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BEYOND GOOD INTENTIONS

A guide to the human rights regulatory landscape

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PROTECTING HUMAN RIGHTS AND BUSINESS VALUE

In recent years, critical human rights issues have worsened, not least because of the impact of the Covid-19 pandemic, policy changes in the U.S., rise of artificial intelligence, increasing income inequality, ecocide, and international conflicts. These conflicts exacerbate human suffering, leading to severe violations of human rights, including loss of life, displacement and destruction of infrastructure. We are further away from achieving the UN SDGs by 2030. Racial and social injustice remains entrenched, perpetuating the discrimination and marginalisation of vulnerable communities, while systemic bias and disparity persists in many fields, from education to healthcare. This highlights the need for urgent action, due diligence and disclosure.

Human rights issues continue to plague society around the world.

- The International Labour Organization (ILO) estimates that more than [50 million people are trapped in modern slavery and trafficking networks](#).
- UNICEF and the ILO estimate that around [160 million children are engaged in child labour](#), often exposed to hazardous conditions and denied access to education and proper care.
- The ILO estimate that [28 million people currently endure forced labour](#), which disproportionately affects migrants, refugees and those living in conflict zones.

In this guide, we'll share the trends we're seeing in the human rights reporting regulatory landscape, and the steps businesses can take to improve their human rights strategy, reporting policies, due diligence and remediation.

At Flag, we've supported many businesses to advance their human rights strategy and reporting, conducting human rights saliency assessments through research, surveys, workshops, interviews and analysis. Please reach out to me or the Flag team if there is anything we can do to help you navigate these important changes.



Sami Parsons

Head of reporting and sustainability advisory, Flag



“As global turbulence deepens existing inequalities, companies must scrutinise their strategies and operations to ensure they are not complicit in human rights abuses – directly or indirectly – and take swift, decisive action to remediate any harm uncovered.”

Sami Parsons

Head of reporting and sustainability advisory

The Corporate Sustainability Due Diligence Directive (CSDDD) – see page 7 – originally released in April 2024 and due to be transposed into national law by member states by July of 2027, requires EU companies, and those with significant EU operations, to prevent negative impacts on human rights and the environment.

This development has spurred more companies to disclose against the UN Guiding Principles Reporting Framework (UNGPRF), a comprehensive framework that enables businesses to report on their performance in addressing human rights issues.

The release of the CSDDD has also sparked a renewed focus on improving human rights due diligence, access to grievance mechanisms and access to remedy, helping to raise the bar on human rights management and disclosure around the world.

For full detail on the human rights legislation and voluntary frameworks impacting the UK, Europe and the US, see pages 7–9.

The trends we’re seeing

Companies are using these regulations to revisit corporate strategy to ensure human rights are integrated throughout and help mitigate risk (for example engaging with rightsholders and stakeholders before entering a new market or launching a new product).

Across the human rights reporting landscape, we are noticing the emergence of several themes and common threads.

They include:

- a move from voluntary to mandatory reporting
- an increased focus on human rights due diligence, alongside requirements to:
 - > monitor compliance with, and progress on, remediation measures
 - > disclose adverse human rights impacts
- requirements and mechanisms that enable stakeholders to raise grievances and report issues
- assessments of a wider range of negative impacts such as forced eviction and land grabbing
- reporting regulations that focus on specific issues such as modern slavery or indigenous rights
- concerns about how to monitor and address human rights in an increasingly digital world.

Just one look at the abbreviations involved – CSDDDD, UNGPRF, UNGC, GRI, MSA – is enough to illustrate how challenging the rapidly evolving regulatory landscape can be to navigate.

“My experience in advising companies on their human rights strategy involves using the requirements of CSDDDD, the UNGPRF, saliency assessments and human rights maturity assessments as a lens to strengthen corporate human rights due diligence and protect business value and social license to operate.”

Sami Parsons

Head of reporting and sustainability advisory

WHAT DOES THIS MEAN FOR BUSINESS?

Changes to the regulatory environment and the emergence of new voluntary frameworks, as well as ever-increasing stakeholder expectations and scrutiny, will require a significant shift in companies' sustainability strategies, activities and reporting. The scale of the changes is significant and businesses need to start preparing a roadmap to compliance now. Here are our six steps to aligning your reporting to these new regulations and frameworks.

Six key steps

Understand the latest regulatory landscape

- Map out the latest requirements and identify which do or might apply to your business. Consider company size and sector; the products and services you provide/use; where you operate; where your products/services are sold or used; where your suppliers are located; and where your raw materials are sourced.
- Understand the timescales for compliance and develop a transition plan to meet the required deadlines.

Increase supply chain transparency

- Fully understand the materials, components and products you source and from where.
- Don't just focus on direct suppliers. Compliance with some regulations requires you to know whether goods are produced wholly or partly in specific countries or regions, and to avoid them if they are.
- Despite the potential changes to CSDDD as a result of the EU Omnibus, companies that already know there are risks to people deep in their supply chain should continue to address these risks. Companies can still be held liable for abuses that they were aware of and with modern technology are easier than ever to uncover.

- Consider where workers in your supply chain come from to minimise the risk of exploitation of migrant workers, for example through bonded labour or the payment of recruitment fees.

Identify, assess and address actual and potential negative impacts

- Conduct human rights due diligence across your business and supply chain, looking at the impacts associated with your operations, products and/or services.
- Engage with rightsholders and stakeholders when changing and evolving business strategy.
- Identify the most severe human rights risks in terms of scale (gravity), scope (number of individuals affected) or irremediability.
- Cease, prevent or mitigate negative impacts, track your progress and communicate how these impacts are being addressed.
- Accommodate or cooperate in remediation when appropriate.

Embed responsible business conduct into policies and management systems

- Ensure you have the right governance structure and risk management processes in place to meet the new requirements. These will be key to

managing sustainability issues effectively, as well as to fulfilling stakeholder expectations.

- Provide and promote channels for stakeholders to raise concerns.

Build the right team

- Ensure you have the skills, knowledge and experience to respond to the new requirements. You may need to recruit additional staff with specific expertise or consider using external support from specialist providers.
- Support suppliers with training, work collaboratively and encourage open communication.

Invest in new data systems

- Be prepared to collect and report significantly more information. Future data requirements will extend well beyond your operations to include suppliers, customers, local and indigenous communities, etc.
- Plan for and invest in systems to collate and analyse data from multiple sources, and track year-on-year performance. The growing number of platforms and tools designed to facilitate the reporting, monitoring and resolution of human rights issues includes Workiva, Diligent, Ushahidi and Benetech.

WHAT'S DRIVING THE CHANGE?

Human rights impacts are worsening for many people across the world, and the Covid-19 pandemic has only made that worse – and more apparent. Furthermore, consumers increasingly want to purchase brands and support companies that don't have negative human rights impacts in their supply chains. As a result, governments are looking to drive corporate transparency and due diligence obligations through national and regional regulations on human rights.

Key drivers

Increased pressure from investors

Investors face a number of challenges in assessing the performance of organisations on a range of social metrics, including human rights. Now, with the introduction of the EU's Sustainable Finance Disclosure Regulation (SFDR), investors must consider whether their investment decisions have had any impact on sustainability factors, including human rights, and publish a statement to that effect.

Legal and reputational risks

Failure to address human rights issues can lead to legal consequences as well as reputational damage. Mandatory regulations impose legal obligations, while voluntary frameworks provide guidance to manage reputational risks.

Increasing stakeholder expectations

Customers, investors, employees and civil society are increasingly demanding transparency and ethical practices from businesses. Companies are realising the need to address human rights risks and report on their efforts to meet these expectations, especially given the limitations of current approaches to human rights due diligence.

Indices, ratings and rankings

Human rights issues are increasingly being incorporated into a range of indices, ratings and rankings, many of which have new disclosure requirements. For example, the EU's European Sustainability Reporting Standards (ESRS) establishes dozens of sustainability-related disclosure requirements for thousands of EU companies that are subject to the Corporate Sustainability Reporting Directive (CSRD).

To help you navigate the evolving human rights regulatory landscape, here’s a summary of key legislation impacting the UK, Europe and the US.

EU: Corporate Sustainability Due Diligence Directive (CSDDD) (2024)

The Corporate Sustainability Due Diligence Directive (CSDDD), initially released in April 2024 and following the Omnibus ‘Stop-the-Clock’ Directive is now due to be transposed into national law by member states by July 2027. This directive requires EU companies, and those with significant EU operations, to prevent negative impacts on human rights and the environment. Despite delays from the Omnibus proposal, the CSDDD has encouraged more companies to disclose against the UN Guiding Principles Reporting Framework (UNGPRF), helping raise the bar on human rights management and disclosure worldwide.

The CSDDD obliges large, limited liability companies in EU Member States – or with major operations within the EU – to integrate due diligence into policies, conduct risk analyses to identify adverse impacts and publicly communicate any actions taken to mitigate or prevent such impacts.

It also requires EU Member States to guarantee that affected companies align their strategies with the 2015 Paris Agreement’s aim of limiting global warming to no more than 1.5°C.

The CSDDD is currently being revisited as part of the Omnibus package.

EU: Conflict Minerals Regulation (2021)

The Conflict Minerals Regulation requires EU-based importers of tin, tantalum, tungsten and gold (known as ‘3TG’) to source these metals and minerals responsibly. It also seeks to ensure that their supply chains don’t inadvertently fund armed conflict, illegal practices or human rights abuses in sourcing countries. To meet the requirements to only use responsible and conflict-free sources, EU importers must:

- establish strong management systems
- identify, assess and respond to supply chain risks
- carry out an independent third-party audit of their supply chains
- report annually on supply chain due diligence.

When minerals come from a [conflict-affected or high-risk area](#), EU-based importers are required to disclose which mine was used; where the minerals were consolidated, traded and processed; and the details of any taxes, fees and royalties paid. They must also confirm that any smelters and refiners in their supply chains have appropriate due diligence processes in place.

EU: Sustainable Finance Disclosure Regulation (SFDR) (2021)

The SFDR mandates companies in the EU’s financial sector to disclose how they consider sustainability issues – including human rights issues – when making investment decisions. This fosters greater transparency, enabling investors and stakeholders to assess the social impacts of their investments.

Companies with financial products must provide clear information about their sustainability objectives, criteria and methodologies, and institutions must report on any adverse impacts of their investments. Financial institutions are also encouraged to integrate sustainability risks – including human rights risks – into their risk management processes and report on how their investments contribute to human rights-related UN Sustainable Development Goals (SDGs).

UK: Modern Slavery Act (2015)

The Modern Slavery Act sets out the UK government’s legal requirements for organisations to address and report on their efforts to identify, mitigate and prevent modern slavery, forced labour and human trafficking in their supply chains. The law applies to all companies doing business in the UK with an annual turnover of at least £36 million.

In 2021, the government recognised that businesses that provide goods and services to authorities in Xinjiang, or that have supply chain links to the region, risk unintentionally facilitating or being complicit in human rights violations. In response to these concerns, the government introduced a series of business measures for the region, highlighted sectors at particular risk and encouraged collaboration in human rights due diligence.

US: Uyghur Forced Labor Prevention Act (UFLPA) (2022)

The UFLPA seeks to strengthen the existing ban on importing goods made using forced labour, and to end the systematic use of forced labour in the Xinjiang Uyghur Autonomous Region of China. The act applies to goods produced wholly or in part in Xinjiang, or by companies on the UFLPA’s Entity List. This includes goods produced in other parts of China, or in other countries, that incorporate goods produced in Xinjiang.

The sectors identified as having a high risk of forced labour by the UFLPA include tomatoes, cotton, apparel and silica-based products.

The Forced Labor Enforcement Task Force (FLETF) monitors the application of the act and recommends due diligence efforts in tracing supply chains.

1 The act applies to organisations with more than 3,000 employees in Germany, but this threshold has reduced to 1,000 employees as of 1 January 2024.

As well as regulatory requirements, several voluntary frameworks exist to help companies manage and report on human rights impacts.

UN Guiding Principles Reporting Framework (UNGPRF)

The UNGPRF is recognised as the global standard for human rights reporting. It provides a set of questions to help businesses demonstrate they are meeting their responsibility to protect, respect and remedy human rights in their operations and supply chains. The Reporting Framework is divided into three parts.

- Part A focuses on a company’s general commitment to, and governance of, human rights risks.
- Part B provides additional focus on salient human rights issues within a company’s activities.
- Part C covers the effective management of each salient human rights issue the company is reporting on.

UN Global Compact (UNGC) Communication on Progress (CoP)

The UNGC is a voluntary initiative that encourages businesses to adopt sustainable and socially responsible policies and practices, including a commitment to uphold human rights standards. It helps companies:

- align their strategies and operations with the UNGC’s Ten Principles on governance, human rights, labour, environment and anti-corruption
- take strategic actions to advance broader societal goals such as the UN SDGs.

Participating companies are required to produce an annual CoP setting out how they embed the Ten Principles into their strategies and operations. The CoP was enhanced in 2023, helping companies to build credibility; continuously improve performance by identifying gaps, accessing guidance and setting sustainability goals; and compare their performance against peers.

2 For example: Employment, Labor, Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity, Non Discrimination, Forced or Compulsory Labor, Security Practices, Rights of Indigenous Peoples, Local Communities, Supplier Social Assessment and Public Policy.

3 KPMG’s Survey of Sustainability Reporting in 2022.

Global Reporting Initiative (GRI)

The GRI Standards for sustainability reporting help companies demonstrate their commitment to transparency and accountability, and disclose their efforts to promote human rights in their operations and supply chains.

In 2021, the GRI Universal Standards were significantly updated and now require the full integration of human rights issues into a company’s reporting. This means that all organisations using the GRI Standards must report in line with intergovernmental expectations for human rights due diligence, as set by the UN and the Organisation for Economic Co-operation and Development (OECD).

Seventeen of the GRI Standards now cover a range of social topics², allowing reporting companies to better demonstrate their human rights impacts. In 2022, 78% of the world’s biggest companies by revenue (the G250) used the GRI Standards for reporting³.

Taskforce on Inequality and Social-Related Financial Disclosures (TISFD)

The TISFD is a global initiative aiming to incentivise business and financial practices that create fairer, stronger societies and economies. Launched in September 2024, the TISFD is developing recommendations and guidance for businesses and financial institutions to understand and report on people-related impacts, dependencies, risks and opportunities, with a disclosure framework expected to be launched publicly by the end of 2026.

The TISFD’s framework is expected to emphasise the importance of putting people at the heart of corporate strategy, governance, management, and reporting, and will clarify key concepts such as human rights, wellbeing, human and social capital and materiality. This includes taking a multi-dimensional approach to wellbeing that includes health, safety, income, social connections and skills. It will also define thresholds below which a person’s wellbeing should not fall.

TISFD will ask reporters to disclose both how social and inequality issues affect a company’s financial performance and how the company impacts people and society. It is designed to be interoperable with existing reporting standards such as ISSB, TCFD and TNFD.

Need a hand?

Need support evolving your human rights strategy and reporting?

Flag offers expert guidance to help you navigate this changing regulatory landscape.

We can support your approach to human rights reporting, helping you bridge any gap between where you currently are and where you need to be.

Please get in touch.
info@flag.co.uk

How we can help

- **Carrying out a gap analysis** – helping you identify the extent to which you’re meeting current requirements and how well placed you are to meet any new legislation in the necessary timeframes.
- **Conducting a human rights due diligence maturity audit** – assessing where you are in your due diligence journey and whether your current approach gives you the information you need to manage human rights impacts and meet current and forthcoming legal requirements on due diligence.
- **Undertaking human rights saliency assessments** – helping you identify the most severe negative impacts of your company’s activities and business relationships by assessing the likelihood of specific human rights risks.
- **Stakeholder mapping and engagement on human rights** – ensuring you identify and understand which groups or individuals may be affected by your operations, products or services (directly or indirectly) and how to avoid or minimise any potentially adverse impacts.
- **Policy development** – showing you how to plan and craft a public expression of your commitment to respect internationally recognised human rights standards.
- **Briefings** – for senior executives, including analyses of new legislation or updates on emerging human rights issues.
- **Training** – on human rights policies and due diligence.
- **Reporting and communications** – about your approach to human rights.
- **Indices and disclosures** – including responses to UNGC CoP, UNGPRF, ESRS and GRI.

RESOURCES AND FURTHER INFORMATION

Mandatory regulations

- [EU Omnibus](#)
- [EU Corporate Sustainability Due Diligence Directive \(CSDDD\)](#)
- [Conflict Minerals Regulation](#)
- [Uyghur Forced Labor Prevention Act \(UFLPA\)](#)
- [UFLPA Strategy](#)
- [UFLPA Entity List](#)
- [UK Modern Slavery Act](#)
- [EU Sustainable Finance Disclosure Regulation \(SFDR\)](#)

Voluntary reporting frameworks

- [UN Guiding Principles Reporting Framework \(UNGPRF\)](#)
- [UN Global Compact \(UNGC\) Communication on Progress \(CoP\)](#)
- [UNGC's Ten Principles](#)
- [GRI 2021 Standards](#)
- [Task Force on Inequality and Social-Related Financial Disclosures \(TISFD\)](#)

Other resources

- [OECD Due Diligence Guidance](#)
- [European Commission list of conflict-affected and high-risk areas \(CAHRAs\)](#)
- [UN Guiding Principles on Business and Human Rights](#)
- [Forced Labor Enforcement Task Force \(FLETF\)](#)
- [UN Sustainable Development Goals \(SDGs\)](#)
- [Universal Declaration of Human Rights](#)
- [International Labour Organization's Declaration on Fundamental Principles and Rights at Work](#)
- [Rio Declaration on Environment and Development](#)
- [United Nations Convention Against Corruption](#)

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