



Ethical
Trading
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ETI guidance on mandatory human rights and environmental due diligence: Bangladesh, Cambodia and Indonesia

JANUARY 2026

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ETI's Mandatory Human Rights and Environmental Due Diligence country reports

Foreword

1. Background

In recent years, the European Union (EU) has launched a series of landmark legislative initiatives to strengthen corporate accountability and sustainability governance across global supply chains. These frameworks introduce mandatory human rights and environmental due diligence (mHREDD) obligations, marking a shift from voluntary corporate social responsibility commitments to legally binding standards with clear enforcement provisions and liabilities for non-compliance. The EU mHREDD architecture is underpinned by three key instruments:

- ▶ **Corporate Sustainability Due Diligence Directive (CSDDD).** The CSDDD seeks to ensure companies operating in the EU proactively address human rights and environmental risks throughout their own operations value chains. This includes identifying, preventing, mitigating and providing remedy when harm has occurred.
- ▶ **Corporate Sustainability Reporting Directive (CSRD).** The CSRD enhances transparency in corporate reporting by requiring detailed disclosure of sustainability-related information. It aims to inform stakeholders – including investors – about the environmental and social impacts of business activities.
- ▶ **The EU Forced Labour Regulation (EUFLR).** The EUFLR aims to ensure that any products made wholly or partly by forced labour, at any stage of the supply chain, are banned from the EU market. This involves identifying, prohibiting and removing such products to uphold human dignity and promote ethical trade practices.

ETI developed its Guidance on mHREDD (“the Guidance”) to help companies to understand these legal instruments and to embed robust due diligence practices in their internal processes. Grounded in ETI’s mission to advance human rights in global supply chains, the Guidance provides:

- ▶ **A summary of legislation,** which analyses the CSDDD, CSRD and EUFLR.
- ▶ **Internal coordination guidance,** which offers clear recommendations for establishing effective coordination across internal teams.
- ▶ **An eight-stage roadmap to meet mHREDD expectations.** These stages are policy commitment, supply chain mapping, risk analysis, mitigation, remediation, stakeholder engagement, monitoring, and continuous improvement).

Putting the guidance in context in key sourcing countries

During the drafting phase of the Guidance in June 2025, ETI carried out a meaningful stakeholder engagement exercise in Kenya to trial the relevance and possible application of the Guidance. In conversations with brands, suppliers, NGOs and trade unions, some common patterns emerged:

- ▶ There is a widespread lack of understanding of legal requirements, particularly when it comes to the different legal frameworks at national and international levels.
- ▶ A tendency towards compliance, certification and auditing tends to prevail over a genuine commitment to respecting human rights.
- ▶ Due diligence exercises tend to overlook the local legal, social and cultural context.
- ▶ Internally, at company level, teams are not always aligned on HREDD expectations; externally, stakeholders (such as NGOs and trade unions) are still at the margins of the due diligence conversation due to a mutual lack of trust.

To address these issues, ETI has developed supplementary guides for three key sourcing countries: Bangladesh, Cambodia and Indonesia. These country-level guides are informed by insights from in-country consultations with suppliers, trade unions, NGOs and industry associations, conducted during September 2025. The country guides:

- ▶ Provide an overview of relevant national laws and compare these with requirements under the EU mHREDD legislative instruments to identify areas of alignment, divergence and potential regulatory gaps.
- ▶ Present case studies demonstrating the application of the ETI mHREDD Guidance within the textile and garment sector.
- ▶ Capture practical examples of due diligence implementation drawn from supplier experiences, including worker participation, grievance management and trade union engagement.
- ▶ Examine the implications of EU legislation for sourcing, purchasing practices and supplier-buyer relations.
- ▶ Provide strategic recommendations to strengthen risk identification, prevention, remediation and grievance mechanisms.

2. How to use the country guides

The country-level guides are designed to help companies – especially brands – to apply the ETI mHREDD Guidance by raising awareness of existing laws, policies and practices in relevant production countries. The guides should be read alongside the main ETI Guidance and be used to:

- ▶ Benchmark current practices against EU standards.
- ▶ Identify gaps in governance, risk management and stakeholder engagement.
- ▶ Tailor due diligence strategies to the local regulatory context in key producing countries.
- ▶ Develop action plans for compliance and continuous improvement.

By integrating country-level insights into corporate policies, supplier agreements and training programmes, businesses can ensure that due diligence becomes a systematic, collaborative process across the entire value chain.

3. Key country-level findings and recommendations

None of the three countries (Bangladesh, Cambodia and Indonesia) have a comprehensive mHREDD law or legal framework that is comparable to the EU's CSDDD, CSRD or EUFLR. There are relevant national and sector-based requirements, but these existing frameworks are reportedly fragmented and compliance-driven, focused primarily on direct operations rather than full supply chain oversight.

All three countries face similar challenges:

- ▶ Limited supply chain mapping and traceability, especially beyond tier-1 suppliers.
- ▶ Weak or uneven grievance mechanisms, often restricted to factory-level disputes.
- ▶ Low awareness and capacity among small and medium-sized enterprises to implement risk-based due diligence.
- ▶ Weak purchasing practices by international buyers that undermine sustainable compliance (eg short lead times, price pressure).

Shared recommendations for brands:

- ▶ Develop joint HREDD policies between brands and suppliers, embedding board-level accountability.
- ▶ Invest in supply chain mapping and digital traceability tools to meet EU standards.
- ▶ Strengthen grievance mechanisms to align with UNGP effectiveness criteria and extend coverage to subcontracted and home-based workers.
- ▶ Revise purchasing practices to support fair lead times and cost-sharing for compliance.
- ▶ Build supplier capacity through training and multi-stakeholder collaboration.



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ETI guidance on mandatory human rights and environmental due diligence: Bangladesh

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About this guide

Increasing numbers of governments worldwide have been introducing mandatory human rights and environmental due diligence (mHREDD) requirements for companies, some of which now cover the full extent of the value chain. Under the Sustainable Textile Initiative: Together for Change (STITCH) programme, ETI has developed a guidance document (“the ETI Guidance”) focusing on the effective implementation of mHREDD legislation.

The ETI Guidance provides an overview of current national and international mHREDD regulation and legislation around the world and an eight-stage roadmap for mHREDD compliance (Box 1).

ETI mHREDD stages

The ETI Guidance identifies eight core components for mHREDD compliance and beyond:

- ▶ **Policy commitment and governance:** Strengthening the organisation’s foundational commitments to human rights and environmental due diligence.
- ▶ **Mapping supply chains and business relationships:** Gaining visibility across the supply chain to identify risks and ensure responsible practices.
- ▶ **Risk prioritisation and analysis:** Identifying and prioritising critical human rights and environmental risks that require intervention.
- ▶ **Mitigative action plans:** Developing and implementing strategies to minimise risks and prevent harm effectively.
- ▶ **Remediation processes and complaints mechanisms:** Creating systems to address grievances, remediate harm and ensure access to justice for affected stakeholders.
- ▶ **Meaningful stakeholder engagement:** Building strong partnerships through meaningful communication with stakeholders.
- ▶ **Ongoing monitoring and verification:** Establishing systems to regularly assess compliance, track progress, and ensure the effectiveness of due diligence efforts.
- ▶ **Continuous improvement:** Ensuring policies, processes, and actions evolve in response to new risks, learnings, good and better practices.

This document is one of four supplementary guides that look at the practical application of the ETI Guidance on mHREDD in important producing countries: Bangladesh, Cambodia, India and Indonesia. All four guides draw on feedback from in-country consultations with stakeholders from the textile and garment sector in each country. For more general guidance on how to coordinate mHREDD discussions and activities at company level, see the main guidance document.

The ETI mHREDD guidance and country guides are aimed at brands and suppliers in the textile and garment sector; however, most of the lessons and practical recommendations will be transferrable to other sectors.

Introduction

Bangladesh has developed a set of laws, acts, rules and policy frameworks that directly or indirectly address issues related to human rights due diligence (HRDD). However, in most cases, there is no enforcement, which is associated with a lack of capacity for implementation and monitoring on the part of the responsible government body – the Department of Inspection for Factories and Establishments (DIFE).¹

Bangladesh has laws and rules for public procurement, but there are no laws or guidelines for the private sector or for businesses. Amendments made to the Public Procurement Act (PPA) 2006 (Ordinance No 16/2025) focused on sustainable procurement, which included several environmental and safety requirements for suppliers. These related to product life cycle and quality, risk management, working conditions, and business ethics, among others.

Private–public partnership (PPP) projects must follow specific procurement guidelines. The Procurement Guideline for PPP Projects (2018) has made it mandatory for any PPP to conduct a feasibility study to assess potential risks related to environmental and social factors – including human rights (Chapter 3, Guideline 14).

For each of the eight mHREDD stages identified in the ETI Guidance on mHREDD (Box 1), this country guide compares the key requirements under regulations in Bangladesh with those under EU mHREDD legislation (Box 2) and summarises relevant insights from in-country consultations with representatives from supplier businesses, NGOs and trade unions (Box 3). Based on this comparative analysis and drawing on stakeholder feedback, it then offers practical recommendations for brands and suppliers who may be conducting mHREDD activities in Bangladesh.

EU mHREDD legislation

- ▶ Corporate Sustainability Due Diligence Directive (CSDDD)
- ▶ Corporate Sustainability Reporting Directive (CSRD)
- ▶ Forced Labour Regulation (EUFLR)

Between 6 September 2025 and 10 September 2025, 92 participants (25 female; 67 male) participated in consultation five workshops on responsible purchasing practices and mHREDD. The workshops aimed to improve understanding of key concepts as well as eliciting participant insights through the use of open-ended questions, group work and interactive plenary discussion.

¹ Rahman, M.A. (2024) Institutional analysis of the post-Rana Plaza transnational interventions: Technical, policy and political change in the RMG sector of Bangladesh (PhD thesis, University of Leicester), pp. 164–198. <https://doi.org/10.25392/leicester.data.26311243.v1>

Legal terms and definitions in Bangladesh

Law	A binding legal framework that comprises of act, rules, ordinance and even any government order.
Act	A law or legislation passed by Parliament
Ordinance	A law or legislation issued by the President when Parliament is not in session.
Rules	Legal document developed by respective ministries to detail how acts and ordinances are to be implemented.
Policy	A government statement of intent, outlining national goals, priorities and strategies to guide decision making. It is not legally binding but helps to shape future legislation and action. It also indicates the level of commitment by the government to achieve an objective.



01. Policy commitment and governance

“Strengthening the organisation’s foundational commitments to human rights and environmental due diligence”

ETI mHREDD Guidance, pp. 25 – 26

Summary of relevant laws and legal frameworks

CSDDD	Requires the integration of due diligence into overall company policies and risk management systems.
CSRD	Requires organisations to: <ul style="list-style-type: none">▶ Disclose their policies related to material sustainability topics, demonstrating how these are being addressed.▶ Incorporate sustainability metrics into corporate reporting structures.▶ Implement internal controls to make sure that sustainability data and narratives are accurate.▶ Engage with external auditors to verify sustainability reports.
EUFLR	Does not explicitly require specific policies to be put in place.

Summary of relevant laws and legal frameworks

Laws and policies in Bangladesh

The **Bangladesh Constitution** commits the state to upholding and protecting human rights. Although it does not impose any explicit obligations on business, the Bangladesh Constitution acknowledges the right to life, liberty and equality as fundamental rights. It promises protection against all sorts of discrimination, torture, exploitation, focusing on dignity for all citizens, including workers. It also ensures the right to freedom of association, and the freedom of speech. All forms of forced labour are prohibited and declared as punishable offences as per the country's legal framework.

The **Labour Reform Commission (LRC) report** (21 April 2025) [Bengali] recommended the development of a national action plan on responsible business practice, especially for companies involved in the export sector. It emphasises sketching out a roadmap, incorporating risk assessment, and exploring effective measures for remedy based on international standards. It also recommends making the HRDD due diligence mandatory for business in the upcoming revision of the **Bangladesh Labour Act (BLA) 2006** [Bengali] (see pages 25, 31 and 32 of the LRC report).

The **BLA (Amendment) 2018** [Bengali] is the country's foundational commitment to labour rights. The **Bangladesh Labour Rules (BLR) 2015** [Bengali] compels employers to formalise internal policies for conditions of employment. Governance oversight (eg independent verification, transparency) is present but may be weak.²

The **National Industrial Policy 2022** [Bengali] – specifically objectives 2.1 and 2.2 – set the high-level commitment for responsible business conduct. Chapter 20 of the policy, while not legally binding, sets out the action plan for working towards these objectives; it assigns tasks and timelines to various ministries, agencies and roles, but does not explicitly adopt HRDD language or conventions.

- ▶ **Objective 2.1** – Accelerate inclusive growth and socioeconomic development through sustainable and environmentally friendly industrialisation.
- ▶ **Objective 2.2** – Ensure environmentally friendly industrialisation and occupational health and safety.

Chapter 9 of the **Export Processing Zone (EPZ) Labour Rules 2022** provides a basis for Workers' Welfare Associations (WMA) as a substitute for trade unions. These Associations function as the only recognised worker-representative bodies inside EPZs, effectively substituting trade unions, which are not permitted under current EPZ laws. Under this framework, WWAs are authorised to represent workers, negotiate with employers, and engage in collective bargaining on issues such as working conditions, wages, safety and dispute resolution. In other words, collective bargaining is carried out through WWAs instead of trade unions, as EPZ legislation does not allow the formation or operation of traditional trade unions within the zones. However, civil society members criticise the limited opportunity for collective bargaining and access of trade unions.

² Syed, R.F. (2024) 'Labor standards, labor policy, and compliance mechanism: a case study in Bangladesh. *Labor History*, 65(2), 256–272. <https://doi.org/10.1080/0023656X.2023.2272124>

Summary of relevant laws and legal frameworks

Laws and policies in Bangladesh

Chapter 9, Sections 97, 109–116, and 118–119 of the **EPZ Labour Act 2019** [Bengali] further clarifies how a Workers' Welfare Association can function as a collective bargaining agent. It allows the WWA to undertake collective bargaining with the employer on matters related to employment and work conditions, represent workers in any proceedings and give notice of or declare a strike in accordance with the law. The Act also requires WWAs to submit annual audited financial reports to the Executive Chairman of the respective EPZ, embedding governance, representation, and transparency consistent with EU standards.

Section 43 of the **Prevention and Suppression of Human Trafficking Act 2012** [Bengali] creates the National Anti-Human Trafficking Authority to prevent and protect against forced labour.

The **National Employment Policy 2022** [Bengali] establishes government commitments to decent work, skills, skill standards and institutional arrangements (Employment Department):

- ▶ Section 3.3(1) – formulate policies for the manufacturing sector keeping in mind improving global competitiveness, productivity, research and development, and decent employment.
- ▶ Section 3.3(2) – take positive steps to increase decent employment opportunities in unorganised sectors and ensure wages, working conditions, and social security.
- ▶ Section 1.7(11),(23) – reform employment-related laws and regulations, ensuring existing legal regulations are supportive of this policy.
- ▶ Section 4.8(1) and (2) – implement the policy through integrated activities of all ministries.

Bangladesh participates in the 2023 International Accord for Health and Safety in the Textile and Garment Industry,³ a legally binding agreement between brands and trade unions requiring buyers to commit to ensuring factory safety and workers' rights, and in the Ready-Made Garment (RMG) Sustainability Council (RSC), which was formed as an independent inspection body. The RSC strengthens the governance by embedding binding brand obligations and tripartite oversight (the Business associations, brands, and trade unions in equal representation).

³ See <https://rsc-bd.org/transition-to-the-rsc>.

Practical recommendations

Support the introduction of a legal living wage

Country's Wage-related laws in Bangladesh do not comply with the concept of a living wage; they are still based on the concept of minimum wage, which is far below the expected living wage. Under the current legal structure, workers are not being paid a living wage and are therefore likely to engage in excessive overtime (more than two hours per day). Key industry stakeholders – including government, civil society organisations (CSOs) and businesses – should embark on a collaborative effort to reform policy, introducing a worker-centric wage structure by transitioning from a minimum wage to a living wage.

Support the adoption of mandatory responsible purchasing practices

The principles of Responsible Purchasing Practice (RPP) as per the ETI's Purchasing Practices HRDD Framework, should be adopted by all brands and buyers

Encourage proper implementation of laws and policies relating to work

Key stakeholders – including brands, CSOs, business associations and labour rights organisations – should engage with government agencies to advocate for effective law enforcement initiatives to address issues related to decent work, including excessive/illegal overtime.

Improve brand accountability and transparency

In consultations, stakeholders observed that there is a lack of accountability and transparency among brands, especially regarding workers' rights, freedom of association and responsible purchasing practices.

- ▶ Multi-stakeholder initiatives and other relevant actors can play a role in improving brand accountability and transparency.
- ▶ Brands should promote transparent pricing practices, ensuring that workers' wages and benefits are reflected fairly in product prices, to support socio-economic conditions.
- ▶ Brands, agents and suppliers should reinforce mutual collaboration by establishing common platforms for exchanging information (eg on costing, workforce management, grievances).

Stay up to date with mHREDD laws and expectations

Brands, suppliers, trade union leaders and workers do not always have a full awareness of new and emerging mHREDD laws and so should take steps to increase their level of understanding. Multi-stakeholder initiatives and NGOs can work with brands, suppliers and workers to increase their level of awareness. In addition, brands should work with their suppliers to make sure they are aware of mHREDD-related requirements and expectations.

Adopt a common system or framework

In consultations, stakeholders opined that having multiple and repeated audits for different buyers is burdensome for suppliers. As part of responsible business practice, brands should consider adopting of a common audit system, which can be cost effective and time efficient and reduces on the administrative burden on their suppliers.

02. Mapping supply chains and business relationships

“Gaining visibility across the supply chain to identify risks and ensure responsible practices”

ETI mHREDD Guidance, pp. 27 – 32

Summary of relevant laws and legal frameworks

CSDDD	Requires businesses to conduct thorough mapping of their supply chains to identify, prevent and mitigate adverse human rights and environmental impacts.
CSRD	Requires organisations to include in their sustainability reporting comprehensive information about their supply chains, including impacts and risks.
EUFLR	Does not directly mandate specific steps like supply chain mapping or due diligence. To avoid potential import bans, companies are expected to take proactive measures such as conducting thorough supply chain mapping to identify risks of forced labour.
Laws and policies in Bangladesh	<p>The BLA (Amendment) 2018 section 27 and Rules 7–11 of the BLR 2015 provide detailed requirements for the registration, licensing and management of outsourcing companies (“Contracting Agencies”). These requirements include maintaining a worker register and service book for all employees, which is the core labour mapping document in Bangladesh. However, the law does not require the full supply chain, including sub-contractors and foreign suppliers, to be mapped and therefore lacks transparency requirements for third-party relationships.</p> <p>The International Accord is an agreement that requires signatory brands to disclose all their supplier factories in Bangladesh. This ensures that RSC can track and maintain a database of factories covered under safety protocols, including fire, building and electrical safety.</p>

Practical recommendations

Include subcontractors in supply chain mapping and review subcontracting practices

Brands, in collaboration with their suppliers, should conduct a comprehensive supply chain mapping that identifies all suppliers, and their capacity, at different tiers– paying particular attention to existing or potential subcontracting practices.

Participants in the consultation workshops observed that, under certain unavoidable circumstances – for example when lead time is limited or there is a disaster or sociopolitical incident – suppliers need to subcontract work. As part of the risk mitigation process, brands and suppliers should work together to conduct mapping for a number of potential suppliers to create an approved supplier pool. Brands should then support justified and properly document subcontracting from within these approved supplier pools.

Due to lack of trust and collaborative relationships, some suppliers maintain two different sets of accounting records and other documentation (eg, containing information related to sub-contracting, workforce, grievance, cost), which hinders data transparency and data accuracy. Brands and suppliers should work together to create a supportive environment that encourages an end to practices such as double bookkeeping.

Promote shared responsibilities and partnerships

During consultations, stakeholders shared the view that the responsibility for compliance with buyer-country legislation (environmental or social) should not be transferred to suppliers; instead, brands and suppliers should share this responsibility and work together to meet compliance standards.

Lack of business predictability is an important challenge for suppliers, which is also associated with a lack of long-term partnership. Brands should foster responsible purchasing behaviour by adopting fair pricing (which includes considering increasing costs and inflation in price negotiations), being transparent and accountable in their purchase orders, and working with their suppliers to cultivate a sustainable business relationship. This can help both parties better share responsibilities – including the responsibility for institutionalising a sustainable and effective grievance redressal mechanism.

ETI's Purchasing Practices HRDD Framework for the Garment Industry provides guidance on adopting collaborative production planning (Core Area 3.1) and fair payment and contract terms (Core Area 3.2)

03. Risk analysis and prioritisation

“Identifying and prioritising critical human rights and environmental risks that require intervention”

ETI mHREDD Guidance, pp. 33 – 35

Summary of relevant laws and legal frameworks

CSDDD	<p>Requires businesses to identify and address salient human rights and environmental risks across the value chain. Focuses on prioritising risks according to severity and likelihood of harm.</p> <p>Requires businesses to integrate risk assessments into broader due diligence frameworks.</p>
CSRD	<p>Does not require a “saliency” assessment as defined by the United Nations (UN) Guiding Principles on Business and Human Rights (UNGPs). However, organisations are required to identify the most material human rights and environmental risks for reporting purposes.</p> <p>Requires companies to disclose how they identify and manage risks in sustainability reports.</p>
EUFLR	<p>While not a legal requirement, compliance with the EUFLR may require businesses to undertake targeted assessments to identify risks and prioritise high-risk regions and sectors for scrutiny and corrective action.</p>

Summary of relevant laws and legal frameworks

Laws and policies in Bangladesh

The **BLA (Amendment) 2018** [Bengali] sections 39(2), 56 and 62 prohibits factories from employing vulnerable groups such as children, adolescents and women, in hazardous work-related activity in their workforce.

In addition, Bangladesh has ratified ILO Conventions 138 on Minimum Age for Admission to Employment and C182 on the Worst Forms of Child Labour implies protection of children and young workers from hazardous and exploitative work.

Bangladesh's National Adaptation Plan 2023–2050 classifies large industries, such as textiles and RMGs, as having low to moderate vulnerability in terms of exposure, sensitivity and adaptive capacity to climate change impacts like heat stress. In contrast, it classifies cottage-, micro, small, and medium-sized enterprises (CMSMEs) as being highly vulnerable – particularly regarding their ability to adapt to climate impacts. While the National Adaption Plan does not explicitly focus on workers, it does takes into consideration of risk and impact of climate change on vulnerable and marginalised communities on their lives and livelihoods.

The **National Action Plan on the Labour Sector of Bangladesh 2021–2026** (Actions 2 and 3) identifies high-risk issues – child labour, violence, harassment and anti-union discrimination – and prioritises their elimination by 2025. This mirrors EU risk prioritisation obligations.

The **EPZ Labour Rules 2022** [Bengali] sections 65–68 prohibit child and forced labour and make minimum age provisions, which aligns with risk identification of high-saliency issues under the CSDDD and the EUFLR.

The **EPZ Labour Act 2019** [Bengali] sections 37, 73–80, 175–176 and 187–189 requires factories in EPZs to ensure worker health and safety. It obliges factories to be affiliated with designated medical centres (so workers have access to medical care if injured or ill), to recognise and list occupational diseases (thereby identifying work-related health risks for prevention and compensation), ban under-age workers (under 18 years) and prohibit forced or coerced labour, and makes employers legally liable for unsafe practices that endanger worker welfare.

The **National Child Labour Elimination Policy 2010** sets the national goal to eliminate child labour, with specific programmes, surveys and awareness-raising measures to identify and target hazardous work and worst forms of child labour. This makes child labour a top-priority human rights risk in Bangladesh.

The **National Employment Policy 2022** [Bengali] recognises vulnerable sectors and skill shortages and prioritises interventions. Section 3.3(3) urges the government to take necessary steps to increase productivity and employment rates in the manufacturing sector. Section 1.7 paragraphs 8 and 19–21 commits the government to taking steps towards eliminating child labour, employ people with disabilities and transgender people, and follow the principles of “leave no one behind”, as set out in the 2030 Agenda for Sustainable Development.

Practical recommendations

Apply a holistic approach to risk analysis and prioritisation

Respective groups – such as brands, government and business associations – should conduct comprehensive risk assessments aligned with emerging laws such as the CSDDD, the CSRD, and the EUFLR, focusing on: forced labour; child labour; safety; wages; gender-based violence and harassment; workers' legal and human rights and the right to freedom of association; and other compliance-related risks.

Government, business associations and brands should triangulate risk assessment data using multiple sources – including audit reports, impact assessments, worker surveys and newspaper scanning – and use evidence from worker complaints, case studies and national and international platforms to identify areas of risk.

Brands should consider local and regional context. For example, there may be factors that cause or amplify risk in a particular region, such as political conflict, social unrest, exposure to natural hazards or poverty.

Fix a reasonable lead-time

Participants in the consultation workshops mentioned that short lead times increase production load and operational challenges, which leads to higher workplace risks. They recommended that brands consider a practical lead time while negotiating work orders. While fixing a lead time, both brands and suppliers should analyse factory-level production planning, including potential bottlenecks and capacity issues. **ETI's Purchasing Practices HRDD Framework for the Garment Industry** provides guidance on adopting collaborative production planning (Core Area 3.1).



04. Mitigative action plans

“Developing and implementing strategies to minimise risks and prevent harm effectively”

ETI mHREDD Guidance, pp. 36 – 38

Summary of relevant laws and legal frameworks

CSDDD	<p>Requires businesses to develop and implement actions to address identified risks and ensure follow-up measures are taken.</p> <p>Companies must monitor the effectiveness of these plans regularly and adjust as needed to improve outcomes.</p>
CSRD	<p>Requires companies to publicly disclose their strategies for addressing sustainability risks and impacts. This includes mitigative action plans.</p> <p>Ensures that reported information includes the effectiveness of these plans in mitigating risks and achieving sustainability objectives.</p>
EUFLR	<p>Does not mandate mitigative actions; however, such actions will be vital if businesses are to ensure that their goods are not subject to bans.</p>

Summary of relevant laws and legal frameworks

Laws and policies in Bangladesh

The **BLA (Amendment) 2018** sections 62, 66–70, 92 and 94 requires employers to assess workers occupational health and safety and to undertake necessary measures including imposing of penalties if violated.

Additionally, Bangladesh recently ratified ILO Conventions 155 and 187 require employers in Bangladesh to provide a safe and healthy working environment, identify and prevent workplace hazards, conduct risk assessments, and ensure workers are trained in safety measures.

According to the **EPZ Labour Rules 2022** [Bengali] sections 30–55, employers must ensure workplace safety, fire protection, health checks and emergency systems, which act as mitigation against workplace risks in line with CSDDD expectations.

The **EPZ Labour Act 2019** [Bengali] sections 15, 19, 23–24, 29–31, 55–64, 189 and 197 provide maternity leave protections, retrenchment rules with severance, re-employment preference, timely wage payment, wage recovery and anti-discrimination measures, which serve to mitigate socioeconomic risks for workers.

Chapter 7.5.17 of the **Bangladesh Export Policy 2024–2027**, on the Export Promotion Fund, establishes mitigation measures for environmental and compliance risks. Chapter 7.13.3, on Compliance-Supporting Equipment, implies government to support proactive mitigation of workplace safety, environmental and social risks.



Practical recommendations

Develop a collective, solutions-focused action plan

Brands should work with suppliers to develop collective solutions based on shared responsibility. Together, brands and suppliers should develop a time-bound correction plan for identified risks and challenges, and brands should support suppliers in mitigating and overcoming these.

Consider and mitigate the impact of automation

Ongoing automation has a particular impact on workers. Shifts to automation require a proper transition process, including plans for reskilling and upskilling existing workers. Brands should work with their suppliers to address the negative impacts of automation to mitigate potential risks. Multi-stakeholder initiatives and global trade unions also can sensitise brands to address potential risks related to automation. Both brands and suppliers should promote collective bargaining and worker representation in factories.

Improve data transparency

Improving data transparency is crucial for risk mitigation. Brands, suppliers and CSOs can work together to improve data transparency at all levels.

Adopt responsible exit strategies

As a process of mitigation, brands should also consider adopting responsible exit strategies, should suppliers be unable or fail to comply with sourcing requirements.



05. Remediation processes and complaints mechanisms

“Creating systems to address grievances, remediate harm and ensure access to justice for affected stakeholders”

ETI mHREDD Guidance, pp. 39 – 44

Summary of relevant laws and legal frameworks

CSDDD	<p>Requires businesses to establish effective grievance mechanisms that are accessible to stakeholders, including workers and communities.</p> <p>Requires businesses to have in place remediation processes to address identified adverse impacts on human rights and the environment.</p>
CSRD	<p>Requires businesses to disclose how they manage complaints and remediate sustainability-related issues across their supply chain.</p> <p>Requires companies to report on the effectiveness of these mechanisms in addressing stakeholder concerns.</p>
EUFLR	<p>Does not impose a direct requirement for remediation processes or complaint mechanisms. However, businesses must investigate forced labour risks, which often involves responding to complaints and providing remedies in cases of non-compliance.</p> <p>Complaint and remediation mechanisms also help demonstrate due diligence if goods are scrutinised under the EUFLR.</p>

Summary of relevant laws and legal frameworks

Laws and policies in Bangladesh

The **BLA (Amendment) 2018** section 33 and 138–171 guarantee a formal process for individual workers to raise grievances and provides for a judicial avenue (Labour Court) and financial compensation for injury or death.

The **BLR 2015** (Rule 33 and Form 14) details the procedure for filing a complaint to the Labour Court, including recording the complaint's history and attempts at remedying it with the employer. The mechanisms are legal but sometimes slow due to access barriers (time limits, proof, awareness).

The **National Action Plan on the Labour Sector of Bangladesh 2021–2026** (Actions 6 and 7) provides a worker helpline and complaint follow-up system and increases labour inspectors, creating formal channels for grievance handling and remediation.

According to the **EPZ Labour Rules 2022** [Bengali] sections 90–95, there must be conciliation boards and arbitration for dispute resolution, allowing workers to raise grievances safely. This reflects EU-style due diligence grievance mechanisms.

The **EPZ Labour Act 2019** [Bengali] sections 26, 55–64 and 133–137 provide wage claim recovery and empowers the Labour Court and Appellate Tribunal to hear complaints and enforce remedies within timelines. This ensures access to grievance handling and remediation consistent with EU due diligence.

For product-specific in the textile and RMG sector, the **Bangladesh Export Policy 2024–2027** commits the government to establishing a uniform compliance code to reduce fragmented remediation and to strengthen grievance redress.

Key priority area 2 under the **Bangladesh Climate Prosperity Plan 2022–2041** (previously known as Mujib Climate Prosperity Plan) focuses on remedying unsafe work conditions and providing protective infrastructure for workers.

Section 4.5(1) of the **National Employment Policy 2022** [Bengali] commits the government to strengthening employer–employee relations to prevent and resolve disputes through social dialogue. Section 4.5(2) further commits the government to taking measures to ensure labour rights, safety, healthcare, etc. under prevailing laws, and section 4.6(2) states that the government must implement laws to eliminate non-payment of, or discrimination in, wages.

The Department of Inspection for Factories and Establishments (DIFE) complies with the BLA (Amendment) 2018 and the BLR 2015 and provides a state-led grievance and remedy pathway.

The International Accord and the RSC provide a remedial mechanism covering safety, harassment, rights issues and ensuring confidentiality. These cases are jointly remediated by unions and management.

Practical recommendations

Encourage open and transparent communications to improve grievance handling

Brands and suppliers should introduce an open and transparent communications system between them to ensure an improved grievance mechanism is in place. Brands should conduct regular follow-ups with suppliers to ensure effectiveness and the continuation of this system.

Brands should facilitate regular dialogues with their suppliers and ensure an enabling environment in which suppliers can share their concerns.

Multistakeholder initiatives and CSOs can facilitate democratic dialogue by engaging other key actors – such as government, business associations, trade unions and brands – to promote collective responsibility for improving and institutionalising a sustainable and effective grievance redressal mechanism at the national level.

Provide safe and accessible channels for raising complaints and grievances

Brands should ensure there are safe and clear grievance mechanisms in place for suppliers to raise concerns. Brands and suppliers can work together to provide accessible and confidential complaint channels for workers and suppliers, with proper follow-up and resolution processes.

In onboarding new suppliers, brands should emphasise the need to establish clear grievance mechanisms that address financial strategy, compliance and worker rights and voice – including freedom of association.

Multi-stakeholder initiatives and CSOs can work with brands to ensure suppliers and workers have safe platforms to raise concerns without fear of retaliation. Brands should follow non-punitive approaches for addressing compliance issues, prioritising gradual improvements and responsible exit strategies.

Stakeholders also noted that having an open and democratic platform is crucial; multi-stakeholder initiatives and CSOs can help to facilitate this, where both brands and suppliers can express their concerns and discuss possible solutions for existing or potential risks.

Brands and suppliers should consider developing and maintaining accessible platforms (digital and/or physical) for suppliers and workers to raise concerns and grievances.

Promote stakeholder engagement in grievance mechanisms

Brands should establish transparent, effective grievance systems involving trade unions to channel supplier concerns to brands, to ensure brand accountability. Multi-stakeholder initiatives also can work with brands to explore possible ways for engaging trade unions in grievance-related communication process.

Multi-stakeholder initiatives, CSOs and bilateral and multilateral agencies – such as the International Labour Organization and the United Nations Development Programme (UNDP) – should provide training on grievance procedures to relevant stakeholders, emphasising the importance of social dialogue and collective problem solving.

CSOs should convene and facilitate proactive, open dialogues to raise awareness and resolve issues collaboratively.



Develop capacity among business associations, factory managers and workers

Stakeholders observed that business associations lack the capacity for advocacy. They also lack the capacity to support their member factories. Therefore stakeholders recommended that relevant multi-stakeholder initiatives, CSOs and bilateral and multilateral agencies (such as the ILO and UNDP) work with business associations to help build their capacity to

- ▶ Support member factories in ensuring an improved grievance redressal mechanism is in place; and
- ▶ Advocate to brands and government for improved of grievance redressal mechanisms.

Brands, suppliers and CSO should invest in building the capacity of workers and other members of their workforce, including supervisors, top- and mid-level management.

Adapt a partnership-based approach to remediation

In addition to assessing risks, focus should be given to remediation and corrective action. Brands should propose a partnership approach to strengthening remediation systems in their supply chains and provide the necessary support for corrective actions.

Brands should engage owners, unions, federations and brands in social dialogue during risk assessment to build trust and identify effective and collective solutions.

06. Stakeholder engagement

“Building strong partnerships through meaningful communication with stakeholders”

ETI mHREDD Guidance, pp. 45 – 48

Summary of relevant laws and legal frameworks

CSDDD	Companies must engage in meaningful consultation with affected stakeholders or their representatives, especially when designing corrective and preventive measures.
CSRD	Companies must explain how stakeholders are engaged during the materiality assessment and policy development processes. This includes dialogue with affected communities, workers, internal staff and interest groups.
EUFLR	Does not impose a direct requirement for stakeholder engagement. However, as part of risk identification, mitigation and remediation processes, businesses will likely be required to engage meaningfully with affected stakeholders.

Summary of relevant laws and legal frameworks

Laws and policies in Bangladesh

The **BLA (Amendment) 2018** sections 205–212 and **BLR 2015** sections 175–224 facilitate worker representation through trade unions and collective bargaining agents. The Act also mandates employers to form institutional structure for worker representation with regular, consultation and negotiation between workers and management. Engagement is limited to formal structures; community and external stakeholders are less present.

The **National Industrial Policy 2022** [Bengali] Chapter 1 and objective 2.2 emphasises the need to promote public–private partnerships for areas like skills development. It calls for coordination and support for both government and private education and training programmes. This means that businesses, workers and training institutions must actively work together to ensure programmes effectively develop skilled human resources that meet industry needs.

The **National Action Plan on the Labour Sector of Bangladesh 2021–2026** (Actions 3 and 8) promotes social dialogue, combats anti-union discrimination, and ensures that the Remediation Coordination Cell (RCC) and the Industrial Safety Unit (ISU) cooperate with the RSC, showing structured stakeholder engagement.

According to **EPZ Labour Rules 2022** [Bengali] sections 15–20, workers' representatives elected as collective bargaining agents engage in collective bargaining with employers, consistent with EU social dialogue requirements for stakeholder consultation.

The **EPZ Labour Act 2019** [Bengali] section 117 makes agreements between worker welfare associations and employers legally enforceable, institutionalising worker–employer dialogue and participation in decision making.

Chapter 7.20 of the **Bangladesh Export Policy 2024–2027** states that the Export Promotion Bureau will build the capacity of local exporters and engagement through training, seminars and workshops. Chapter 7.21.1 states that the government will facilitate and organise participation in trade fairs abroad, in collaboration with private organisations.

Section 2B of the **Bangladesh Climate Prosperity Plan 2022–2041** (formerly the Mujib Climate Prosperity Plan) states for direct coordination of international buyers and stakeholders in the supply chain.

Practical recommendations

Foster multi-stakeholder engagement

Foster multi-stakeholder engagement that includes trade unions, buyers, suppliers, owners and federations to drive ethical buying. Collective and coordinated actions by all key stakeholders are needed for prompt solutions. Multi-stakeholder initiatives, CSOs and government can promote meaningful multi-stakeholder engagement.

Use joint platforms and networks for grievances

Suppliers and trade unions should use joint platforms and networks – including national and international labour organisations and brand forums – to share and address grievances.



07. Ongoing monitoring and verification

“Establishing systems to regularly assess compliance, track progress, and ensure the effectiveness of due diligence efforts”

ETI mHREDD Guidance, pp. 49 - 51

Summary of relevant laws and legal frameworks

CSDDD	Requires companies to establish mechanisms for regular HREDD monitoring to detect and address human rights and environmental risks.
CSRD	Requires companies to conduct ongoing monitoring and evaluation of their sustainability performance by companies. This includes tracking performance against targets, reviewing processes, and adjusting strategies to address new risks and opportunities.
EUFLR	Emphasises the importance of traceability and documentation to verify that no forced labour is present in supply chains. Monitoring systems are critical for maintaining compliance and ensuring accurate records.

Summary of relevant laws and legal frameworks

Laws and policies in Bangladesh

The **BLA (Amendment) 2018** section 319 establishes the Department of Inspection for Factories and Establishments (DIFE) as the government body responsible for enforcement of the labour act and rules. DIFE inspectors have the authority to enter, examine and conduct testing on premises to verify compliance in relation to workers' legal rights, decent work, occupational health and safety. Mandatory records (registers, service books, etc.) are kept for verifying compliance. Verification tends to be in the form of government inspections; however, there is limited transparency in the findings and inspections may often be under-resourced. The DIFE complies with BLA and BLR in verification and monitoring stages.

The **EPZ Labour Rules 2022** [Bengali] sections 110–120 empower the Bangladesh Export Processing Zone Authority Labour Directorate to inspect factories and enterprises in EPZs and enables the enforcement of labour law compliance, which includes issuing penalties for violations. By monitoring workplaces and penalising violations, the rules protect workers from unsafe, exploitative or harmful conditions. Enforcement mechanisms allow workers to seek remedy if an employer violates their labour rights.

Chapter 8.1.13 of the **Bangladesh Export Policy 2024–2027** outlines government plans to introduce a minimum standard unified code of compliance that coordinates the demands of different countries and different types of buyers for all garment factories in the country.

Practical recommendations

- ▶ Brands and suppliers should continuously monitor and update risk assessments, taking into account national and international legal frameworks as well as factory realities. Enforcing agencies – such as the Ministry of Labour – should strengthen their monitoring systems.
- ▶ Brands and suppliers should jointly establish and strengthen monitoring framework and tools to address issues related to subcontracting and home-based work.
- ▶ Suppliers should update risk assessments regularly to reflect evolving operational realities, avoid unrealistic targets and balance brand demands with factory realities.

08. Continuous improvement

“Ensuring policies, processes, and actions evolve in response to new risks, learnings, good and better practices”

ETI mHREDD Guidance, pp. 52 - 54

Summary of relevant laws and legal frameworks

CSDDD	Requires companies to conduct ongoing monitoring and evaluation of their sustainability performance. This includes tracking performance against targets, reviewing processes and adjusting strategies to address new risks and opportunities.
CSRD	Companies must regularly update their sustainability disclosures and improve their reporting processes, aligning with evolving standards and stakeholder expectations. This includes implementing due diligence measures, monitoring their effectiveness and adapting strategies to address new risks and opportunities.
EUFLR	Does not explicitly mandate continuous improvement but highlights its relevance in maintaining up-to-date traceability mechanisms and adapting to new forced labour risks. Continuous improvement ensures companies remain proactive and compliant.

Summary of relevant laws and legal frameworks

Laws and policies in Bangladesh

The time-bound action plan within the **National Industrial Policy 2022** [Bengali] (Chapter 20) is broken into tasks that can be adjusted, and the document recognises coordination among and feedback between agencies as important for learning. The policy does not prescribe a formal mechanism for learning from violations, updating due diligence measures, or requiring companies to revise mitigation plans over time, based on observed performance.

Bangladesh's National Adaptation Plan 2023–2050 (Outcome 6) focuses on closing adaptation investment gaps, awareness building and capacity development to ensure continuous improvement.

The **National Action Plan on the Labour Sector of Bangladesh 2021–2026** (Actions 1 and 9), which commits the government to reforming labour laws and ratifying ILO conventions, reflecting a process of continuous improvement aligned with evolving international standards.

The **EPZ Labour Rules 2022** [Bengali] sections 125–130 introduce equal pay, maternity protections and anti-discrimination safeguards, ensuring ongoing alignment with evolving international labour standards.

The **EPZ Labour Act 2019** [Bengali] sections 118, 164–166 and 193 requires employers in EPZ factories to facilitate worker-welfare audits through the Workers' Welfare Association (WWA), maintain provident fund protections, and display abstracts of the Act and its rules. These measures ensure transparency, protect workers' rights and promote continuous compliance with labour regulations.

Section 3.8(1) and (2) of the National Employment Policy 2022 urges employers across all sectors to provide basic education and training for an environmentally friendly workplace and to raise awareness among workers about climate adaptation and sustainable use of resources. Section 4.8(6–7) specifies that employers should also prepare activity timelines, review and monitoring plans, strategy papers, and monitoring and evaluation guidelines based on the national-level sector-wise master plan. Sections 1.7(16 and 18) outline the government's responsibility to adopt and implement special employment programmes in rural and urban areas and to create opportunities for educated unemployed individuals

Practical recommendations

- ▶ Business associations should build capacity among member factories to improve negotiation skills.
- ▶ Ensure companies have a transparent system for supply chain risks and mitigation measures, including a regular, institutionalised consultation process for updating risks factors and mitigation strategies.

Case study: Using evidence to spark dialogue on a worker-centric wage structure for RMG workers in Bangladesh

The context

The ready-made garment (RMG) sector in Bangladesh is a major contributor to formal employment in the country, with over 3 million workers – mostly women.⁴ Every five years, the Bangladesh Minimum Wage Board⁵ reviews the wage structure for these 3 million workers and, following the most recent review in November 2023, minimum wages were increased from BDT 8000 to BDT 12,500 for non-EPZ factories and from BDT 8200 to 12,800 for EPZ factories. The changes sparked major debate over how the wage structure is set, but there was little focus on its implementation or impact on workers.

The activity

In 2024, the Sustainable Textile Initiative: Together for Change (STITCH) Consortium in Bangladesh⁶ conducted a study in partnership with BRAC University, with ETI Bangladesh leading the overall coordination, to explore the extent to which the wages set in 2023 had been implemented.

Between September 2024 and October 2024, the project surveyed 1,113 workers and 385 factories and conducted 25 key informant interviews and 6 focus group discussions with representatives from government, NGOs, trade unions, suppliers and brands.

Findings

The study highlights the challenges and loopholes in the current wage-setting system in Bangladesh, as well as the socioeconomic impacts on workers. As of September 2024, **69%** of the sampled factories had implemented the revised minimum wages. Of those who did not, **22%** partially increased wages but not in line with the revised minimum. A summary of the report is available [here](#).

Findings were shared at various consultations and dialogues with businesses, trade unions, trade associations, labour rights organisations and government agencies – including representatives from the Minimum Wage Board and the Bangladesh Labour Reform Commission. In every consultation event, stakeholders emphasised the need for a comprehensive, multi-sectoral roadmap for a transition from minimum wages to living wages. These dialogues also identified the potential for future research collaborations covering other worker-centred issues, such as the impact of automation.

⁴ Munni, M (2025) RMG industry lacks full database of workers. *Financial Express*, 16 February. <https://today.thefinancialexpress.com.bd/last-page/rmg-industry-lacks-full-database-of-workers-1739643277>

⁵ The Bangladesh Minimum Wage Board is comprised of government representatives, worker representatives and employer representatives.

⁶ The STITCH Consortium in Bangladesh comprises ETI Bangladesh, Mondiaal FNV and Fair Wear Foundation.



Recommendations under this study were consolidated based on suggestions from its respondents and from these consultations.

The impact

The evidence generated by the study ignited discussion, dialogue and advocacy activity around minimum wage implementation in the RMG sector in Bangladesh.

Drawing on the findings from the research, and subsequent consultations with key stakeholders, the STITCH consortium facilitated the formulation of a set of recommendations for a worker-centric wage structure, including the development of a roadmap for transitioning from minimum wages to living wages.

The evidence-based consultations increased level of awareness among stakeholders of wage issues. For example, brands and buyers confirmed that the research findings and consultation events nudged them to follow up with their respective supply chains.

Federation leaders for women and young people have identified potential areas of advocacy to improve the wage situation in the RMG sector in Bangladesh, and wider coverage of key findings by national and international news media⁷ brought the issue to the attention of the wider public and created a credible reference for further discussion on strengthening and institutionalising a worker-centric wage structure in Bangladesh.

The way ahead

Future discussions among key stakeholders, including worker representatives, should take place before the next wage announcement in 2028 to ensure that the wage-setting process is just and inclusive.

⁷ See, for example: www.tbsnews.net/economy/rmg/only-68-rmg-factories-implemented-new-minimum-wage-till-sep-24-study-1129526; www.dhakatribune.com/bangladesh/380132/workers-power-the-economy-yet-struggle-to-make; <https://bd.apparelresources.com/business-news/sustainability/study-claims-minimum-wages-implemented-68-per-cent-rmg-factories-september-2024/>; <https://ground.news/article/study-claims-minimum-wages-implemented-in-only-68-per-cent-of-rmg-factories-as-of-september-2024>.



Ethical
Trading
Initiative



ETI guidance on mandatory human rights and environmental due diligence: Cambodia

JANUARY 2026

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About this guide

Increasing numbers of governments worldwide have been introducing mandatory human rights and environmental due diligence (mHREDD) requirements for companies, some of which now cover the full extent of the value chain. Under the Sustainable Textile Initiative: Together for Change (STITCH) programme, ETI has developed a guidance document (“the ETI Guidance”) focusing on the effective implementation of mHREDD legislation.

The ETI Guidance provides an overview of current national and international mHREDD regulation and legislation around the world and an eight-stage roadmap for mHREDD compliance (Box 1).

ETI mHREDD stages

The ETI Guidance identifies eight core components for mHREDD compliance and beyond:

- ▶ **Policy commitment and governance:** Strengthening the organisation’s foundational commitments to human rights and environmental due diligence.
- ▶ **Mapping supply chains and business relationships:** Gaining visibility across the supply chain to identify risks and ensure responsible practices.
- ▶ **Risk prioritisation and analysis:** Identifying and prioritising critical human rights and environmental risks that require intervention.
- ▶ **Mitigative action plans:** Developing and implementing strategies to minimise risks and prevent harm effectively.
- ▶ **Remediation processes and complaints mechanisms:** Creating systems to address grievances, remediate harm and ensure access to justice for affected stakeholders.
- ▶ **Meaningful stakeholder engagement:** Building strong partnerships through meaningful communication with stakeholders.
- ▶ **Ongoing monitoring and verification:** Establishing systems to regularly assess compliance, track progress, and ensure the effectiveness of due diligence efforts.
- ▶ **Continuous improvement:** Ensuring policies, processes, and actions evolve in response to new risks, learnings, good and better practices.

This document is one of four supplementary guides that look at the practical application of the ETI Guidance on mHREDD in important producing countries: Bangladesh, Cambodia and Indonesia. All three guides draw on feedback from in-country consultations with stakeholders from the textiles and garment sector in each country. For more general guidance on how to coordinate mHREDD discussions and activities at company level, see the main guidance document.

The ETI mHREDD guidance and country guides are aimed at brands and suppliers in the textiles and garment sector; however, most of the lessons and practical recommendations are transferrable to other sectors.

Introduction

Cambodia does not have an overarching mandatory human rights and environmental due diligence (mHREDD) law or policy framework. However, several Cambodian laws and policies are relevant to mHREDD, and brands should consider these when conducting mHREDD activities.

For each of the eight mHREDD stages identified in the ETI Guidance (Box 1), this guide compares key requirements under relevant Cambodian laws with those under EU mHREDD legislation (Box 2) and, drawing on stakeholder feedback from in-country consultations with NGOs and trade unions, offers practical recommendations for brands and suppliers who may be conducting mHREDD activities in Cambodia. The guide also includes a number of case studies, which highlight new or emerging good practices in human rights and environmental due diligence in Cambodia.

EU mHREDD legislation

- ▶ Corporate Sustainability Due Diligence Directive (CSDDD)
- ▶ Corporate Sustainability Reporting Directive (CSRD)
- ▶ Forced Labour Regulation (EUFLR)



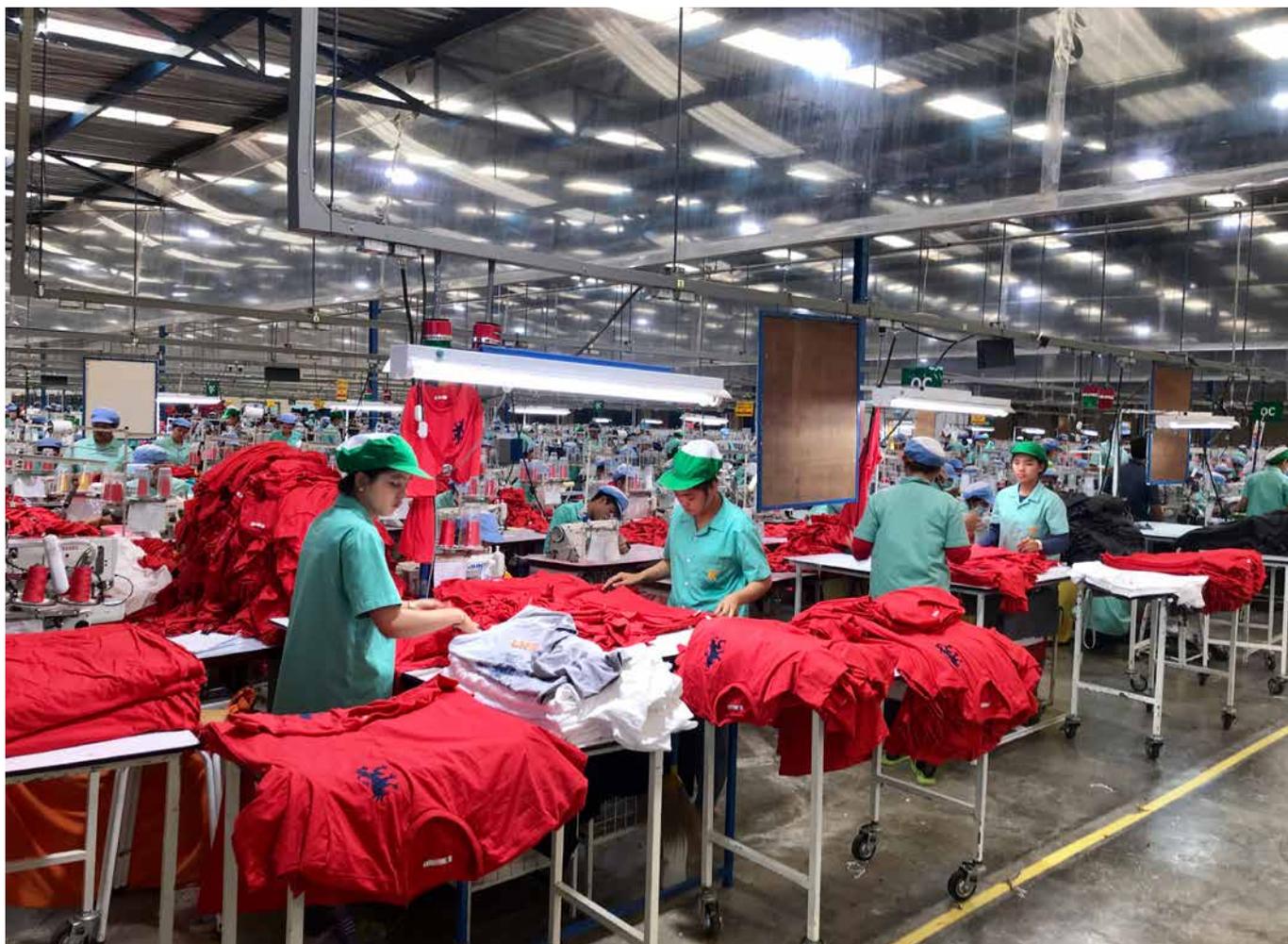
01. Policy commitment and governance

“Strengthening the organisation’s foundational commitments to human rights and environmental due diligence”

ETI mHREDD Guidance, pp. 25 – 26

Summary of relevant laws and legal frameworks

CSDDD	Requires due diligence to be integrated into overall company policies and risk management systems.
CSRD	Requires organisations to: <ul style="list-style-type: none">▶ Disclose their policies related to material sustainability topics, demonstrating how these are being addressed.▶ Incorporate sustainability metrics into corporate reporting structures.▶ Implement internal controls to make sure that sustainability data and narratives are accurate. Engage with external auditors to verify sustainability reports.
EUFLR	Does not explicitly require specific policies to be in place.
Cambodian laws and policies	Cambodian law does not require companies to establish or disclose specific due diligence or sustainability policies. However, under the Labour Law , Cambodian enterprises with eight or more employees must establish internal policies and regulations as relevant to the enterprise, including relating to hiring, wages, benefits, working hours, leave, health and safety, and disciplinary policies. Employers must also establish health and safety mechanisms and management systems to ensure the safety of workers.



Practical recommendations

Put in place mandatory policies

Brands should ensure that suppliers have all necessary governance policies in place as required under the Labour Law. These include policies relating to hiring, wages, benefits, working hours, leave, health and safety, and disciplinary policies.

Communicate requirements clearly to partners

During consultations, stakeholders reported that, while many suppliers in Cambodia are experienced in social compliance approaches (eg, audits, codes of conduct, grievance mechanisms), they are less familiar with the concept of mHREDD. Brands should engage with suppliers to train them on mHREDD requirements and expectations and should explain the overlaps and differences between mHREDD mechanisms and existing social compliance practices with which suppliers are already familiar.

Harmonise requirements

During consultations, stakeholders highlighted that suppliers may experience difficulties in meeting inconsistent, overlapping or conflicting labour or social compliance standards from brands. Where possible, brands should engage with suppliers to identify any difficulties and should seek to harmonise or modify standards where possible in order to minimise conflict while maintaining equivalent levels of labour and human rights protection.

02. Mapping supply chains and business relationships

“Gaining visibility across the supply chain to identify risks and ensure responsible practices”

ETI mHREDD Guidance, pp. 27 – 32

Summary of relevant laws and legal frameworks

CSDDD	Requires businesses to conduct thorough mapping of their supply chains to identify, prevent and mitigate adverse human rights and environmental impacts.
CSRD	Requires organisations to include in their sustainability reporting comprehensive information about their supply chains including impacts and risks.
EUFLR	Does not directly mandate specific steps like supply chain mapping or due diligence. To avoid potential import bans, companies are expected to take proactive measures such as conducting thorough supply chain mapping to identify risks of forced labour.
Cambodian laws and policies	<p>Cambodian law does not mandate businesses to conduct supply chain mapping or conduct traceability activities.</p> <p>Under Cambodia’s Law on Commercial Enterprises, a business must register information about its ownership and corporate structure with the Ministry of Commerce, but there is no requirement for this information to be made publicly available. Limited business information is available on the Ministry of Commerce public registry; however, this does not include information about corporate ownership or beneficial ownership, and the database is not updated in real time.</p>

Practical recommendations

Require corporate and beneficial ownership disclosures

Information on corporate ownership and beneficial ownership is not publicly available in Cambodia. Accordingly, when conducting supplier due diligence or traceability exercises, brands should require suppliers to disclose corporate ownership records and beneficial ownership information to assist in supply chain mapping and due diligence activities.

During consultations, stakeholders also highlighted that the ultimate beneficial owners of many factories are based outside Cambodia. Brands should therefore engage with supplier management teams in Cambodia as well as externally based ownership outside of Cambodia to ensure the effective communication and cascading of labour standards and policies.

Adopt responsible purchasing and subcontracting practices

During consultations, stakeholders identified unauthorised subcontracting as a key risk affecting supply chains in Cambodia. Unauthorised subcontracting reduces brands' visibility and oversight of supply chain relationships and working conditions. Brands should embed responsible purchasing practices to mitigate unauthorised subcontracting risks, which include ensuring fair lead times, avoiding sudden changes to pricing, volumes and lead times after placing an order and ensuring orders are placed within suppliers' capacity.

ETI's [Purchasing Practices HRDD Framework for the Garment Industry](#) provides guidance on adopting collaborative production planning (Core Area 3.1) and fair payment and contract terms (Core Area 3.2).

Stakeholders also raised the fact that subcontracting and informal employment remains a key source of income for many workers in Cambodia. Instead of outright prohibiting subcontracting, stakeholders recommend that brands engage with suppliers to support the formalisation of labour and allow subcontracting where adequate transparency and safeguarding measures (eg, the disclosure of subcontractors, formal agreements with subcontracting parties, cascading standards to subcontractors).



03. Risk analysis and prioritisation

“Identifying and prioritising critical human rights and environmental risks that require intervention”

ETI mHREDD Guidance, pp. 33 – 35

Summary of relevant laws and legal frameworks

CSDDD	<p>Requires businesses to identify and address salient human rights and environmental risks across the value chain. Focuses on prioritising risks according to severity and likelihood of harm.</p> <p>Requires businesses to integrate risk assessments into broader due diligence frameworks.</p>
CSRD	<p>Does not require a ‘saliency’ assessment as defined by the United Nations (UN) Guiding Principles on Business and Human Rights (UNGPs). However, organisations are required to identify the most material human rights and environmental risks for reporting purposes.</p> <p>Requires companies to disclose how they identify and manage risks in sustainability reports.</p>
EUFLR	<p>While not a legal requirement, businesses may need to undertake targeted assessments to identify risks and prioritise high-risk regions and sectors for scrutiny and corrective action in order to ensure goods comply with the EUFLR.</p>

Summary of relevant laws and legal frameworks

Cambodian laws and policies

Cambodian law does not require businesses in general to identify human rights or environmental risks across their value chains or to prioritise salient risks.

However, under the country's [Code on Environment and Natural Resources \(CENR\)](#), which came into force in June 2024, certain development projects must obtain approval from the Ministry of Environment (MoE). As part of the approval process, businesses must conduct environmental impact and risk assessments, which also consider labour rights and human rights. The environmental impact and risk assessment process include requirements for businesses to sign an Environmental Protection Letter, which commits them to respecting labour and employment rights, and to establish stakeholder engagement processes and grievance mechanisms for project-affected communities.

While many implementing Prakas (decrees) are still pending, the fully implemented CENR will provide a consolidated framework that governs environmental approvals, including the preparation, publication and approval of environmental impact and risk assessments, mitigation and remediation measures, rights of public participation, and grievance and remediation processes for affected rights holders. The MoE is the main authority responsible for overseeing the implementation of the CENR.

Among other things, the CENR requires businesses to conduct and submit environmental impact assessments, sustainability risk assessments, and environmental impact mitigation plans in relation to specified development projects. The level of risk assessment required will vary according to the nature of the development project.

- ▶ [MoE Prakas No 3591](#) classifies the different types of development projects requiring environmental approval and the level of impact assessment and/or due diligence required for each.
- ▶ [MoE Prakas No 08](#) establishes accreditation standards for eligible environmental impact assessment providers.
- ▶ [MoE Prakas No 6985](#) establishes guidelines for preparing environmental monitoring reports.

The CENR requires “all financial institutions and legal entities providing financial guarantees, financial assurances, or loans to activities or projects” falling under the Code’s scope to conduct sustainability risk assessments. Such assessments shall “determine if the proposed activities or projects have assessed and considered potential environmental impacts in the design, environmental management, operation, and closure of the proposed activities or projects.”



Practical recommendations

Verify environmental authorisations and risk assessments

- ▶ When conducting business activities that relate to construction or development or when engaging with business partners engaged in such activities, brands should verify that all necessary environmental permits have been obtained in accordance with the CENR and, if required, that any necessary Environmental Protection Letters have been signed and submitted to the MoE and the Ministry of Mines and Energy.
- ▶ When conducting due diligence on business partners who are required to submit an Environmental Protection Letter (Inter-ministerial Prakas No 4828), brands should ensure that the letter is valid for the relevant assessment period and that the relevant entity has complied with all undertakings specified therein. This includes commitments to operating only on legally owned land, protecting public spaces and heritage sites, minimising minimising pollution, and engaging with local communities.

Monitor the use of subcontracted workers

Under Cambodia's [Labour Law](#), an employer who engages subcontractors or outsourced workers (ie, provided via a third party) owes the same duties towards subcontractors and outsourced workers as if they were direct employees. Accordingly, supplier due diligence activities should include subcontracted and outsourced alongside direct employees within the scope of any assessment.

Supplier audits or assessments should monitor for the presence of casual or outsourced labour – including workers employed on a daily basis under fixed-term contracts. Article 67 of the [Labour Law](#) allows workers to be hired under fixed-duration contracts of up to two years. In practice, employers may hire workers on short-term fixed-duration contracts that are regularly renewed rather than offering workers long-term or open-ended employment contracts. In addition, Article 45 of the [Labour Law](#) authorises the use of labour contractors or outsourcing agencies to supply workers to enterprises. While the use of daily, temporary or outsourced workers is not illegal under Cambodian law, such workers can present increased risks due to, for example, a lack of formal employment contracts, effective age verification, social security protections, and controls on working hours, wages or overtime.

Ensure take-home pay is protected where working hours and overtime are reduced

During consultations, stakeholders reported that many factory workers in Cambodia work significant overtime to support their incomes due to low base wages and overtime rates. If brands require suppliers to limit working hours to 60-hours per week (as required under the [ETI Base Code](#)), they should ensure that any reduction in working hours does not adversely impact workers' earnings and take-home pay. This may require considerations around purchasing practices and prices paid to suppliers to ensure that wages are protected while still achieving 60-hour limits. For additional guidance on this topic, brands may refer to ETI's [Purchasing Practices HRDD Framework for the Garment Industry](#), RPP Area 3.3, which provides that prices should (proportionately) cover all costs of responsible production, including decent working conditions and working hours.

Assess the status of shop stewards

When conducting due diligence on suppliers with at eight or more employees, brands should assess and verify that:

- ▶ The facility has an elected shop steward as required under the Labour Law.
- ▶ There is evidence that workers elected the shop steward through a fair, impartial and transparent process.
- ▶ The facility has policies to protect the shop steward against retaliation for the performance of their duties.
- ▶ The position of shop steward is subject to regular re-election.
- ▶ The shop steward is a legitimate worker representative and is not a member of management or factory ownership.
- ▶ Workers are aware of the identity of the shop steward.
- ▶ The extent to which workers consider the shop steward to be a legitimate representative of their interests.
- ▶ The shop steward has been consulted by the facility and provided a written opinion on facility policies and redundancy decisions, as required under the Labour Law.



04. Mitigative action plans

“Developing and implementing strategies to minimise risks and prevent harm effectively”

ETI mHREDD Guidance, pp. 36 – 38

Summary of relevant laws and legal frameworks

CSDDD	<p>Requires businesses to develop and implement actions to address identified risks and ensure follow-up measures are taken.</p> <p>Companies must monitor the effectiveness of these plans regularly and adjust as needed to improve outcomes.</p>
CSRD	<p>Requires companies to publicly disclose their strategies for addressing sustainability risks and impacts. This includes mitigative action plans.</p> <p>Ensures that reported information includes the effectiveness of these plans in mitigating risks and achieving sustainability objectives.</p>
EUFLR	<p>Does not mandate mitigative actions; however, such actions will be vital if businesses are to ensure that their goods are not subject to bans.</p>
Cambodian laws and policies	<p>In addition to the requirements under the CENR, Inter-ministerial Prakas No 4828, issued by the MoE and the Ministry of Mines and Energy, provides that all non-exempt businesses conducting construction and mining projects must sign and file an Environmental Protection Letter with the ministries. By signing the letter, the business commits to operating only on legally owned land, protecting public spaces and heritage sites, minimising pollution, and engaging with local communities. The Environmental Protection Letter is valid for one year and must be renewed annually.</p>

Practical recommendations

When conducting business activities or engaging with business partners engaged in activities that require environmental impact or risk assessments under the CENR, brands should verify that:

- ▶ All required impact and risk assessments have been conducted and submitted to the MoE in accordance with the CENR and accompanying Prakas.
- ▶ Community participation rights granted under the CENR have been respected throughout the environmental risk assessment and approval process. While specific guidelines have not yet been issued by the MoE, businesses should seek to respect the general principles outlined in the CENR through:
 - ▶ Mapping and stakeholder engagement to identify actual and potentially affected stakeholders.
 - ▶ Providing affected stakeholders with clear and transparent information.
 - ▶ Engaging with affected stakeholders as part of the environmental impact and risk assessment process.
 - ▶ Respecting the principle of free, prior, and informed consent during engagement with affected rights holders and landowners.
 - ▶ Developing mitigation plans in consultation with affected rights holders and with their free, prior, and informed consent.
 - ▶ Establishing community dialogue and grievance mechanisms through which project-affected stakeholders can raise issues and concerns and seek remediation.

05. Remediation processes and complaints mechanisms

“Creating systems to address grievances, remediate harm and ensure access to justice for affected stakeholders”

ETI mHREDD Guidance, pp. 39 – 44

Summary of relevant laws and legal frameworks

CSDDD	<p>Requires businesses to establish effective grievance mechanisms that are accessible to stakeholders, including workers and communities.</p> <p>Requires businesses to have in place remediation processes to address identified adverse impacts on human rights and the environment.</p>
CSRD	<p>Requires businesses to disclose how they manage complaints and remediate sustainability-related issues across their supply chain.</p> <p>Requires companies to report on the effectiveness of these mechanisms in addressing stakeholder concerns.</p>
EUFLR	<p>Does not impose a direct requirement for remediation processes or complaints mechanisms. However, businesses must investigate forced labour risks, which often involves responding to complaints and providing remedies in cases of non-compliance.</p> <p>Complaint and remediation mechanisms also help demonstrate due diligence if goods are scrutinised under the EUFLR.</p>

Summary of relevant laws and legal frameworks

Cambodian laws and policies

There is no general requirement to implement grievance mechanisms accessible to all affected stakeholders across a company's entire value chain. However, there are specific requirements relating to employee grievance mechanisms and community grievance mechanisms for development projects.

Employee grievance mechanisms

Under Cambodia's [Labour Law](#), all businesses with eight employees or more must establish internal dispute resolution processes in accordance with the terms of the business's collective bargaining agreement (CBA) or in line with the provisions of the Labour Law:

- ▶ **Collective grievances:** If factory-level dispute resolution is not successful, collective grievances must be referred to conciliation via the Ministry of Labour and Vocational Training (MoLVT). If collective conciliation is unsuccessful, the grievance will be referred to arbitration before the Arbitration Council – a national quasi-judicial institution established under the Labour Law to determine labour disputes.
- ▶ **Individual grievances:** MoLVT [Prakas No 073/25](#), enacted in March 2025, establishes a new procedure for the resolution of individual grievances. Under this procedure, any party to an individual labour dispute may file a complaint with the MoLVT Labour Dispute Department. Upon receipt of the complaint, the MoLVT will review the case and may initiate a labour inspection or undertake a conciliation process. If conciliation is undertaken, then any party to the conciliation may also elect to refer the case to the Arbitration Council for adjudication.

Community grievance mechanisms for development projects

The [CENR](#) provides rights for public participation in connection with activities or decisions that may impact the environment or natural resources and incorporates principles of stakeholder engagement into environmental risk and impact assessment processes.

Under the CENR, development project owners are required to engage with stakeholders affected by the development, including in relation to proposed impact mitigation measures. As part of this stakeholder engagement, development project owners must establish community dialogue and grievance mechanisms through which affected stakeholders can raise issues and concerns and seek remediation. At the time of writing, specific implementing regulations for this section of the CENR have not yet been enacted, and so it is not yet clear how this requirement will be implemented and enforced.

In addition to company-level grievance channels, the CENR will establish a Committee for Environment and Natural Resources Dispute Resolution to mediate environmental and natural resources-related disputes before claims are filed in court, including claims for:

- ▶ Compensation for harm to environmental or natural resources;
- ▶ The restoration of environmental or natural resources harm;
- ▶ Claims for guarantees of non-repetition of harm; and
- ▶ Claims to determine measures to prevent adverse environmental or natural resource impacts.

At the time of writing specific implementing regulations for this section of the CENR have not yet been enacted, and so it is not yet clear how this grievance mechanism will be implemented and enforced.



Practical recommendations

- ▶ When conducting supplier due diligence, brands should verify that all supplier facilities eight or more employees have established internal operational grievance mechanisms as required by the Labour Law.
- ▶ Brands should verify that suppliers are aware of the recently updated procedures under MoLVT Prakas No 073/25, enacted in March 2025, which enables workers to submit individual disputes to conciliation before the MoLVT. Brands should ensure that suppliers' operational grievance policies and procedures reflect this amendment and that workers are aware of their grievance rights.
- ▶ Supplier grievance policies should include clear non-retaliation commitments towards workers who report grievances, including those on fixed-term employment contracts. During supplier audits, grievance records should be cross-referenced against employment records to check whether workers have been terminated or not had their fixed-term contracts renewed after submitting grievances.
- ▶ During consultations, stakeholders highlighted the effectiveness of third-party mediation as a mechanism to facilitate the effective resolution of grievances. Where grievances arise, brands may therefore consider engaging with independent third-party organisations or civil society groups to provide advice or facilitate mediation efforts.
- ▶ Brands should engage with trusted parties – for example, worker representatives, leaders or independent trade unions – to ensure that third-party grievance mechanisms are effectively communicated to workers and to build trust workers' trust in these mechanisms.

06. Meaningful stakeholder engagement

“Building strong partnerships through meaningful communication with stakeholders”

ETI mHREDD Guidance, pp. 45 – 48

Summary of relevant laws and legal frameworks

CSDDD	Companies must engage in meaningful consultation with affected stakeholders or their representatives, especially when designing corrective and preventive measures.
CSRD	Companies must explain how stakeholders are engaged during the materiality assessment and policy development processes. This includes dialogue with affected communities, workers, internal staff and interest groups.
EUFLR	Does not impose a direct requirement for stakeholder engagement. However, as part of risk identification, mitigation and remediation processes, businesses will likely be required to engage meaningfully with affected stakeholders.

Summary of relevant laws and legal frameworks

Cambodian laws and policies

Cambodian law does not impose a general requirement on businesses to engage with affected stakeholders. However, there are specific requirements for engaging with elected worker representatives and, for businesses undertaking development activities subject to the CENR, with affected stakeholders.

Engaging with worker representatives

Under the [Labour Law](#), all enterprises with eight or more employees must have a “shop steward”, elected by workers to represent them.

The enterprise must consult the shop steward, who must then put forward a written opinion, on:

- ▶ The draft of internal regulations or policies of the company relating to labour and working conditions or of modifications to these. Any measures for redundancy due to a reduction in activity or an internal reorganisation of the enterprise or establishment.

Engaging with community stakeholders during development projects

The [CENR](#) provides rights for public participation in connection with activities or decisions that may impact the environment or natural resources and incorporates principles of stakeholder engagement into environmental risk and impact assessment processes.

Under the CENR, development project owners are required to engage with stakeholders affected by the development, including in relation to proposed impact mitigation measures. The CENR establishes general principles for businesses to engage stakeholders during development projects, including through:

- ▶ Mapping and stakeholder engagement to identify actual and potentially affected stakeholders.
- ▶ The provision of clear and transparent information to affected stakeholders.
- ▶ Engaging with affected stakeholders as part of the environmental impact and risk assessment process.
- ▶ Ensuring respect for the principle of free, prior, and informed consent during engagement with affected rights holders and landowners.
- ▶ The development of mitigation plans in consultation with affected rights holders and with their free, prior, and informed consent.

The establishment of community dialogue and grievance mechanisms through which affected stakeholders can raise issues and concerns and seek remediation.

Practical recommendations

Follow ILO standards on freedom of association

International organisations, brands and civil society groups continue to advocate for reforms to Cambodia's [Trade Union Law](#) which is considered to be inconsistent with labour and human rights standards established by the International Labour Organization (ILO) among others. In particular, stakeholders have highlighted several inconsistencies between reforms made to the Trade Union law in 2019 and the ILO Convention 87, on Freedom of Association and Protection of the Right to Organise Convention:

- ▶ When engaging with trade union members and representatives and conducting and mHREDD activities in relation to freedom association in Cambodia, brands should be aware of the provisions of the Trade Union Law and potential conflicts with international labour and human rights standards, including ILO Convention 87.
- ▶ The Trade Union Law does not extend full protections to workers on fixed-term contracts against retaliation for exercising freedom of association rights. In practice, workers on fixed-term contracts are therefore more susceptible to retaliation, dismissal or the non-renewal of their contracts if they exercise freedom of association rights. Brands should therefore:
 - ▶ Ensure that supplier codes of conduct require suppliers to adopt non-retaliation and freedom of association policies that specifically extend to workers on fixed-term contracts.
 - ▶ Review contract non-renewals of fixed-term contract workers during supplier audits to assess whether contract non-renewal decisions may be linked to the exercise of freedom of association rights.
- ▶ The Trade Union Law imposes legal and de facto restrictions on the ability of workers to freely form unions and elect members. These restrictions include: only extending the right to form a union to workers falling under the scope of the Labour Law (Article 3); limiting the purpose for which unions may be formed (Article 5); strict registration requirements and granting a high degree of discretion to authorities to deny union registration (Article 12); and setting conditions on who is eligible to stand for office and vote in union elections (Articles 20, 21 and 38). In addition, Article 54 of the Trade Union Law grants preferential treatment to unions with "most representative status" (MRS) as determined by the MoLVT. Only unions with MRS have the right to collectively bargain or engage in collective dispute resolution. As a result, official unions at facilities may not be fully representative of workers' interests.
- ▶ When conducting mHREDD activities or engaging with stakeholders, brands should ensure that:
 - ▶ The facility engages all unions present at the facility – both MRS and non-MRS unions.
 - ▶ The facility enables and encourages alternative forms of worker representation in addition to formal unions.

Worker engagement

During consultations, stakeholders reported that engaging with workers to conduct training or other activities can be challenging due to workers' lack of time and availability. Stakeholders recommended that when engaging with workers to conduct trainings or other activities, brands should ensure that workers are paid for their time to attend training (if conducted during working hours) and that transportation and other expenses should be covered to enable workers' effective participation.

07. Ongoing monitoring and verification

“Establishing systems to regularly assess compliance, track progress, and ensure the effectiveness of due diligence efforts”

ETI mHREDD Guidance, pp. 49 – 51

Summary of relevant laws and legal frameworks

CSDDD	Requires companies to establish mechanisms for regular HREDD monitoring to detect and address human rights and environmental risks.
CSR	Requires companies to conduct ongoing monitoring and evaluation of their sustainability performance. This includes tracking performance against targets, reviewing processes, and adjusting strategies to address new risks and opportunities.
EUFLR	Emphasises the importance of traceability and documentation to verify that no forced labour is present in supply chains. Monitoring systems are critical for maintaining compliance and ensuring accurate records.
Cambodian laws and policies	<p>Labour self-inspection for Cambodian companies</p> <p>Under the MoLVT Prakas No 358/21, companies registered with the MoLVT must submit a self-declaration twice-yearly to the MoLVT on labour conditions within their operations. The declaration must include address 31 issues, across five categories:</p> <ul style="list-style-type: none"> ▶ Internal rules and compliance; ▶ General working conditions (including wages, working hours, overtime, child labour, sexual harassment, and discrimination); ▶ Health and safety; and ▶ Social security and industrial relations. <p>The contents of the self-declaration will be used to inform routine labour inspections of the enterprise conducted by MoLVT, and the enterprise must also update the information prior to any regular labour inspection occurring.</p> <p>Environmental monitoring for development projects</p> <p>Owners and/or operators of development projects subject to the CENR must also establish environmental monitoring mechanisms and undergo periodic assessments by third-party auditors.</p>

Practical recommendations

Validate self-declarations

When conducting supplier due diligence, brands should:

- ▶ Validate the accuracy of information submitted by the supplier in its twice-yearly self-declaration to the MoLVT to ensure that the self-declaration is reflective of genuine working conditions and policies at the facility.
- ▶ Cross-reference supplier assessment criteria or audit checklists against the 31 prioritised self-assessment criteria contained in the MoLVT self-declaration form to ensure that relevant information is captured during supplier audits or assessments.



08. Continuous improvement

“Ensuring policies, processes, and actions evolve in response to new risks, learnings, good and better practices”

ETI mHREDD Guidance, pp. 52 - 54

Summary of relevant laws and legal frameworks

CSDDD	Requires companies to conduct ongoing monitoring and evaluation of their sustainability performance. This includes tracking performance against targets, reviewing processes and adjusting strategies to address new risks and opportunities.
CSRD	Companies must regularly update their sustainability disclosures and improve their reporting processes, aligning with evolving standards and stakeholder expectations. This includes implementing due diligence measures, monitoring their effectiveness and adapting strategies to address new risks and opportunities.
EUFLR	Does not explicitly mandate continuous improvement but highlights its relevance in maintaining up-to-date traceability mechanisms and adapting to new forced labour risks. Continuous improvement ensures companies remain proactive and compliant.
Cambodian laws and policies	Cambodian law does not specifically mandate continuous improvement or evaluations of sustainability performances by businesses. However, as noted in the previous subsection, businesses are required to provide the MoLVT with twice-yearly updates on labour and working conditions via the MoLVT Labour Self-Inspection mechanism.

Case studies of emerging good practice

The following case studies illustrate new or emerging good practices in human rights and environmental due diligence in Cambodia.

Collective bargaining: ACT for Cambodia

Issue

Garment worker wages have often failed to keep pace with cost-of-living increases in Cambodia. This is driven in part by global competitive pressures on the industry, which have impeded wage improvements. Where purchasing practices improvements have occurred, these have rarely been systematically linked with improvements in working conditions and wages for workers. Until now, there has been no collective mechanism to ensure that wage increases in the Cambodian garment sector are reflected in the purchasing prices of brands and retailers.

Solution

The [Action, Collaboration, Transformation programme in Cambodia](#) (“ACT for Cambodia”) is a collaboration between employers, trade unions, global brands and IndustriALL Global Union that aims to deliver higher wages and improved working conditions for garment workers through brand-supported collective bargaining agreements (CBAs). The ACT supply chain industrial relations framework consists of two sets of binding agreements:

- ▶ **Enforceable brand agreements**, legally binding brand agreements between global brands and IndustriALL Global Union, wherein brands commit to support CBAs in their supply chains. Brand agreements also include commitments relating to sourcing volumes, purchasing practices, and support for skills training and development.
- ▶ **CBA templates**, developed by Cambodian Social Partners (a Cambodian employers’ association and IndustriALL affiliated trade unions), setting wage and benefit standards for implementation at factory level.

For more information, see: <https://actforcambodia.com/>

Outcomes

To date, 11 brands have publicly announced that they have signed enforceable agreements with IndustriALL Global Union; other brands having signed without public announcement. The first group of factories have signed the template CBA, which increases workers' wages and other benefits and supports sound industrial relations at factory level.

In factories that have signed the template CBA, wages have increased, freedom of association has strengthened, and there is industrial peace, with workers now having access to additional maternity and special leave, newly introduced paternity leave and dispute resolution mechanisms. Good practices

Good practices reflected in the ACT for Cambodia programme include:

- ▶ Brands adopting legally binding commitments on purchasing practices to enable and directly support the signature of the CBA template at factory level.
- ▶ Providing factories with access to a training fund, paid by participating brands, to cover the wage costs of workers during training.
- ▶ Multi-stakeholder collaboration with the national social partners at the centre to support industry-level adoption of collective bargaining agreements.

Grievance mechanisms: amfori Speak for Change

Issue

Workers frequently face barriers to safe, accessible and trusted grievance channels. Parallel schemes can lead to duplication and confusion, which undermines consistency and confidence in remedy processes.

Solution

In 2024, amfori – a membership-based industry association – expanded its 'amfori [Speak for Change](#)' programme to Cambodia. The programme offers suppliers of amfori member companies access to an independent, collective third-party grievance mechanism operated by the association. The amfori Speak for Change mechanism uses a worker voice technology platform to enable workers to submit grievances via a telephone hotline, weblink or Facebook Messenger. Grievances may be reported in Khmer, English or Chinese. amfori Speak for Change has also established protocols with the Fair Wear Foundation and the German Partnership for Sustainable Textiles to avoid duplication of or overlap with parallel grievance mechanisms.

Outcome

The amfori Speak for Change programme reflects an industry-wide, collective grievance mechanism that reduces duplication of mechanisms for all parties and provides workers with access to independent third-party channels to report and remediate grievances.

Good practices

- ▶ **Independence:** By adopting an independent third-party mechanism for reporting grievances brands can help ensure the independence of grievance processes. If supported with robust worker engagement during deployment, this should increase worker trust in the grievance process.
- ▶ **Collective approach:** As a collective supply chain grievance mechanism, amfori Speak for Change increases the leverage available to participating brands to engage with suppliers to remediate grievances. It also enables member companies to share perspective and collaborate to implement effective remedial action, supported by independent-third party assessment of cases.
- ▶ **Transparency:** The [procedure and protocols](#) of amfori Speak for Change are publicly available.
- ▶ **Accountability:** Members and suppliers who use amfori Speak for Change are accountable to a common set of [participation standards](#), which defines roles, responsibilities and expectations in the grievance process. These include commitments against retaliation towards complainants.

Remediation: supplier engagement to facilitate worker remediation

Issue

Five union members of Cambodian trade union FUPI were dismissed by their employer. The dismissals were alleged to have been retaliatory and in violation of workers' rights to freedom of association.

Solution

In 2025, the union, relevant nongovernmental organisations, the factory, and an international brand sourcing from the factory took part in negotiations to address the dismissals. This coordinated, multiparty process aligned stakeholders on a resolution pathway and applied buyer-supplier leverage toward reinstatement of the dismissed workers.

Outcome

[The employer reinstated the five FUPI union members](#) on 21 April 2025. While the settlement terms are confidential, the outcome delivered both remedy to grievance (return to employment) and a basis for continued engagement between the employer and the union.

Good practices

- ▶ Respect for freedom of association rights and the protection of workers against retaliation or dismissal for exercising those rights.
- ▶ Brands engaging with suppliers and applying leverage effectively to facilitate effective remediation.
- ▶ Multi-stakeholder engagement with all relevant groups, including rights holders, trade unions, civil society, employers and brands, to facilitate the effective remediation of grievances.

Tools and resources: Responsible Business Hub Cambodia

Issue

Businesses in Cambodia require practical, accessible and context-specific support to understand EU mHREDD requirements and how to ensure compliance, but the cost of accessing advice and guidance can be prohibitive.

Solution

EuroCham Cambodia hosts the [Responsible Business Hub \(RBH\) Cambodia](#), a service helpdesk for local businesses, providing free, tailor-made information and advisory services on sustainability and due diligence risk management. RBH Cambodia conducts training and provides freely available resources in English, Khmer and Chinese as well as issuing updates on international developments to help local businesses adopt and implement aligned practices.

Outcome

Companies in Cambodia have improved access to practical tools, training and advice to help them adopt and implement human rights and environmental due diligence practices, strengthening capacity and enhancing consistency across the market. Tools and resources are also provided in key languages used by suppliers and supplier ownership/management (Khmer and Chinese) to improve understanding and accessibility of material.



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ETI guidance on mandatory human rights and environmental due diligence: Indonesia

JANUARY 2026

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About this guide

Increasing numbers of governments worldwide have been introducing mandatory human rights and environmental due diligence (mHREDD) requirements for companies, some of which now cover the full extent of the value chain. Under the Sustainable Textile Initiative: Together for Change (STITCH) programme, ETI has developed a guidance document (“the ETI Guidance”) focusing on the effective implementation of mHREDD legislation.

The ETI Guidance provides an overview of current national and international mHREDD regulation and legislation around the world and an eight-stage roadmap for mHREDD compliance (Box 1).

ETI mHREDD stages

The ETI Guidance identifies eight core components for mHREDD compliance and beyond:

- ▶ **Policy commitment and governance:** Strengthening the organisation’s foundational commitments to human rights and environmental due diligence.
- ▶ **Mapping supply chains and business relationships:** Gaining visibility across the supply chain to identify risks and ensure responsible practices.
- ▶ **Risk prioritisation and analysis:** Identifying and prioritising critical human rights and environmental risks that require intervention.
- ▶ **Mitigative action plans:** Developing and implementing strategies to minimise risks and prevent harm effectively.
- ▶ **Remediation processes and complaints mechanisms:** Creating systems to address grievances, remediate harm and ensure access to justice for affected stakeholders.
- ▶ **Meaningful stakeholder engagement:** Building strong partnerships through meaningful communication with stakeholders.
- ▶ **Ongoing monitoring and verification:** Establishing systems to regularly assess compliance, track progress, and ensure the effectiveness of due diligence efforts.
- ▶ **Continuous improvement:** Ensuring policies, processes, and actions evolve in response to new risks, learnings, good and better practices.

This document is one of four supplementary guides that look at the practical application of the ETI Guidance on mHREDD in important producing countries: Bangladesh, Cambodia and Indonesia. All three guides draw on feedback from in-country consultations with stakeholders from the textile and garment sector in each country. For more general guidance on how to coordinate mHREDD discussions and activities at company level, see the main guidance document.

The ETI mHREDD guidance and country guides are aimed at brands and suppliers in the textile and garment sector; however, most of the lessons and practical recommendations will be transferrable to other sectors.

Introduction

Indonesia's legal and regulatory framework relevant to human rights and environmental due diligence is dispersed across several sectoral instruments. While each contains substantive provisions, they remain fragmented and do not collectively amount to a unified, mandatory human rights and environmental due diligence (mHREDD) obligation comparable to the EU framework (see Box 2).

For each of the eight mHREDD stages identified in the ETI Guidance on mHREDD (Box 1), this country guide compares the key requirements under Indonesian regulations with those under EU mHREDD legislation (Box 2) and summarises relevant insights from in-country consultations with suppliers and NGOs and trade unions. Based on this comparative analysis and drawing on stakeholder feedback, then offer practical recommendations for brands and suppliers who may be conducting mHREDD activities in Indonesia.

EU mHREDD legislation

- ▶ Corporate Sustainability Due Diligence Directive (CSDDD)
- ▶ Corporate Sustainability Reporting Directive (CSRD)
- ▶ Forced Labour Regulation (EUFLR)

At present, Indonesia lacks an overarching mHREDD law or policy. However, several national laws (Undang-Undang) and regulations (Peraturan) provide important reference points for different stages of the due diligence process and are therefore relevant for companies and brands conducting mHREDD activities. These include:

- ▶ **Law No 40/2007 on Limited Liability Companies** (Company Law) provides the general framework for corporate governance and director duties. It also introduces mandatory corporate social and environmental responsibility (CSR) for Indonesia companies but does not extend to supply chain-wide human rights or environmental due diligence.
- ▶ **Law No 32/2009 on Environmental Protection and Management** (Environmental Law) establishes environmental obligations for companies, including environmental permits and impact assessments (AMDAL). It ensures public participation in environmental decision making but is focused on project-level compliance rather than continuous supply chain oversight.
- ▶ **Indonesian Financial Services Authority (Otoritas Jasa Keuangan, OJK) Regulation No 51/POJK.03/2017 on Sustainable Finance** requires financial institutions, issuers, and listed companies to adopt sustainable finance principles and prepare a Sustainability Report, covering environmental, social and governance (ESG) aspects.

- ▶ **OJK Regulation No 14/POJK.04/2022 on Annual Reports and OJK Circular Letter No 16/SEOJK.04/2021 on Sustainability Reporting** strengthen corporate reporting obligations by requiring issuers to disclose sustainability-related information. While this improves transparency, the scope and depth are narrower than EU's CSRD requirements. This regulation currently applies only to companies listed on the Indonesia Stock Exchange.
- ▶ **Law No 13/2003 on Manpower** (as partially amended by Law No 6/2023 Job Creation Law) provides protections for workers, including the prohibition of forced and child labour, recognition of trade unions, and dispute resolution mechanisms. However, company-level grievance mechanisms are not universally mandated, and obligations are limited to direct employment relationships.

In Indonesia, a law (Undang-Undang) is a higher-level legal instrument enacted by the Parliament and the President, setting out general principles, rights, and national obligations. A regulation (Peraturan) is a lower-level rule issued by the government or ministries to implement and operationalise the law. In short, a law defines what must be done, while a regulation explains how it should be done.



01. Policy commitment and governance

“Strengthening the organisation’s foundational commitments to human rights and environmental due diligence”

ETI mHREDD Guidance, pp. 25 – 26

Summary of relevant laws and legal frameworks

CSDDD	Requires the integration of due diligence into overall company policies and risk management systems.
CSRD	Requires organisations to: <ul style="list-style-type: none">▶ Disclose their policies related to material sustainability topics, demonstrating how these are being addressed.▶ Incorporate sustainability metrics into corporate reporting structures.▶ Implement internal controls to make sure that sustainability data and narratives are accurate.▶ Engage with external auditors to verify sustainability reports.
EUFLR	Does not explicitly require specific policies to be put in place.

Summary of relevant laws and legal frameworks

Indonesian laws and policies

Indonesia has not yet established a comprehensive legal or policy framework that mandates companies to adopt formal human rights and environmental due diligence (HREDD) policies at board or governance level. Instead, relevant provisions remain scattered across sectoral laws and regulations covering corporate responsibility, environmental protection, sustainability reporting, and labour rights, which are not fully aligned with the requirements of the EU's CSDDD, CSRD, or EUFLR.

Recognising the growing importance of human rights assessment, the Government of Indonesia enacted Law No 59/2024, which law outlines Indonesia's National Long-Term Development Plan for 2025-2045. Law No 59 sets strategic targets to anticipate global development – including climate change and geopolitical shifts. One of its goals is to reflect Indonesia's growing commitment to strengthening human rights governance through the establishment of human rights institutions and the introduction of human rights audits across ministries and government agencies. This framework is expected to pave the way for more structured human rights due diligence (HRDD) practices within the corporate sector.

The Manpower Law (Law No 13/2003) plays a central role in safeguarding workers' rights, including the prohibition of forced labour, the recognition of trade unions, and the assurance of equal treatment. Yet, it does not explicitly require companies to embed these commitments into their business operations, resulting in limited enforcement and uneven compliance. Similarly, other instruments – such as those governing corporate social responsibility (CSR) and sustainability reporting – offer only partial and compliance-driven obligations, providing minimal leverage for the systematic integration of human rights across business practices.

Insights from country consultations

During consultations with suppliers, trade unions, nongovernmental organisations (NGOs) and industry associations in Indonesia's textile and garment sector, it became evident that policy commitment and governance structures related to HREDD in Indonesia remain largely compliance-oriented and fragmented. While most companies – particularly in export-oriented sectors such as textiles – have CSR or code-of-conduct policies, these are typically derived from buyer requirements rather than being developed as part of an internally driven, board-level commitment to HREDD.

Practical recommendations

To address these gaps and strengthen in governance alignment with EU mHREDD expectations, brands should consider the following:

Develop and operationalise aligned policies in partnership

In Indonesia, most suppliers already operate under CSR, OJK, and labour regulatory obligations; yet few have formalised HREDD policies. To advance the implementation of effective HREDD policies, brands are encouraged to take leadership in formulating comprehensive HREDD policies that are jointly endorsed and operationalised in partnership with suppliers. This collaborative approach fosters ownership, reduces duplication, and strengthens alignment across the supply chain.

The joint policy should explicitly encompass human rights, labour rights, and environmental responsibilities, referencing the UN Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises, and the [ETI Base Code](#). It should be periodically reviewed in response to evolving Indonesian and EU regulatory standards and formally embedded within company governance systems, including board oversight and supplier management structures.

Engage workers and trade unions

The development and implementation of HREDD policies in Indonesia should actively involve worker representatives and trade unions through existing bipartite (worker–employer) and tripartite (national-level) forums, as these mechanisms are integral to the country’s industrial relations system. This inclusive approach helps ensure that policies reflect real workplace conditions and address the actual risks workers face. Engagement should go beyond formal consultation to include joint monitoring, regular feedback sessions, and continuous dialogue, which will foster greater legitimacy, transparency, and shared accountability between employers and workers.

Communicate policies clearly to all stakeholders

To ensure consistent and comprehensive understanding across the organization, brands should communicate HREDD policies clearly and make them accessible to all workers and relevant stakeholders. In line with Indonesian workplace practices, companies are encouraged to display policies prominently – on notice boards, at factory entrances, or within union offices – and to share them digitally on company websites, internal portals, or common workplace communication platforms. Informal, word-of-mouth sharing and simple awareness-raising sessions (which also indicate where the policy can be accessed) are also effective means of communicating. Transparent and accessible communication reinforces awareness, accountability, and consistent understanding of due diligence responsibilities across organisational levels and supply chain actors.

02. Mapping supply chains and business relationships

“Gaining visibility across the supply chain to identify risks and ensure responsible practices”

ETI mHREDD Guidance, pp. 27 – 32

Summary of relevant laws and legal frameworks

CSDDD	Requires businesses to conduct thorough mapping of their supply chains to identify, prevent, and mitigate adverse human rights and environmental impacts.
CSR	Requires organisations to include in their sustainability reporting comprehensive information about their supply chains, including impacts and risks.
EUFLR	Does not directly mandate specific steps like supply chain mapping or due diligence. To avoid potential import bans, companies are expected to take proactive measures such as conducting thorough supply chain mapping to identify risks of forced labour.
Indonesian laws and policies	<p>Indonesia currently lacks regulations that explicitly require companies to conduct systematic supply chain mapping or ensure transparency across business relationships, as mandated under the EU’s CSDDD, CSR, and EUFLR frameworks. Existing national regulations primarily focus on direct company operations, project-level environmental management, and worker protection within direct employment relationships.</p> <p>The Sustainability Reporting Regulation (SEOJK No 61/2021) is the instrument that comes closest to encouraging companies to identify supply chain actors and buyers. This is done through disclosure requirements related to stakeholder governance (E.4), local sourcing (B.1-e), and commitments to buyers (F.17). While these disclosures may serve as an initial entry point for mapping supply chains, the regulation does not extend to requiring companies to assess supply chain risks related to human rights impacts.</p> <p>Other regulations provide limited or no alignment with HRDD principles. In most cases, supply chain mapping or engagement is only reflected indirectly through CSR initiatives aimed at supporting local suppliers or nearby communities. However, although the programme is mandatory, its implementation remains limited due to the absence of a government-led monitoring system to track and evaluate compliance.</p>

Insights from country consultations

During consultations, stakeholders in Indonesia's textile and garment sector identified key challenges to mapping supply chains and business relationships:

- ▶ **Administrative burden and duplication:** Suppliers receive multiple buyer requests for similar data in different formats, which duplicates efforts and creates significant administrative strain.
- ▶ **Capacity gaps:** Many small and medium-sized suppliers lack the technical capacity, personnel, and financial resources to conduct detailed mapping or invest in digital traceability systems.
- ▶ **Low awareness of global due diligence requirements:** A substantial portion of suppliers remain unfamiliar with the EU CSDDD, CSRD and EUFLR, often relying on buyer guidance rather than independently understanding and implementing due diligence.
- ▶ **Commercial pressures and short-term practices:** Persistent issues such as short lead times, last-minute order changes, and price pressures constrain suppliers' ability to allocate resources to mapping, risk assessment and compliance.

Practical recommendations

To address these gaps and strengthen alignment with EU mHREDD expectations, brands should consider the following:

Identify key stakeholders and business partners

Companies should begin by systematically identifying and categorising all actors within their supply chain, including subcontractors, material suppliers, and logistics partners. Large enterprises that already conduct tier-1 traceability should progressively extend visibility to tier-2 and tier-3 suppliers – particularly in areas where raw materials or pre-processing activities occur. For smaller suppliers, brands can play a facilitative role by providing standardised mapping templates or initiating joint mapping projects that consolidate data across multiple factories. Collaboration with industry associations can also support the identification of informal or home-based production units that often remain outside formal supplier lists.

Leverage technology and tools

Technological investment remains a major barrier for Indonesian suppliers, especially small and medium-sized enterprises (SMEs). Brands should therefore support shared or brand-sponsored digital platforms to enable traceability and reporting without imposing high infrastructure costs.

For large enterprises, integrated ERP or blockchain-based systems can improve the reliability and verification of supply chain data. For smaller suppliers, low-cost, scalable solutions such as mobile-based apps or spreadsheet-based mapping templates offer practical alternatives.

Some government systems – such as SIINas (Sistem Informasi Industri Nasional), which compiles national industrial information, and Online Single Submission (OSS)), which serves as an integrated national reporting platform and includes environmental aspects – provide initial infrastructure for industrial data management. However, their use for supply chain transparency remains limited. Strengthening collaboration between brands, suppliers, and regulators could enhance the effectiveness of these platforms and position them as key components of a national traceability ecosystem.

Strengthen site-visit implementation

In Indonesia's textile industry, supply chain mapping can be conducted without significant constraints or formal agreements. Transparency can be strengthened through regular site visits across different supplier tiers. To extend the implementation of 5.2.2-e, brands should plan periodic informal site visits, separate from formal audit settings, so that they and their suppliers can gain practical insights and assess compliance within their supply chains.

Given the informal nature of these visits, a visit record would be more appropriate than a formal inspection report, serving as an acknowledgment of the visit by the participating units. Following the visit, all parties should exchange information and share their insights – for example any risks they've identified risks or particular expectations – through open discussion. This will help build common understanding and strengthen transparency.



03. Risk analysis and prioritisation

“Identifying and prioritising critical human rights and environmental risks that require intervention”

ETI mHREDD Guidance, pp. 33 – 35

Summary of relevant laws and legal frameworks

CSDDD	<p>Requires businesses to identify and address salient human rights and environmental risks across the value chain. Focuses on prioritising risks according to severity and likelihood of harm.</p> <p>Requires businesses to integrate risk assessments into broader due diligence frameworks.</p>
CSRD	<p>Does not require a ‘saliency’ assessment as defined by the United Nations (UN) Guiding Principles on Business and Human Rights (UNGPs). However, organisations are required to identify the most material human rights and environmental risks for reporting purposes.</p> <p>Requires companies to disclose how they identify and manage risks in sustainability reports.</p>
EUFLR	<p>While not a legal requirement, compliance with the EUFLR may require businesses to undertake targeted assessments to identify risks and prioritise high-risk regions and sectors for scrutiny and corrective action.</p>

Summary of relevant laws and legal frameworks

Indonesian laws and policies

Indonesia does not currently have any regulation that explicitly requires businesses to apply structured methodologies for prioritising and analysing human rights or medium environmental risks, as required under EU standards such as the CSDDD, CSRD and EUFLR.

Some legal instruments – particularly the Environmental Law (Law No 32/2009) and the Sustainability Reporting Regulation (SEOJK No 16/2021) – require companies to identify material risks or conduct project-level risk assessments. However, these obligations are mostly sector-specific (namely the financial sector and listed companies in Indonesia Stock Exchange), compliance-oriented, and focused on environmental issues. As such, they don't create a comprehensive due diligence systems covering human rights, labour rights and supply chain risks.

The Manpower Law (Law No 13/2003) also shows a clear link to human rights risk analysis, with a focus on preventing unethical labour practices – such as banning child labour.

Overall, Indonesia's approach is partially aligned with the CSRD, particularly regarding disclosure of material risks, but falls short of the CSDDD's requirements for systematic risk identification, prioritisation and mitigation across global value chains and lacks mechanisms similar to those provided by the EUFLR, which specifically addresses forced labour risks in supply chains.

Insights from country consultations

During consultations, stakeholders in Indonesia's textile and garment sector highlighted the following key challenges in the Indonesian context:

- ▶ Environmental and labour risks are assessed separately, not holistically.
- ▶ Limited visibility of subcontractors, home-based working and outsourced labour.
- ▶ Heavy reliance on audit-style compliance instead of continuous risk monitoring.
- ▶ Weak involvement of workers and unions in identifying and prioritising risks.

Practical recommendations

Undertake a structured and layered risk analysis

Brands and suppliers are encouraged to map their operational and supply-chain risks by referring to both national regulations and international benchmarks:

- ▶ Law No 32/2009 on Environmental Protection and Management (AMDAL, RKL-RPL obligations).
- ▶ Law No 13/2003 jo. [as amended by] Law No 6/2023 on Manpower (working hours, occupational health and safety, freedom of association, fair wages, and prohibition of child and forced labour).
- ▶ OJK Regulations No 51/2017 and SEOJK 16/2021 on ESG disclosure and sustainable governance.
- ▶ UNGPs and the [OECD Guidelines for Multinational Enterprises](#) to ensure full coverage of potential impacts.

The process of identifying layers of regulation enables Indonesian companies to align with national requirements while complementing them with international frameworks. Brands and suppliers should identify and map risks across their operations and supply chains, distinguishing between actual and potential risks, and between direct operations and supplier activities. Risk identification should cover the following key dimensions:

- ▶ **Labour risks**, such as excessive overtime, freedom of association, contract or subcontracted labour, and occupational health and safety.
- ▶ **Environmental risks**, including hazardous waste management, emissions, water use, and biodiversity impacts.
- ▶ **Governance risks**, such as corruption, weak oversight in subcontracting, and gaps in documentation or transparency.

Risk mapping should also pay particular attention to vulnerable groups – including women workers, contract workers, migrant workers and home-based workers – who are prevalent in Indonesian supply chains and often face greater exposure to labour and social risks.

Integrate monitoring and efficiency reporting

As part of the implementation of monitoring and progress review, brands and suppliers should treat risk assessment as a dynamic and iterative process. Brands and suppliers should:

- ▶ Integrate monitoring into Indonesia existing mechanisms and programmes such as SMK3 (Occupational Health and Safety Management System), PROPER (Corporate Performance Rating Program in Environmental Management) and internal management reviews. Multiple levels of compliance in Indonesia require periodic reporting, and so businesses should establish an integrated monitoring system to enable systematic tracking of HREDD-related requirements including grievance management, worker engagement and environmental performance.
- ▶ Leverage external audits (eg, SMETA – Sedex Members Ethical Trade Audit, BSCI – Business Social Compliance Initiative, and WRAP – Worldwide Responsible Accredited Production) and government inspections – for example by the Manpower Office (Dinas Ketenagakerjaan, 'Disnaker') for labour and the Environmental Agency (Dinas Lingkungan Hidup, DLH) for environment – to validate results and assure compliance with designated requirements. Positive results can be used to demonstrate performance and commitment against relevant HREDD requirements. Less positive findings can serve as a starting point for companies to verify and address gaps or risks in meeting those requirements, many of which may intersect with HREDD obligations.

Report progress and corrective actions transparently through OJK sustainability reporting (for listed entities in stock exchange) or voluntary disclosures for non-listed companies. Regular reporting and disclosure strengthen accountability; help identify and manage key risks; and support continuous improvement in implementing HREDD and achieving broader compliance objectives.



04. Mitigative action plans

“Developing and implementing strategies to minimise risks and prevent harm effectively”

ETI mHREDD Guidance, pp. 36 – 38

Summary of relevant laws and legal frameworks

CSDDD	<p>Requires businesses to develop and implement actions to address identified risks and ensure follow-up measures are taken.</p> <p>Companies must monitor the effectiveness of these plans regularly and adjust as needed to improve outcomes.</p>
CSRD	<p>Requires companies to publicly disclose their strategies for addressing sustainability risks and impacts. This includes mitigative action plans.</p> <p>Ensures that reported information includes the effectiveness of these plans in mitigating risks and achieving sustainability objectives.</p>
EUFLR	<p>Does not mandate mitigative actions; however, such actions will be vital if businesses are to ensure that their goods are not subject to bans.</p>

Summary of relevant laws and legal frameworks

Indonesian laws and policies

Indonesia does not explicitly require companies to establish structured, risk-based mitigative action plans for managing human rights across supply chains, as required under certain EU laws.

Law No 32/2009 and Government Regulation No 22/2021 require companies to assess and mitigate environmental impacts related to water, air, marine ecosystems, and waste management. While social aspects are partly considered within the environmental assessment as part of the business impact evaluations, the focus remains limited to the impact of environmental–social intersection – for example the creation of new employment resulting from new business activities or a new business creating tension between companies and local communities over land use. This assessment may touch on issues related to human rights but does not include human rights obligations explicitly. Nevertheless, companies must complete these assessments, prepare mitigation plans, and implement them as part of the environmental permitting process.

Law No 13/2009, has limited relevance to mitigation practices, being more focused on preventive measures within the labour framework – such as occupational health and safety systems, and prohibitions on forced and child labour. These obligations are generally operation-based, compliance-driven, and limited to disclosure; they lack:

- ▶ Structured board-level requirements for mitigation planning.
- ▶ Integration of human rights risks with environmental and social risks.
- ▶ A value-chain-wide scope.

Indonesia's framework is therefore partially aligned with the CSRD (mitigation-related reporting exists) but not fully aligned with the CSDDD (which requires full due diligence cycles) or EUFLR (which focuses on forced labour risk mitigation in supply chains).

Insights from country consultations

During consultations, stakeholders in Indonesia's textile and garment sector highlighted additional challenges:

- ▶ Mitigation measures are often reactive (eg, addressing buyer audit findings) rather than preventive.
- ▶ Subcontracting and informal work arrangements create risks that are not addressed by formal compliance systems.
- ▶ Brands' purchasing practices (eg, tight lead times, low pricing) often undermine the ability of suppliers to implement sustainable mitigation strategies.

Practical recommendations

To align with the EU mHREDD and ETI Guidance, companies should adopt a more integrated mitigative action plan framework that links human rights, labour, and environmental mitigation within one coherent and proactive system.

Share accountability for mitigation planning

As brands increasingly require their suppliers to comply with frameworks such as HREDD, they often overlook the fact that due diligence is a two-way process – including shared responsibilities in managing and planning mitigation measures. Mitigation practices should be viewed as a shared responsibility, where brands, suppliers, and subcontractors collaborate to address systemic risks. Buyers can support suppliers by adopting responsible purchasing practices (eg, fair lead times and reasonable pricing) and by sharing assurance costs related to audits or verification requirements. [ETI's Purchasing Practices HRDD Framework for the Garment Industry](#) provides guidance on adopting collaborative production planning (Core Area 3.1) and fair payment and contract terms (Core Area 3.2).

Ensure meaningful stakeholder consultation and action planning

To implement effective mitigation measures, suppliers are expected to ensure meaningful and inclusive stakeholder engagement within the Indonesian context. This process should involve structured consultations with relevant stakeholders, including:

- ▶ Workers and trade unions, using established bipartite or tripartite mechanisms.
- ▶ Government authorities, including Disnaker for labour risks and DLH for environmental management.
- ▶ Community representatives and NGOs, to validate potential impacts.
- ▶ Industry associations, which should promote alignment and consistency across sectors.

Additionally, brands and suppliers should develop a written mitigative action plan outlining the specific measures, responsibilities, and timelines for addressing identified risks. The plan should include:

- ▶ Concrete preventive and corrective actions for identified risks.
- ▶ SMART (specific, measurable, achievable, relevant and time-bound) goals and key performance indicators.
- ▶ Assigned responsibilities and timelines.
- ▶ Budget and resource allocations.

Brands and suppliers should complement short-term actions, such as fixing overtime management and safety issues, long-term strategies, like improving supplier governance and green production practices.



Tailor communications to ensure understanding

When communicating outcomes or action plans, it is important to consider workers' varying levels of language proficiency, education and cultural background to ensure that the message is clearly understood by everyone. In the Indonesian context, formal communication may not always be effective – especially when technical or policy terms are unfamiliar to workers. To improve clarity and engagement, information should be shared through worker representatives or trade unions, using practical and culturally appropriate methods such as small group discussions or informal meetings. This approach is also applicable when communicating concerns and discussing mitigation actions across different departments within the company, as it helps workers to better understand and support the implementation of HREDD measures in daily operations.

05. Remediation processes and complaints mechanisms

“Creating systems to address grievances, remediate harm and ensure access to justice for affected stakeholders”

ETI mHREDD Guidance, pp. 39 – 44

Summary of relevant laws and legal frameworks

CSDDD	<p>Requires businesses to establish effective grievance mechanisms that are accessible to stakeholders, including workers and communities.</p> <p>Requires businesses to have in place remediation processes to address identified adverse impacts on human rights and the environment.</p>
CSRD	<p>Requires businesses to disclose how they manage complaints and remediate sustainability-related issues across their supply chain.</p> <p>Requires companies to report on the effectiveness of these mechanisms in addressing stakeholder concerns.</p>
EUFLR	<p>Does not impose a direct requirement for remediation processes or complaint mechanisms. However, businesses must investigate forced labour risks, which often involves responding to complaints and providing remedies in cases of non-compliance.</p> <p>Complaint and remediation mechanisms also help demonstrate due diligence if goods are scrutinised under the EUFLR.</p>

Summary of relevant laws and legal frameworks

Indonesian laws and policies

Indonesia does not have clear or comprehensive requirements for companies to establish remediation processes or grievance mechanisms in alignment with the EU's CSDDD and CSRD.

Law No 32/2009 includes provisions on the remediation of negative environmental impacts and gives communities the right to file complaints or lawsuits. However, these mechanisms are legal and court-based rather than company-level grievance systems.

In the reporting landscape, the OJK Sustainability Reporting Regulation (SEOJK) requires Indonesian companies to disclose the grievance mechanisms used to collect concerns from environmental and social stakeholders. However, the disclosure requirements do not extend to the remediation process, nor do they demonstrate how the system ensures end-to-end implementation and transparency of continuous progress. Instead, companies are only required to report the number of cases received and the platforms used for submitting grievances.

Overall, Indonesia's framework is partly aligned with the CSRD (through reporting on risk and mitigation) but is not aligned with the CSDDD, which requires operational grievance systems and access to remedy across the value chain.

Insights from country consultations

From consultations with stakeholders in Indonesia's textile and garment sector (including representatives from local trade unions and NGOs), ETI found that workers often prefer direct communication with supervisors or union representatives over impersonal tools such as suggestion boxes. This preference reflects local communication culture and the trust built through daily interaction. Union involvement has proven essential in improving transparency and resolution outcomes, while third-party facilitation remains important in sensitive cases such as harassment. Experience also shows that, when internal channels lack credibility, workers may turn to external routes such as social media or NGOs, increasing the reputational risks for both brands and suppliers.

Case study: ILO's Strengthening Industrial Relations in Indonesia (SIRI) project

Recent initiatives under the International Labour Organization (ILO) project Strengthening Industrial Relations in Indonesia (SIRI) have demonstrated how well-designed grievance mechanisms can strengthen trust and accountability. Working with three trade union federations – SPN, Garteks and Siola – the project introduced digital grievance applications to make reporting faster, more confidential, and transparent. The [ILO's Systems Analysis Report](#) further highlights how structured digital systems help unions document and manage cases more effectively, supporting fair and timely resolutions. Collectively, these experiences show that credible, worker-centred grievance mechanisms – developed collaboratively by unions, enterprises and trusted institutions – are key to improving workplace dialogue and reducing reputational risks across supply chains.

Source: ILO (2025) [Systems analysis for grievance documentation and case management system for improving trade union operations and outreach capabilities](#) (available in Bahasa and English); ILO (2024) ['ILO and three trade-union federations in the garment sector launch grievance mechanism'](#). Press release, 26 May.

Practical recommendations

To align with ETI's mHREDD Guidance and EU due diligence standards, companies should work to strengthen their grievance and remediation systems and ensure that they are trusted, accessible and integrated across the supply chain, as well as compatible with Indonesian industrial relations frameworks.

Design mechanisms to meet UNGP criteria

Grievance mechanisms should be designed to meet the UNGP effectiveness criteria – ensuring legitimacy, accessibility, predictability, equity, transparency, and compatibility with human rights.

In practice, Indonesian enterprises can strengthen accessibility and trust by:

- ▶ Providing multiple access points, such as direct reporting to human resources, union channels, WhatsApp/SMS hotlines, email/web forms, or in-person submission, ensuring 24/7 availability for shift workers.
- ▶ Guaranteeing confidentiality and safety, particularly for sensitive cases such as gender-based violence and harassment (GBVH), by ensuring these are handled by trained and trusted personnel using survivor-centred approaches.
- ▶ Ensuring inclusivity and clarity, explaining procedures in Bahasa Indonesia and, where relevant, local languages or simple pictorial formats for workers with low literacy.
- ▶ Extending coverage to indirect, contract, outsourced, or home-based workers, who often fall outside formal complaint systems in Indonesia.

In general, for all enterprises, including small and medium-sized enterprises (SMEs), a simplified mechanisms to ensure accessibility is recommended. This can be achieved by appointing dedicated personnel or a trained team as the first point of contact for complainants. Providing simple access, such as through a hotline, is encouraged, as open discussion is often more effective and preferable to purely administrative procedures.

Establish multi-level grievance committees and escalation pathways

Grievance mechanisms should have a multi-level, multi-stakeholder structure to ensure fairness and impartiality. Indonesian enterprises can enhance this by:

- ▶ Establishing joint grievance committees, comprising management, workers and trade union representatives, at either the factory or enterprise level.
- ▶ Embedding escalation procedures, first through LKS Bipartite (Lembaga Kerja Sama) and, subsequently, if needed, through a national-level forum involving a government agency, the employer and workers' organisation to address labour policies. This two-tier approach is line with Indonesia's industrial relations framework.
- ▶ Allowing unresolved or serious grievances (eg, forced labour, severe harassment and environmental violations) to be escalated to Disnaker for labour-related matters, DLH for environmental matters, or the Indonesian National Commission on Human Rights (Komisi Nasional Hak Asasi Manusia, "Komnas HAM") for human rights cases.
- ▶ Engaging independent mediators or third-party facilitators where appropriate to ensure impartiality.
- ▶ Guaranteeing non-retaliation for all complainants to promote confidence and participation.

By designing the system to enable access to appropriate levels of support – whether through internal management, third-party involvement or relevant government agencies – grievances and concerns can be addressed fairly and effectively, leading to resolutions that satisfy workers while allowing the company to appropriately resolve the issue.

Document concerns and verify verbally with employees

To ensure clear communication, employees in Indonesian enterprises often prefer direct discussions and may find it difficult to navigate formal administrative procedures, but it is important that concerns are properly documented. The personnel or team handling any grievance document each concern in writing and read it back to the employee for confirmation. This approach helps to ensure accuracy, reduces the administrative burden and is inclusive of workers with limited literacy or from other vulnerable groups.

06. Meaningful stakeholder engagement

“Building strong partnerships through meaningful communication with stakeholders”

ETI mHREDD Guidance, pp. 45 – 48

Summary of relevant laws and legal frameworks

CSDDD	Companies must engage in meaningful consultation with affected stakeholders or their representatives, especially when designing corrective and preventive measures.
CSRD	Companies must explain how stakeholders are engaged during the materiality assessment and policy development processes. This includes dialogue with affected communities, workers, internal staff and interest groups.
EUFLR	Does not impose a direct requirement for stakeholder engagement. However, as part of risk identification, mitigation and remediation processes, businesses will likely be required to engage meaningfully with affected stakeholders.

Summary of relevant laws and legal frameworks

Indonesian laws and policies

Indonesia does not require companies to conduct structured or continuous stakeholder engagement comparable to that specified under the EU's CSRD and CSDDD.

Most regulations in Indonesia address engagement only in limited ways:

- ▶ Focusing on specific groups such as shareholders (Company Law) or labour relations (Manpower Law);
- ▶ Requiring engagement only in environmental contexts (public consultations under AMDAL); or
- ▶ Only mentioning engagement in disclosure rules without providing any guidance on how this should be implemented (OJK/SEOJK).

SEOJK No 16/2021 comes closest to the stakeholder engagement obligations set out under CSRD, requiring companies to identify and communicate with stakeholders in sustainability reports, thereby facilitating stakeholder engagement. However, it remains disclosure-oriented and does not mandate active stakeholder participation in structuring company policies as CSRD does as part of a double-materiality assessment.

In summary, Indonesia's regulations provide some entry points for stakeholder engagement but lack systematic, value chain-wide and rights-based requirements. The framework is partially aligned with the CSRD (limited disclosure) but not with the CSDDD, which requires meaningful and inclusive participation throughout the due diligence process. In relation to the EUFLR, Indonesia's regulatory framework mandates the inclusion of workers among key stakeholders, which is an important step in meeting the requirements of EUFLR.

Insights from country consultations

Consultations with stakeholders in Indonesia's textile and garment sector indicate that workers prefer direct, verbal communication with supervisors or union representatives to communication via passive channels (eg, suggestion boxes). They also suggest that union participation improves trust and outcomes and that local NGOs and community organisations are critical in reaching hidden tiers of workers (eg, those who are subcontracting or doing home-based work).

Practical recommendations

Meaningful stakeholder engagement is a cornerstone of effective HREDD. In Indonesia, engagement processes should reflect the country's industrial relations system, community dynamics and governance structure, ensuring that dialogue is both culturally appropriate and practically implementable.

Broaden stakeholder mapping coverage

Indonesia enterprises should identify stakeholders across their operations and supply chains, including workers, trade unions, suppliers, local communities and government agencies such as Disnaker (for labour issues and DLH for environmental management. In Indonesia, stakeholder mapping should consider both formal and informal actors, including home-based or contract workers and community groups surrounding production sites, as these groups often face higher levels of vulnerability.

Develop a tailored engagement plan

Engagement should be planned and systematic, with clear objectives and defined methods. In Indonesia, this engagement can be complemented by periodic Lembaga Kerja Sama (LKS) Bipartit meetings, supplier roundtables and dialogues facilitated by local industry associations or chambers of commerce. These initiatives may be undertaken in phases to ensure the meaningful inclusion of all vulnerable worker groups, including subcontracted and home-based workers, through dedicated sessions that facilitate open and transparent dialogue on working conditions, environmental impacts and continuous improvement measures. Engagement can also focus on specific stages of HREDD implementation, targeting select relevant stakeholder groups – such as during the development of mitigation plans, where stakeholders are invited to provide deeper insights and collaborative solutions.



07. Ongoing monitoring and verification

“Establishing systems to regularly assess compliance, track progress, and ensure the effectiveness of due diligence efforts”

ETI mHREDD Guidance, pp. 49 – 51

Summary of relevant laws and legal frameworks

CSDDD	Requires companies to establish mechanisms for regular HREDD monitoring to detect and address human rights and environmental risks.
CSRD	Requires companies to conduct ongoing monitoring and evaluation of their sustainability performance by companies. This includes tracking performance against targets, reviewing processes, and adjusting strategies to address new risks and opportunities.
EUFLR	Emphasises the importance of traceability and documentation to verify that no forced labour is present in supply chains. Monitoring systems are critical for maintaining compliance and ensuring accurate records.

Summary of relevant laws and legal frameworks

Indonesian laws and policies

Indonesia's regulatory framework does not mandate verification systems comparable to the CSRD's European Sustainability Reporting Standards or the CSDDD's human rights risks. While most of the regulations in Indonesia align in terms of monitoring and reporting disclosures, but they lack requirements for:

- ▶ Independent/third-party verification, and
- ▶ Supply chain-wide coverage (traceability, forced labour risk, or human rights due diligence effectiveness).

Environmental law (Law No 32/2009) requires environmental monitoring tied to permits, and labour law (Law No 13/2003) provides occupational health and safety inspections, but both are narrow in scope. OJK/SEOJK regulations expand into ESG disclosures but remain reporting-driven, without prescribing methodologies for verification or ongoing risk-tracking across supply chains. Since the regulations do not explicitly define monitoring procedures, many companies continue to report required information but lack adequate verification systems to ensure broader oversight, including on social grievances, human rights, and other related aspects.

Thus, Indonesia is partially aligned with CSRD (reporting obligations exist) and to EUFLR (prevention and monitoring of forced labour presence) but not aligned with CSDDD, as it does not establish robust, ongoing, supply chain-wide monitoring systems or independent verification processes.

Insights from country consultations

ETI consultations in Indonesia indicate recurring challenges for ongoing monitoring and verification:

- ▶ Fragmented datasets (environment, labour, purchasing) that are not integrated.
- ▶ Limited visibility of subcontractors, home-based production and agency labour.
- ▶ Audit fatigue with duplicative checks.
- ▶ Under-utilisation of worker and union data for real-time risk detection.

Practical recommendations

Ongoing monitoring and verification of HREDD should build upon Indonesia's existing compliance and oversight mechanisms while progressively aligning with EU mHREDD expectations. This will ensure consistency with national legislation and promote a unified system of accountability across labour, environmental and governance domains.

Plan to integrate with national frameworks

Businesses should embed monitoring systems within existing Indonesian regulatory structures to strengthen both compliance and credibility:

- ▶ **Labour and occupational safety:** Companies should use regular assessments under SMK3 (Occupational Safety and Health Management System) and P2K3 (Health and Safety Committees) as the foundation for monitoring workplace conditions, labour practices and occupational health and safety performance. Collaborate with Disnaker – for example by inviting their experts to conduct internal training or workshops – to ensure consistent oversight and alignment with national labour standards.
- ▶ **Environmental management:** Environmental monitoring should leverage existing UKL-UPL (Environmental Management and Monitoring Plans) and Environmental Performance Rating Programme (PROPER) systems managed by the DLH, which enable businesses to track emissions, waste management and resource efficiency.
- ▶ **Corporate governance and disclosure:** Listed companies in Indonesia must align with OJK's sustainability disclosure regulations POJK No 51/2017 and SEOJK No 16/2021; non-listed companies are encouraged to adopt voluntary sustainability reporting using simplified templates or sectoral guidelines.

As national regulations are monitored, additional frameworks can be aligned and integrated with national requirements to enable comprehensive monitoring for compliance while expanding the scope to include HREDD.

Data collection, reporting and transparency

Data collection and reporting can ease the burden on businesses by reducing workload and enabling more efficient compliance monitoring and reporting, including of human rights requirements. In advancing implementation in the Indonesian context, monitoring practices are encouraged to be documented using templates that are compatible with SIINas (Sistem Informasi Industri Nasional) or Online Single Submission-Risk Based Approach (OSS-RBA) to ensure traceability and data consistency. Internal monitoring outcomes should be aligned with mandatory submissions such as RKL-RPL evaluations, PROPER self-assessments or OJK sustainability reports. For non-listed companies, voluntary disclosures through sustainability statements or digital transparency platforms (including buyer portals) can help bridge visibility gaps. Companies should also communicate summarised findings to stakeholders through sustainability reports or briefings, covering key risks, corrective actions and performance improvements.

08. Continuous improvement

“Ensuring policies, processes, and actions evolve in response to new risks, learnings, good and better practices”

ETI mHREDD Guidance, pp. 52 - 54

Summary of relevant laws and legal frameworks

CSDDD	Requires companies to conduct ongoing monitoring and evaluation of their sustainability performance. This includes tracking performance against targets, reviewing processes and adjusting strategies to address new risks and opportunities.
CSRD	Companies must regularly update their sustainability disclosures and improve their reporting processes, aligning with evolving standards and stakeholder expectations. This includes implementing due diligence measures, monitoring their effectiveness and adapting strategies to address new risks and opportunities.
EUFLR	Does not explicitly mandate continuous improvement but highlights its relevance in maintaining up-to-date traceability mechanisms and adapting to new forced labour risks. Continuous improvement ensures companies remain proactive and compliant.

Summary of relevant laws and legal frameworks

Indonesian laws and policies

Indonesia's regulations cover governance, accountability and reporting, but do not create continuous improvement cycles like those under the EU's CSRD (sustainability reporting), CSDDD (human rights) and EUFLR (forced labour prevention). Most laws in Indonesia are compliance-oriented and annual. They focus on reporting environmental, social and labour risks, but do not require companies to:

- ▶ regularly update policies based on new ESG risks;
- ▶ use stakeholder feedback to improve governance; or
- ▶ continuously monitor and improve supply chain practices.

Law No 32/2009 (monitoring and audits for environmental protection) and Law No 13/2003 (occupational health and safety systems and bipartite labour dialogue) require Indonesian enterprises to implement continuous improvement on their respective area of focus. However, these do not apply across ESG or supply chains.

SEOJK 16/2021 on Sustainability Reporting requires performance targets and evaluations. However, it is still disclosure focused, and it does not include binding standard or external verification. Its main purpose is to monitor ongoing performance, not to set targets or require continuous improvement.

In summary, Indonesia is only partially aligned with the CSRD, as basic reporting mechanisms are in place. However, it is not aligned with the CSDDD, since there is no legal requirement to improve or monitor human rights risk practices, nor with the EUFLR, as Indonesian regulations do not require mechanisms to adapt to forced labour risks.

Insights from country consultations

ETI consultations with Indonesian suppliers highlighted that improvement is often reactive, driven by audit findings or buyer requirements, rather than being embedded as a proactive cycle of assessment, learning and adaptation. Suppliers – especially SMES – reported having limited capacity to implement structured review processes, while buyers noted the lack of harmonisation across standards leads to duplication and inefficiency.

Continuous improvement means ensuring that HREDD is not a one-time activity but an ongoing process of learning, evaluation and adjustment. In Indonesia, this process can build upon existing management systems – such as SMK3, PROPER and OJK sustainability frameworks – while integrating regular reviews, risk monitoring and stakeholder learning.

Practical recommendations

Keep up to date with emerging legislative frameworks

Both brands and suppliers should review their human rights, labour and environmental policies annually or biannually. In the Indonesia context, this will require businesses to regularly review relevant regulations and governance frameworks, considering:

- ▶ **Updates in Indonesian regulations** (eg, Employment Law, Environmental Law, OJK guidelines). Staying up to date on national regulations should be a key part of a company's compliance activity, as regulatory changes can directly impact operations and obligations. In the Indonesian context, official government platforms such as the National Legal Documentation and Information Network (Jaringan Dokumentasi dan Informasi Hukum Nasional, JDIHN), along with updates from industry associations, provide accessible channels for companies to continuously monitor and understand regulatory developments.
- ▶ **Audit results, grievance data and stakeholder feedback** (including from Disnaker and DLH). Learning from government feedback and audit reports enables enterprises to gain deeper insights into the human rights landscape in Indonesia, which can help drive action to embed or revise related company policies.
- ▶ **Changes in EU due diligence requirements.** As EU regulations differ from Indonesia's regulatory framework, it is essential that suppliers communicate continuously with buyers to provide clarity on new requirements. This approach helps maintain strong business relationships, prevent compliance misunderstandings and ensure readiness for market entry.

Each review should be endorsed by senior management or the board to ensure accountability and demonstrate leadership commitment. Updated policies should be communicated to all departments and suppliers to maintain coherence across operations and the supply chain.

Collaborate and share learning

Continuous improvement may benefit from joint learning. In Indonesia, both brands and suppliers should actively participate in industry associations, multi-stakeholder initiatives and programmes led by government agencies (eg, Disnaker, DLH and Kemenperin). Collaborative efforts and initiatives should also include worker representatives, trade unions and local communities to ensure that improvement measures reflect real workplace and community conditions. Shared capacity-building, pilot projects and joint monitoring can strengthen sector-wide sustainability performance.

Brands and suppliers could also organise joint learning sessions with buyers to improve understanding of each other's requirements. Many suppliers in Indonesia often need clearer insights into buyer expectations to meet standards for market entry. Collaborative initiatives such as seminars or workshops can help suppliers understand compliance expectations and align their practices accordingly and strengthen overall supply chain performance.

In focus: applying ETI mHREDD Guidance in Indonesia's textiles and garment industry

The Indonesian textiles and garment industry plays a critical role in the global supply chain, employing a large workforce¹ and serving as a major exporter to international markets, including the United States² and the EU. Its integration with global brands has exposed the sector to growing expectations under emerging due diligence frameworks such as the CSDDD, CSRD and EUFLR.

While many suppliers have developed compliance systems based on buyers' requirements and national labour laws, the sector remains largely audit-driven rather than being guided by a structured, risk-based approach. Factories maintain certification schemes and audit readiness but have yet to embed systematic processes for identifying, preventing and mitigating human rights and environmental risks or for driving continuous improvement.

Consultation insights

In practice, several Indonesian suppliers have adopted certain elements of due diligence, but implementation remains uneven and is often reactive to buyer requirements.

Supply chain mapping and traceability

Large and export-oriented manufacturers have partially implemented supply chain mapping through regular buyer audits and document disclosure, often covering tier-1 and limited tier-2 operations. Mapping tends to be reactive and externally led, relying on buyer requests rather than internal supplier initiatives. Smaller enterprises continue to face significant constraints in mapping upstream sources, citing limited access to data, resources and technical tools. Informal verification, such as site visits and peer monitoring, is common; however, few factories have comprehensive traceability systems that align with EU due diligence expectations.

Worker representation and grievance mechanisms

Unions exist in many factories but vary in effectiveness, and in some workplaces, the presence of multiple unions has created internal rivalry rather than collective engagement with management. This underscores the need for structured facilitation and stronger brand support for freedom of association and collective bargaining rights.

¹ [ILO Report on International Women's Day](#)

² [Global Textile](#)

Grievance mechanisms are widely established but often fragmented or externally managed through buyer hotlines and third-party audits. Internal channels – such as digital forms, grievance boxes or anonymous hotlines – are underutilised due to low worker awareness and limited trust. A few factories have introduced QR-code systems to enhance confidentiality. Weak internal grievance procedures have, in some cases, led to workers raising complaints publicly, demonstrating the reputational risks of relying solely on external audit mechanisms.

Audit fatigue and compliance costs

Suppliers face increasing duplication of audits and certification schemes, each with different buyer formats and expectations. Larger manufacturers manage these through compliance teams, whereas smaller businesses rely on a single staff member to handle all processes – often leading to administrative overload and reduced focus on real improvement. Audit and certification costs are almost always borne by suppliers, while buyer pricing structures remain unchanged, which discourages investment in worker welfare and environmental management. This imbalance has recently grown in Asian countries, including Indonesia, as buyers have begun moving away from larger producers like Brazil and China (partly due to declining order volumes and US tariffs on cotton-based products) and towards Asia, which is lower cost – intensifying competition between suppliers in the region.³ Buyers now have greater leverage, meaning suppliers must show they can best meet compliance requirements while offer the most competitive prices. Suppliers emphasised the importance of fair cost-sharing mechanisms to maintain sustainability commitments without undermining financial viability.

Trade union creation and involvement

In Indonesia, trade unions can be established based on workers' needs, and multiple unions may exist within a company provided they are legally registered. Despite this flexibility, many workers remain hesitant to join unions due to concerns about discrimination, such as differences in employment status (permanent, contract or daily workers), and fears of retaliation. Trade unions play a crucial role in strengthening companies' ability to identify and address risks. However, their involvement is often limited or perceived as conflicting with company interests. In some cases, employers are unaware that freedom of association is a fundamental right that allows employees to form or join unions. Active union participation in reviewing company policies and overseeing corrective action plans enhances the credibility and legitimacy of corporate responses. This is particularly important where audit findings alone may not fully reflect workplace realities or worker perspectives.

Worker voice

In Indonesia, workers tend to prefer direct and verbal communication with supervisors or union representatives rather than using passive mechanisms such as suggestion boxes or anonymous forms. Several factors contribute to this preference, including the administrative burden associated with written complaints and a cultural tendency toward expressive, face-to-face communication. Although communication channels exist, many workers remain hesitant to raise their concerns due to fear of retaliation. Complaints are often perceived as potentially leading to negative employment consequences or penalties. Without a foundation of trust between workers and management, employees tend to internalise their concerns rather than communicating them as a means to seek resolution. Workplace issues or grievances – often originating from the work environment itself – may therefore remain unaddressed, leading to prolonged stress and dissatisfaction.

3 [Supply Chain Shift](#)

Institutional support and industry coordination

Industry associations play a growing role in training, audits, and compliance support, helping members navigate both local and buyer requirements. Yet overlapping standards (national, ILO-based and brand-specific) often create confusion and duplication. Associations also pointed to administrative hurdles, such as outdated permits under the Online Single Submission (OSS) system and limited clarity on new occupational safety and emission-reduction rules. Members called for simplified certification processes and better alignment between local and global frameworks to make compliance feasible for smaller enterprises. Stakeholder organisations working with the ILO also emphasised the need for tripartite dialogue and more inclusive outreach. They noted that most training activities take place in Jakarta and often attended by the same participants, reducing opportunities for regional engagement and wider capacity building.

Sourcing and purchasing practice

As the EU regulatory landscape continues to evolve, buyers based in the EU have increasingly required their Indonesian suppliers to comply with new market regulations. Many suppliers, however, find these updates challenging, as they often receive limited guidance (typically only in the form of checklists) without adequate reference materials or standards for implementation. This lack of clear information places significant pressure on suppliers. In practice, it can lead to issues such as pricing pressure to meet compliance costs, stricter contract requirements and shorter lead times. These pressures create additional risks, including the possibility of buyers shifting to alternative suppliers who can demonstrate compliance at lower prices. As a result, many suppliers accept reduced profit margins to maintain buyers and sustain their business relationships. On the other hand, non-compliant suppliers face potential market exclusion and a weakened competitive position to their inability to meet buyer requirements and market regulation.

Barriers to mHREDD

Despite progress in certain areas, several structural barriers continue to limit meaningful implementation of due diligence across the sector:

- ▶ **Limited capacity and resources:** Smaller suppliers often lack the human and financial resources to manage overlapping audit and reporting requirements. Compliance functions are often handled by a single individual, leaving little room for continuous monitoring or improvement.
- ▶ **Fragmented compliance frameworks:** The coexistence of national regulations, buyer codes, and international standards creates complexity and sometimes conflicting expectations. While initiatives platform from national regulation such as the Omnibus Law on Job Creation (governing labour regulation), PROPER (environmental performance evaluation programme) and OJK sustainability reporting (regulating sustainability disclosures) offer partial alignment with EU principles, they remain fragmented and poorly coordinated across ministries.
- ▶ **Trust foundation:** There is often a negative perception of grievance reporting and raising concerns, as many workers fear possible consequences. Workers are generally unable to submit grievances directly to management without fear of retaliation, and employers are sometimes perceived as unapproachable in addressing such issues.
- ▶ **Unbalanced purchasing practices:** There is a persistent gap between sustainability expectations and commercial terms. Buyers require adherence to multiple social and environmental standards but rarely adjust pricing, timelines or order volumes accordingly. This dynamic reinforces cost pressures and encourages short-term, audit-focused compliance.

- ▶ **Stakeholder awareness and communication:** Although many factories have formal due diligence mechanisms in place, workers often remain unaware of their rights or available channels for raising concerns. Issues often arise due to limited communication, weak enforcement and a lack of trust, rather than the absence of policy.
- ▶ **External trade and market pressures:** Shifting global sourcing patterns and external trade measures – such as US tariffs on cotton-based products – have reduced Indonesia’s competitiveness⁴ as buyers can easily shift to alternative suppliers in countries such as Vietnam and others within the Asian region if Indonesian suppliers are unable to meet their compliance requirements. These pressures, coupled with compliance costs, limit supplier capacity to maintain consistent due diligence implementation without greater buyer collaboration.

Key lessons

1. **Capacity building** is essential for smaller suppliers, requiring tailored training, simplified tools and collective approaches such as joint audits.
2. **Alignment policy and regulation** of national regulations, third-party certifications and brand requirements to reduce overlap and promote more efficient compliance practices.
3. **Fair and responsible purchasing practices** from brands are critical to ensuring that due diligence expectations do not translate into disproportionate cost burdens for suppliers.
4. **Operational grievance mechanisms** must be embedded within factory systems to provide safe, accessible and trusted channels for workers and communities.
5. **Shared responsibility** between buyers and suppliers is a prerequisite to transitioning from audit-driven compliance to meaningful, ongoing due diligence.



⁴ [Tariff Competition in Textile Industry](#)



Ethical Trading Initiative

ETI is a leading alliance of NGOs, trade unions, and companies advancing human rights in supply chains.

Our vision is of a world of work that protects human rights, ensures dignity for all, provides opportunity and is free of exploitation and abuse.



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