From due diligence to market access: what the EU Forced Labour Regulation means for companies

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What is the Forced Labour Regulation?

From 14 December 2027, companies will no longer be able to place products made wholly or partly with forced labour on the EU market or export these products from the EU. This is not limited to selected commodities, company size or direct suppliers: it applies to all products, all sectors and companies of every size, and can concern forced labour occurring anywhere in the supply chain.

On 26 June 2026 the European Commission published guidance on the Forced Labour Regulation (FLR) which is set to become applicable from 14 December 2027. The newly published guidance clarifies how authorities will investigate potential violations and what evidence companies may be expected to provide.

Essentially, the FLR is a **product-ban regulation** and as such differs from corporate due diligence laws. The Regulation creates an **obligation of result**: that is, the product must not be made with forced labour.

Unlike other EU sustainability regulations recently impacting companies, it does not prescribe a mandatory due diligence process, and supplier code, certification or clean social audit will not, on its own, protect a product from investigation or prohibition.

The guidance nevertheless makes clear that credible due diligence, traceability and worker-based evidence will be central to preventing violations and responding to investigations. Companies need to be able to connect their human rights due diligence to the specific products, components, production sites and workers concerned.

Importantly, **products made or imported before December 2027 can still be covered when they continue to be made available on the market after the application date**. Companies therefore cannot treat December 2027 as the date on which preparations begin.

What happens if a violation is found?

Authorities may:

- Prohibit the product from being placed or made available on the EU market or exported from it.
- Require products already in the supply chain to be withdrawn.
- Require the affected products – or a separable affected component – to be disposed of or replaced at the company's expense.
- Work with customs authorities to prevent affected goods from entering or leaving the EU.
- Impose penalties where a company fails to comply with the decision.

The business impact can therefore extend beyond a compliance fine. It **may include stranded inventory, interrupted shipments, supplier replacement, loss of market access** and disruption across an entire product line. The Regulation also provides for decisions to identify the relevant product in a way that can affect other operators dealing with it, not only the company initially investigated.

What counts as forced labour?

The guidance uses the ILO definition that work or service is forced labour where it involves both **involuntariness and coercion**. Indicators include recruitment deception, debt bondage, recruitment fees, withholding of wages or identity documents, excessive or compulsory overtime, restrictions on movement, threats, violence and abuse of workers' vulnerability. Separate structural indicators are provided for state-imposed forced labour.

How will authorities enforce the regulation?

Authorities will not systematically assess every product. They will use a **risk-based enforcement approach**. Cases will be prioritised according to three product-related factors:

1. The scale and severity of the suspected forced labour, including whether it is state-imposed
2. The quantity or value of affected products entering or circulating in the EU
3. The physical, functional or economic importance of the suspected component within the final product

It is important to emphasize that this relates to the authorities' enforcement priority, not what is considered legal. Even a small component remains covered by the prohibition.

During the **initial and preliminary assessment**, the authorities can ask a company how it has identified and addressed forced labour risks and why the alleged risk does or does not relate to its products. The authority then determines whether there is a "substantiated concern", meaning an *objectively supported* and *verifiable indication* that a product was probably made with forced labour.

If a formal investigation is opened, companies will normally receive between **30 and 60 working days** to provide requested information. Inspections may be conducted within the EU and, exceptionally and with the necessary consent, outside it.

The authority carries the burden of establishing a violation. However, it may rely on a combination of direct, indirect and circumstantial evidence. Credible worker testimony, grievance records, production records, trade data and independent research may therefore outweigh an apparently clean audit. Social audits may contribute evidence, but audits conducted without unrestricted access or where workers cannot speak freely will not be considered credible.

Who does it apply to and which sectors should pay particular attention?

The Commission has not designated a definitive list of high-risk sectors, and the Regulation covers every physical product, regardless of sector or origin, including raw materials, agricultural goods, components and finished products. Services themselves are generally outside the product prohibition.

However, in the Commission's 2026 preparedness program it is developing sector-specific information for the solar, textiles, electronics and semiconductors, agri-food, automotive and fisheries industries. This could be indicative of where the authorities will focus its enforcement efforts in the short term.

Forced labour issues are generally considered to occur in sectors that combine labour-intensive production, vulnerable or migrant workforces, complex supply chains, limited traceability and documented forced-labour risks. Thus, besides the industries targeted by the preparedness program, sectors such as mining and critical minerals, batteries, and retail should consider how they are commonly exposed through vulnerable workforces, high-risk inputs or multi-tier supply chain.

For forced labour outside the EU, importers may become a principal point of contact because upstream producers may have no direct EU presence but companies along the supply chain could be influenced. This is how different value chain actors can be influenced:

Directly covered by the Regulation	Indirect but material exposure
• **Manufacturers and producers** need to understand risks in their own sites and in the materials and components entering their products. • **Importers and traders** may be particularly exposed because they are often the first identifiable EU	• **Banks and investors** are not directly prohibited from financing a product under the FLR. However, their clients may face shipment detention, withdrawal, disposal, loss of market access and major operational disruption. FLR exposure can therefore be relevant

operator for goods produced outside Europe. • **Brands and retailers** cannot assume that responsibility ends with the importer or manufacturer. Making a product available to customers is within scope, including private-label and online products. • **Non-EU producers and exporters** are not outside the commercial consequences. Even where the EU authority initially engages the EU importer, the producer will probably be asked to provide site, worker, sourcing and traceability evidence.	to client screening, transaction due diligence and investment risk. • **Logistics, transport, hospitality and other service companies** are not directly covered merely because they provide a service. Their procurement of uniforms, food, electronics, vehicles, furniture or solar equipment can also create buyer-side exposure, even where they are not the principal target of enforcement. **Service companies are directly affected where they themselves import, distribute, sell or otherwise make physical products available**. Even where they are end users rather than economic operators for the product, FLR risks may remain relevant to procurement standards, reputation and supply continuity.

What should companies do?

Companies are legally required to:

- Ensure that products made wholly or partly with forced labour are not sold in, supplied to or exported from the EU.
- Cooperate accurately and promptly with authorities when information is requested.
- Comply with any prohibition, withdrawal, withholding, replacement or disposal decision.
- Avoid reintroducing an affected product until the forced labour has been eliminated and the decision has been withdrawn or modified.

The European Commission's guidance identifies three broad, non-exhaustive categories of information that authorities may request during an investigation:

1. **Corporate due diligence evidence** including policies, governance arrangements, training, procurement rules, supplier contracts, risk assessments, grievance mechanisms, stakeholder engagement, corrective action plans, monitoring results and independent audits.

2. **Working condition evidence** including employment contracts, payroll and working-time records, worker interviews, recruitment fee information, grievance records, photos, testimony and evidence that remediation has satisfied affected workers.
3. **Product and traceability evidence** including bills of materials, raw material origins, production sites, supplier identities, chain-of-custody information, transaction records, invoices, shipping documents, inventory locations, production volumes and evidence that input and output volumes are consistent.

Providing these materials does not automatically clear the product. The competent authority bears the burden of establishing that the prohibition has been violated. Companies may be asked to provide information relevant to whether the product was made with forced labour. This can include evidence generated through due diligence, information on working conditions, and product and supply chain traceability. Due diligence is therefore an important means of preventing forced labour and generating credible evidence, but it is not itself sufficient to be compliant. A robust due diligence system does not protect a product that is ultimately found to have been made with forced labour. A lack of traceability or failure to cooperate may weigh negatively in the assessment.

In other words, **the FLR does not ask companies to prove that they followed the right process; it prohibits a particular product outcome**. The process matters because companies need effective ways to prevent that outcome and understand and evidence what is happening in their supply chains.

Preparing for the FLR is not about creating another policy or commissioning another general supplier audit. It requires companies to connect human rights risk management with product knowledge, traceability, commercial decision-making and credible worker evidence. Existing assurance, due diligence, and responsible sourcing systems provide a valuable starting point but companies need to test whether those systems can answer the product-specific questions an FLR investigation will raise.

The responsibility for the FLR cuts across multiple departments including sustainability, procurement, compliance, legal, logistics and data teams. **As a first check to assess readiness, companies should ask themselves the following questions**:

1. Where are we exposed?

Companies should have a product-centred risk assessment covering products, components, countries, production sites, workforce arrangements and labour recruiters.

2. Can we trace and evidence our products?

Companies should have strong risk-based traceability and ability to connect product, transaction, production and supplier records. Unknown or mixed origins in high-risk supply chains can become an evidentiary weakness.

3. Can we prevent and address forced labour?

Companies should integrate forced labour indicators into assessments, worker engagement, procurement practices, supplier improvement, corrective action, remedy and responsible disengagement.

4. Could we respond to an investigation?

Companies should establish ownership, decision protocols and a response approach to possible risks and violations including investigation and remediation procedures, and a response file that brings together product, supplier, worker, transaction and remediation information.

NewForesight supports companies in translating these requirements into pragmatic sourcing and due diligence systems. This can include an initial FLR readiness assessment, prioritisation of exposed products and supply chains, risk and traceability mapping, supplier and worker engagement approaches, corrective action and remediation processes, and preparation of investigation-response protocols.

Unsure whether your existing system is FLR-ready? Contact us for a focused readiness scan of your highest-risk products and supply chains. You can reach out to Daniel Viviers-Rasmussen, Head of Sustainable Sourcing and Value Chain on daniel.viviers-rasmussen@newforesight.com.

Disclaimer: This article is intended for general informational purposes only and does not constitute legal advice. The application of the EU Forced Labour Regulation will depend on the specific facts, products, supply chains and circumstances of each company. Businesses should seek appropriate legal advice when interpreting their obligations or making decisions about compliance.