

WHAT YOU NEED TO KNOW ABOUT EU Forced Labor Regulation

The EU Forced Labor Regulation is a legislative framework designed to prevent the importation of goods produced using forced labor into the European Union. Adopted in response to growing concerns about human rights abuses in global supply chains, this regulation aims to hold companies accountable for ensuring that their products are free from forced labor at every stage of production.

The regulation applies to all goods entering the EU market, regardless of their origin.



It mandates comprehensive due diligence and transparency from companies, ensuring that forced labor practices are identified and eradicated from their supply chains.

The Legal Implications

The recent introduction of the EU Forced Labor Regulation further underscores the EU's commitment to eradicate forced labor practices and enhance corporate accountability. This regulation has significant implications for businesses operating within the EU, mandating stringent compliance measures. On April 23 2024, the European Parliament approved the proposal of the EU Forced Labour Regulation. The next step in the legislative process is the final approval of the

text from the EU Council. It is expected that this approval will be given after the European elections in June.

Companies will have 36 months to perform comprehensive due diligence on their supply chains, ensuring that they have identified and assessed any risks of forced labor. They need to have established robust procedures for mapping and maintaining transparency across their supply

chains, including detailed records of their suppliers and the labor practices involved. Companies must also have implemented regular monitoring mechanisms to ensure compliance with the regulation. Additionally, businesses should have remediation plans in place to address any instances of forced labor and be prepared to maintain and submit documentation of their compliance efforts to regulatory authorities. Failure to meet these requirements by the effective date could result in significant penalties, including fines and restrictions on the importation of goods into the EU market.

The EU will enforce the new Forced Labor Regulation by blocking the entry of goods produced using forced labor into the European

market. Customs authorities will be empowered to scrutinize and investigate shipments based on risk assessments and intelligence reports. If there is reasonable suspicion that goods have been manufactured or sourced using forced labor, the authorities will have the authority to detain and inspect the shipments. Companies will be required to provide evidence demonstrating that their products are free from forced labor practices. In cases where forced labor is confirmed, the goods will be denied entry and potentially confiscated. This rigorous enforcement mechanism aims to ensure that no products tainted by forced labor reach European consumers, thus upholding human rights and ethical standards within the global supply chain.

What Companies Must Do?

1



Risk Assessment

Companies are required to conduct thorough due diligence on their supply chains. This involves identifying and assessing the risks of forced labor at various stages of production, from raw materials to finished goods. Businesses must implement robust risk assessment procedures and regularly update them to reflect changing circumstances.

FRDM automates the due diligence process, allowing companies to conduct thorough risk assessments efficiently. The platform continuously monitors suppliers for potential forced labor risks and alerts companies to any changes or new threats in real time.

2

Supply Chain Transparency

Transparency is a cornerstone of the regulation. Companies must map their supply chains and maintain detailed records of their suppliers. This includes obtaining information about the origin of raw materials, production processes, and the labor practices of their suppliers.



FRDM provides tools for detailed mapping of supply chains, helping companies trace the origin of materials and understand the labor practices of each supplier. This transparency is crucial for identifying and mitigating risks associated with forced labor.

3



Auditing and Monitoring

Regular monitoring of suppliers is essential to ensure compliance. Companies must establish mechanisms to constantly assess risk of their suppliers and sub-suppliers, either through third-party systems or internal teams.

With FRDM, companies can schedule and manage regular audits of their suppliers. The platform offers robust compliance monitoring features, ensuring that suppliers adhere to ethical labor practices and that any issues are promptly addressed.

4

Remediation

In cases where forced labor is identified, companies are required to take immediate action to rectify the situation. This includes developing and implementing remediation plans in collaboration with affected workers and relevant stakeholders. Remediation efforts should aim to eliminate forced labor practices and provide support to impacted workers.



FRDM supports companies in developing and implementing remediation plans. In the event that forced labor is detected, the platform provides guidance on corrective actions and facilitates collaboration with stakeholders to rectify the situation and support affected workers.

5

**Reporting And Documentation**

Companies must maintain comprehensive documentation of their due diligence efforts, risk assessments, audits, and remediation activities. This documentation should be readily available for review by regulatory authorities. Additionally, companies may be required to submit periodic reports detailing their compliance efforts and the steps taken to address forced labor risks.

FRDM helps companies maintain detailed records of all due diligence, risk assessments, audits, and remediation activities. The platform generates comprehensive reports that can be easily submitted to regulatory authorities, ensuring companies meet documentation and reporting requirements of the EU Forced Labor Regulation.

How Does This Affect Your Company?

The EU Forced Labor Regulation applies to a broad spectrum of companies:

Importers & Manufacturers

Any company that imports goods into the EU or manufactures products within the EU must comply with the regulation. This includes businesses of all sizes, from small and medium-sized enterprises (SMEs) to large multinational corporations.

Retailers & Wholesalers

Retailers and wholesalers that sell goods in the EU market are also subject to the regulation. They must ensure that the products they source and sell are free from forced labor practices.

Suppliers & Subcontractors

Suppliers and subcontractors within the supply chain are indirectly affected by the regulation. Companies higher up the supply chain must ensure that their suppliers comply with ethical labor practices, thereby extending the regulation's reach to all levels of production.

Impact

The EU Forced Labor Regulation has far-reaching implications for businesses operating within the EU. Companies must invest in robust due diligence processes, supply chain transparency, and auditing mechanisms. Non-compliance can result in severe penalties, including fines and the prohibition of goods from entering the EU market.

Moreover, businesses that proactively address forced labor risks and demonstrate their commitment to ethical practices can enhance their reputation and gain a competitive edge. Consumers and investors increasingly prioritize companies that uphold high ethical standards, making compliance not only a legal obligation but also a strategic advantage.

FRDM is a leader in the modern slavery space. Our technology has been covered by CNN, Vogue, Fast Company, Wall Street Journal and others. We are partnered with Made In A Free World, one of the most influential NGOs in the Anti-Slavery space, and to whom FRDM donates 5% of every subscription fee.

Contact us to learn how FRDM can help your company buy better.



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