

Insights, News & Events

SOUTH KOREA REVIVES DUE DILIGENCE BILL IMPACTING MULTINATIONAL COMPANIES: WHAT EMPLOYERS NEED TO KNOW

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A proposed law in South Korea would require companies to identify, prevent, and mitigate human rights and environmental harms across their operations and supply chains. The proposed legislation would mark a significant shift in how businesses are expected to manage supply chain risks and uphold ethical standards. Although the bill is still being deliberated, there are steps you can take now to prepare for this growing global trend. Read on to learn more.

A Growing Trend

Following recent global attention on workers' rights in South Korea, Democratic Party lawmaker Jung Tae-ho reintroduced the Corporate Human Rights and Environmental Due Diligence Act (CHREDDA) to the National Assembly on June 13. The bill seeks to align South Korea with global human rights laws, like the EU Corporate Sustainability Due Diligence Directive.

South Korea joins a growing number of Asian countries focused on corporate human rights and environmental due diligence efforts. Corporate accountability efforts include Japan's nonbinding guidelines, Thailand's development of a National Action Plan on Business and Human Rights, and India's expanding Business Responsibility and Sustainability Report framework.

Who Would Be Covered?

The proposed law would apply to companies with at least 500 employees or revenues exceeding KRW 200 billion

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(about \$1.44 million) annually. It targets both Korean companies and foreign companies that have significant operations in South Korea.

The draft law signals a fundamental shift in corporate accountability in Asia, potentially transforming voluntary environmental, social, and governance (ESG) guidelines into enforceable legal duties.

Companies would need to:

- Identify risks to human rights and the environment.
- Implement prevention or mitigation measures.
- Adopt formal human rights policies.
- Complete a due diligence disclosure process.
- Establish grievance mechanisms.

What Are the Risks?

If this law is passed, supply chain transparency and traceability will become mandatory. For companies operating in Korea or with Korean affiliates, the bill introduces significant operational, legal, and reputational risks. Companies that fail to meet the bill's requirements could face civil liability, in the form of administrative fines up to KRW 10 million (approximately \$7,200) and even criminal penalties, including imprisonment for up to five years.

What Should Employers Do Now?

While the bill is still pending, companies with a presence in Asia should consider preparing now for South Korea's CHREDDA or similar legislation. Here's how you can get ready:

- **Assess Whether Your Business Would Be Covered.** Do you have an established place of business in South Korea? Do you meet the employee count and revenue thresholds?
- **Conduct a Policy Analysis.** Review your current human rights and environmental policies to assess compliance with international labor standards and human rights principles.
- **Assess Risk in Your Supply Chain.** Consider conducting a comprehensive audit of your operations to assess

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potential exposure.

- **Develop an Internal Governance Strategy.** If CHREDDA is passed, a company-wide effort will be necessary for compliance.
- **Monitor Legal Developments.** Keep up to date with policy trends through [Fisher Phillips' Insight System](#).

Conclusion

We will continue to monitor developments related to legal changes affecting multinational companies, so make sure you are subscribed to [Fisher Phillips' Insight System](#) to receive the latest updates directly to your inbox. If you have questions, contact your Fisher Phillips attorney, the authors of this Insight, or any attorney in our [International Practice Group](#).