Emerging Risks in Forced Labor & Modern Slavery Compliance

Navigating the Rapidly Evolving Global Landscape

Kevin Feldis
Ruby Hamid
Marcus Haggard

27.6M

people in forced labor worldwide

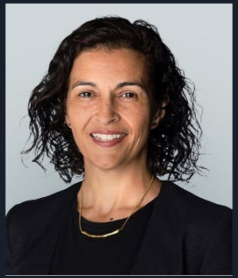
Agenda

1	Overview of Modern Forced Labor
2	Key Legal Frameworks • U.S. Federal and State Legislation • EU Regulatory Framework • UK, Canada, and Australia + Global Convergence
3	Enforcement
4	Risk Assessment & Compliance
5	Emerging Issues & Key Takeaways

Kevin Feldis

Partner

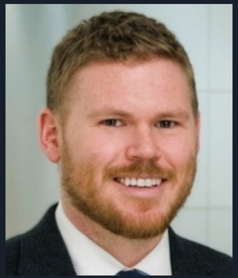
Litigation, Investigations & Advisory



Ruby Hamid

Partner

Litigation, Investigations & Advisory



Marcus Haggard

Counsel

Litigation, Investigations & Advisory

What Is Modern Forced Labor & Why It Matters

ILO Definition & Key Forms

- Work exacted under menace of penalty, not voluntarily offered
- Debt bondage and coercion
- Trafficking for labor exploitation
- State-imposed forced labor (e.g. Xinjiang)
- Forced overtime, wage theft, document confiscation

27.6M

people in forced labor (up 10% from 2016)

$236B

annual illegal profits from forced labor

Businesses

Legal liability, import seizures, supply chain disruption, brand damage

Governments

International obligations, trade policy, human rights commitments

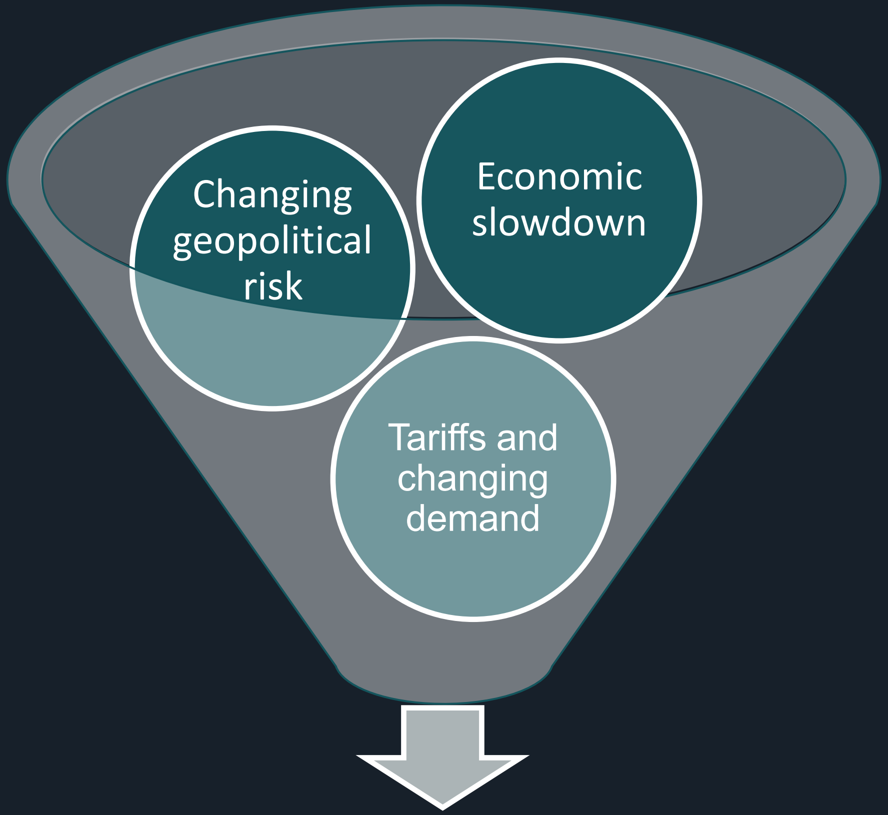
Consumers

Demand for ethical products, social media amplification of exposures

Investors

Material ESG risk, portfolio screening, fiduciary duty, reporting mandates

Forced Labor in Context



Supply chain pressure

Key Legal Frameworks

Europe: Supply chain risk management landscape

European Union: Regulatory Framework

CSDDD

- Mandatory HR & environmental due diligence
- Full value chain incl. downstream
- Civil liability for failure to prevent harm
- Phased from 2027

EU Forced Labour Reg.

- Product ban regardless of origin (domestic or imported)
- Competent authorities investigate and order withdrawal
- Expected 2027

German LkSG

- In force Jan 2023; 1,000+ employees
- Risk analysis, preventive measures, annual reporting
- BAFA enforcement; hundreds of complaints filed

EU CSDDD Implementation

25 July 2024

CS3D (EU 2024/1760) in force
MS transposition originally due 26 July 2026, to be phased in across 2028/2029

26 Feb 2025

Omnibus 1 Package
EC stepped in to simplify EU rules reduce complexity and boost competitiveness, esp. for smaller business:

- Reduced size of in scope companies
- Reduced fines (5% to 3% global T/O)
- Transposition postponed

Dec 2025

EU Council and Parliament agreed Omnibus I Directive **(EU) 2026/470**

Transposition of 'Stop the Clock' Directive (EU) 2025/794 due by MS

18 Mar 2026

Omnibus I Directive in force

26 July 2027

EC to publish 1st phase of Art. 19 guidance (conducting DD, risk factors, information sharing, stakeholder engagement)

26 July 2028

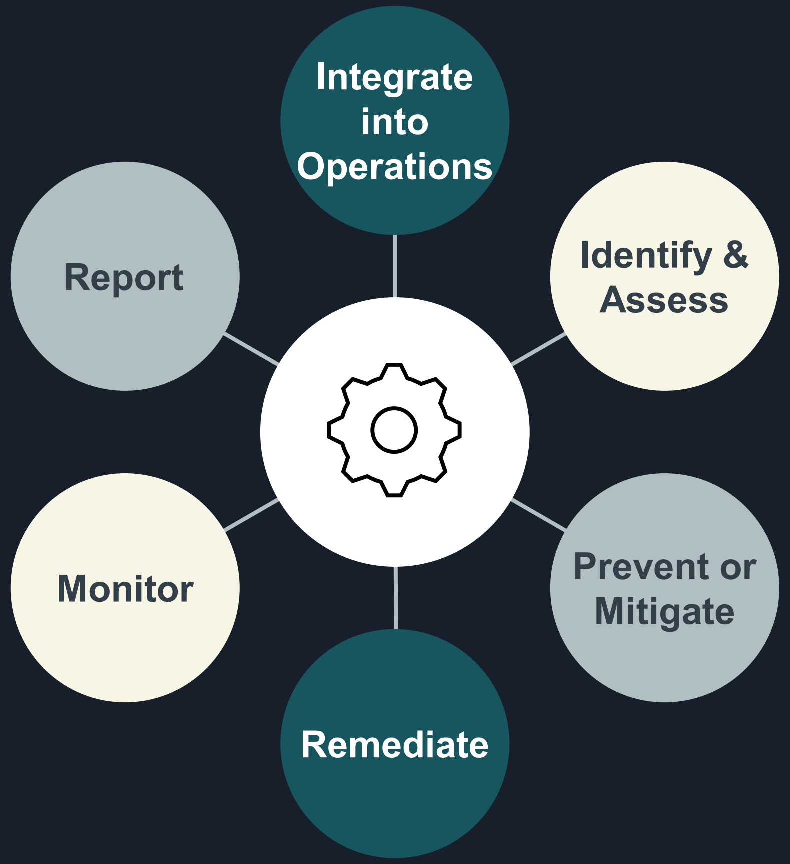
MS transposition of **amended CS3D due**

2nd phase of EC guidance due

26 July 2029

All in-scope companies must comply with revised CS3D

What changes will CSDDD bring?



- **Applies to:** EU companies with >**1,000 employees** and >**€450m** turnover; non-EU companies with >€450m EU turnover and €200m for subsid
- **Phased roll-out: 2027** (>5,000 / >€1.5bn), **2028** (>3,000 / >€900m), **2029** (all in-scope)
- Climate transition plan aligned with the Paris Agreement required
- **Environmental scope:** biodiversity, pollution, hazardous substances, water, deforestation
- **Non-compliance:** fines ≥3% global turnover, exclusion from public tenders, civil liability
- Strong synergies with CSRD, EU Deforestation Regulation, and other EU laws

Europe: Supply chain risk management landscape

Applies to all products, all sectors, all economic ‘operators’
No turnover or employee thresholds

Obligation of result: products made with forced labour must not enter, circulate within, or leave the EU market

Applies from **14 December 2027** — including products with components produced before that date

Covers state-imposed forced labour, privately imposed forced labour, and forced child labour

Key actions

- Review policies and management systems to integrate forced labour risks — align with the **OECD six-step framework**
- Map and review supply chains for forced labour risks, focusing on high-risk geographies and sectors
- Use the Commission's documentation checklist as a compliance preparation roadmap
- Establish a crisis response plan: businesses may have as little as **30 working days** to respond to authority queries
- Monitor the upcoming EU forced labour risk database and all published ban-violation decisions
- Consider interplay with other legislation: CSDDD, EUDR, US UFLPA

UK Modern Slavery Act: Proposed changes & guidance

Updated guidance now in force

- Modern slavery statement required each FY for commercial organisations with turnover above GBP36m
- Steps taken to ensure MS and human trafficking is not in any of its supply chains and any part of its business
- Updated guidance issued by UK Government in April 2026: expectations for modern slavery statements and practical advice for managing transparency in supply chains
- Key updates in the guidance include:
  - Categorisation of information as either Level 1 or Level 2 depending on organisation's maturity in relation to modern slavery risk
  - Guidance underscores importance of a clear policy suite that demonstrates a commitment to preventing modern slavery
  - Businesses should conduct regular risk assessments and risk-based due diligence
  - Tailored training for all staff

Modern Approaches

- 3 key proposed changes in Immigration & Asylum Bill:
  - Mandatory disclosure of risk assessment, due diligence and steps to mitigate risk
  - Strengthened governance and sign off
  - New financial penalties regime
- Requirement to disclose – currently guidance only
- Requirement for directors to declare accuracy and completeness of statement
- Scale and detail for disclosures will increase
- Financial penalty increased for first time: greater of 1% global turnover of company + subsidiaries or £1m
- Extended to public authorities for the first time

UK, Canada & Australia + Global Convergence

UK Modern Slavery Act 2015

- £36M+ turnover: annual statements
- Boohoo scandal: £3.50/hr wages
- Proposed reforms: fines, enforcement body

Canada Bill S-211 (Eff. Jan 2024)

- $20M+ revenue; $250K penalties
- First reports (May 2024): uneven quality
- Inspired by Uyghur supply chain reporting

Australia Modern Slavery Act 2018

- AUD $100M+ revenue
- 2023 review: recommends penalties
- Original act had no enforcement teeth

Global Convergence Trend

- Import bans expanding from US model to EU, UK, Canada
- Due diligence becoming mandatory (not voluntary)
- Extraterritorial reach — laws apply based on market access
- Shift from transparency to accountability with penalties

The highest-standard jurisdiction effectively sets the global floor.

California Transparency in Supply Chains Act

Requirements

- Retailers/manufacturers with $100M+ annual revenue
- Must disclose efforts to eradicate forced labor from supply chains
- Disclosure, not action — criticized for lacking teeth
- Set the template for subsequent stronger laws (UFLPA, CSDDD)
- KnowTheChain benchmarks publicly rank companies on disclosures

Key SCOTUS Case

Supreme Court (2021): While ultimately narrowing Alien Tort Statute claims, the case kept forced child labor in cocoa supply chains in headlines for years. Highlighted reputational exposure even when legal liability is limited.

Legacy: Pioneered the "sunshine" approach to forced labor. Its limitations drove the push for mandatory due diligence laws with real enforcement teeth.

U.S. Federal Legislation: UFLPA & Tariff Act §307

Uyghur Forced Labor Prevention Act (UFLPA)

- Effective June 2022
- Rebuttable presumption: all Xinjiang goods = forced labor
- Burden on importer — clear and convincing evidence
- Applies to UFLPA Entity List companies
- CBP detains goods at border; no de minimis exception

Tariff Act Section 307 / WROs

- Withhold Release Orders issued by CBP
- Applies to any country, any product
- 50+ active WROs; findings = permanent ban

Notable Enforcement Activity

- Hoshine Silicon Industry (UFLPA Entity List)
- Ninestar/Zhuhai — largest single UFLPA action
- Top Glove rubber gloves (Malaysia WRO)
- Malawi tobacco WRO (2019)

Enforcement

UFLPA Enforcement by the Numbers

$4B+	~70k	~65%
value of goods detained since 2022	shipments reviewed under UFLPA	rejection rate for reviewed shipments in 2024-2025

Top Detained Sectors: Electronics/semiconductors, apparel/textiles, solar panels/polysilicon, agricultural products (tomatoes, cotton)

Key Enforcement Features: CBP detains without prior notice. Importers have 30 days to provide evidence. FLETF coordinates interagency enforcement (DHS, DOL, State, USTR).

Broader Enforcement: WROs, Criminal, Sanctions & EU

Withhold Release Orders

50+ active WROs across multiple countries/sectors. Growth accelerating since 2019. Any country, any product.

Criminal Enforcement

DOJ pursuing trafficking cases with corporate nexus. Individual executive liability growing. Operation Blooming Onion: large-scale Georgia farmworker case.

Sanctions & Trade

OFAC sanctions, entity lists, export controls increasingly targeting forced labor. Coordination with allies.

EU Enforcement (Emerging)

National authorities investigate and order market withdrawal/destruction. Database of high-risk areas and products.

Risk Assessment & Compliance

Supply Chain Mapping & Traceability

Challenges

- Most companies see only Tier 1 suppliers
- Forced labor risk concentrates at Tiers 3–5+ (raw materials)
- Complex, multi-country chains with hundreds of intermediaries
- Supplier reluctance to disclose sub-suppliers
- Data quality issues across geographies
- Informal economy segments invisible to auditing

Modern Approaches

- Digital supplier onboarding with cascading disclosure
- Commodity traceability (e.g. cotton DNA testing)
- Blockchain for chain-of-custody documentation
- Risk-based prioritization — map deepest where risk is highest
- Industry collaboration and shared databases
- Isotope testing and scientific verification

High-Risk Industry Sectors

Agriculture & Food

Cotton, sugarcane, cocoa, palm oil, seafood, tomatoes. Seasonal labor, remote locations, migrant workers.

Mining & Raw Materials

Cobalt (DRC), mica, gold, tin, tantalum. Artisanal mining with child labor.

Apparel & Textiles

Xinjiang cotton, fast-fashion supply chains, home-based workers.

Electronics

Polysilicon, rare earth minerals, assembly operations. Complex multi-tier chains.

Construction

Migrant labor in Gulf states, kafala system, debt bondage via recruitment fees.

Domestic Work

Invisible to regulation, isolated workers, limited labor protections.

High-Risk Geographies

Xinjiang, China

State-imposed forced labor of Uyghurs. Polysilicon, cotton, tomatoes, automotive parts. Subject to UFLPA rebuttable presumption. Cannot audit your way out — coercion is systemic.

Southeast Asia

Malaysia electronics, Thailand fishing/food, Myanmar garments. Recruitment fees creating debt bondage. Workers from Cambodia, Myanmar, Laos paying thousands to recruiters.

Sub-Saharan Africa

DRC cobalt (artisanal mining), West Africa cocoa, gold, tobacco. Child labor deeply intertwined with forced labor.

Latin America

Brazil agriculture, Peru/Bolivia mining, garment manufacturing. Brazil's "dirty list" of companies caught. Challenges in remote agricultural/mining areas.

Forced Labor as a Material ESG Risk

Investor Expectations

- HR due diligence policies expected by major investors
- Shareholder resolutions on forced labor increasing annually
- ESG ratings agencies incorporating supply chain labor metrics
- Exclusion lists and divestment for non-responsive companies
- KnowTheChain F&B avg. score: only 23/100 (2022)
- Proxy advisors recommending votes on HR proposals

Key Reporting Frameworks

- GRI 409: Forced or Compulsory Labor
- SASB industry-specific labor metrics
- CSRD/ESRS Social Standards (EU)
- ISSB sustainability disclosure standards
- SEC human capital disclosure requirements
- UN Global Compact Communication on Progress

Consumer Awareness, NGOs & Litigation Risk

Brand reputation damage can occur overnight through NGO campaigns and social media.

Companies have lost billions in market capitalization following forced labor exposures. Social media amplifies findings within hours.

NGO Campaigns

- Anti-Slavery International, Global Witness, Walk Free.
- Detailed investigative reports naming specific companies.

Litigation Risk

- Class actions, customs fraud, securities fraud for ESG misstatements.
- Nestlé v. Doe (SCOTUS 2021).
- Alien Tort Statute claims.

Social Media

- Boycotts organized rapidly.
- Viral supply chain exposés.
- Employee activism and talent retention impact.

How should businesses prepare?

Compliance-only changes or broader organisational transformation?	Establish governance structure with clear CSDDD ownership	Conduct value chain risk assessment prioritised by severity and likelihood
Perform cross-functional risk management assessment across processes, policies, technology and governance	Implement data management and transparency systems for due diligence and reporting	Develop a Paris Agreement-aligned climate transition plan
Engage early with value chain partners and renegotiate contracts	Build capability: targeted training and awareness across the organisation	Proactive preparation avoids costly penalties, reactive measures and reputational damage

Practical steps for global forced labor compliance

Implementation and documentation of effective due diligence

Due Diligence policy & measures

- Develop DD policy to identify, prevent and mitigate adverse impacts
- Establish code of conduct for co and business partners
- Establish and maintain broader compliance procedures

Identify & assess adverse impacts on / risks to supply chain

- Initial scoping and prioritisation of adverse impacts / risks
- In depth risk assessment

Appropriate measures to prevent, mitigate or bring an end to adverse impacts

- Developing and implementing a prevention action plan (PAP) for a potential adverse impact / risk or a corrective action plan (CAP) for an actual adverse impact / risk
- Contractual assurances from direct business partners re compliance with code / PAP / CAP & measures to verify their compliance
- Investments in processes & infrastructure
- Modifying / improving strategy/ operations
- Supporting SME business partners e.g. training
- Remediation of identified concerns

Notification mechanism/ complaints procedure and whistleblower protection

- Establish & maintain complaints procedures for interested parties re potential / actual adverse impacts / risks arising from co, subsidiary or chain of activities
- Establish notification mechanisms

Monitor & report on DD effectiveness

- Monitor effectiveness of due diligence policy and measures every 5 years or on significant change or reasonable grounds to believe new risks may arise
- Report on DD in annual statement
- For EU compliance publish on co website within 12mths of publication of annual statement

Stakeholder engagement

Governance, Policy & Compliance Programs

01 Board Oversight

Designated committee, regular reporting on forced labor risk and compliance status

02 Supplier Codes

Specific forced labor prohibitions, right to audit, cascading to sub-suppliers, consequences

03 Training

Procurement teams trained on indicators; sourcing decisions incorporate risk assessments

04 Cross-Functional

Legal, procurement, sustainability, operations aligned with shared KPIs and accountability

05 Grievance Mechanisms

Anonymous, multilingual, third-party administered, non-retaliation protections

06 Remediation

Protect victims, repay recruitment fees, root cause analysis, responsible exit if needed

CSDDD – Managing Compliance Challenges

- Defining “adverse impacts” and capturing them through effective assessments
- Tracking due diligence data from 1st tier suppliers and beyond
- Supplier and transaction mapping - Do you need full traceability? Should you adopt traceability technology? If so, how to effectively utilise AI
- Skills and knowledge gap to capture and manage range of issues (waste, water, land use, human rights etc.)
- How issues interact and trade-offs, e.g. use of renewables in operations, but slavery issues in solar supply chains
- Effectively managing stakeholder engagement, and efficient resource allocation
- Uplifting grievance mechanisms to incorporate remediation and compensation procedures adapted to the relevant issues

Emerging Issues & Key Takeaways

Emerging Issues: AI, Climate & Debt Bondage

AI in Compliance

- Predictive risk scoring for supplier portfolios
- NLP of local-language media for early warnings
- Automated document review for compliance evidence
- Challenges: bias in training data, false positives, accountability gaps

Climate & Forced Labor

- Climate migration creating vulnerable populations
- Green transition minerals (cobalt, lithium, polysilicon) carry forced labor risk
- Loss of livelihoods increasing desperation
- Environmental + social due diligence convergence under CSDDD

Debt Bondage & Recruitment

- Workers pay $2K–$15K+ to recruiters, creating bondage
- Employer Pays Principle gaining traction
- Fee reimbursement programs emerging
- ILO Fair Recruitment Initiative; IRIS certification (IOM)

Future Regulatory Outlook

01	**Global Import Ban Expansion**	More countries adopting US-style import prohibitions. Japan, South Korea considering legislation.
02	**Harmonization Efforts**	Push for mutual recognition of due diligence standards. ISO standards development. Reducing fragmentation.
03	**Digital Compliance**	Machine-readable reporting, real-time data sharing with authorities. Digital evidence requirements growing.
04	**Financial Sector Integration**	Banks and insurers incorporating forced labor into credit decisions and trade finance screening.

Key Takeaways & Priority Actions

Map your supply chain to raw materials

Prioritize highest-risk product lines. You don't need everything at once.

Assess regulatory exposure

Which laws apply? Map compliance gaps against UFLPA, CSDDD, and local requirements.

Implement robust due diligence

Move beyond audits. Deploy tech, worker voice, continuous monitoring.

Build governance & culture

Board oversight, cross-functional teams, continuous improvement, stakeholder engagement.

Why Act Now

Regulatory enforcement is accelerating globally. Companies that build proactive compliance programs face lower costs, fewer disruptions, and stronger market positions than those forced to react.

Compliance is no longer optional — it is a condition of market access.

Building a Culture of Compliance

- Leadership commitment from the top
- Cross-functional collaboration
- Continuous improvement mindset
- Stakeholder engagement