must remove affected goods.

Step 5. Reviewing the decision

Companies can request a review if forced labour is removed, allowing the product to return to the market.

Similar regulations

If your company has already been subject to similar regulations, a good starting point would be to **compare your existing compliance practices with the upcoming FLR requirements.**

	Area	Purpose	Approach	Affected companies	Effective date
<u>Forced Labor Regulation</u>		Prohibits sale/import of goods involving forced labour	Authorities initiate investigations if there are forced labour risks in the value chain of products.	All companies selling within the EU	2027
<u>Uyghur Forced Labor Prevention Act (UFLPA)</u>		Bans imports from Xinjiang-linked entities	Companies must provide documents to the U.S. Customs and Border Protection to demonstrate compliance.	Companies importing from Xinjiang or listed entities	2022
<u>Tariff Act (Section 307)</u>		Prohibits imports made with forced or child labour	Authorities initiate investigations if there are forced labour risks in the value chain of products.	All companies importing to the US	1930
<u>Fighting Forced Labour & Child Labour</u>		Annual reporting on forced/child labour in supply chains	Companies must annually report the steps taken to prevent and reduce the risk of child or forced labour in their supply chain.	Public & large private companies	2024
<u>Modern Slavery Act (UK)</u>		Addresses modern slavery in operations and supply chains	Companies must prepare annual modern slavery statements on measures taken.	Companies with activities in the UK	2015
<u>Modern Slavery Act (Australia)</u>		Similar to UK's Modern Slavery Act	Companies must prepare annual modern slavery statements on measures taken.	Entities operating in Australia	2018

Metals and Mining

The enforcement of the EU Forced Labor regulation could create a shift not only at the local level but also globally.

At the beginning of 2024, the U.S. and the EU were attempting to reach a deal that would allow critical minerals mined or processed within the EU to qualify for clean vehicle tax breaks in the U.S. under the Inflation Reduction Act (IRA).

The main reason the deal was not reached is that the U.S. is concerned about ensuring that commitments to fair labour standards are met and how to verify compliance.



The new regulation could provide such an opportunity and serve as a basis for future conversations in this area, potentially opening up new avenues for responsible mining companies in the U.S. Although reaching a deal on critical minerals with the U.S. may not have a significant financial impact on the EU due to its limited mining and processing capacity, it would still strengthen the EU's position in global supply chains.

Get ready for FLR

The regulation **comes into force in 2027**, but companies must start preparing now to avoid compliance risks and ensure a smooth transition. Early preparation will help mitigate potential financial losses and reputational damage. Here are the steps to take for compliance.



Align your compliance procedures with FLR and other relevant regulations like CSDDD and CBAM. Include forced labour topics in your due diligence and map your supply chain to spot potential risk areas.



Consult your legal team to see if similar regulations already apply to you. Compare your current compliance efforts with the upcoming FLR requirements.



Enhance product traceability by establishing a chain of custody, using digital tools where possible to track goods and identify red flags early.



Work with your suppliers on their environmental and social practices, addressing potential risks that could impact the entire value chain. Offer support where needed.



Ensure internal and third-party documents include a forced labour intolerance clause. Update your Supplier Code of Conduct accordingly.



Undertake and document all procedures to demonstrate your compliance in case of an investigation.

Easy compliance with Sirius

Compliance can be challenging, especially with multiple regulations targeting the same functions from different angles. **Sirius simplifies the process, making compliance straightforward:**



Questionnaire completion

Sirius saves time by auto-filling questions using data from your reports, policies, and documents, ensuring accurate responses without repetitive manual input.



Data management

Sirius creates a digital Sustainability Twin of your company, enabling easy data management, insights gathering, and sharing information with stakeholders, including on human rights.



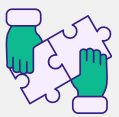
Chat with your data

Need specific information from your documents? Just ask the chat, and it will quickly retrieve the relevant data based on what's uploaded to the platform.



Gap assessment

Sirius identifies gaps in your reporting based on specific regulations, providing a prioritised list of areas needing attention, helping you address critical issues first.



Collaboration mode

Missing data? Easily send questions to colleagues or external stakeholders, and their responses will be uploaded directly to the platform, eliminating the need for managing emails.



Value chain onboarding

If needed, onboard members of your value chain to the platform, create their Twins, and enhance collaboration - especially useful for strategic or high-risk suppliers.

Find out how Sirius makes compliance straightforward

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