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UK Government Confirms Plans for Mandatory Human Rights Due Diligence – Key Implications for PE Sponsors

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On 4 November 2026, the Secretary of State for Business, Innovation, Science and Trade published a written ministerial statement (the "**Statement**") confirming that the UK Government will legislate for a mandatory human rights due diligence regime (the "**Regime**") for large UK and non-UK businesses. The Regime will come with new powers to remove goods made with forced labour from the Great Britain market.

The Statement follows the Government's review of the UK's approach to responsible business conduct, promised in its Trade Strategy. The review found that the current framework for preventing forced labour is fragmented and relies too heavily on voluntary action and reporting. It also found that the transparency model under the Modern Slavery Act 2015 has fallen behind international practice. For private equity sponsors, this could affect portfolio costs, acquisition terms and exit readiness.

Key Features of the Regime

- **Scope:** the Regime will apply to UK businesses with global turnover above £350 million and to non-UK businesses with UK-generated turnover above £350 million. The Statement does not mention an employee threshold.
- **Reach:** the Regime will apply across the UK for services and in Great Britain for goods. For goods in Northern Ireland, the EU Forced Labour Regulation will apply under the Windsor Framework, following the decision adopted on 10 November 2026 (the Windsor Framework is the 2023 UK–EU agreement governing post-Brexit trading arrangements for Northern Ireland, under which certain EU rules on goods continue to apply there to avoid a hard border on the island of Ireland).
- **Due diligence obligation:** businesses in scope will be required to identify, assess and address risks of human rights abuses and labour exploitation in their own operations and supply chains. The Regime will be risk-based and aligned with the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights. The obligation covers

human rights abuses generally, not only forced labour.

- **Market withdrawal:** a regulator will be able to investigate businesses suspected of placing forced-labour goods on the Great Britain market. Where due diligence obligations have not been met and forced labour is identified, it can direct that the goods be withdrawn. The Government's explanatory memorandum also envisages confiscation or disposal of affected goods, subject to legislation.
- **Guidance:** the Government will set up a central guidance hub on GOV.UK with tools and templates, aimed especially at businesses building due diligence processes for the first time.
- **Timing:** the Government will take a phased and proportionate approach. In a separate statement on the Windsor Framework, the Government said it aims for the Regime to take effect alongside the EU Forced Labour Regulation, which applies from December 2027. This remains a UK policy target, not a fixed commencement date.

Comparison with Existing Regimes

The £350 million threshold is much higher than the £36 million turnover threshold for publishing a modern slavery statement under the Modern Slavery Act 2015, so direct obligations would apply to fewer businesses. Smaller portfolio companies could nevertheless face additional information, audit or contractual requirements from in-scope customers. Existing Modern Slavery Act obligations will also continue to apply.

However, the threshold is well below the EU Corporate Sustainability Due Diligence Directive ("**CSDDD**") thresholds as narrowed by the so-called "Omnibus I" amendments. Those thresholds are more than 5,000 employees and more than €1.5 billion net worldwide turnover for EU companies, and more than €1.5 billion net EU turnover for non-EU companies. Many US and other non-EU groups that fell outside the CSDDD after Omnibus I may therefore be caught by the UK Regime if their UK turnover exceeds £350 million. Unlike the CSDDD, the Statement does not say that the Regime will cover environmental impacts.

Businesses may be able to reuse existing CSDDD and EU Forced Labour Regulation preparation, while assessing UK-specific gaps. However, compliance with one regime should not be assumed to satisfy another. Groups supplying both Great Britain and Northern Ireland will need to distinguish the applicable goods regimes and, where relevant, maintain traceability evidence for US import requirements.

What Remains Unclear

Beyond the December 2027 target, the Government has committed only to legislate “as soon as parliamentary time allows”, and no draft Government bill for the Regime has been published. Several points are still open:

- which regulator will enforce the Regime;
- what sanctions will apply and whether there will be any civil or criminal liability;
- how turnover will be calculated and aggregated across corporate groups, and how financial services, fund managers, funds and holding companies will be treated;
- the depth of supply chain coverage and any transitional arrangements; and
- how the Regime will interact with Modern Slavery Act reporting, although the Government’s explanatory memorandum indicates an intention to draw on existing reporting rather than add new reporting requirements.

Existing Criminal Law Exposure

The absence of settled sanctions under the Regime does not remove existing criminal-law risk. Goods made with forced labour and sale proceeds may constitute criminal property under the Proceeds of Crime Act 2002 where the relevant knowledge or suspicion test is met. Dishonest supply chain claims may also engage the failure to prevent fraud offence where its statutory conditions are satisfied; Modern Slavery Act offences may also be relevant. Serious findings should be escalated promptly for legal advice on continued trading, disclosure obligations and transaction implications.

Implications for Private Equity Sponsors

For sponsors, the Regime is relevant to both portfolio companies and new acquisitions. A target expected to be in scope when the Regime commences will need compliant processes during the holding period. Add-on acquisitions may also bring a business into scope, depending on the final aggregation rules. Gaps identified only after closing could lead to remediation costs and, for businesses selling goods, lost sales, inventory write-offs and replacement sourcing costs following withdrawal or disposal. Sponsors would then need to assess the resulting EBITDA, liquidity and covenant implications accordingly. Sponsors may wish to add targeted questions to their information request lists and due diligence questionnaires covering:

- the target's turnover against the £350 million threshold, on a standalone basis and under alternative group aggregation scenarios, including the effect of planned add-ons;
- its modern slavery statements and existing human rights policies and processes, including operational risk assessments, governance, escalation, remediation and evidence of effectiveness, measured against the OECD Guidelines and UN Guiding Principles;
- its operations and supply chain, particularly high-risk sectors or sourcing countries, including labour providers and higher-risk indirect suppliers where relevant, and supplier audit, information and remediation rights; and
- any past allegations, audit findings, customs detentions or enforcement action, and how these were addressed.

Deal terms. Diligence findings should inform valuation and remediation budgets. Depending on the risk, consider targeted warranties and covenants, specific indemnities and pre-completion remediation conditions. These are transaction-specific protections, rather than prescribed requirements of the proposed Regime.

Portfolio action. Managers should review existing portfolio companies now, starting with those facing the most serious human rights risks, relying on critical suppliers or where revenue could be disrupted. Where several portfolio companies use the same suppliers, that overlap should be identified. Management teams should be given clear responsibility, with remediation plans that are costed and reported to the board. Keeping a record of this work will help on exit, when buyers ask for it in diligence, and the review should be repeated after an acquisition or any material change in sourcing.

Implementation planning. Use 2027 as a readiness planning horizon while monitoring the bill, commencement and transition provisions. The explanatory memorandum proposes a five-yearly review of the turnover threshold, so scope should remain under review throughout the holding period.

We will continue to monitor developments. For further information, please contact ukreg@proskauer.com.

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