



Human Rights in the Supply Chain: Compliance, Governance, and Strategy



16 JULY 2025

This report, complemented with poll data from two Center briefings, examines the evolving regulatory landscape for human rights supply chain due diligence in the US and EU and outlines practical steps for business leaders to strengthen governance, mitigate risk, and align operations with new enforcement trends.

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- Regulatory scrutiny of human rights in supply chains is shifting from voluntary frameworks to enforceable legal obligations in the US and EU, yet many companies remain only moderately prepared, with gaps in readiness, clarity, and execution.
- The US has adopted an assertive, trade-based approach—most notably through the Uyghur Forced Labor Prevention Act, which bans imports tied to forced labor in China's Xinjiang region and places the burden of proof on importers.
- Broader US trade and industrial policies—including universal tariffs and sector-specific duties—are accelerating supply chain shifts that may reduce reliance on high-risk regions but introduce new traceability and oversight challenges.
- The EU's preventive, cross-sector model—anchored by the Corporate Sustainability Due Diligence Directive—will impose binding obligations on large companies to identify and mitigate human rights and environmental risks, even as simplification efforts currently in process aim to reduce administrative burdens.
- As human rights supply chain due diligence becomes a core compliance function, companies should strengthen cross-functional coordination, extend supply chain traceability beyond Tier 1 suppliers, legally vet disclosures, track legislative and enforcement developments, and invest in scalable data systems.

Supply Chain Scrutiny: A Growing Expectation

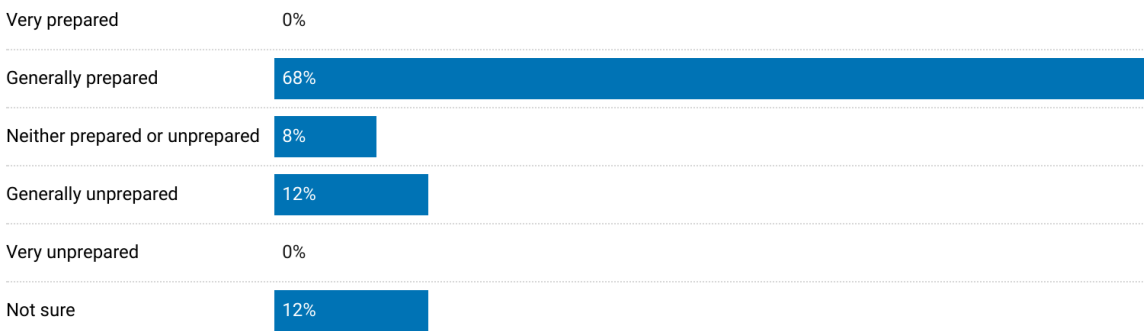
Corporate attention to human rights in supply chains has traditionally centered on forced labor, child labor, unsafe working conditions, and exploitation—particularly among lower-tier suppliers in regions such as Southeast Asia, sub-Saharan Africa, and Latin America. Early corporate responses were largely driven by reputational concerns, prompting many firms in high-risk sectors to adopt supplier codes of conduct. While these measures were foundational, human rights considerations remained peripheral to core business strategy and risk governance.

Over the past decade, companies have increasingly moved toward structured and proactive human rights due diligence, often linked to the “social” and “governance” pillars of ESG. Voluntary frameworks such as the [UN Guiding Principles on Business and Human Rights](#) and the [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#) helped shape expectations and practices, though they were not legally enforceable.¹ Today, those same frameworks are informing new mandatory due diligence laws across multiple jurisdictions, including the US and EU. As regulatory demands grow more complex, companies face heightened pressure to ensure supply chain traceability, risk management, and oversight—or risk penalties and legal liability.

Figure 1

Most surveyed companies are generally prepared for human rights supply chain due diligence

Q: How prepared is your company for upcoming human rights in the supply chain diligence and related disclosure requirements?



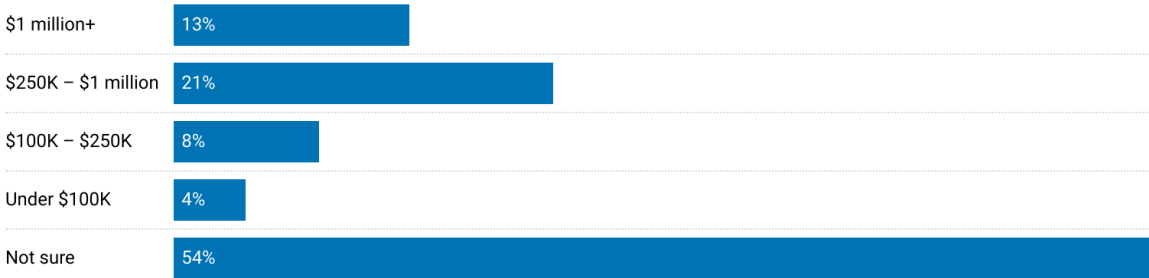
Note: 35 senior corporate governance and sustainability executives responded.
Source: Center Briefing: Human Rights in the Supply Chain (part two), The Conference Board, May 2025

Many companies have been preparing for the shift toward enforceable regulation, though gaps remain. In a May 2025 poll by The Conference Board, 68% of senior corporate governance and sustainability executives said their firm was “generally prepared” for upcoming human rights due diligence and disclosure requirements—but none described themselves as “very prepared” (Figure 1). At the same time, 12% reported being “generally unprepared” and 12% were “not sure,” highlighting ongoing uncertainty. The financial impact is also not well understood: more than half of respondents were unable to estimate their expected compliance costs (Figure 2).

Figure 2

Most respondents are not yet sure what the financial implications of complying with human rights due diligence laws may be

Q: How much do you expect your company has spent or will spend in total to comply with applicable requirements related to human rights in the supply chain?



Note: 29 senior corporate governance and sustainability executives responded.
Source: Center Briefing: Human Rights in the Supply Chain (part one), The Conference Board, October 2024

The US: Evolving Policies and Active Enforcement

The Uyghur Forced Labor Prevention Act (UFLPA)

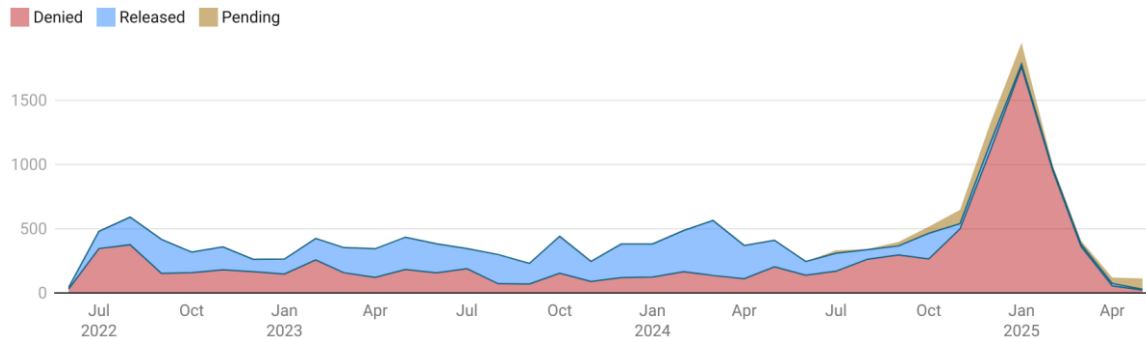
Until recently, US federal scrutiny and enforcement of human rights in international supply chains was limited. Although imports made with forced labor have been banned for over a century—starting with the [McKinley Tariff Act](#) of 1890 and expanded by [Section 307 of the Tariff Act](#) of 1930—enforcement was long undermined by loopholes such as the “consumptive demand” exception, which allowed imports when domestic supply was lacking. Even after that loophole was [closed](#) in 2015, US Customs and Border Protection (CBP) detained fewer than 100 forced labor–linked shipments over an 80-year period.²

That landscape has shifted sharply over the past five years, as bipartisan legislation, executive actions, and rising geopolitical tensions with China have driven more assertive enforcement. The clearest example is the [UFLPA](#), enacted in 2021 and effective as of 2022—the strongest US measure to date targeting forced labor in supply chains. The law seeks to prevent US entities from sourcing from or financing alleged state-imposed forced labor involving ethnic minorities in China’s Xinjiang region, a major global supplier of cotton, textiles, polysilicon, and electronics components.³

The UFLPA establishes a rebuttable presumption that any goods made wholly or partly in Xinjiang—or by entities associated with state-imposed forced labor—are barred from entry into the US. As of June 1, 2025, CBP has detained [16,781 such shipments](#), valued at \$3.7 billion. Fewer than 40% have been released, underscoring the law’s high evidentiary bar and the government’s increasingly robust enforcement posture (Figure 3).

Figure 3**60% of the 16,781 shipments detained under the UFLPA since June 2022 have been denied entry**

Shipments detained under the Uyghur Forced Labor Prevention Act, June 2022–May 2025



Note: Data are current as of June 1, 2025.

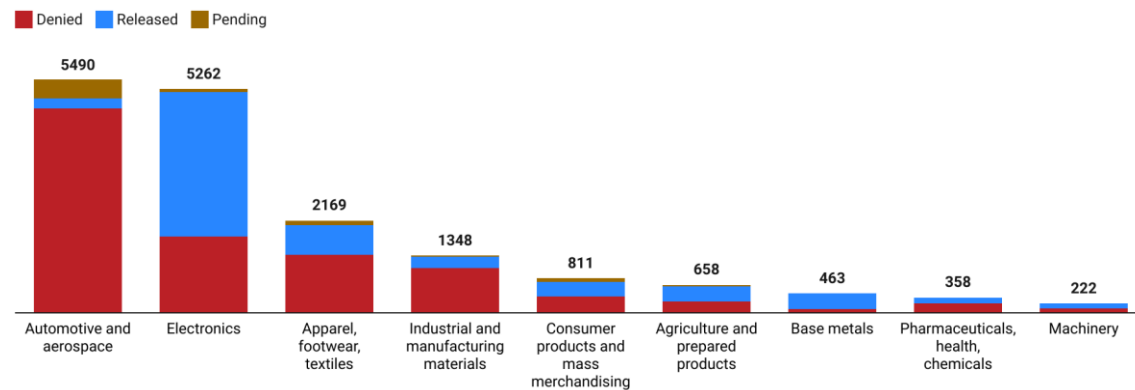
Source: The Conference Board based on data from [Uyghur Forced Labor Prevention Act Enforcement Statistics: June FY2022 to FY2025 to date](#), US Customs and Border Protection, 2025

Shipments in the automotive, aerospace, and electronics industries account for two-thirds of all UFLPA detentions (Figure 4), reflecting elevated sourcing risks tied to polysilicon, lithium-ion battery materials, and rare earth minerals. Among these sectors, electronics shipments are more frequently released—suggesting stronger compliance systems—while automotive and aerospace face higher denial rates due to complex sub-tier sourcing and limited traceability. The apparel, footwear, and textiles sector also sees high denial rates, reflecting entrenched forced labor risks in Xinjiang’s cotton supply.

Figure 4

Two-thirds of all shipments detained under the UFLPA relate to the automotive, aerospace, and electronics industries

Total shipments detained under the Uyghur Forced Labor Prevention Act, June 2022–May 2025



Note: Data are current as of June 1, 2025.

Source: The Conference Board based on data from [Uyghur Forced Labor Prevention Act Enforcement Statistics: June FY2022 to FY2025 to date](#), US Customs and Border Protection, 2025

Notably, only 49% of goods detained under the UFLPA since June 2022 originated in China, representing just 12% of total shipment value. Most others arrived via three countries—Malaysia (18% of shipments, 42% of value), Vietnam (19%, 28%), and Thailand (6%, 14%)—reflecting CBP’s suspicion of offshored assembly and upstream inputs tied to Xinjiang. This transshipment complicates enforcement and highlights how forced labor–linked content can be embedded in complex, multitiered supply chains.

To rebut the UFLPA presumption that certain goods are the product of forced labor, companies must present credible, verifiable traceability evidence such as purchase records, audit reports, and site verification. Effective due diligence requires upstream supply chain mapping, enforceable supplier terms, worker grievance channels, training, and ongoing monitoring. Beyond import denials, companies also face potential consequences that include regulator scrutiny, shareholder lawsuits, loss of government contracts, and significant reputational damage. Key steps that companies can take include:

- **Invest in upstream traceability:** Map component inputs beyond Tier 1 suppliers, especially in high-risk sectors. Where feasible, use origin tracing tools, blockchain, and audit trail technologies.
- **Document defensible due diligence:** Systematically record all procedures—risk assessments, training, contractual terms, and site visits—and ensure centralized access.
- **Align legal, procurement, and ESG functions:** Establish cross-functional teams to manage compliance and respond swiftly to CBP inquiries or enforcement shifts.

- **Monitor enforcement patterns:** Track CBP detentions, sector priorities, and evolving evidentiary standards using official dashboards and trade advisors. Companies should also monitor legislative developments.

Broader US trade policy and legislative trends

Recent US trade measures may further influence forced labor enforcement and reshape sourcing decisions. The [10% universal import tariff](#) introduced in April 2025, along with higher duties on electric vehicles, batteries, semiconductors, and critical minerals, is accelerating supply chain shifts.⁴ While designed to strengthen domestic industry, these policies can also affect human rights risk exposure: for example, reshoring may reduce reliance on high-risk regions but can weaken supply chain visibility when new sourcing markets have limited oversight.

Other policy developments may add to compliance complexity. As directed by a February 2025 [executive order](#), the Department of Justice has reduced the pace of [Foreign Corrupt Practices Act](#) enforcement,⁵ while procurement policies related to diversity, equity & inclusion (DEI) are facing increased [legal and political scrutiny](#) at both federal and state levels, introducing uncertainty for supplier diversity programs. Regulatory divergence between the US and EU is also widening: the US is emphasizing industrial strategy and trade enforcement, while the [EU is advancing binding supply chain due diligence frameworks](#)—creating overlapping but distinct compliance expectations for multinational companies.

Forced labor enforcement will likely remain a priority across multiple levels of government. Federal efforts are complemented by state-level measures—such as Florida’s [HB 1331](#), which bars state contracts with companies linked to forced labor,⁶ and California’s [Transparency in Supply Chains Act](#),⁷ which continues to serve as a basis for civil society action. At the federal level, the [COBALT Supply Chain Act](#), introduced in March 2025, proposes a rebuttable presumption against cobalt sourced from the Democratic Republic of the Congo and processed under Chinese influence.⁸ Though not yet enacted, it reflects growing bipartisan momentum for sector- and region-specific trade enforcement. Companies that embed forced labor risk into compliance, procurement, and governance systems will be better equipped to navigate intensifying regulatory and reputational scrutiny than those that do not.

The EU: Binding Framework for Supply Chain Accountability

The Corporate Sustainability Due Diligence Directive (CSDDD)

The EU’s approach to human rights in supply chains emphasizes a preventive, governance-based framework focused on due diligence and disclosure rather than, as in the US, trade enforcement mechanisms such as import bans and rebuttable presumptions.

The [CSDDD](#), adopted in 2024, is the primary vehicle for this approach, establishing binding obligations for large EU and non-EU companies—those with over 1,000 employees and €450 million in turnover—to identify, mitigate, and address human rights and environmental risks

across their operations and value chains. The directive applies to both direct operations and Tier 1 suppliers, with expectations to assess deeper tiers where appropriate, and is enforced by national authorities through penalties linked to global turnover and potential civil liability.

The CSDDD is currently undergoing review as part of a [broader EU effort](#) to streamline regulatory requirements and compliance burdens.⁹ While the outcome of these deliberations remains uncertain, proposed changes include delayed transposition, phased implementation, less frequent reporting, and a narrower scope of application and liability (Figure 5). However, the core focus on identifying, disclosing, and addressing supply chain harms will remain. The directive also complements other EU frameworks like the [Corporate Sustainability Reporting Directive](#) (CSRD) and [Sustainable Finance Disclosure Regulation](#), together forming an integrated regime for reporting, finance, operations, and accountability.

Strategically, in-scope companies should prepare for CSDDD enforcement by conducting internal gap analyses, mapping supply chains, reviewing supplier contracts, and aligning legal, ESG, and procurement functions. Even firms below the threshold or outside the EU may face indirect pressure through procurement standards, investor expectations, and commercial relationships. Structured and well-documented due diligence—grounded in governance and tailored to material risks—will be essential for meeting evolving legal, operational, and reputational expectations under the EU's evolving regime.

Additional EU regulatory initiatives

In addition to the CSDDD, two forthcoming EU regulations—the [Regulation on Deforestation-free Products](#) (EUDR) and the [Regulation on Forced Labour](#) (FLR)—will further expand corporate due diligence requirements. The EUDR, effective December 2025, prohibits the sale or export of commodities such as soy, cattle, cocoa, coffee, palm oil, rubber, wood, and certain derivative products unless companies can demonstrate they are not linked to post-2020 deforestation and were produced in compliance with applicable human rights and labor laws. While 2025 simplification proposals may ease administrative burdens, the core requirement for verifiable, geolocation-based traceability—especially in high-risk sourcing regions—remains unchanged.¹⁰

The FLR, adopted in 2024 and effective from late 2027, will ban the placement, sale, or export of goods made with forced labor in the EU, applying globally and operating through an investigation-based model. Unlike the US UFLPA, it does not rely on presumptions but may lead to removal of noncompliant goods already on the market.¹¹

Together, the CSDDD, EUDR, and FLR form the backbone of a converging EU due diligence regime. While their mechanisms and scopes vary, all require proactive, risk-based accountability and should be treated as strategic compliance priorities for in-scope companies.

Figure 5

The EU Corporate Sustainability Due Diligence Directive (CSDDD) will undergo some degree of simplification in 2025

Selected core elements of the CSDDD, with notes on simplification changes adopted or proposed by the European Commission (EC) and Council of the EU (Council) in 2025. Changes remain subject to European Parliament negotiation and approval.

Element	Originally adopted in 2024	Adopted and proposed changes in 2025
Thresholds	<p>EU companies: 1,000+ employees and €450 million in global net turnover</p> <p>Non-EU companies: €450 million in net turnover within the EU</p>	<p>Adopted: Due diligence obligations for first wave of reporting companies will be delayed for one year (see below)</p> <p>Proposed (Council): EU companies with 5,000+ employees and €1.5 billion in global net turnover; non-EU companies with €1.5 billion in net turnover within the EU</p>
Timeline	<p>Transposition into national law: July 2026</p> <p>EU and non-EU companies: Phased from July 2027 to July 2029 depending on size and revenue</p>	<p>Adopted: Transposition into national law by July 2027</p> <p>Proposed (Council): Transposition into national law by July 2028</p> <p>Adopted: EU and non-EU companies: Phased from July 2028 to July 2029</p> <p>Proposed (Council): Delayed to July 2029 for all</p>
Reporting	<p>Publish due diligence reports annually</p> <p>Report on risks and impacts across the full value chain, including indirect suppliers</p>	<p>Proposed (EC and Council): Publish due diligence reports once every five years</p> <p>Reporting focuses on Tier 1 (direct) suppliers only; companies should still map indirect suppliers</p>
Remediation	<p>Company that causes or contributes to environmental or human rights harm is obligated to provide or contribute to remediation</p>	<p>Proposed (EC and Council): Companies still responsible for remediation if they cause or contribute to harm, but not liable for harm they are only linked to—such as harm caused by indirect supplier</p>
Liability	<p>Companies can face civil liability for failing to prevent harm in supply chains</p>	<p>Proposed (EC and Council): Applies only to direct harms linked to established relationships and due diligence failures</p>
Penalties	<p>Fines based on company's global net turnover, maximum of at least 5% for serious violations</p>	<p>Proposed (EC and Council): Removes 5% fine threshold, gives member states greater discretion to set penalty levels</p>

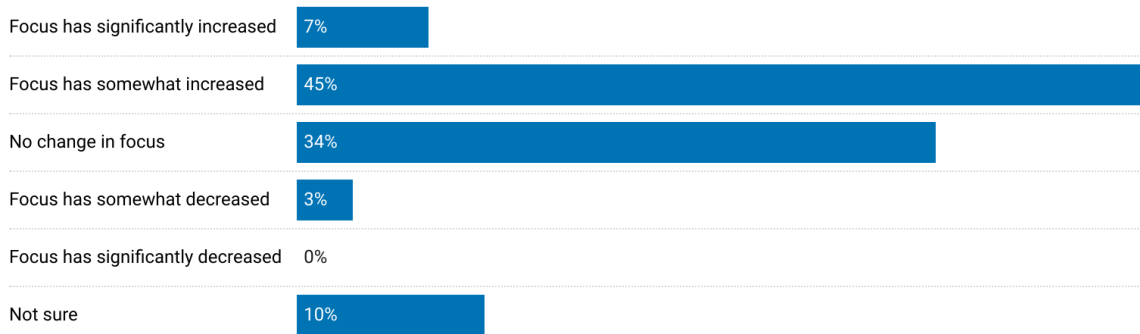
Source: *Human Rights in the Supply Chain: Compliance, Governance, and Strategy*, The Conference Board, July 2025

Strategic Recommendations for Companies

As regulatory and stakeholder expectations intensify, corporate leaders responsible for human rights in supply chains—including heads of sustainability, procurement, and legal—must move beyond policy statements toward integrated, enforceable, and auditable due diligence systems. Notably, more than half of executives polled in May 2025 reported a somewhat or significantly increased focus on supply chain human rights, despite recent US policy shifts and EU efforts to simplify regulatory requirements (Figure 6).

Figure 6
Half of surveyed leaders have increased focus on human rights in 2025

Q: In 2025, has your organization changed its focus on human rights in the supply chain due to evolving political and regulatory developments in the US and Europe?



Note: 39 senior corporate governance and sustainability executives responded.
Source: Center Briefing: Human Rights in the Supply Chain (part two), The Conference Board, May 2025

To enhance effectiveness and prepare for new laws, companies can consider six actions:

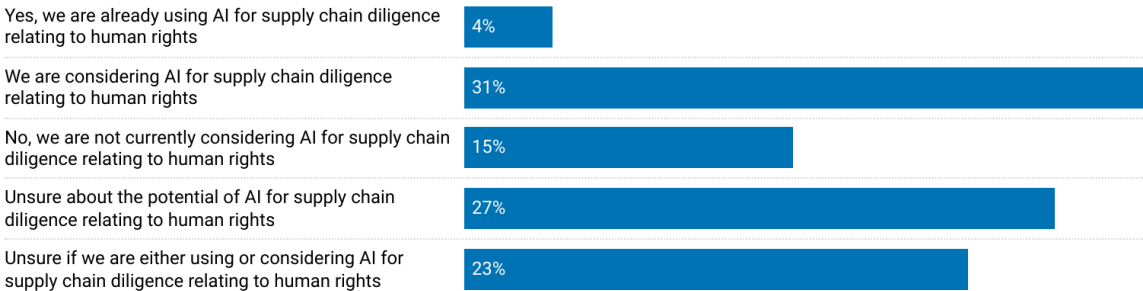
- 1 Embed human rights risk into enterprise governance:** Integrate supplier due diligence into enterprise risk management with board-level oversight; cross-functional accountability across legal, procurement, and compliance; and clear escalation protocols for addressing supplier violations and audit failures. Ensure that transactional due diligence covers key suppliers as appropriate.
- 2 Deepen supply chain visibility and control:** Map critical inputs beyond Tier 1; secure verifiable documentation (e.g., geolocation and transaction records); embed monitoring, audit, and termination clauses in contracts; and balance procurement decisions, taking into account cost, quality, reliability, and transparency.
- 3 Operationalize supplier due diligence:** Standardize workflows for supplier screening, onboarding, monitoring, and remediation. Approach supplier due diligence as a continuous, structured process supported by a centralized repository of assessments, actions, and grievance outcomes, rather than relying solely on third-party certifications. Regularly assess the reliability of third-party certifications and ensure their use in company disclosures and marketing is appropriate in scope and methodology.

- 4 **Monitor regulatory trajectories and legal exposure:** Track evolving rules and enforcement priorities—such as the EU Regulation on Forced Labour, as well as international developments in [Australia](#), [Canada](#), [Japan](#), [Norway](#), [Switzerland](#), and the [UK](#). Conduct gap analyses to ascertain preparedness for new requirements and scenario planning for high-risk products and jurisdictions, review effectiveness of disclosure controls and procedures, and ensure public disclosures are legally vetted and complemented by risk factors and disclaimers to manage and mitigate litigation and reputational risks.
- 5 **Budget realistically for compliance:** Factor due diligence–related costs into financial planning, from audit expansion and legal support to supplier training and technology systems. Forecast spending by sector and geography.
- 6 **Build traceability and data infrastructure:** Invest in scalable systems for supplier tracking and risk analytics; enable shared access across ESG, legal, and procurement; and selectively deploy AI tools where data quality allows. While current AI adoption remains low, it can enhance traceability, risk detection, and large-scale data analysis (Figure 7).

Figure 7

Only 4% of surveyed companies are using AI for human rights supply chain due diligence, although more are considering it

Q: Are you considering AI solutions for supply chain diligence relating to human rights?



Note: 35 senior corporate governance and sustainability executives responded.
Source: Center Briefing: Human Rights in the Supply Chain (part two), The Conference Board, May 2025

Conclusion

Human rights due diligence is no longer a peripheral corporate responsibility issue—it is a core legal, compliance, and commercial requirement, particularly across complex global supply chains. This shift demands stronger board oversight, cross-functional coordination, credible traceability, and systems that can withstand regulatory and legal scrutiny. While challenges persist—especially in lower-tier sourcing and data reliability—companies that build structured, verifiable due diligence frameworks will be better positioned to manage risk, protect reputation, and maintain access to markets, capital, and critical supply chain relationships than companies that do not.

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About the Author



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Endnotes

¹ The [UN Guiding Principles on Business and Human Rights](#) (2011) represent the global standard outlining corporate responsibility to respect human rights, conduct due diligence, and enable access to remedy. Complementing this, the [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#) (1976, updated 2023) set out government-backed expectations for companies to identify, prevent, and mitigate human rights risks across their operations and value chains. While neither framework is legally binding, both underpin emerging due diligence laws.

² The [McKinley Tariff Act](#) (1890) banned imports made with convict labor but was rarely enforced. [Section 307 of the Tariff Act](#) (1930) extended the ban to forced and indentured labor, though it primarily served trade protection purposes. A major loophole—the “consumptive demand” exception—allowed such imports when US supply was lacking. This was closed by the [Trade Facilitation and Trade Enforcement Act](#) (2015), enabling stronger enforcement in principle, though fewer than 100 forced labor–linked shipments were detained before 2022.

³ Concern over alleged state-sponsored forced labor in China's Xinjiang region intensified in the late 2010s, as reports cited mass internments, labor transfers, and reeducation programs involving Uyghurs and other ethnic minorities. As scrutiny of supply chain ethics grew and US-China relations became more strained, the [Uyghur Forced Labor Prevention Act](#) advanced through several legislative cycles before gaining momentum in 2021. It passed the House 428–1 and the Senate by unanimous consent and was signed into law in December 2021.

⁴ As of July 2025, [US tariff policy](#) reflects a broad shift toward protectionism, anchored by a 10% baseline tariff on most imports and layered with country-specific and sector-specific duties—some exceeding 50%. Key targets include steel, aluminum, autos, and Chinese goods, while exemptions and negotiated pauses remain in flux amid ongoing bilateral talks and legal challenges.

⁵ The [Foreign Corrupt Practices Act](#) prohibits bribery of foreign officials and requires US-listed companies to maintain accurate books and internal controls. In 2025, enforcement policy shifted following regulatory and legislative changes that narrowed prosecutorial discretion, raised evidentiary thresholds, and emphasized voluntary compliance.

⁶ Florida [HB 1331](#), effective July 2024, prohibits state agencies from contracting with companies that supply goods produced in whole or in part with forced labor. The law mandates quarterly publication of a [forced labor vendor list](#) and requires company officers to certify compliance under penalty of fines for false declarations. As of July 11, 2025, no vendors have been included on the forced labor vendor list.

⁷ The [California Transparency in Supply Chains Act](#) (SB 657), effective January 2012, requires large retailers and manufacturers doing business in California—with global revenues over \$100 million—to publicly disclose on their websites their efforts to address slavery, human trafficking, and forced labor in their direct supply chains. Disclosures must cover five areas: verification, audits, certification, internal accountability, and employee training.

⁸ The [COBALT Supply Chain Act](#) (HR 2310), introduced in March 2025, would create a UFLPA-inspired rebuttable presumption that cobalt refined in China is linked to forced or child labor in the Democratic Republic of Congo, which supplies approximately 70% of the world's cobalt. Though it has not advanced beyond committee or secured broad bipartisan backing, the proposal signals rising congressional interest in applying trade-based enforcement to critical mineral supply chains.

⁹ The EU's 2025 [Omnibus Simplification Package](#) responds to industry concerns over escalating compliance burdens under sustainability frameworks like CSRD and CSDDD. Adopted in February, the “stop-the-clock” mechanism (published in the Official Journal of the European Union in April and to be transposed by member states by December 31, 2025) delays reporting deadlines—shifting CSRD reporting dates for certain firms from 2026 to 2028 and deferring due diligence timelines. Other proposed amendments would raise employee and turnover thresholds to narrow affected entities. Remaining amendments to the EU Taxonomy, Carbon Border Adjustment Mechanism, and CSDDD content are under negotiation.

¹⁰ The EU [Deforestation Regulation](#), adopted in June 2023, prohibits placing specified commodities and derivatives—such as palm oil, soy, beef, cocoa, rubber, coffee, and wood—on the EU market if they are linked to deforestation occurring after December 31, 2020. The regulation applies from December 30, 2025, with a phase-in for small and medium-sized enterprises by mid-2026. Companies must geolocate sourcing plots, segregate supply chains, and submit due diligence statements via a central system. Enforcement includes fines of up to 4% of EU turnover, reflecting a shift toward enforceable, data-driven supply chain accountability.

¹¹ The EU [Forced Labour Regulation](#), adopted in December 2024, prohibits the import, export, and sale of products made with forced labor, regardless of origin, sector, or stage in the supply chain. The regulation enters into full application in December 2027. It adopts a risk-based enforcement model, with national authorities responsible for in-scope EU cases and the European Commission leading third-country investigations. A centralized Forced Labour Single Portal will publish decisions, and penalties include product withdrawals, disposal orders, and mandatory public disclosures.

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