Supply chain due diligence regulatory landscape tracker

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Global

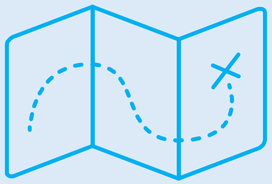
OECD Guidelines for Multinational Enterprises on Responsible Business Conduct

Brief overview

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct are recommendations addressed by governments to multinational enterprises operating in or from adhering countries.

They provide non-binding principles and standards designed to enhance the business's contribution to sustainable development and address adverse impacts associated with business activities on people, the planet and society. The OECD Guidelines are the only multilaterally agreed and comprehensive code of responsible business conduct that governments have committed to promoting.

Recent key updates, made in June 2023, include alignment with international goals on climate change and biodiversity, due diligence expectations in relation to technology, and recommendations relating to products and services, corruption, lobbying and transparency.



Applicability

The OECD Guidelines specifically target multinational enterprises, but they are relevant for a broad range of enterprises, including those engaged in business activities across borders. They apply to both state-owned enterprises and private companies.

Reporting

While the OECD Guidelines do not mandate a specific timeline, it is generally recommended that multinational enterprises engage in regular reporting of their responsible business conduct, typically annually. This allows stakeholders to be informed about the company's ongoing activities and impacts.

Impact

- The OCED Guidelines provide a global benchmark for responsible business conduct
- 'Soft law', but integration into legally binding instruments is becoming common
- Voluntary programmes on responsible business conduct should take this framework into account as a source of best practice
- ESG due diligence may consider extent of alignment
- Addresses business relationships beyond first tier

Resources

OECD Guidelines for Multinational Enterprises on Responsible Business Conduct

United Nations Global Compact

Brief overview

The UN Global Compact (UNGC) promotes 10 principles in the areas of:

- human rights (support and respect human rights, do not be complicit in abuses)
- labour (freedom of association and collective bargaining, elimination of forced labour, abolition of child labour, elimination of discrimination)
- environment (precautionary approach, greater environmental responsibility, development of environmentally friendly technologies)
- anti-corruption

Companies that join commit to aligning their strategies and operations with these principles and report their progress annually. An annual financial commitment is payable by participants based on the company's revenue.

Applicability

The UNGC can apply to all types of entities, regardless of type, size or jurisdiction.

Reporting

Participating companies must submit an annual Communication on Progress (CoP) report within the submission window, covering a statement of continued support, description of actions taken to implement the principles, and measurement of outcomes. The CoP may be part of the company's sustainability or annual report, or be published separately, and is posted on the UNGC's website.

Impact

- The UNGC provides a means for business to demonstrate a public commitment to human rights
- Operationalising the UNGC is often done via adherence to the UN Guiding Principles
- Investors may encourage investee companies to sign up and can track progress
- Potential for public scrutiny and media attention through public progress report

Resources

The Ten Principles | UN Global Compact

United Nations Guiding Principles on Business and Human Rights

Brief overview

The United Nations Guiding Principles on Business and Human Rights (UNGPs) provide a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity.

They are structured around three key pillars:

1. The State Duty to Protect Human Rights: This pillar emphasises that states have a duty to protect human rights against abuse by third parties, including businesses, through effective policies, legislation, regulation and adjudication.

2. The Corporate Responsibility to Respect Human Rights: Companies are expected to avoid infringing on human rights and to address adverse human rights impacts with which they are involved. This involves implementing due diligence processes to identify, prevent, mitigate and account for how they address their impacts on human rights.

3. Access to Remedy: Both states and businesses should ensure that victims of business-related human rights abuses have access to effective remedy, through judicial, administrative, legislative or other appropriate means.

   The adoption of the UNGPs marked a significant milestone in the field of business and human rights, providing a clear and authoritative framework for addressing the complex issues at the intersection of human rights and business activities.

Applicability

The UNGPs apply to both states and businesses of all sizes, sectors and jurisdictions. They are particularly significant for multinational enterprises that operate across borders and have complex supply chains.

Reporting

Although the UNGPs do not mandate specific reporting obligations, they emphasise the importance of businesses communicating how they address human rights impacts.

For example, under the second pillar, businesses are expected to respect human rights. This includes conducting human rights due diligence processes and being transparent about these efforts. Part of this due diligence involves communication, and in particular public reporting. Companies should communicate externally about their human rights impacts and how they are addressing them. There is no prescribed frequency, but annual reporting would generally be expected.

Impact

- Alongside the OECD Guidelines, the UNGPs are a major pillar of current responsible business conduct
- They provide a useful framework for best practice responsible business behaviours
- They are 'soft law', but may be made legally binding by reference in legislation
- Investors may seek alignment with the UNGPs

Resources

[Guiding Principles on Business and Human Rights]

International Labour Organization conventions

Brief overview

The International Labour Organization (ILO) has established fundamental labour standards that form part of core international labour rights, promoting dignity and freedom for all workers by aiming to abolish forced labour globally. They reflect the commitment of the international community to human rights and uphold the principle that forced labour has no place in modern society. Two key conventions that relate to forced labour specifically have been widely ratified around the world:

1. Forced Labour Convention, 1930 (No. 29), adopted on 28 June 1930.

This convention aims to suppress the use of forced or compulsory labour in all its forms. It mandates member states to suppress the use of forced or compulsory labour within the shortest possible period.

2. Abolition of Forced Labour Convention, 1957 (No. 105), adopted on 25 June 1957.

This convention aims to further expedite the abolition of forced or compulsory labour and requires member states to take effective measures to abolish forced or compulsory labour. It specifically prohibits the use of forced labour for:

- Economic development purposes
- Political coercion or education
- Labour discipline
- Punishment for participating in strikes
- Racial, social, national or religious discrimination.

Applicability

The ILO standards are designed to foster cooperation among member states, governments, employers and workers to improve labour conditions worldwide. While the primary responsibility rests with governments to ratify and implement these standards, employers, workers and their organisations also play crucial roles in ensuring compliance and advocating for better labour practices.

Reporting

The ILO Conventions require periodic reporting by member states to the ILO on measures taken to implement the conventions and the results achieved. These reports are usually submitted every two to five years, depending on the specific convention. They do not impose any direct obligations or reporting obligations on companies.

Impact

- ILO conventions are an important source of existing specific laws in many countries, where such laws implement commitments made by governments
- No direct legal effect on businesses, but contents of the conventions may be incorporated into law by reference and therefore bind companies
- In countries with less developed legal protections, ILO conventions can be used to drive up standards on a particular issue by requiring investee companies to adhere
- Relevant to supply chain risks

Resources

ILO: International Labour Standards

Global Reporting Initiative Standards

Brief overview

In October 2016, the Global Reporting Initiative (GRI) shifted from providing guidelines to issuing structured and modular GRI Standards. These standards provide a flexible and comprehensive framework for sustainability reporting.

They are divided into a set of interrelated standards that organisations can use to prepare sustainability reports.

These are:

1. Universal standards (e.g., on the foundation for using the GRI Standards, on general disclosures and on management approaches)
2. Topic-specific standards (e.g., economic, environmental, social, human rights, diversity and equal opportunity, non-discrimination, and customer health and safety standards)

Applicability

The GRI Standards have been deliberately designed to be flexible and can be adopted by a wide variety of entities, including private businesses, public sector organisations, NGOs, educational institutions, financial institutions and industry groups. These standards help organisations of all types and sizes to systematically report their sustainability performance, engage stakeholders and drive sustainable development.

Reporting

The GRI Standards explicitly focus on sustainability reporting. Their primary purpose is to guide organisations in disclosing their environmental, social and economic impacts in a consistent, transparent and accountable manner.

For example, GRI 101 Foundation contains principles for reporting, which outline the fundamental principles that organisations should follow for sustainability reporting, including accuracy, balance, clarity, comparability, reliability and timeliness. It also provides an overview of the steps organisations need to take to prepare a sustainability report that adheres to the standards.

Impact

- GRI reporting is voluntary, but the high degree of interoperability with mandatory reporting regimes (notably the EU CSRD) means that data can largely be reused to meet legal requirements
- Focus is on impacts of the business on people and the environment, so not specifically designed for investor decision-making
- Requires an understanding of supply chain risk
- Can be a measure of sustainability maturity

Resources

GRI Standards website

International Sustainability Standards Board Standards

Brief overview

The International Sustainability Standards Board (ISSB) Standards are a set of guidelines designed to provide a cohesive global framework for sustainability-related financial disclosures. They aim to help investors make informed decisions by providing transparent, reliable and comparable sustainability information across companies and industries.

To ensure integrated and comprehensive reporting, the ISSB Standards are designed to be compatible with the existing IFRS financial reporting framework, specifically IFRS S1, which provides general requirements for disclosure of sustainability-related financial information, and IFRS S2, which covers climate-related disclosures. Further IFRS standards are expected to be developed.

Mandatory application of the ISSB Standards is subject to the regulatory decisions of individual countries and jurisdictions. For example, Brazil's securities regulator formally integrated the standards into its regulatory framework from 1 January 2024 on a mandatory basis for publicly listed companies beginning with fiscal years after January. In the UK, the government plans to endorse the ISSB Standards in 2025, after which the Financial Conduct Authority and the government are expected to establish reporting requirements for different categories of company.

Applicability

The ISSB Standards primarily target public companies and large organisations, but they can be applied by any entity seeking to enhance transparency in sustainability reporting. Mandatory application varies between jurisdictions.

Reporting

Reporting depends on legislative requirements in each jurisdiction.
The default expectation for sustainability reporting under the ISSB Standards is on an annual basis. That said, companies are encouraged to provide updates on significant changes or events as necessary, which can be done in alignment with interim financial reports.

Impact

- Disclosure of financially material sustainability-related risks and opportunities should drive decision-useful information for investors
- Both investors and their portfolios may be subject to reporting requirements
- Higher levels of worldwide reporting should improve supply chain transparency
- A global baseline for reporting avoids inconsistent requirements across different jurisdictions

Resources

IFRS - IFRS Sustainability Standards Navigator

Asia-Pacific

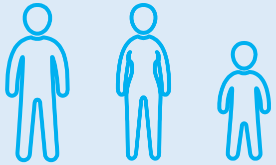
Australia: Modern Slavery Act 2018

Brief overview

The Australian Modern Slavery Act (MSA) aims to combat modern slavery and human trafficking in various forms. It lists eight crimes that are classified as modern slavery, including human trafficking, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruitment and the worst forms of child labour, such as those involving slavery practices and hazardous work.

From a corporate perspective, the Australian MSA requires in-scope companies to report annually on the actions they have taken to address modern slavery risks in their operations and supply chains. Reporting must include information on:

- the entity’s structure, operations and supply chains
- applicable modern slavery risks and preventative actions
- performance indicators and targets
- relevant responsible persons and a statement that the information provided is accurate and complete to the best of the person’s knowledge and belief



Applicability

Entities need to report under the Australian MSA if they are an Australian entity or if they do business in Australia, in both cases with annual consolidated revenues above A$100m.

Reporting

Annually

Impact

- Potential obligations at both the investor level and portfolio level if thresholds are met
- May require new diligence and monitoring processes for companies entering scope in order to effectively report on risks and mitigation measures
- Consistency with other statements made by the group is key (e.g., UK/Canada modern slavery legislation, the EU CSRD)

Resources

Modern Slavery Act 2018 – Federal Register of Legislation

Thailand: Human Rights and Environmental Due Diligence Bill

Brief overview

This proposed law seeks to hold businesses accountable for supply chain risks and safeguard vulnerable workers. It is to be drafted using guidance from the Office of the United Nations High Commissioner for Human Rights and relevant provisions of the UNGPs. It will require businesses to conduct human rights and environmental due diligence in supply chains.

The proposed law is expected to introduce financial penalties for failing to meet obligations. Conversely, compliant businesses may receive tax incentives and access to government contracts.

The Thai government is still working through several critical elements of the proposed law, including:

- whether implementation will be phased in gradually or apply immediately
- how SMEs will be supported to comply with the requirements
- strategies for building corporate capacity to meet due diligence obligations

Expected next steps include a draft by the end of March 2025 for the Ministry of Justice to consider, followed by public consultations during 2025.

Applicability

Businesses operating in Thailand (specifics TBD)

Reporting

Reporting details TBD

Impact

- Potential obligations at portfolio level if thresholds are met
- Likely to overlap with the EU CSDDD but, depending on thresholds, could capture entities not covered by EU regulation
- To be monitored for progress

Resources

See Walkfree, Thailand to introduce mandatory supply chain due diligence law, for analysis.

(Legal text not yet available.)

Europe

France: Duty of Vigilance Law (Law No. 2017/399)

Brief overview

In 2017, France became the first country in the world to adopt a law requiring large companies to carry out human rights and environmental due diligence in their supply chains and publish a "vigilance plan" annually.

Under the Duty of Vigilance Law, in-scope companies are required to establish and implement an effective vigilance plan to identify and prevent risks of infringements to human rights, breaches of fundamental freedoms, violations of the health and safety rights of people, environmental damage and passive or active corruption, which may result directly or indirectly from a company's activities and business relations.

The vigilance plan must set out adequate measures, including:

- a risk assessment and planning programme to help identify, analyse and prioritise risks
- a method for regular assessment of the compliance status of subcontracting companies across the whole supply chain (affiliates, subcontractors, suppliers etc.)
- appropriate actions to attenuate risks and prevent serious offences
- a whistleblowing mechanism for gathering reports relating to the existence or likelihood of risks
- a system to monitor the measures implemented and evaluate their efficacy

Breaching the Duty of Vigilance Law can lead to consequences including:

- injunctions and fines
- civil liabilities
- reputational damage
- legal and administrative costs

Applicability

Applies to large companies and groups located in France that employ either:

(i) more than 5,000 employees in France or

(ii) more than 10,000 in France and abroad for two consecutive years.

Reporting

Annual

Impact

- Potential impact at the portfolio level for groups with high headcount
- Potential obligations at the investor level, although high employee thresholds will mean most investor groups are out of scope
- NGOs have sought to hold financial institutions liable for financing businesses harming the climate or environment, invoking failings under this law

Resources

Text of the Duty of Vigilance Law

Germany: Corporate Due Diligence In Supply Chains Act, 2021 (Lieferkettensorgfaltspflichtengesetz, or LkSG)

Brief overview

The LkSG mandates companies of a certain size in Germany to implement human rights due diligence in their supply chains. It initially applied to companies with 3,000 or more employees, with that threshold falling to 1,000 employees from 1 January 2024.
Companies must document and report their due diligence measures annually in German, with the first reports to be reviewed from 1 January 2026, with no sanctions for late submissions before 31 December 2025. The Act includes a requirement for effective risk management systems to be integrated into business processes and supported by comprehensive risk analysis.

In-scope companies are required to submit annual reports detailing their due diligence measures. These reports must be submitted electronically no later than four months after the end of the financial year to which they relate.

The Act came into force on 1 January 2023.

On 3 June 2025, the AfD parliamentary group proposed a draft act to the German parliament to abolish the Act with immediate effect. The AfD has stated that it views the LkSG as creating bureaucratic burdens and trade barriers that it believes negatively impact German companies' ability to compete internationally. The Coalition Agreement committed the government to the repeal of the Act.

Applicability

The Act applies to companies that have their head office, principal place of business, administrative seat, statutory seat or a branch office in Germany, and usually employ at least 1,000 employees, including temporary workers assigned for more than six months and employees of affiliated companies.

Reporting

Annual

Impact

- Potential impacts at both investor and portfolio level if sufficient headcount
- High degree of overlap with requirements under the EU CSDDD
- NGOs frequently raise complaints under LkSG, but fewer records of investigations and no known active litigation
- Draft law to repeal the Act introduced by the new German government

Resources

Act on Corporate Due Diligence Obligations in Supply Chains by new German government

Norway: Transparency Act, 2021

Brief overview

The Act requires large Norwegian companies and certain foreign companies doing business in Norway to regularly carry out due diligence for the company's entire supply chain, in accordance with the OECD Guidelines for Multinational Enterprises, and make reports publicly available.

A 2023 amendment increased fines for non-compliance to up to 4% of annual turnover or NOK 25m (whichever is greater).

When calculating the fines, factors such as the severity, extent and duration of the infringement, recurrence, cooperation and other aggravating or mitigating factors, are taken into account.

Applicability

The Act applies to "larger enterprises" (or groups) that are resident in Norway and that offer goods or services in or outside Norway.

The Act also applies to larger foreign enterprises that offer goods and services in Norway, and that are liable to pay tax in Norway, pursuant to internal Norwegian legislation.

"Larger enterprises" means those exceeding two of:

- turnover greater than NOK 70m (€6m)
- a balance sheet larger than NOK 35m (€3m)
- more than 50 employees

Reporting

Annually

Impact

- Low scope thresholds for Norwegian entities and foreign tax-resident entities
- Potentially impacts both investor and portfolio companies
- Significant overlap with the EU CSDDD
- The regulator investigates complaints and has issued one fine of NOK 450,000 (c. €40,000)

Resources

Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act)

Switzerland: Due Diligence Obligations and Transparency Regarding Minerals and Metals from Conflict Areas and Child Labour, Ordinance, 2021

Brief overview

The law requires companies to conduct due diligence on their supply chains to ensure responsible sourcing of minerals and metals from conflict areas.

Companies must also implement measures to prevent child labour within their supply chains. The ordinance mandates that companies publish annual reports detailing their due diligence processes and findings. This regulation aims to promote transparency and ethical practices in sourcing critical materials.

The due diligence and reporting obligations for conflict minerals only apply where companies import or process quantities above those specified in Annex 1 of the law.

Low-risk undertakings are exempted. A low risk in relation to child labour is assumed if a company operating in countries whose due diligence response is rated as "basic" by UNICEF in its Children's Rights in the Workplace Index: (i) purchases or manufactures products in accordance with the indication of origin; and (ii) primarily procures or provides services.

A further exemption from the due diligence and reporting obligations exists if a company has carried out child labour checks and, based on those checks, is able to conclude that there are no reasonable grounds to suspect child labour.

In each exemption case, such findings would need to be appropriately documented.

Applicability

All companies based in Switzerland.

There is an exemption for small companies (companies with balance sheets below CHF 20m, sales revenue below CHF 40m and 250 employees for two consecutive business years).

Various exemptions from both provisions, e.g., de minimis in respect of conflict minerals.

Reporting

Annually

Impact

- Requirements on conflict minerals largely mirror the EU Conflict Minerals Regulation
- There is potential for impact on any company in a supply chain where these products are used
- Exemptions are not straightforward and may still require some level of analysis
- May necessitate statements in the annual report

Resources

SR 221.433 - Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour

UK: Modern Slavery Act, 2015

Brief overview

The Moden Slavery Act (MSA) aims to tackle, prevent and disrupt modern slavery and human trafficking in the UK. It creates offences relating to holding another person in slavery or servitude, requiring another person to perform forced or compulsory labour, or arranging or facilitating travel of another person with a view to that person being exploited.

From a corporate reporting perspective, the Act requires in-scope companies to publish an annual MSA statement on their website highlighting the steps they are taking to minimise the risk of modern slavery and forced labour within their business and supply chains.

Recent government guidance has been published to help businesses comply with the letter and spirit of the MSA. This guidance lays out the government's expectations for corporate reporting through modern slavery statements and was drafted following consultation with businesses, public bodies and civil society organisations, among others, integrating learnings from the 10 years since the MSA came into force.

Applicability

The MSA applies to large commercial organisations (UK or non-UK incorporated or registered corporate bodies and partnerships) that carry on a business or part of a business in the UK and have an annual turnover in excess of £36m.

Turnover is calculated as the turnover of the entity carrying on a business in the UK, as well as that of any of its subsidiaries (including foreign subsidiaries).

Reporting

Annually

Impact

- Potentially subject to reform. Recommendations have included strengthening the diligence requirements and import restrictions
- May impact both investor-level and portfolio-level entities exceeding thresholds
- Low enforcement activity, but reputational impacts can stem from public statements

Resources

Modern Slavery Act 2015

European Union

Corporate Sustainability Due Diligence, Directive (EU) 2024/1760

Brief overview

The Corporate Sustainability Due Diligence Directive (CSDDD) requires companies to identify, prevent, mitigate and account for adverse human rights and environmental impacts in their operations and supply chains.

In-scope companies will need to adopt and implement effective due diligence policies for identifying, preventing, mitigating and bringing to an end actual and potential human rights and environmental harms in their own operations, and those of their subsidiaries and business partners, in relation to their “chain of activities” (i.e., specific parts of the value chain, depending on whether the company is providing products or services). They will also be required to adopt and put into effect a transition plan for climate change mitigation, aligned with the Paris Agreement’s objective of limiting global warming to 1.5°C and the EU’s 2050 climate neutrality goal.

On 26 February 2025, the EU Commission issued an omnibus directive proposing to simplify the CSDDD. Via a separate ‘Stop-the-Clock’ directive as part of the same Omnibus package, which was adopted on 14 April 2025, member states have been given an extra year, until 26 July 2027, to implement the CSDDD into national law. It also deleted the first compliance deadline for the very largest companies. These changes were agreed between the EU’s institutions in early April 2025 and must be implemented by member states by 31 December 2025.

Proposed substantive changes would: reduce the scope of due diligence to tier 1 business partners in most cases; reduce the frequency of monitoring of diligence; and remove the obligation on member states to impose civil liability under the CSDDD, except to provide for follow-on damages where a successful regulatory prosecution has been undertaken.

Applicability

EU companies:

- 1,000 employees and
- €450m of turnover worldwide

Non-EU companies:

- €450m of EU turnover

Lower thresholds for entities with royalty/licensing arrangements

Reporting

Annually

Impact

- Potential for firm-level impacts, particularly for non-EU firms where no employee threshold applies
- Impacts also at portfolio level, though high thresholds most likely to capture larger groups only with high headcount
- May require new diligence processes and policies, depending on current degree of alignment with international soft-law norms, as well as the adoption of a Paris-aligned climate transition plan
- Subject to simplification and amendment as part of the EU’s February 2025 Omnibus package

Resources

Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859

Corporate Sustainability Reporting Directive (EU) 2022/2464

Brief overview

The main aim of the Corporate Sustainability Reporting Directive (CSRD) is to drive transparency of sustainability information and promote sustainable practices and investment. It replaces the EU's non-financial reporting directive to establish more comprehensive, reliable sustainability reporting requirements.

Qualifying businesses will be required to report on how they monitor a wide range of sustainability issues and their impact on the planet and society. These impacts cover those that a company has on a sustainability matter, including those caused by or contributed to by the business' own operations or business relationships, and the financial impacts of a sustainability matter on the business.

Material impacts, risks or opportunities from either or both perspectives must be reported in accordance with the mandatory European Sustainability Reporting Standards (ESRS). As the CSRD is a transparency measure, it does not prescribe specific behaviours beyond reporting.

The Commission's February 2025 Omnibus Package proposes significant changes to the CSRD. The 'Stop-the-Clock' directive adopted on 14 April 2025 pauses reporting requirements for large EU companies/groups and listed SME businesses for two years; this must be implemented by member states by 31 December 2025. A second, separate proposal seeks to amend existing thresholds so that only companies with more than 1,000 employees would be obliged to submit a sustainability report under the CSRD. The Commission further commits to revise the ESRS to simplify and reduce the reporting burden.

Applicability

Target companies are those who fulfil two of the following criteria:

- net turnover of €50m;

- balance sheets larger than €25m;

- more than 250 employees

The Omnibus proposes that the employee count requirement be increased to more than 1,000 employees. This would reduce companies in scope by roughly 80% and aligns more closely with the CSDDD's scope.

Reporting

Annual as part of the statutory reporting

Impact

- Subject to simplification and amendment as part of the EU's February 2025 Omnibus package
- Potential for impacts at investor level, where entities qualify under CSRD rules
- Impacts also at portfolio level, although the increased headcount proposed by the Omnibus is likely to capture very large groups only
- May require new diligence processes and policies, and data collection systems

Resources

Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting

Batteries and Waste Batteries Regulation (EU) 2023/1542

Brief overview

The Batteries and Waste Batteries Regulation aims to regulate the entire lifecycle of batteries, from design to end-of-life disposal.

Relevant economic operators must adopt a risk-based battery due diligence policy, based on internationally recognised due diligence standards and principles, to address the most prevalent social and environmental risk categories, including human rights.

The regulation sets comprehensive requirements on battery labelling, monitoring and recycling processes. It also emphasises the need for reducing harmful substances in batteries and enhancing the recovery of raw materials.

The regulation requires battery manufacturers, distributors, importers and recyclers to collect and report specific data related to the production, management and end-of-life treatment of batteries. The frequency of reporting will vary, depending on member state implementation.

In May 2025, the European Commission proposed an amendment to delay the date of application of the battery due diligence obligations by two years (to 18 August 2027), to help allow operators placing batteries on the EU market to be better prepared, and to allow time to resolve difficulties with the availability of notified bodies.

Applicability

All businesses placing batteries onto the EU market or putting batteries into service within the EU, including importers.

Economic operators with less than €40m of net turnover (on an individual or group basis) are not subject to due diligence requirements.

Reporting

Annually

Impact

- Portfolio-level impacts for importers into the EU
- Potential impact on any company in a supply chain where batteries are used
- Interaction with horizontal due diligence regimes should be factored into the design of diligence systems

Resources

Regulation (EU) 2023/1542 of the European Parliament and of the Council of 12 July 2023 concerning batteries and waste batteries, amending Directive 2008/98/EC and Regulation (EU) 2019/1020 and repealing Directive 2006/66/EC

Regulation amending Regulation (EU) 2023/1542 as regards obligations of economic operators concerning battery due diligence policies

Deforestation Regulation (EU) 2023/1115

Brief overview

The Deforestation Regulation (EU) 2023/1115 aims to combat deforestation and forest degradation associated with certain commodities and products being placed on the EU market or exported from it.

It imposes due diligence requirements on operators and traders to ensure products do not contribute to deforestation or forest degradation. The regulation requires transparency and traceability throughout the supply chain of commodities such as soy, palm oil, wood, cocoa, coffee and some derived products.

The regulation includes reporting obligations for entities in scope. These entities must regularly provide due diligence statements and reports demonstrating compliance with the regulation's requirements, such as the absence of deforestation and forest degradation in their supply chains. The specific frequency and timing of reporting will be set by EU member states.

In 2024, the EU Commission published Regulation (EU) 2024/3234, postponing by one year the application of the Deforestation Regulation to allow a phasing-in period for proper implementation. The substantive obligations of the Deforestation Regulation will now apply from 30 December 2025 for large enterprises, and from 30 June 2026 for micro- or small companies.

A draft amendment, published on 15 April 2025, introduces changes to the products listed in Annex I of Regulation 2023/1115 to make the list of relevant products clearer and simpler to understand. These targeted technical adjustments specify which products are not subject to the Regulation, ensuring easier application and greater legal certainty.

Applicability

Operators and traders who place or make available relevant commodities and products on the EU market or export them from the EU. This includes businesses dealing with products such as soy, palm oil, wood, cocoa, coffee and their derived products, as specified in Annex I.

Reporting

Annually

Impact

- Portfolio-level impacts for importers of certain agricultural commodities or finished products derived from them into the EU
- Potential for impacts on any company in a supply chain where these products are used, e.g., food retail, automotive
- Significant risk of reputational damage, including from media exposes or NGO actions, as well as large fines from regulatory enforcement action
- Subject to some simplification and amendment as part of the EU's simplification drive (April 2025)

Resources

Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010

Conflict Minerals Regulation (EU) 2017/821

Brief overview

The Conflict Minerals Regulation (EU) 2017/821 establishes due diligence obligations for EU importers of tin, tantalum, tungsten, their ores, and gold sourced from conflict-affected and high-risk areas.

The regulation aims to break the link between the mineral trade and conflict funding by requiring importers to comply with supply chain due diligence standards. This involves identifying and addressing risks related to human rights abuses, conflict financing and other serious issues in their supply chains.

The regulation seeks to promote responsible sourcing practices and improve the transparency and accountability of mineral supply chains.

A 2020 amendment required importers to provide annual reports on their supply chain due diligence practices, including information on the steps taken to identify and address risks in their supply chains. The reports must be made publicly available and submitted to the relevant competent authorities in the member states for review and compliance verification.

The supplementary Regulation (EU) 2019/429 establishes a standardised methodology and criteria for assessing and recognising due diligence schemes related to the sourcing of tin, tantalum, tungsten and gold. This supports implementation of the Conflict Minerals Regulation.

Applicability

Target entities are EU importers of tin, tantalum, tungsten, their ores, and gold. These importers must comply with the due diligence obligations specified in the regulation.

Reporting

Annually

Impact

- Portfolio-level impacts for EU-based importers, or indirect effects for companies in supply chains where these products are used, including technology
- Due diligence of suppliers in relevant sectors should consider conflict minerals sourcing
- No direct sanctions for non-compliance, but risk of reputational damage for investors linked to conflict minerals

Resources

Regulation (EU) 2017/821 of the European Parliament and of the Council of 17 May 2017 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-ri

Supplementary Regulation (EU) 2019/429

Forced Labour Products Regulation (EU) 2024/3015

Brief overview

Regulation (EU) 2024/3015 completely bans the placement on the EU market, sale or export of any product made entirely or partially using forced labour, applying to all stages of production, including extraction, harvest, manufacturing and distribution, regardless of where the forced labour occurred. It entered into force on 13 December 2024 and will apply from 14 December 2027.

Essentially, any company operating within the EU is prohibited from selling products linked to forced labour, with enforcement mechanisms in place to ensure compliance, focused on the customs location/point of import.

Key to the operation of the regime will be a database of forced labour risk areas and products that the EU Commission is to establish. The database will provide regularly updated information on forced labour risks in specific geographic areas and with respect to specific products or product groups. It will not publicly disclose information that names economic operators directly.

Applicability

The regulation applies to all companies operating in the EU, regardless of revenue or where they are incorporated.

Reporting

No formal reporting is required, but customs regulators will seek evidence of actions taken to prevent, mitigate or remediate risks of forced labour before initiating an investigation.

Impact

- Impact at portfolio level for any business importing products into the EU
- Potential for costs of more responsible sourcing being passed on in the supply chain, or disruption from changing suppliers
- Risk of penalties (including fines) for non-compliance and risk of reputational damage

Resources

Regulation (EU) 2024/3015 of the European Parliament and of the Council of 27 November 2024 on prohibiting products made with forced labour on the Union market and amending Directive (EU) 2019/1937

North America

Canada: Fighting Against Forced Labour and Child Labour in Supply Chains Act, 2023

Brief overview

Canada's Act requires in-scope companies to report to the Minister of Public Safety and Emergency Preparedness on the steps taken during the previous financial year to prevent and reduce the risk that forced labour or child labour is used in the entity's business or supply chain.

Disclosures need to be made on or before 31 May each year and, in addition to being available on a prominent location on the entity or government institution's website, reports – which must not exceed 10 pages – will be maintained on a publicly available register maintained by the minister. The Act states that the report must cover the risks "at any step of the production of goods". This includes the supply chains of items imported into Canada.

Entities meeting both the threshold and connection test and the activities test are obliged to report.

Applicability

The regulation applies to companies that past both a threshold test:

1. any company listed on a Canadian stock exchange, or
2. companies that have a place of business, do business, or have assets, in Canada and meet two or more of the following conditions for at least one of its two most recent financial years:

a) have at least C$20m in assets or
b) have generated at least C$40m in revenue or
c) employ at least 250 employees

And an activities test:

3. Produce, sell, distribute or import into Canada, or control an entity which does so

Reporting

Annually, by 31 May

Impact

- Potential reporting obligations at portfolio level, but also at investor level where the investor controls a portfolio company active in Canada – analysis of control may be required
- Potential sanctions for non-compliance, including fines and negative press, as reports are publicly available

Resources

Fighting Against Forced Labour and Child Labour in Supply Chains Act

Canada: Eradicating Forced Labour from Canadian Supply Chains Bill

Brief overview

The 2024 Fall Economic Statement announced the government's intent to introduce new legislation, separate from the Fighting Against Forced Labour and Child Labour in Supply Chains Act, which will require government entities and businesses to:

i. analyse their international supply chains for risks to fundamental labour rights, and

i. take action to resolve these risks.

No further details are available at present.

Applicability

Expected to be government entities and businesses in Canada.

Reporting

Not yet known, but reporting may potentially linked to existing forced/child labour reporting.

Impact

- Early-stage proposal, with possibility that it will fail to progress, given renewed global focus on competitiveness over sustainability factors
- Potential impacts at investor and portfolio level
- Likely overlap with the EU CSDDD
- To be monitored for progress

Resources

2024 Fall Economic Statement

California (USA): Transparency in Supply Chains Act, 2010

Brief overview

California's Transparency in Supply Chains Act was one of the first pieces of legislation focused on modern slavery and human trafficking in supply chains. It was introduced in 2010 to encourage corporate disclosure of efforts to eliminate human trafficking from supply chains. The law requires large retail businesses in California to disclose the policies, if any, they have put in place to address human trafficking in their supply chains.

The disclosures must include the company's efforts in the following areas:

1. Verification: Evaluating and addressing risks of human trafficking and modern slavery within a product's supply chain
2. Audits: Conducting supplier audits to evaluate compliance with the company's standards on human trafficking and modern slavery
3. Certification: Direct suppliers must certify that the creation of a product complies with human trafficking and modern slavery laws in the US and those of the direct supplier's country
4. Internal accountability: Establishing internal standards and procedures for employees and contractors who fail to meet company standards on human trafficking and modern slavery
5. Training: Providing human trafficking and modern slavery training for employees that oversee supply chain management

Applicability

A company must meet three criteria to be subject to the law. It must:

a) identify itself as a retail seller or manufacturer in its tax returns
b) carry out business in California
c) have annual worldwide gross receipts exceeding US$100m

Reporting

Annually

Impact

- Potential impacts at firm and portfolio level, although the high revenue threshold restricts application to the largest companies only
- Risk of reputational damage and loss of consumer and investor confidence
- Diligence and operational processes may need adjustments to align with the requirements of the legislation suppliers
- Can give rise to class action litigation

Resources

Senate Bill No. 657 - Chapter 556 - SB 657

USA: Prevention of Forced Labor in Xinjiang Uyghur, House Bill 6256, 2021

Brief overview

The purpose of the act is to prohibit the import of goods produced with forced labour from the Xinjiang Uyghur Autonomous Region of China.

Section 3 establishes a rebuttable presumption that goods mined, produced or manufactured in the Xinjiang Uyghur Autonomous Region of China, or by certain listed entities, are prohibited from importation into the United States under section 307 of the Tariff Act of 1930.

This presumption means such goods are presumed to be made with forced labour and are not allowed entry into US ports.

Exceptions to this presumption can only be made if the importer fully complies with the relevant guidance and regulations, responds comprehensively to all inquiries from US Customs and Border Protection, and provides clear and convincing evidence that the goods were not made with forced labour. The aim is to prevent the importation of goods produced with forced labour and ensure compliance with US law.

Importers are required to provide comprehensive documentation and responses to US Customs and Border Protection to demonstrate that goods imported from the Xinjiang Uyghur Autonomous Region or certain listed entities are not produced with forced labour.

Applicability

All companies and individuals that import goods, articles or merchandise into the US that are mined, produced or manufactured wholly or in part in the Xinjiang Uyghur Autonomous Region of China.

Reporting

No periodic reporting, but information is required to be submitted to customs authorities.

Impact

- Potential impacts at portfolio level
- Supply chain disruption possible if existing suppliers source from the Xinjiang Uyghur Autonomous Region
- Diligence likely to be required for complex products to ensure there is no forced labour in the supply chain.

Resources

H.R.6256 - 117th Congress (2021-2022): To ensure that goods made with forced labor in the Xinjiang Uyghur Autonomous Region of the People's Republic of China do not enter the United States market, and for other purposes.

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