Cooley

Top Five Considerations for Supplier Contracts

December 2, 2025

Internationally, businesses face growing regulatory and reputational pressure to modernise supplier contracts by embedding responsible procurement and ongoing supply chain due diligence practices. The overarching concept of responsible business is not new. Companies operating in the US, UK and European Union, amongst others, have long been expected to align with voluntary standards like the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises on Responsible Business Conduct, and many claim adherence in their codes of conduct or annual reports. Yet, enforcement has traditionally been light or nonexistent. But that landscape is shifting. A growing body of new legislation is creating firm legal obligations which require businesses to better understand and take responsibility for the adverse human rights and environmental impacts that might arise in their supply chains whilst increasing the level of scrutiny and enforcement. In parallel, customer and shareholder demands are increasing. This makes supplier contract reform not just advisable, but essential. This reform must not only meet the requirements of relevant regulations but also retain sufficient flexibility to adapt to changing circumstances and guard against potential supply chain disruption or disagreements that may follow.

Below, we outline five key considerations for companies reviewing supplier contracts in light of evolving legal expectations.

Key considerations for supplier contracts

Stay ahead of legal change.

A wave of recent and upcoming legislation is prompting businesses to revisit supplier contracts and procurement practices. Some laws – like the US Forced Labor Prevention Act (UFLPA) and the EU Forced Labour Regulations (applying 2027) – focus on outcomes, requiring that products be demonstrably free from forced labour. Others, such as the EU Corporate Sustainability Due Diligence Directive (CSDDD) and Batteries Regulation (EUBR), emphasise process, mandating due diligence throughout the supply chain, including cascading contractual clauses, verification mechanisms, and support for small and medium-sized enterprises (SMEs). Whether framed as obligations of means or results, the practical implications are clear: Supplier contracts must evolve so they remain compliant with new legal standards. Businesses will need to articulate human rights expectations more clearly – moving beyond generic "applicable law" clauses, which are often inadequate to ensure respect for internationally recognised human rights and, in some cases, fail to offer sufficient protection because national law directly conflicts with international standards.

Enhance supply chain transparency and data integrity.

Businesses are increasingly expected to collect and disclose reliable information on human rights and environmental impacts across their supply chains, whether to meet legal requirements or customer requests. This is driven by regulatory reporting frameworks like the EU's CSRD, Canada's Forced Labour Act, Australia's and the UK's Modern Slavery Acts, and product-specific rules, such as the EU Deforestation and Ecodesign Regulations. At the same time, stakeholder pressure and existing company commitments continue to prompt voluntary disclosures via annual sustainability reports and initiatives, like the Carbon Disclosure Product (CDP) and Global Reporting Initiative (GRI). Greenwashing rules, in particular, mean that these voluntary disclosures too are under increased scrutiny. Supplier contracts should be structured to support these evolving transparency obligations, including provisions for traceability, data sharing and verification across the value chain.

Consider routes for responsible disengagement.

As regulatory standards evolve, businesses may – as a last resort – need to exit supplier relationships that no longer meet compliance or sustainability expectations. The Ukraine-Russia conflict exposed a widespread gap in supplier contracts: the absence of clear provisions for responsibly exiting relationships in response to geopolitical, ethical or legal risks. Contracts should anticipate this by including clear disengagement protocols to

be exercised whilst ensuring exits are lawful, transparent and minimise harm to affected workers or communities. Responsible disengagement is increasingly viewed as part of a company's human rights due diligence obligations, particularly under frameworks like the UN Guiding Principles and incoming rules, such as the EU's CSDDD and EUBR.

Build in protections against breach and disruption.

Contracting parties should consider whether their traditional protections, such as force majeure, liquidated damages, indemnities or termination clauses, are fit for purpose given the changing realities of international procurement highlighted above. Disruption to supply chains caused by breach of sustainability-related regulatory requirements can have knock-on impacts that are expensive and damaging. Supply chain contracts should be updated to contain clear allocations of risk and appropriate remedies that will minimise room for argument when these problems occur and avoid the need for costly and time-consuming litigation.

Ensure enforceability.

Finally, and fundamentally, parties need to ensure that their cross-border supply contracts remain practically enforceable. As the range of regulatory requirements and associated contractual protections increases, the need to ensure that contractual wording will be faithfully applied and enforced has never been more acute. If the governing law of a contract does not recognise certain concepts or circumscribes the freedom to contract in relevant respects, the best drafting in the world may not help. Likewise, if a recalcitrant counterparty refuses to honour its bargain, the inability to enforce a judgment in the place where that counterparty is based or has assets will render a contract essentially unenforceable. These issues are particularly relevant where parties are contracting internationally, making it vital that parties consider carefully the law they choose to govern their supply contracts and the forum in which they wish disputes to be resolved.

If you have any questions or would like support navigating these regulatory developments, please contact a member of Cooley's sustainability advisory or international dispute resolution teams.

This content is provided for general informational purposes only, and your access or use of the content does not create an attorney-client relationship between you or your organization and Cooley LLP, Cooley (UK) LLP, or any other affiliated practice or entity (collectively referred to as "Cooley"). By accessing this content, you agree that the information provided does not constitute legal or other professional advice. This content is not a substitute for obtaining legal advice from a qualified attorney licensed in your jurisdiction, and you should not act or refrain from acting based on this content. This content may be changed without notice. It is not guaranteed to be complete, correct or up to date, and it may not reflect the most current legal developments. Prior results do not guarantee a similar outcome. Do not send any confidential information to Cooley, as we do not have any duty to keep any information you provide to us confidential. When advising companies, our attorney-client relationship is with the company, not with any individual. This content may have been generated with the assistance of artificial intelligence (AI) in accordance with our AI Principles, may be considered Attorney Advertising and is subject to our legal notices.

Key Contacts

Jack Eastwood London	jeastwood@cooley.com +44 (0) 20 7556 4372
Emma Bichet Brussels	ebichet@cooley.com +32 2 486 7543
Beth Sasfai New York	bsasfai@cooley.com +1 212 479 6081

This information is a general description of the law; it is not intended to provide specific legal advice nor is it intended to create an attorney-client relationship with Cooley LLP. Before taking any action on this information you should seek professional counsel.

Copyright © 2023 Cooley LLP, 3175 Hanover Street, Palo Alto, CA 94304; Cooley (UK) LLP, 22 Bishopsgate, London, UK EC2N 4BQ. Permission is granted to make and redistribute, without charge, copies of this entire document provided that such copies are complete and unaltered and identify Cooley LLP as the author. All other rights reserved.