

PRI STATEMENT: EUROPEAN COMMISSION PROPOSAL FOR A REGULATION PROHIBITING PRODUCTS MADE WITH FORCED LABOUR

London, 15th September 2022

Yesterday, the European Commission published its [proposal](#) for a regulation prohibiting products made with forced labour on the Union market. This is a critical step towards the Commission's [commitment](#) to promote decent work, from February this year.

The PRI welcomes this proposal, particularly where consideration is made towards harmonising rules across all Member States and the establishment of a Union Network Against Forced Labour Products to avoid fragmentation of the internal market. Further, the PRI supports cooperation and information exchange with non-EU States and international organisations as a capacity building mechanism to counter the diversion of products made with forced labour. For investors, this regulation in the first instance will help in the identification of forced labour risks across their portfolio companies. This should be complemented by individual and collective investor efforts to address forced labour risks contributing to a comprehensive approach towards the eradication of forced labour across value chains. The PRI also welcomes the additional consideration made for potential impacts to Small and Medium-sized Enterprises (SMEs) such as through the potential provision of supportive tools by national regulators to facilitate efforts to identify forced labour risks.

The ban on products linked to forced labour will act as a strong economic deterrent to organisations linked to these activities by restricting access to the European single market. Further, it will enable consumers to have a higher certainty that goods and services are not produced by forced labour. Nevertheless, it is important that co-legislators consider the following points as they work to finalise this regulation, to ensure that it does effectively safeguard workers across global supply chains.

- The guidance on due diligence in relation to forced labour must be aligned with the various complementary instruments at EU level (such as CSDD) and with international authoritative frameworks on human rights such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. This is needed to effectively support the EU strategy to promote decent work.
- In assessing adverse human rights impacts, the regulation should cover the entire value chain in which adverse human rights impacts may occur due to a company's own activities or through business relationships, as clarified by the UNGPs.
- All impacted stakeholders should be considered to ensure robust information sharing and triangulated information in instances such as developing a database on forced labour risks and any other activities carried out by the Commission and appointed competent authorities necessitating external expertise.

Finally, the Commission and co-legislators should note that, in committing to the promotion of decent work, it is equally important that the EU addresses the underlying causes of forced labour, to ensure a ban will not exacerbate existing issues. Economic operators, including investors, can contribute to this by identifying and addressing a lack of consideration for decent work through due diligence processes.

The PRI welcomes this proposed regulation and looks forward to continuing collaboration with co-legislators and signatories to bring in the responsible investor voice to ensure efforts to drive EU sustainability goals.