

Germany's Supply Chain Due Diligence Act

The new law will affect large companies based in Germany and German-registered branches of foreign companies. Here's what you need to know:

Breaking down the new law

In June 2021, German parliament passed a new law requiring large companies to identify, prevent and address human rights issues such as forced labor, child labor, and unsafe working conditions, as well as environmental risks such as deforestation and related environmental degradation. Companies will be required to publish an annual report detailing their level of risk as well as steps they are implementing to address outstanding supply chain issues. Penalties for non-compliance include fines (up to 2% of average annual global turnover) and exclusion from the possibility of winning public contracts for up to three years.

Who this law applies to, and what it means for you:

- By 2023, the law will apply to companies based in Germany with more than 3,000 employees **or** German-registered branches of foreign companies with more than 3,000 employees. By 2024, the law will apply to companies with more than 1,000 employees.
- The law requires companies to set up processes to identify and present human rights and environmental risks and impacts in their supply chains, and publish an annual report outlining the steps they have taken to address these risks.
- Robust due diligence will equip you to comply with the law and ensure the data you are receiving from your suppliers is up to standards.

Technology to streamline due diligence

Comprehensive supply chain profile and risk assessment

Every company needs a robust internal database of suppliers down to the raw materials producers and a robust risk assessment approach. Supply chain mapping software automates the process of supplier discovery, including farm mapping, and automatically performs risk and impact assessment by scoring every stakeholder using self-reported and third-party data, including region-level forced labor risk and satellite deforestation heat maps.

Centralized codes of conduct and corrective action plans

A secure supplier portal ensures that all stakeholders are able to access and consent to an up-to-date CoC that complies with ILO standards, and the same portal can be used to automate management of Corrective Action Plans within a central database.

Robust internal control processes

Maintain an actively audited supply chain through mobile applications that ensure proper audit practices and the world's only AI-powered engine for monitoring trade and worker practices to detect any red flags that could indicate forced labor or smuggling via un-audited third parties.

Reporting and supply chain disclosure

Supply chain transparency software provides the fastest way to confidently report on supply chain risk, and provides actionable data that allows companies to make informed procurement decisions.