

Business and Human Rights Regulation: Where Are We Headed?

January 9, 2025

2024 was a year with significant global elections and political upheaval. A new administration in the United States will mean new priorities. Some countries will see (and are already seeing) a slowdown, softening, or even backlash against sustainability regulations. Corporate stocktaking and refinement of strategies and positions will continue—with 2025 set to create novel legal situations for companies trying to balance competing imperatives. Overall, we expect to see less of a shift on human rights by the incoming Trump administration than in other sustainability areas, with some issues receiving potentially heightened focus and others likely deprioritized, with regulatory discourse and enforcement shifting to U.S. states.

In this alert, we discuss key recent business and human rights-specific regulatory developments, as well as what to watch in 2025, including:

- Forced labor trade and procurement regulations in the U.S. and EU;
- Human rights and environmental disclosure and due diligence requirements in the EU; and
- Developments in modern slavery and child labor disclosure requirements in Canada and the U.S.

As the global political landscape begins to take shape for 2025, companies will need to ensure they are in compliance with existing laws that seek to ensure the protection of and respect for human rights, and that they actively monitor and stay informed about changing laws and regulations that apply to (or could affect) them, in addition to market forces and trends beyond the reach of governments—potentially identifying areas of competitive advantage through strategic business and policy decisions.

1. Forced Labor Trade and Procurement Regulations in the U.S. and EU

For nearly a decade, complying with forced labor regulations has been a key concern for U.S. importers¹ and U.S. federal contractors,² while some companies outside of those realms may have paid little attention. However, that may change with a new EU regulation (discussed below) that can apply based on the sale or movement of goods—meaning that companies of any size and in a broad range of sectors will need to prepare to comply to avoid regulatory enforcement actions, legal repercussions, commercial disruptions and reputational damage. Even companies not directly in scope of this and other measures could face pressure by virtue of contractual cascading of due diligence requirements up the supply chain by commercial partners, to ensure inputs are produced in compliance with human rights standards.

i. *EU Forced Labor Regulation*

The [EU Forced Labor Regulation](#) (EUFLR), which entered into force on December 13, 2024 and starts to apply on December 14, 2027, prohibits products made with forced labor from being imported into, sold within (including online), or exported from the EU. In contrast to other EU sustainability measures that have encountered challenges or delays (discussed below), the EUFLR's relatively smooth adoption reflects greater political consensus on the need to prevent goods produced using forced labor from being placed and distributed on the EU market. Broader than Section 307 and the Uyghur Forced Labor Prevention Act (UFLPA) in the U.S.,³ the EUFLR addresses the movement of products beyond importation and extends to products regardless of sector or geographic origin, and introduces new compliance and evidentiary standards⁴ that will inform corporate compliance efforts, in addition to forthcoming regulatory guidance.

Affected companies will need to approach compliance proactively—by starting to engage with suppliers to obtain information, addressing gaps in respect of policies and procedures, implementing record-keeping processes, ensuring strong communications channels, and introducing or enhancing contractual requirements applied to commercial partners. As companies learned ahead of and following the initial implementation of

¹ In 2016, Congress closed the loophole in Section 307 of the Tariff Act of 1930 (19 U.S.C. § 1307) (Section 307), which prohibits the importation of merchandise produced with forced labor, including convict labor, forced child labor, and indentured labor, but had previously allowed the import of goods made with forced labor where domestic production was insufficient to meet U.S. supply. *See* Trade Facilitation and Trade Enforcement Act of 2015 (P.L. 114-125). Since 2016, U.S. Customs and Border Protection (CBP) has increased enforcement of Section 307 through Withhold Release Orders (WROs) and Findings. CBP detains goods pursuant to WROs following an investigation where it has reasonable suspicion that goods were made with forced labor in violation of Section 307, where an importer does not successfully contest the WRO or remove the goods from the U.S., CBP is authorized to seize and destroy the goods. CBP issues Findings following an investigation where conclusive evidence establishes that goods were made with forced labor, where goods are subject to a formal finding and an importer fails to provide sufficient evidence that forced labor did not produce the goods, CBP may seize and destroy the goods.

² In 2015, the General Services Administration, Department of Defense and National Aeronautics and Space Administration issued a final rule amending the Federal Acquisition Regulation (FAR), requiring contractor and subcontractor personnel engaged in U.S. federal contracts of a certain size and based on meeting certain factors to develop and implement an anti-trafficking compliance plan and comply with posting and distribution requirements (in respect of their plans), as well as annual certification requirements. *See* FAR 52.222-50(h), Combating Trafficking in Persons (48 C.F.R. § 52.222-50(h)).

³ UFLPA, Public Law 117-78 (Dec. 23, 2001) (22 U.S.C. § 6901), strengthens enforcement of Section 307, by establishing a “rebuttable presumption” that goods produced in the Xinjiang Uyghur Autonomous Region (XUAR) of China or by entities on the UFLPA Entity List are made with forced labor, and thus subject to the U.S. import prohibition. Under UFLPA, where shipments are detained by CBP on suspicion of violating Section 307 and UFLPA, importers can try to prove the goods were not produced in the XUAR or by a listed entity, attempt to rebut the forced labor presumption with clear evidence, or re-export the goods.

⁴ UFLPA replaces CBP's case-by-case implementation of WROs/Findings on companies operating in and product categories from the XUAR by applying a rebuttable presumption that goods manufactured wholly or in part in the XUAR region or bearing some nexus to entities on the UFLPA Entity List violate Section 307. As such, UFLPA applies the presumption of forced labor to all goods made in the XUAR without the need for CBP to issue WROs/Findings. The EUFLR applies to all goods entering or exiting the EU market and places the burden of demonstrating that goods were not made with forced labor on EU competent authorities (to be defined by Member States), whereas UFLPA shifts that burden, ordinarily on CBP, to U.S. importers.

UFLPA in 2022, this process can be challenging, particularly when collecting information from small suppliers or those subject to certain prohibitions under local law, including China’s Blocking Statute. Early engagement will benefit in-scope companies, as well as potentially exploring third-party tools to enhance deep-tier supply chain visibility and mitigate challenges associated with documentation collection. Additionally, drawing on the U.S. experience, companies should be mindful of regulatory disclosures that could impact EUFLR-related compliance efforts (*e.g.*, under the Corporate Sustainability Reporting Directive, EU/U.S. conflict minerals reporting requirements or otherwise)—by elevating information on high-risk supply chain relationships to the attention of EU competent authorities charged with enforcing the EUFLR. By the same token, EUFLR compliance should assist companies in scope of these and other reporting and due diligence measures that require them to address forced labor risk and other human rights issues. (For a comparison of UFLPA and EUFLR, see **Appendix A**).

ii. Uyghur Forced Labor Prevention Act

Since U.S. Customs and Border Protection (CBP) began enforcing key provisions of UFLPA in June 2022, CBP has detained 11,334 shipments to the U.S. across sectors, totaling \$3.67 billion worth of goods, 43% of which have been denied entry at U.S. ports. According to CBP’s [UFLPA Statistics Dashboard](#), the volume of detentions and the value of detentions have increased every year since FY 2022, with the number of detentions across sectors up by 15% in FY 2024 compared to FY 2023, the value of detentions up by 22%, and the second quarter of FY 2024 (January – March 2024) seeing enforcement exceeding the highest period in FY 2023 (Q3) by 24% in volume and 36% in value.

That said, a review of the enforcement metrics suggests a year-on-year decline in the number of denied shipments, which may indicate improved importer compliance through supply chain due diligence, particularly concerning goods potentially originating from the Xinjiang Uyghur Autonomous Region (XUAR) or connected to UFLPA Entity List parties (*i.e.*, Chinese entities known to use forced labor), and/or general efforts to de-risk supply chains from China. To date, the U.S. Department of Homeland Security (DHS) has reported requests for exceptions as to UFLPA’s rebuttable presumption, on the basis of a practically insurmountable standard—“clear and convincing” evidence that goods subject to the presumption were not produced wholly or in part by forced labor—based on publicly available information, no such exceptions have yet been granted by the Commissioner of CBP.⁵

Other updates in 2024 included: the largest single addition of entities to the UFLPA Entity List since UFLPA took effect; the formal addition of three high priority sectors for enforcement (aluminum, seafood and polyvinyl chloride (PVC)); and the continued targeting of imports with Chinese-origin inputs produced in or shipped from third countries (particularly Malaysia and Vietnam), as well as industries and sectors with a high risk of forced labor in their supply chains but not historically targeted for extensive enforcement (*e.g.* the automotive industry). These developments signal the growth of and heightened emphasis by CBP and DHS on enforcing UFLPA’s import restrictions, fueled by additional funding for forced labor enforcement, which is expected to be further increased this year.⁶

⁵ According to January 2024 testimony from CBP’s Office of Trade, CBP has received five requests for an exception to the rebuttable presumption, which importers withdrew in each case prior to CBP making its final determination. See [here](#).

⁶ The FY 2024 Department of Homeland Security Appropriations Act included increased funding for DHS and CBP for forced labor enforcement relative to FY 2023: namely, \$20 million over DHS’s 2023 budget for identifying and detaining forced labor goods (totaling \$114 million), and \$10.5 million over CBP’s Office of Trade’s request to maintain forced labor enforcement activities (totaling \$423 million). See Joint Explanatory Statement, Division C—Department of Homeland Security Appropriations Act, 2024, 118th Cong. (Joint Statement from House Appropriations Subcomm. on Homeland Sec. and Senate Appropriations Subcomm. on Homeland Sec.), at 14, 17 (2024), [here](#). For FY 2025, a House Appropriations Committee report recommends an additional \$9.76M in appropriations over FY 2024 appropriations to CBP for efforts to counter forced labor and \$5M to FLETF for UFLPA-related technology acquisition. H.R. REP. NO. 118-553, at 8, 19 (2024), [here](#).

Based on trade policies implemented during the first Trump administration, anticipated cabinet appointments,⁷ overwhelming bipartisan support for UFLPA and its increased enforcement,⁸ and cross-party support for action aimed at China in nearly every policy domain (including human rights concerns associated with Chinese state-sponsored forced labor), the incoming administration is likely to expand the scope and level of enforcement of UFLPA. This could include rulemaking or legislative action to restrict application of the *de minimis* exception in U.S. customs law, or in respect of China-origin goods, a rule that currently exempts [over one billion imports](#) per year from screening for compliance with U.S. trade and other laws. This increased focus coupled with CBP's existing [investments](#) in technology and analytical modeling, the anticipated launch of CBP's third isotopic testing lab in 2025, and its increased [collaboration](#) with nongovernmental entities, raise the risk for U.S. importers and the need to conduct comprehensive due diligence, implement effective supply chain tracing, and enforce appropriate supply chain controls to prevent UFLPA-prohibited goods from entering the U.S. Additionally, we expect importers to continue to rely on or consider using third-party tools (some of which CBP is already using) to assist in mapping their supply chains, aggregating and analyzing supply chain data, and establishing the traceability of goods.

iii. U.S. Public Procurement Restrictions

The U.S. has a longstanding policy prohibiting federal government employees and contractors from engaging in human trafficking (including forced labor, which the government considers to be human trafficking per se), and forced or indentured child labor, addressed through various prohibitions and requirements. The U.S. [National Action Plan](#) on Responsible Business Conduct (NAP)—a policy framework directed at the government, private sector and other stakeholders to promote responsible business conduct, updated in March 2024—places heightened emphasis on human rights within the existing federal government procurement framework through various commitments. To the extent the incoming administration carries out recommendations of the multi-stakeholder [Advisory Committee on Responsible Business Conduct](#), charged with implementing the NAP, federal contractors could face heightened scrutiny and stricter enforcement with respect to human rights issues, in particular pertaining to the potential consideration of suspension or debarment for entities subject to CBP WROs applied to goods/sectors associated with forced labor.

Meanwhile, at the state level, new forced labor procurement restrictions in Florida and Utah signal where future U.S. state-level lawmaking could focus. Florida's [HB 1331](#) goes the farthest, requiring the business arm of the state government to establish and maintain a public forced labor vendor [blacklist](#) (no vendors are currently listed), and certifications from members of vendors' senior management that goods sold to the state are free of forced labor. However, Florida's [HB 3](#), signed into law in May 2023, blocks the consideration of ESG factors in state and local procurement processes, among others, prohibiting state and local agencies and departments from considering "social, political or ideological interests" (undefined) in awarding government contracts for goods or contractual services, or requesting documentation from or favoring vendors based on such factors. This broad language creates potential confusion for state entities (and state contractors) given express requirements on contractors under HB 1331 to provide documentation attesting to the absence of forced labor associated with goods sold to Florida, and by implicitly requiring state agencies to give preference to state contractors not associated with forced labor. Specifically, the laws raise questions as to what human rights or other ESG factors may be excluded from the application of HB 3 in the public procurement or

⁷ Secretary of State nominee Marco Rubio co-sponsored UFLPA, in addition to being a co-sponsor and vocal supporter of anti-human trafficking-related legislation. National Security Advisor nominee Representative Mike Waltz has been vocal in condemning China labor abuses.

⁸ Activists and members of Congress continue to express concern over the scope and speed of UFLPA enforcement, including UFLPA Entity List limitations and applicability of the *de minimis* exception—a U.S. customs rule that allows shipments with an aggregate value up to \$800 per day per person to be imported free of most duties and taxes, and to enter the U.S. with less information than other imports, impacting Section 307/UFLPA and broader Tariff Act enforcement.

investment context; whether heightened human rights due diligence on potential state and local investments in high-risk sectors or contexts may be permissible; and whether negative screens on investments or in the procurement context may be treated differently than positive or norm-based screens. Absent regulatory guidance, clarification may be left to enforcement actions or the courts. (For additional information on state procurement measures, see **Appendix B**).

2. Human Rights and Environmental Disclosure and Due Diligence Requirements in the EU

The first half of 2024 saw significant milestones for corporate sustainability regulation at the EU level, including, in particular, the approval of the Corporate Sustainability Due Diligence Directive (CSDDD) and the commencement of the first reporting period for the initial wave of companies in scope of the Corporate Sustainability Reporting Directive (CSRD),⁹ as well as developments in sustainable finance. This includes publication of the European Securities and Markets Authority (ESMA) [Guidelines](#) on fund names using ESG or sustainability-related terms (ESMA Fund Name Guidelines) and adoption of the [ESG Ratings Regulation](#).¹⁰

In contrast, the year ended with mounting regulatory uncertainty following various rollback signals at the EU Commission and Member State levels, following a political shift in the European Parliament and recent Member State elections. Public opposition to CSRD emerged, with 17 EU Member States failing to transpose its provisions into national law by the stated deadline, and the former Prime Minister of France, Michel Barnier, calling for a “[moratorium](#)” on the Directive in October 2024 (despite France being the first EU member state to have transposed CSRD). As of January 9, 10 EU Member States have yet to transpose CSRD into national law. Further, in late December, implementation of the [EU Deforestation Regulation](#) (EUDR) was delayed by a year after political pressure from Member States via the European Council.¹¹ At the time of writing, the European Commission is late in publishing its first public consultation to develop guidelines under CSDDD.

Perhaps most significantly, following a meeting of EU Member States in November 2024, the President of the European Commission, Ursula von der Leyen, discussed [plans](#) for the publication of an “Omnibus Simplification Package” to streamline three key pieces of sustainability legislation, including CSRD, CSDDD and the EU Taxonomy Regulation (the framework by which the EU identifies environmental sustainable economic activities). This package is expected to be published in [February 2025](#), and while the goal is to reduce redundancies and overlapping data requirements across these laws without altering the core content of the “Level 1” (*i.e.*, procedural) text of the legislation, the move has sparked fears of reopening the legislative and political process, which could result in an erosion of the environmental and human rights due diligence obligations and reporting requirements applicable to in-scope companies. Indeed, in the context of forthcoming parliamentary elections in Germany, after the collapse of the coalition government in November 2024, several German ministers have reached out to the EU Commissioners seeking significant reduction of reporting requirements under CSRD and have asked for the application deadline to be [postponed](#) by two years.

⁹ Namely, reporting in 2025 for financial years starting on or after January 1, 2024 for EU and non-EU undertakings whose securities are admitted to trading on an EU regulated market, have more than 500 employees, and whose net turnover exceeds €40 million and/or have a balance sheet that exceeds €20 million.

¹⁰ The regulation, which applies to EU and non-EU ESG rating providers that issue, publish or distribute ESG ratings on a professional basis to regulated financial undertakings in the EU, requires EU ESG rating providers to receive authorization from ESMA, subjects non-EU ESG rating providers to an equivalence process, and introduces organizational and public transparency requirements on both groups.

¹¹ The EUDR, adopted by the EU Parliament in April 2023 and which came into force in June 2024, aims to tackle climate change and biodiversity loss by preventing the deforestation related to EU consumption of products from cattle, cocoa, coffee, palm-oil, soya, wood, and rubber. The new rules, which will apply from December 30, 2025, instead of 2024, require any exporter or importer of the seven commodities into the EU to prove that the products are deforestation-free. This applies to any company, regardless of whether or not it is based in the EU, for deforestation activities in Europe and overseas.

As such, while 2025 looked to be a time to focus on compliance with CSRD (with first reports for certain impacted companies due in early 2025¹²) and CSDDD (which applies from 2027, as detailed in our prior alert [here](#)), the EU now also presents significant uncertainty as to the direction of travel and pace of change of its corporate sustainability and human rights landscape.

CSRD doubtlessly represents a significant leap forward for mandatory sustainability reporting, incorporating a “double materiality” approach that addresses two main concepts of materiality—financial and non-financial impacts, arising from corporate activities and value chains—and requiring large companies to report on key environmental, social and governance-related impacts (our prior alert [here](#)). As highlighted in the [enforcement priorities](#) published by ESMA in October 2024, companies will be expected to provide detailed disclosures regarding the assessment process with respect to identifying negative and positive impacts associated with the company’s activities or its value chain, and transparency regarding how companies identify and prioritize affected stakeholders for engagement under the materiality process.

CSDDD also represents a step change for mandatory sustainability due diligence, requiring very large companies to identify, prevent, mitigate and account for human rights and environmental impacts related to their activities, upstream value chains and certain actors in their downstream value chains, through the implementation and enforcement of prescriptive due diligence measures. The implementation of human rights and environmental due diligence informed by internationally recognized standards (discussed below) by companies in scope of CSDDD—many already subject to other due diligence and transparency requirements (in *e.g.*, France, Germany, Norway or Switzerland)—likely provides a head start. However, additional work remains given the breadth of CSDDD, conceptual differences (in some cases divergence) with international standards, and open questions with respect to how EU Member States will implement specific provisions. Additionally, many companies that are not directly in scope of CSDDD will feel its effects, as covered companies extend requirements to their business partners in the value chain.

Together CSRD and CSDDD constitute a leap forward in the ongoing progress of translating internationally recognized human rights and environmental due diligence standards—the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (OECD Guidelines), specifically—into binding legislation. In parallel, we continue to track the incorporation of these and other key standards in EU financial regulations. The ESMA Fund Name Guidelines require minimum social safeguards and exclusions in line with the OECD Guidelines and the UN Global Compact Principles for investee companies. The EU Green Bond Standard (our prior alert [here](#)) requires that projects financed or refinanced with EU green bonds comply with minimum social safeguards aligned with the OECD Guidelines and the UNGPs.

3. Developments in Modern Slavery and Child Labor Disclosure Requirements in Canada and the U.S.

Since 2010, a handful of jurisdictions—California (2010), the U.K. (2015), and Australia (2018)—have rolled out corporate reporting legislation, requiring large companies to assess and disclose risks related to modern slavery in their supply chains. These statutes, which apply to companies based outside the regulating jurisdictions and demand transparency with respect to supply chains (wherever located), have achieved some success in advancing legal corporate accountability on modern slavery issues but also encountered challenges—

¹² Namely, EU undertakings that meet the criteria for large undertakings but whose securities are not admitted to trading on an EU regulated market and non-EU undertakings whose securities are admitted to trading on an EU regulated market and who meet the criteria for large undertakings but have less than 500 employees.

regarding compliance and the quality of disclosures—in some cases leading to calls for reform or amendments.¹³ (See **Appendix C** for further details).

In May 2024, Canada implemented a comparatively ambitious modern slavery statute of its own, and in September 2024 California adopted a novel child labor disclosure statute. Together, these developments constitute important steps toward advancing stricter and more comprehensive modern slavery reporting requirements that seek to build companies' analytical capacity to understand and address supply chain risk (and empower financial markets to act on that information). Under these new laws, investors and stakeholders can expect more information as a result of a substantive set of mandatory requirements that demand greater accountability, transparency and action on modern slavery and child labor issues from businesses.

i. *Canada Fighting Against Forced Labor and Child Labor in Supply Chains Act*

Canada's modern slavery act, the [Fighting Against Forced Labor and Child Labor in Supply Chains Act](#) (MSA), which required first reports on or before May 31, 2024, has raised the bar for modern slavery statutes by establishing a more rigorous standard in some respects. Canada's law addresses child labor, broadly defined, and forced labor, and requires reporting on additional topics such as remediation efforts with respect to both forced and child labor and the loss of income resulting from the elimination of forced and child labor. The statute also expanded Canada's import prohibition to exclude goods that are mined, manufactured or produced wholly or in part by forced labor or child labor, as those terms are defined in the MSA,¹⁴ which according to recent [reports](#) remains largely unenforced.

A September 2024 inaugural [report](#) from Public Safety Canada (PSC), charged with MSA enforcement, illuminated specific measures taken by reporting entities to identify and address forced labor or child labor in their supply chains. It also focused on challenges entities faced in evaluating risk throughout their supply chains, particularly associated with indirect downstream suppliers and subcontractors, and noted disclosures provided as to remediation and loss of income were minimal or determined to be inapplicable. On November 15, PSC issued further updated [guidance](#) to assist companies and other entities preparing for MSA year two reports, including clarification on scoping criteria and reporting content.

ii. *California Assembly Bill No. 3234*

The rollback (or attempted rollback) of child labor laws in several U.S. states, expanding the numbers of hours that children can work, the type of work they can do, and/or the age they can start working,¹⁵ among others, prompted California to pass a novel statute, [Assembly Bill 3234](#), in September 2024 requiring disclosure by employers as to child labor findings in social compliance audits (SCAs) conducted by third parties. California's law offers little guidance on disclosure obligations, and it is unlikely that regulatory guidance will be issued. We

¹³ In relation to the U.K. Modern Slavery Act 2015, following a call for evidence launched in February 2024, in October 2024, the U.K. House of Lords Modern Slavery Act 2015 Committee published its [report](#), which included a number of recommendations on potential future changes to the U.K. MSA Act, such as requiring companies that meet the threshold to undertake modern slavery due diligence in their supply chains. Following the committee's report, the U.K. Government issued its response in December 2024, accepting many of the committee's recommendations. In addition, the U.K. has introduced amendments to the MSA through the Illegal Migration Law 2023 and via the recently introduced Employment Rights Bill 2024-25. These changes are still pending, but there is significant movement in the U.K. more generally to update the MSA to bring the U.K. back to the global forefront of driving for change and leading by example. The U.K. government's response to the committee's report is available [here](#).

¹⁴ Canada implemented a forced labor import restriction in 2020 pursuant to its obligations under the U.S.-Mexico-Canada Agreement (USMCA), which commits parties to prohibit imports made by forced labor and to cooperate in identifying such goods, which was amended by Canada's MSA to address child labor-made goods. Mexico also introduced a ban under the USMCA in 2023, which is not currently being enforced.

¹⁵ In 2024 alone, eight U.S. states enacted laws rolling back child labor protections by May 30. See Economic Policy Institute, *Child Labor*, available [here](#) (last updated May 30, 2024). These include legislation to eliminate work permit requirements for children under a particular age (Alabama's SB 53 eliminated work permit requirements for 14-15 year olds), eliminating hours restrictions or extending working hours for minors (Indiana's HB 1093, Florida's HB 49/SB 1596) and eliminating hazardous work protections or expanding hazardous work opportunities for minors in particular industries (Indiana's HB 1090—particular farm workers, West Virginia's HB 5162—hazardous work opportunities available for 16-17 year olds through "Youth Apprenticeship Programs").

interpret AB 3234 as applying to external assessments looking for child labor conducted from the January 1, 2025 effective date. Absent any legal guidance to the contrary, we interpret other forms of external assessment (e.g., materiality assessments) as being strictly outside the scope of the law—though such assessments could lead to SCAs that are in scope of AB 3234.

AB 3234 will require employers to report on child labor outcomes (*i.e.*, the results of child labor assessments), as opposed to simply the processes used to find such labor (assessments). It could have particular impact on retailers and manufacturers in scope of California’s modern slavery reporting statute, the California Transparency in Supply Chains Act of 2010, given that those entities commonly conduct audits focused on forced or child labor; under the new law, the child labor-specific findings of those audits will need to be disclosed. As such, AB 3234 could ultimately drive reporting on impacts (results on people), and eventually provide a roadmap for civil enforcement against companies with practices perceived to be inadequate. (See **Appendix D** for further details.)

Conclusion

Recent developments in business and human rights regulation have created, or enlarged, the legal compliance and legal liability risks for companies in important ways. The universe of expanding, varied and interrelated measures increases pressure on the private sector to take substantive action to understand, engage with and manage human rights risks in their operations and supply/value chains—fundamentally changing how corporate success is measured and paving the way for greater sustainable value creation.

More and more, affirming the absence of human rights violations will no longer be legally sufficient. CSRD and CSDDD require larger companies to assess the human rights impacts of their business strategies, products and services, relationships with commercial partners, and other value chain actors, and to implement and report on their due diligence policies, processes and activities, including findings and outcomes of those efforts in human rights terms. The EUFLR complements CSDDD and CSRD by introducing a stricter and more direct ban on products made with forced labor. Companies are increasingly expected to assess the effect their current and future operations and supply/value chains have, both positively and negatively, on specific human rights. More specifically, companies must demonstrate their understanding of how their businesses and supply/value chains create risk exposures, and act on that information.

Going forward, despite shifting politics and regulatory uncertainty, companies acting early to strengthen due diligence systems and integrate international human rights frameworks will be better positioned to navigate upcoming challenges.

For further information regarding this Alert, please contact one of the following authors:

NEW YORK CITY

Leah Malone

+1-212-455-3560
leah.malone@stblaw.com

Tenzin Dolkar

+1-212-455-2844
tenzin.dolkar@stblaw.com

Chayla S. Sherrod

+1-212-455-2779
chayla.sherrod@stblaw.com

WASHINGTON, D.C.

Emily B. Holland

+1-202-636-5987
emily.holland@stblaw.com

Alexis V. Capati

+1-202-636-5879
alexis.capati@stblaw.com

LONDON

Matt Feehily

+44-(0)20-7275-6232
matt.feehily@stblaw.com

Lauren Gluzman

+44-(0)20-7275-6377
lauren.gluzman@stblaw.com

Carina Heidrich

+44-(0)20-7275-6458
carina.heidrich@stblaw.com

Seungyeon Anderson

+44-(0)20-7275-6173
seungyeon.anderson@stblaw.com



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Appendix A

UFLPA and EUFLR – Overview and Key Provisions		
Measure	Section 307 / UFLPA	EUFLR
Status	<p>Section 307 loophole, which previously allowed import of goods produced with forced labor if similar products were not made in sufficient quantities in the U.S., closed in 2016</p> <p>UFLPA became law Dec. 23, 2021; key provisions in effect June 21, 2022</p>	Became law Dec. 13, 2024; becomes applicable Dec. 14, 2027
Covered Entities	Businesses that import products into the U.S.	All entities, regardless of size, importing to, selling (including online) within, or exporting products from the EU
Requirements	<p>Section 307 strictly prohibits the importation of merchandise produced with forced labor (at any stage, in whole or in part), including convict labor, forced child labor and indentured labor; enforced through WROs and Findings</p> <p>UFLPA strengthens Section 307 enforcement by establishing a rebuttable presumption that (i) goods that originate (even partially) in the Xinjiang Uyghur Autonomous Region (XUAR) of China; and (ii) goods made by entities affiliated with the XUAR, regardless of where production takes place (UFLPA Entity List), were made with forced labor, without the need for CBP to issue WROs/Findings</p> <p>CBP required to detain, exclude or seize goods under certain circumstances</p>	<p>Prohibits the sale, distribution, import or export of products made with forced labor (at any stage, and including their components), in or from the EU</p> <p>Applies to all companies of any size and will be enforced by risk-based investigations, led by the EU Commission</p>
Administration/Enforcement	<p>CBP can detain, exclude or seize shipments depending on the facts</p> <p>Detentions are shipment-specific (CBP must independently detain and clear each subsequent shipment)</p> <p>Importation may provide basis for imposition of civil or criminal penalties</p>	<p>EU Member States to designate competent authorities within 12 months of Dec. 13, 2024</p> <p>Where forced labor is established, a range of enforcement actions may apply</p>
Regulatory Guidance/Enforcement Information	<p>Withhold Release Orders and Findings Dashboard</p> <p>UFLPA Entity List</p> <p>UFLPA Operational Guidance for Importers</p> <p>FLETF UFLPA Strategy</p> <p>UFLPA FAQ</p>	Guidelines to be issued within 18 months of Dec. 13, 2024

Appendix B

Florida HB 1331, Florida HB 7063, Utah HB 404

Florida HB 1331, in effect 7/1/24	<p>Prohibits state agencies from procuring commodities produced by forced labor</p> <p>Requires the Florida Department of Management Services (DMS) to maintain and update quarterly a public list of vendors disqualified from state contracting and purchasing processes based on the provision of commodities associated with forced labor</p> <p>Prior to entering or renewing a contract, a member of the vendor’s senior management must provide a written certification attesting to the absence of forced labor; non-compliance can result in blacklisting and/or a fine (in the event of a false certification or where the vendor should have known that a commodity was produced with forced labor)</p>
Florida HB 7063, in effect 7/1/24	<p>Prior to entering or renewing a contract with any governmental entity, nongovernmental entities must provide a signed affidavit attesting that they do not engage in coercion for labor or services that would amount to human trafficking under state law</p>
Utah HB 404, in effect 5/1/24	<p>Prohibits state executive, judicial and legislative procurement units from procuring products made with forced labor</p> <p>Requires a vendor submitting a bid or proposal to a public entity to certify that the product is not produced with forced labor</p> <p>Does not apply if (i) the public entity determines there are no other reasonable options for the procurement or (ii) if the product or contract for the product was obtained or entered into before May 1, 2024</p>

Appendix C

Modern Slavery Reporting Statutes – Overview and Key Provisions

	California: Transparency in Supply Chains Act	U.K: Modern Slavery Act	Australia: Modern Slavery Act	Canada: Act to enact Fighting Against Forced Labor and Child Labor in Supply Chains Act and to amend the Customs Tariff Act
Status	Applies from Jan. 1, 2012	Applies from Oct. 29, 2015	Applies from Jan. 1, 2019	Applies from Jan. 1, 2024
Covered Entities	<p>Retailers or manufacturers “doing business” in California (based on provisions of California Tax Code)</p> <p>Annual global gross receipts exceeding USD \$100M</p>	<p>Commercial organizations providing goods or services in the U.K.</p> <p>Annual consolidated turnover of £36M</p>	<p>Australian entities, or carrying business in Australia</p> <p>Entities with consolidated revenue of at least AUD \$100M</p>	<p>Entity and reporting entity tests</p> <p><u>Entity test</u></p> <p>A corporation, trust, partnership or other unincorporated organization that is (i) listed on a stock exchange in Canada; or (ii) has a place of business in, does business in or has assets in Canada <u>and</u> meets at least two conditions.¹⁶</p> <p><u>Reporting Entity Test</u></p> <p>An entity that meets the threshold and connection to Canada test will have reporting obligations if it (i) produces, manufactures, grows, extracts, processes, sells or distributes tangible, physical goods</p>

¹⁶ Namely, (a) has at least CAD \$20 million in total global assets; (b) has generated at least CAD \$40 million in total global revenue; or (c) employs an average of at least 250 employees in the FY.

Modern Slavery Reporting Statutes – Overview and Key Provisions

	California: Transparency in Supply Chains Act	U.K: Modern Slavery Act	Australia: Modern Slavery Act	Canada: Act to enact Fighting Against Forced Labor and Child Labor in Supply Chains Act and to amend the Customs Tariff Act
<i>(continued)</i>				in Canada or elsewhere; (ii) imports tangible, physical goods into Canada; or (iii) controls an entity doing either (i) or (ii) above ¹⁷
Standards	Slavery and human trafficking	Slavery, servitude and forced or compulsory labor and human trafficking	Slavery and slavery-like practices	Child labor and forced labor
Transparency Obligations	Companies must publish statements on their websites (conspicuous and easily understood homepage link, or provide upon written request) detailing efforts, if any, to eliminate the risk of slavery and trafficking in direct supply chains of tangible goods offered for sale	Companies must publish annual statements on their websites (prominent homepage link, or provide upon written request) detailing the steps they have taken during the financial year to ensure slavery and human trafficking are not taking place in any of the entity's supply chains or in any part of its business	Companies must publish annual statements disclosing the risks of modern slavery practices in the entity's operations and supply chains, and any actions the entity has taken to assess and control these risks, including due diligence	Companies must publish annual reports on their websites describing efforts to prevent and mitigate forced labor and child labor in companies' operations and supply chains Reports must be provided to shareholders of federal corporations along with annual financial statements
Suggested or Required Topics	5 required topics: (i) verification; (ii) audits; (iii) certification; (iv) internal accountability, and (v) training	6 suggested topics: (i) structure, business and supply chains; (ii) policies; (iii) due diligence processes; (iv) slavery and human trafficking risks and steps taken to assess and manage risk; (v) how effectiveness is assessed; and (vi) training	5 required topics: (i) structure and supply chain; (ii) modern slavery risks in operations and supply chain; (iii) actions taken to address risk; (iv) how effectiveness is assessed; and (v) consultation process with entities reporting entity owns or controls	7 required topics: (i) structure, activities and supply chains; (ii) policies and due diligence processes; (iii) activities and supply chains that carry a risk of forced or child labor being used and the steps taken to assess and manage that risk; (iv) remediation measures; (v) measures taken to remediate loss of income incurred by the most vulnerable families that results from any measure taken to eliminate the use of forced or child labor from its activities and supply chains; (vi) training; and (vii) process for assessing effectiveness
Director Signature/ Board Approval Required	No	Yes	Yes	Yes
Reporting Timing	Frequency not specified; companies should update their disclosures on a rolling basis to remain in compliance	No mandatory due date; expectation within 6 months of reporting entity's FY end	Within 6 months of reporting entity's FY	On or before May 31 annually

¹⁷ Per recent PSC guidance, distribution/sale of a good alone (without production/importation) will not subject an entity to a reporting obligation under the statute.

Modern Slavery Reporting Statutes – Overview and Key Provisions				
	California: Transparency in Supply Chains Act	U.K: Modern Slavery Act	Australia: Modern Slavery Act	Canada: Act to enact Fighting Against Forced Labor and Child Labor in Supply Chains Act and to amend the Customs Tariff Act
Publication in Online Registry	No	Companies encouraged to submit here	Companies required to submit here	Companies required to submit here
Regulatory Guidance	Available here	Available here	Available here	Available here

Appendix D

California AB 3234	
Status	In force as of Jan. 1, 2025
Covered Entities	<p>California “employer” that has voluntarily subjected itself to a social compliance audit (SCA) conducted in whole or in part to determine if there is child labor in the employer’s operations or practices</p> <p>No revenue or employee threshold</p> <p>Does not stipulate what specific circumstances would be considered “voluntary”. Based on our conversation with the bill sponsor’s office, we understand the language is intended to capture assessments that companies have engaged third-parties to conduct (as opposed to governmental or purely internal audits/investigations)</p>
Reporting Requirements	<p>Specified reporting topics as follows:</p> <p>(i) date of Social Compliance Audit (ii) child labor findings (iii) child labor policies & procedures (iv) exposure of children to unsafety or hazardous workplace conditions (v) children working outside regular school hours (vi) audit company statement</p> <p>No information on when reports must be posted and the length of time reports must be posted</p>
Publication	Website
Administration/Enforcement	California’s Department of Industrial Relations; no information on penalties provided