THE GERMAN LIEFERKETTENGESETZ
(SUPPLY CHAIN DUE DILIGENCE ACT)
The Facts

25 million people
are victims of forced labour.

75 million
children are forced into child labour.

Less than 20%
of companies comply with the corporate due diligence directive, according to the German NRP-Monitoring (National reformation program).

75% of Germans
support the supply chain due diligence law.

Supply chains are becoming increasingly more complex
Manufacturing companies often have more than 10,000 suppliers and are buying more than 100 different raw materials from many different countries.
The German Supply Chain Due Diligence law (Lieferkettengesetz) will come into force in 2023. It will regulate the liability of companies based in Germany for human rights violations in their supply chain. The currently voluntary recommended practices are then transferred into a legal framework.

On the 11th of June the German Bundestag has officially passed the Lieferkettengesetz, holding companies responsible for human rights violations not only in their own companies but also in the further supply chain.

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01 – What are the topics?

- Bodily integrity and health
- Freedom of association and the right to collective bargaining
- Fair working conditions (safety at work, breaks)
- Freedom from torture, slavery and forced labour
- Protection of children and freedom from child labour
- Environmentally related obligations to protect human health

02 – What is the law requiring?

- Documentation & public reporting: Implement a transparent public reporting.
- Grievance mechanism: Establish a grievance mechanism.
- Risk & Case management: Engage in risk management (incl. remedial measures) to prevent potential negative impacts on human rights.

Decreasing requirements with depth of Supply Chain
THE LAW AT A GLANCE

03 – How is the law enforced?

Monitoring:
The Federal Office for Economic Affairs and Export Control is tasked with monitoring compliance with the law. It checks company reports and investigates any grievances.

Grievance Report:
People whose human rights have been violated can use the German courts to get their rights upheld, they can now also report their grievances to the Federal Office for Economic Affairs and Export Control.

Penalties

1. Exclusion from public procurement processes for up to three years.
2. Infringements of the law may result in fines:
   - 2% of Annual revenues if no counter-measures / mitigation for known violations are implemented.
   - Up to 8 Mio. EUR (per case) for missing grievance mechanisms and lack of follow ups.
   - Up to 5 Mio. EUR for lack of risk analysis.
The supply chain due diligence law commits companies to implement an obligatory risk management system. The higher the risk for human rights violations in their supply chains, the higher the need for more in depth the risk management system and measures. Companies are liable, if issues could have been prevented with appropriate preventative measures. The level of liability decreases with the supply chain depth. The law differentiates between violations at one's own company, the direct suppliers or the further supply chain.

Companies have to regularly evaluate and monitor the risks in their supply chains and react quickly once an issue arises. If the monitoring results in an alert at a supplier, a risk analysis for this supplier has to be conducted.

Risk management in terms of the supply chain due diligence law accordingly means creating understanding the supply chain by creating transparency as well as continuous monitoring of the supply chain.
THE LEADING QUESTIONS

01
Do I know my entire supply chain?

02
Do I know the risk factors?

03
Do I know how the risks affect my supply chain?

04
Am I monitoring my supply chain in order to be aware if something happens at my suppliers?

05
Can I react quickly to issues and am I employing preventative measures to minimise risk?
The supply chain has to be mapped beyond the direct suppliers (tier-2, tier-3...). Supply chain mapping services help to achieve the needed transparency.

Risk data have to be generated or bought. Sanction lists, supplier databases, social media data, financial data, monitoring provider and news have to be continuously monitored.

Supply chain risks have to be monitored to be able to react quickly to any supplier issues. A high degree of automation guarantees a perpetual and consistent monitoring.

Analyse risks according to their potential impact on the affected party as well as the supply chain. Preventive measures should be taken.

Analyse risks and react
More than 90% of companies already use credit reports, code of conduct assessments. Thus they are answering the questions:

- How sustainable are my suppliers?
- How reliable are my suppliers?

Existing approaches to evaluate supply chain risks fail to answer one simple question:

What is really happening in my supply chain?
THE SOLUTION PROVIDERS

What is my supply chain?

Tier-N Mapping

Traceability Solutions

What is happening in my supply chain?

Supplier Monitoring

Raw Material Monitoring

Assessments

How can I assess and improve issues in my supply chain?

Engagement Solutions

Auditing
The Prewave AI continuously monitors thousands of sources in order to identify risks in more than 100 risk categories. Thus providing you with the following advantages:

1) Visualize your suppliers with Prewave. We support you in uncovering your supply chain beyond the direct suppliers (tier-n)
2) Global coverage. Prewave uncovers risks in real-time from all publicly available sources and generates alerts as soon as an issue comes up
3) Optimized workflow: Work on risk reduction with your entire team and together with your suppliers on one platform. This ensures a flawless documentation of all incidents.

Complying with the supply chain law requires the implementation of the right tools as well as an organizational shift. However, implementing these changes are also a chance to improve the transparency and resilience of your supply chain. In addition to the monitoring of sustainability risks, Prewave also monitors for operative and strategic risks, which can uncover problematic suppliers and issues in our supply chain. Being able to react to supply chain risks quickly is a clear competitive advantage, as recent events with the coronavirus have shown.

Find out how Audi, Porsche and VW improve the sustainability of their supply chain with Prewave.
GET STARTED

Find out how you can use Prewave in your company, not only to comply with the Lieferkettenegesetz, but also to improve the resilience of your supply chain and gain an invaluable edge over your competition.

Book a demo
With our simple form at prewave.com

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