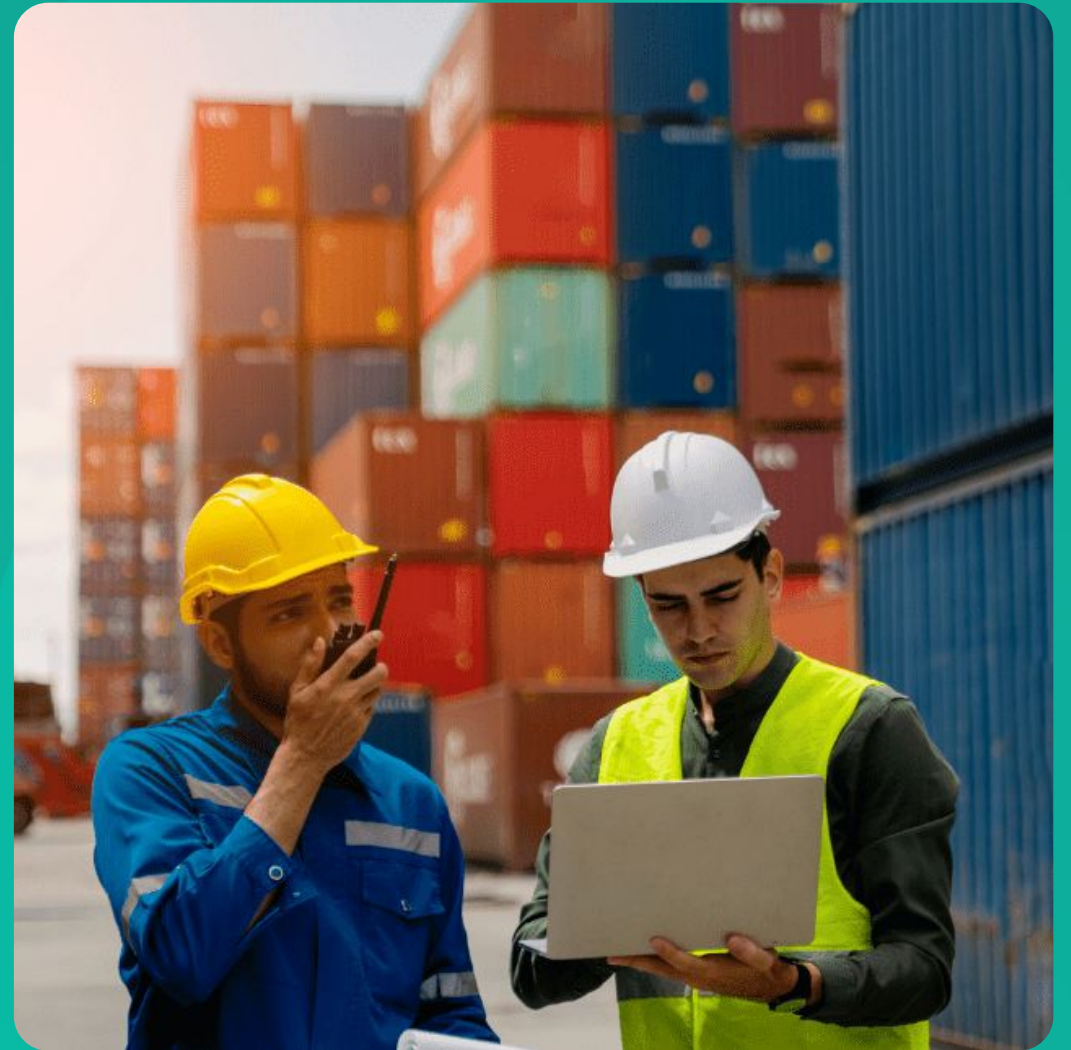


Webinar

# Know Your Supply Chain - Ensuring Global Compliance with Bans on Products Made with Forced Labor

14th August 2024



→ | [complianceandrisks.com](https://complianceandrisks.com)



Q&A  
Session

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# Meet the Team



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Senior Regulatory  
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Compliance Specialist



**Vish Karasani**  
Product Marketing Manager

# Mission Statement

**Ensure global companies have the tools & information to build safe, sustainable, products in a world full of change**

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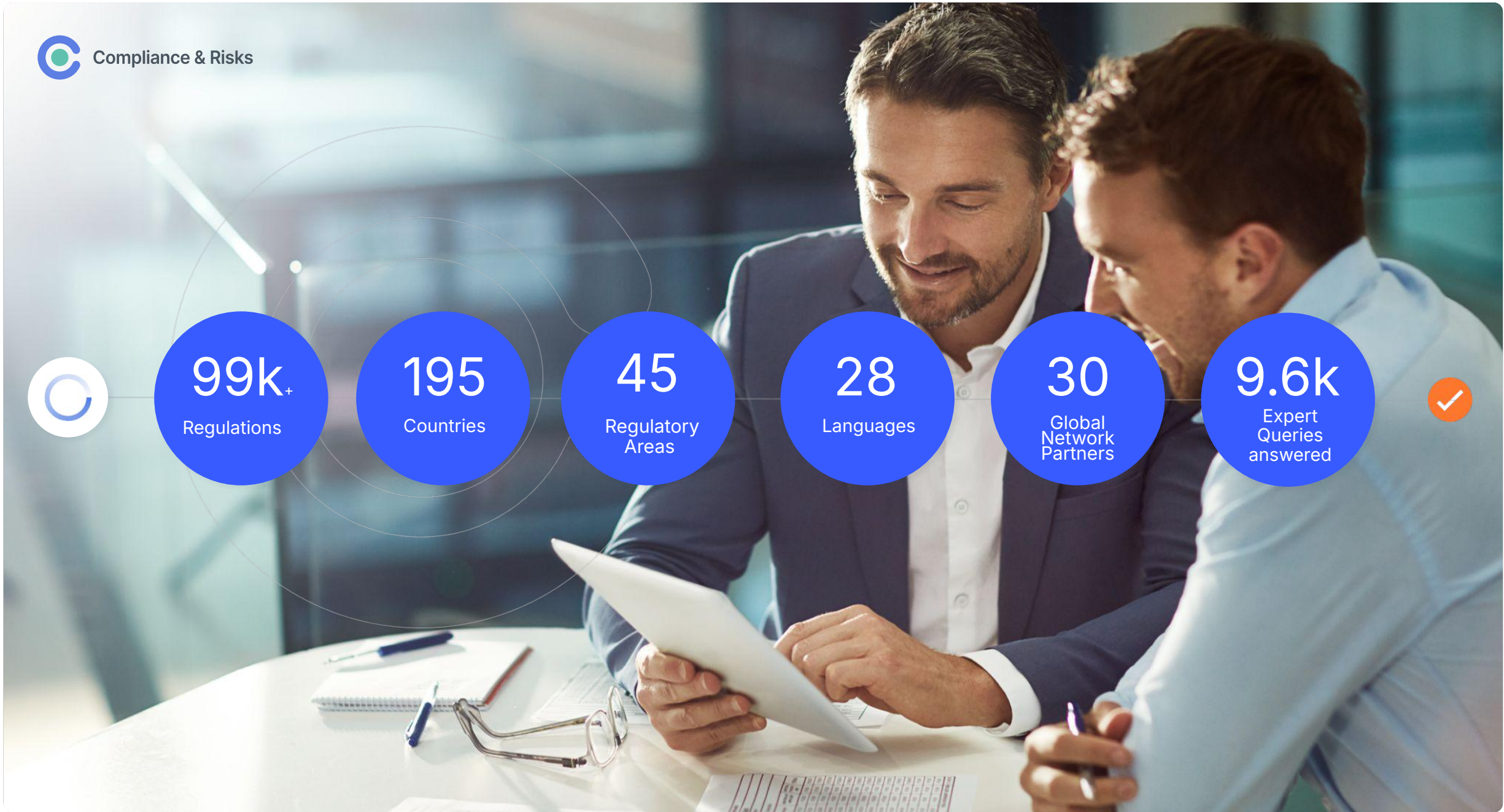
**195**  
Countries

**45**  
Regulatory  
Areas

**28**  
Languages

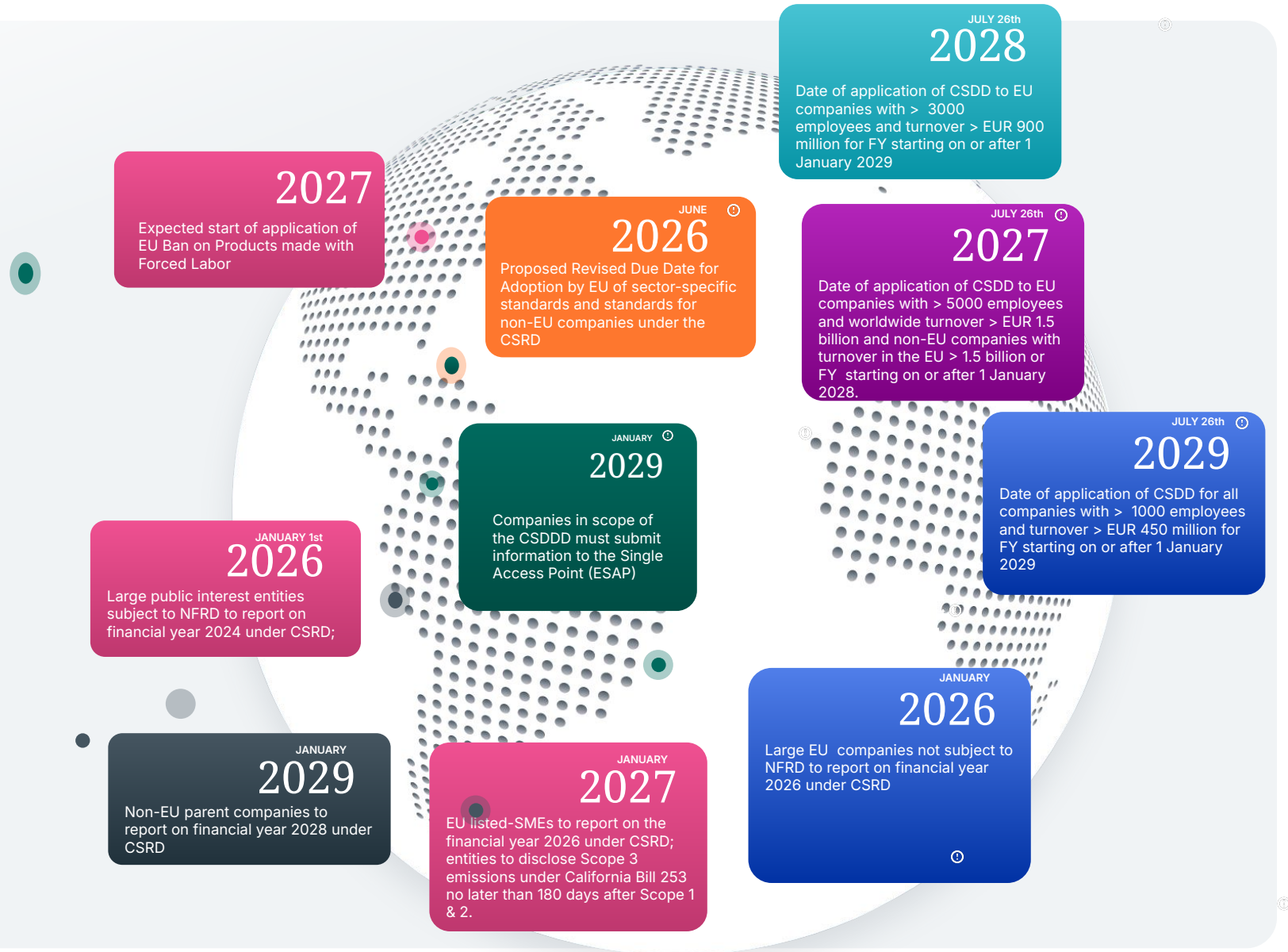
**30**  
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THE TIME TO ACT IS NOW

# We help Accelerate your ESG Journey...



Know Your Supply Chain - Ensuring Global Compliance with Bans on Products Made with Forced Labor

# *Overview*

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# What is *Forced Labor*?

- Modern Slavery: Umbrella term; includes forced labor, forced marriage and human trafficking
- Definition of Forced Labor: **'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'** (Article 2 of ILO Convention on Forced Labour)
- **Long list of indicators:** threats and actual physical and sexual harm, abuse of vulnerability, abuse of working and living conditions and excessive overtime, deception, restriction of movement or confinement to the workplace or a limited area, isolation, debt bondages, withholding wages or excessive wage reduction, retention of passports and identity documents or threat of denunciation to the authorities when the worker has an irregular immigration status

## Main Figures on Forced Labour

**27.6 million**

people are in forced labour.

2022 Global Estimates

**US\$ 236 billion**

generated in illegal profits every year.

Profits and Poverty: The Economics of Forced Labour (2024)

**3.9 million**

of them are in State-imposed form of forced labour.

2022 Global Estimates

**39.4%**

of them are women and girls (4.9 million in forced commercial sexual exploitation, and 6 million in other economic sectors).

2022 Global Estimates

**12%**

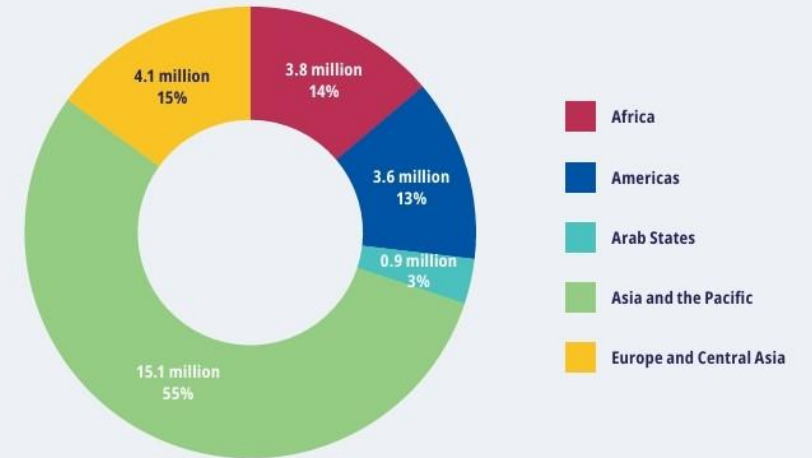
of them are children (3.3 million). More than half of these children are in commercial sexual exploitation.

2022 Global Estimates

**3 times more**

risk of forced labour for migrant workers.

2022 Global Estimates



→ | International Labour Organization (2022), <https://www.ilo.org/topics/forced-labour-modern-slavery-and-trafficking-persons/data-and-research-forced-labour>

# Types of *Forced Labor Regulations*

- **Disclosure-Based**

- Requires companies to disclose/report on their efforts to eradicate forced / child labor and/or publish a modern slavery statement
  - e.g. Australia Modern Slavery Act, UK Modern Slavery Act, Canada Forced Labor Act, California Transparency in Supply Chain Act

- **Diligence-Based**

- Requires companies to undertake due diligence to ensure there is no forced / child labor in their supply chain
  - e.g. EU CSDDD, German Supply Chain Due Diligence Act, Norwegian Transparency Act, French Duty of Vigilance Law

- **Border Control/Trade - Based**

- Prohibits the import of goods produced or manufactured using forced / child labor
  - e.g. EU Forced Labor Reg, UFLPA

# Agenda

- European Union
- USA
- Canada
- Australia and New Zealand
- Mexico
- Brazil



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# *European Union*

# EU Forced Labor Draft Regulation Overview

- **Approved by EU Parliament on 23 April 2024**
- Application: **36 months** after entry into force (2027?)
- Ban on sale/import/export of **all products** made in whole/in part with forced/child labor from/to EU:
  - Regardless of geo origin (broader than UFLPA) or industry type
  - Final product & components including online goods
  - SMEs & large companies

→ | Texts adopted - [Prohibiting products made with forced labour on the Union market](#)



# *Scope and Responsibilities*

- ALL Products and ALL Geographies
- Products in whole or in part made with forced labor at any stage of the production, manufacture, harvest and extraction, including working processes related to the product
- Database listing high-risk products and geographies (indicative and non-exhaustive)
  - Evidence-based info on forced labor risks
    - Will not directly name economic operators
- No rebuttable presumption
- Responsibilities: Know your supply chain and have documents ready!

# *Procedure*

PRELIMINARY INVESTIGATION BASED ON RISK-BASED APPROACH



FULL INVESTIGATION TO BE CONCLUDED WITHIN 9 MONTHS



DECISION: PROHIBITING PLACING ON THE MARKET OF PRODUCTS, WITHDRAWAL OF PRODUCTS ALREADY PLACED ON THE MARKET AND DISPOSAL OF PRODUCTS



CUSTOMS AUTHORITIES SUSPEND THE RELEASE OF PRODUCTS



COMPETENT AUTHORITY DECIDES: RELEASE OR DISPOSE



# *Enforcement and Penalties*

## **Enforcement through:**

- Decisions issued to economic operators who must withdraw products,
- Customs authorities suspending release of products

## **Consequences of violations:**

- Withdrawal of products,
- Disposal of products (with lowest environmental impact),
- Penalties for failure to comply with decision to withdraw and dispose of products (set by Member States)
- Reputational and brand risk

# CSDDD

Supply chain due diligence regarding actual & **potential human rights & environmental adverse impacts**

- Companies' own operations & those of its subsidiaries & business partners.
- Adverse human rights impact includes prohibition of forced or compulsory labour
- Taking appropriate measures that are capable of achieving due diligence obligations



# What's next?

Final Adoption of Ban on Products made with forced labor in 2024; application in 2027

Guidance documents and tools to be provided:

- SME guidance (18 months from EIF)
- Additional Due Diligence Guidance (Best practices to end/remediate forced labor and Info on risk indicators of forced labor incl how to identify)
- Database of high-risk regions and products
- EU Forced Labour Product Network (communication of decisions)

→ | In the Meantime: [Guidance on Combating Forced Labor in Supply Chains](#)

Assessing (indirect) impact together with CSDDD and CSRD.

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# ***USA - Federal and State Overview***

# *US Tariff Act of 1930, Section 19 USC 1307*

- Prohibition on import of goods mined, produced, or manufactured wholly/in part in any foreign country by forced labor since 1930
- Enforced by the U.S. Customs and Border Protection (CBP) who can:
  - investigate and act upon allegations of forced labor in supply chains
  - issue Withhold Release Orders (WROs) and findings
  - impose civil penalties
- CBP - responsible for preventing products made with forced labor from entering U.S. market



**U.S. Customs and  
Border Protection**

# US Uyghur Forced Labor Prevention Act (UFLPA)

- From June 2022: **rebuttable presumption** - **ALL** goods mined/produced/manufactured in whole or in part in Xinjiang region of China or by certain entities on **UFLPA Entity List** are produced using forced labor in violation of Tariff Act
  - **73 entities** on the current List (5 just added on August 9th)
- **High risk** products/industries: cotton, polysilicon, aluminum, PVC, steel, copper, lithium-ion batteries
- Importers to provide '**clear and convincing**' evidence to rebut presumption



# ***UFLPA Documentation***

**How to rebut the presumption?** (CBP Operational Guidance, June 2022)

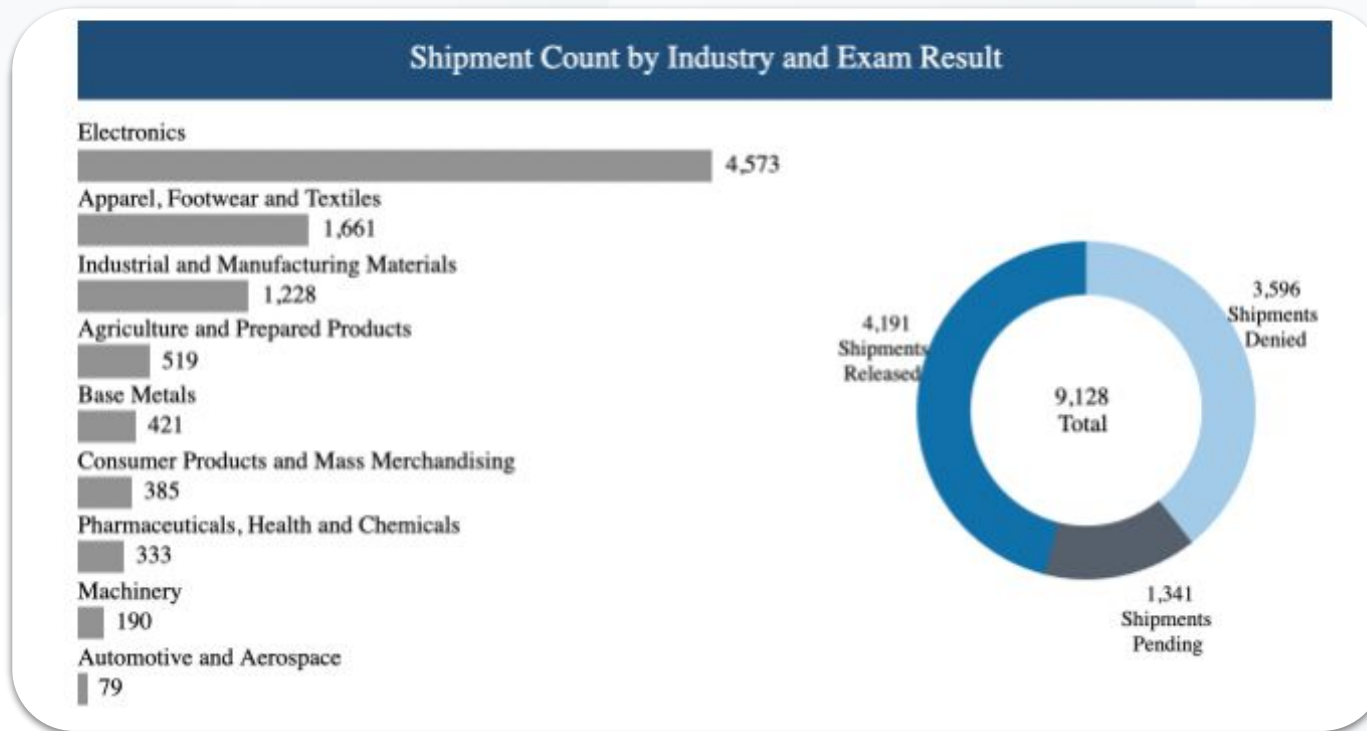
- Documentation proving **Due Diligence** System (such as: Supplier Code of Conduct)
- Supply Chain **Tracing** Info (raw materials to finished goods) (such as shipping docs)
- Supply Chain **Management** Measures
- **Evidence** that goods are not mined, produced, manufactured in Xinjiang
- **Evidence** that goods originating in China are not mined, produced, manufactured using forced/child labor (such as information on recruitment; credible audits)



**U.S. Customs and  
Border Protection**

# UFLPA Statistics - All Sectors

## UFLPA reviews or enforcement actions

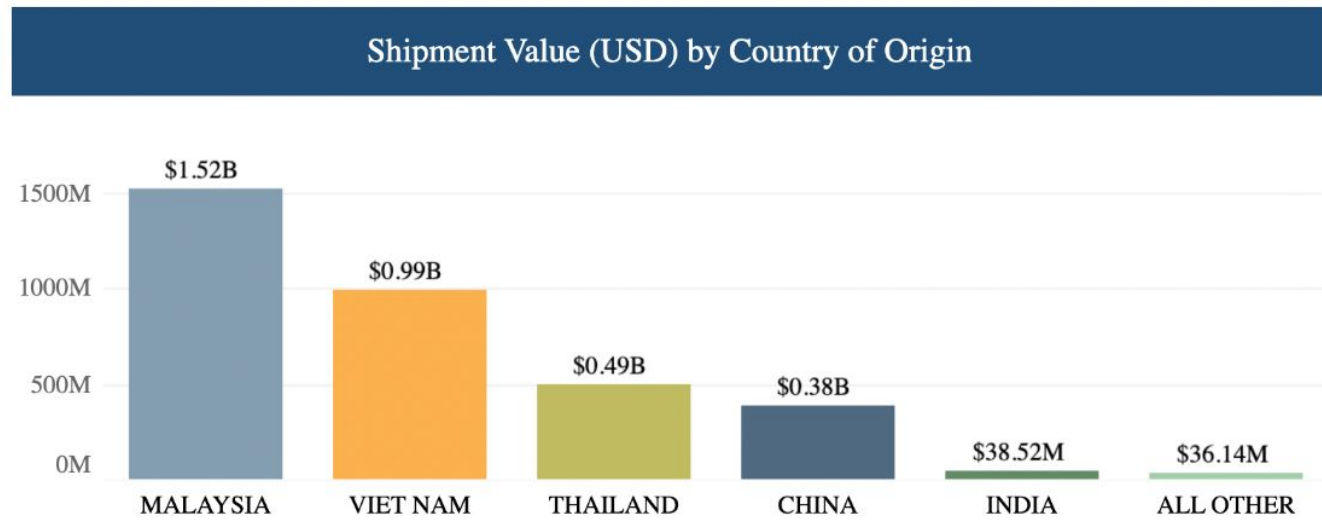


→ [UFLPA Statistics Dashboard June FY2022 - June FY 2024](#)



# UFLPA Statistics - All Sectors

UFLPA reviews or enforcement actions



**Disclaimer & Data Source:** Statistical information is subject to change due to corrections or additional information. Data is provided by the Forced Labor Division and is current as of 7/1/2024.

→ [UFLPA Statistics Dashboard June FY2022 - June FY 2024](#)

# *US UFLPA Updated Strategy, July 2024*

FLETf (Forced Labor Enforcement Task Force) provides annual updates of UFLPA Strategy addressing:

- UFLPA Entity List;
- List of products associated with certain listed entities;
- Plans for enforcement and identification of additional entities;
- Information about high-priority sectors.

FLETf has expanded ability to add to UFLPA Entity List and is expected to continue expansion of the list.

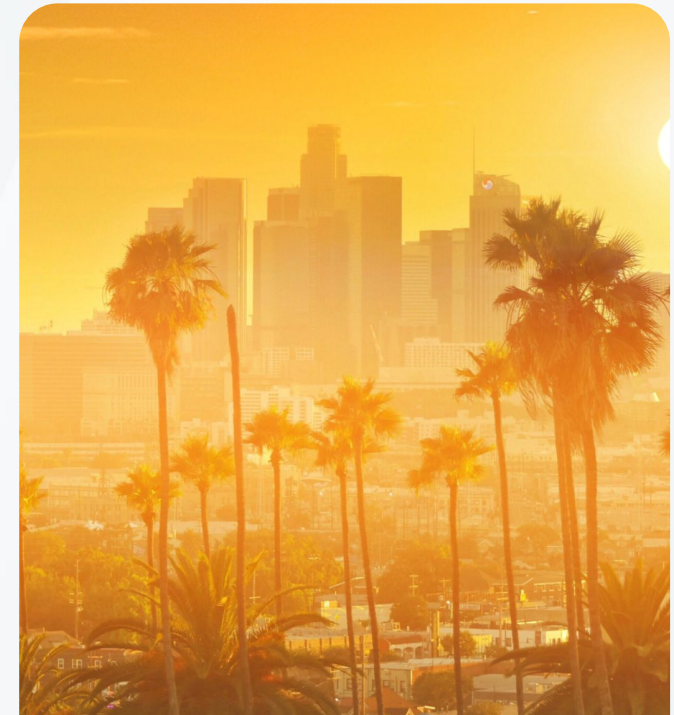
FLETf has also added new high-priority sectors for enforcement:

- polyvinyl chloride
- aluminum
- seafood

Added to list of sectors previously identified such as apparel, cotton/cotton products, silica-based products (including polysilicon)

# *California Transparency in Supply Chain Act (2010)*

- Companies to disclose info regarding efforts to eradicate human trafficking & slavery within their supply chains
- Applies to retail sellers & manufacturers that do business in California with annual worldwide gross receipts exceeding USD 100 million
- Companies to disclose extent of their efforts in 5 areas:
  - verification of product supply chain
  - audits of suppliers
  - supplier certification
  - internal accountability for employees & contractors
  - training of employees and management



# *Massachusetts - Eradicating Human Trafficking & Promoting Transparency in Retail Supply Chain Senate Bill 967, Feb 2023*

Retailers & manufacturers doing business in MA with annual worldwide gross receipts > \$100m to disclose on website efforts to eradicate human trafficking from direct supply chain for tangible goods offered for sale

## Disclosures would include information about:

- **Verification** of supply chains to evaluate risks
- **Audits** of suppliers to evaluate compliance
- Direct suppliers are to **certify** materials are compliant
- **Accountability** for employees/contractors not meeting standards
- **Training** for employees and management

Currently being reviewed by Committee on the Judiciary.



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# *Canada*

# Canada - Fighting Against Forced & Child Labor in Supply Chain Act (2023)

As of **1 January 2024** entities:

- Producing, selling goods in Canada / elsewhere;
- Importing into Canada goods made outside; or
- Controlling an entity engaged in the above.
  - to **report by 31 May annually** on steps taken to prevent/reduce risk of forced labor in previous year.
- 'Entities' defined as companies:
  - Listed on Canadian stock exchange; or
  - Place of business / do business in Canada; or
  - Have assets in Canada.
- Unlisted companies to meet 2 of following 3 criteria:
  - At least **\$ 20m** in assets
  - At least **\$ 40m** in revenue
  - At least 250 employees

Customs Tariff: Prohibition on the importation of goods produced wholly or in part by forced or child labor (Tariff item No. 9897.00.00)

# *Canadian Bills:*

## **C-262 (2022)**

### **Proposed Corporate Responsibility to Protect Human Rights Act**

Requires businesses to establish processes to prevent, address and remedy adverse impacts on human rights occurring in relation to business activities conducted *abroad*

- No actions after first reading (March 2022)

## **S-204 (2021)**

### **Proposed Xinjiang Manufactured Goods Importation Prohibition Act**

Amends the Customs Tariff to prohibit the importation of goods manufactured or produced wholly or in part in the Xinjiang Uyghur Autonomous Region of the People's Republic of China.

- No actions after second reading (May 2022)

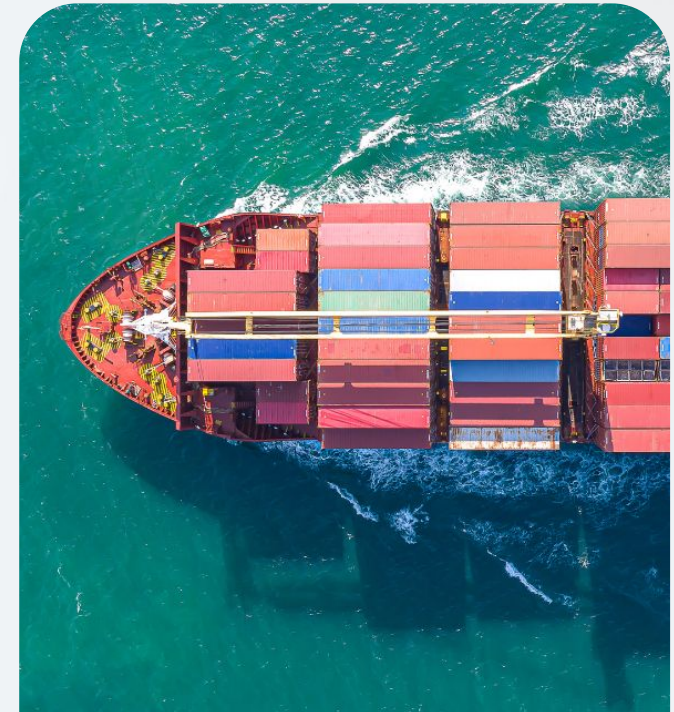
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# *Mexico*



# *Mexico Prohibition on Import of Products Made with Forced Labor - Regulation of Feb 2023 (IF: 18 May 2023)*

- Implements USMCA Forced Labor Import Ban: Goods that are produced wholly or in part by forced or child labor are prohibited from entering Mexico
- Ministry of Labor determines if imported goods were manufactured using forced labor
- Findings published on ministerial website
- Prohibition on the import of the specific products in question





Compliance & Risks

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***Brazil***

# *Portaria No. 671 (2021)*

## *Chapter XIII on Slavery*

- Duty of the Labor Inspection to combat slavery, incl. forced labor
- Ministry of Labor & Social Security:  
*Online register of employers who have subjected workers to slavery*



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# *Australia & New Zealand*

# *Australia - Modern Slavery Act (2018)*

From 1 January 2019:

- Entities based, or operating, in Australia
- Annual consolidated revenue > \$100 million
- Report *annually* on
  - risks of modern slavery in operations and supply chains; and
  - actions to address those risks.
- Others report voluntarily
- Reports in Modern Slavery Statements Register
- Publicly accessible online



# *New Zealand - Bill 36-1 (March 2024) Increased Penalties for Slavery Offences*

Proposes amendment to the Crimes Act - Increased penalty for dealing in slaves and in people under 18 for engagement in a.o. forced labor:

- Imprisonment for a term not exceeding 20 years (was 14 years)
- Fine up to \$500,000 (new)
- Or both



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# Accelerate Your ESG Compliance



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ESG REGULATORY CONTENT

# Manage the impact of ESG regulations on your company



**Global ESG Reporting**



**Climate Disclosures**



**Supply Chain Due Diligence**



**Human Trafficking & Slavery**



**Human Rights - Affected Communities**



**Labor & Employment**



**Sustainable Resource Use**



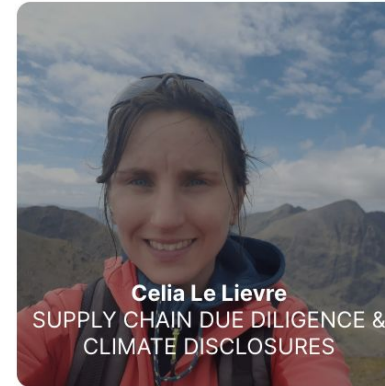
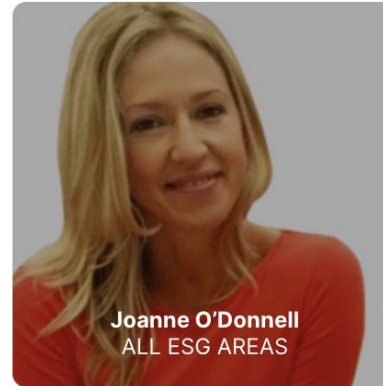
**Anti-Bribery & Corruption**

Full list of regulatory coverage - [link here](#)

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# Q&A

# Thank You!



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