Forced Labour Ban

A new EU Regulation prohibits products made with forced labour

11 March 2025

On 27 November 2024, <u>Regulation (EU) 2024/3015</u> (*Forced Labour Regulation*) was published, aimed at eradicating products made with forced labour from the EU market. The Forced Labour Regulation represents a significant step in the EU's commitment to upholding human rights and promoting ethical supply chains.

The Forced Labour Regulation is not subject to the prominent Omnibus package of the European Commission, supposedly designed to simplify a range of EU regulations. As a result, the Forced Labour Regulation already outlines specific measures that Member States must implement in 2025. However, it is generally set to take effect at the end of 2027, three years after its entry into force, providing a transition period for businesses to align their operations with the new requirements.

Scope and objectives of the Regulation

Forced labour is defined by reference to the <u>International Labour Organization (ILO)</u> Convention on Forced Labour, meaning all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily, which also includes forced child labour. For further information please also see our previous <u>ESG-briefing</u> on the <u>Corporate Sustainability Due Diligence Directive (CSDDD)</u> and the Forced Labour Regulation.

Article 3 stipulates the primary objective of the Forced Labour Regulation: It prohibits the placing, making available and export of products produced, in part of whole, using forced labour on the EU market. However, it does not apply to the provision of transport services. Different from the <u>CSDDD</u> or the <u>EU Deforestation Regulation</u> (<u>EUDR</u>), the Forced Labour Regulation encompasses all products and all company sizes, without exception (including SMEs), ensuring that goods tainted by forced labour practices are systematically excluded from the EU's supply chains. It applies to both physical and online sales if the offer is targeted at end users in the EU, thereby addressing the complexities of modern commerce.

The Forced Labour Regulation also amends <u>Directive 2017/1937</u>, commonly known as the Whistleblower Protection Directive, which was established to safeguard individuals who report breaches of Union law. Now, the protection is even enhanced also applying for whistleblowers reporting on forced labour practices. Furthermore, the amendment mandates the establishment of secure and confidential reporting channels for individuals to report forced labour concerns, both within organizations and to competent authorities.

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Enforcement mechanisms

To ensure effective implementation, the Forced Labour Regulation establishes a robust enforcement framework. Therefore, the Member States shall designate at least one competent authority to be responsible for carrying out obligations set out in the Forced Labour Regulation no later than 14 December 2025.

- Investigative authority: The competent authorities, in collaboration with the European Commission, are empowered to investigate products and supply chains suspected of involving forced labour. These investigations follow a risk-based approach and can be initiated based on various sources, including reports from civil society organizations, media investigations, or whistleblower disclosures.
- Decisions: In the event of a violation of Article 3 of the Forced Labour Regulation, the competent authority will take prompt action, including but not limited to prohibiting the sale or export of the relevant product; ordering its withdrawal or removal from the market; or requiring its disposal or replacement of non-compliant parts. Regarding the enforcement of their decisions, the Member States and the Commission work closely with customs authorities.
- Union Network Against Forced Labour Products: The Network will be composed of representatives of each Member State, the Commission and, where appropriate, from customs authorities. It will facilitate coordination between Member States and the Commission, enhancing the effective and coherent enforcement of the Forced Labour Regulation across the Union.
- Forced Labour Single Portal: The Commission will establish and maintain a multilingual website providing public access to key enforcement information. This includes competent authorities' details, guidelines, databases, relevant data sources, an information submission point, and updates on product bans and reviews.

Implication for businesses

The Forced Labour Regulation mainly addresses the EU member states and does not create additional specific due diligence obligations for economic operators other than those already provided for in Union or national law (e.g., EUDR, CSDDD or <u>EU Conflict Minerals Regulation</u>), Article 1 (3) Forced Labour Regulation. Economic operators are defined as "any natural or legal person or association of persons placing or making available products on the Union market or exporting products". Nonetheless, the Commission will make available guidelines on due diligence in relation to forced labour and best practices for economic operators by 14 June 2026.

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Unlike the EUDR, companies are not required to prove that the products they place on the market or make available are free from forced labour. However, if they become aware of any issues, they must take action to identify, prevent, mitigate, and bring to an end or remediate risks of forced labour in their operations and supply chains. Although there is no explicit requirement for a due diligence system, conducting a risk analysis would be advisable. This is particularly important because, in the initial phase of its investigation, the competent authority will request information on any due diligence measures the economic operator has already undertaken.

Global context and reactions

The Forced Labour Regulation aligns with a growing global movement to combat forced labour. Similar measures, such as the <u>United States' Uyghur Forced Labor Prevention Act</u>, reflect a broader international commitment to addressing human rights abuses in supply chains. However, the regulation has elicited varied responses:

- Human rights organisations: <u>Organisations</u> dedicated to the protection of human rights generally appreciate the Forced Labour Regulation as a decisive step in combatting <u>forced labour</u>.
- Industry concerns: Some businesses have expressed apprehension about the operational challenges and costs associated with compliance. For instance, companies may need to overhaul their supply chain management practices and invest in new compliance infrastructures.
- Geopolitical implications: Countries like Qatar have raised concerns about the
 regulation's potential impact on trade relations. Qatar's Energy Minister, Saad alKaabi, indicated that <u>Qatar might cease gas exports</u> to the EU if subjected to
 fines under related due diligence laws, highlighting the complex interplay between human rights initiatives and international trade dynamics.

Conclusion

BLOMSTEIN will continue to closely monitor the developments surrounding the Forced Labour Regulation. If you have any questions on this topic, <u>Florian Wolf</u>, <u>Bruno Galvão</u>, <u>Hanna Kurtz</u> and the entire <u>ESG Team</u> are ready to assist you.
