

The Supply-Chain Due Diligence Legislations of the EU and Germany

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The background of the slide is a photograph of a wooden desk. A magnifying glass is positioned over a document that has the words 'Due Diligence' written on it in a large, black, serif font. The magnifying glass is held by a hand, and its lens is focused on the text. In the background, there is a stack of books and a pen.

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01

Due Diligence

Overview of the Supply-Chain Due Diligence Legislation



Definition of supply chain due diligence?

- First introduced in the UNGP
- Following the UNGP, many instruments, policies, legislation have been developed

Definition of supply chain due diligence?

The responsibility of businesses to identify, prevent, mitigate, and take responsibility for adverse impacts on human rights, the environment, etc., arising from their own operations and throughout their entire supply chains.

Supply-Chain Due Diligence Legislation?

A set of principles and specific rules governing businesses' responsibilities for conducting supply chain due diligence.

Supply-Chain Due Diligence Legislation?

Aspect	Due Diligence Obligations	Traditional Legal Obligations (Labour, Environment, etc.)
Objectives	Prevention, mitigation of risks and remediation of adverse impacts	Prohibition of violations
Scope of Application	Primarily large businesses	All businesses
Coverage of Due Diligence Obligations	Business activities of: <ul style="list-style-type: none"> - Covered companies - Their entities and affiliates (branches, subsidiaries, etc.) - Suppliers, business partners 	Business activities of companies
Focus Areas	Risks or potential violations of standards	Standards
Due Diligence Process	A four-step process (Planning; Risk identification and assessment; Risk prevention and mitigation measures; Notification mechanism and complaints procedure)	Not required

The global legal framework on supply-chain due diligence

International instruments	Regional (EU) legal instruments	National legal instruments
<ul style="list-style-type: none"> - UNGP - OECD Guidelines for Multinational Enterprises on Responsible Business Conduct - The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy 	<ul style="list-style-type: none"> - EU Non-financial Reporting Directive 2014 - EU Timber Regulation – EUTR 2013 - EU Conflict Minerals Regulation 2014 - General Data Protection Regulation – GDPR 2016 - EUDR 2023 - EU CSDDD 2023 	<ul style="list-style-type: none"> • Legislations with comprehensive scope - France Corporate Duty of Vigilance Law - German SCDDA • Legislations related to labour rights - Norwegian Transparency and Human Rights Act - The Netherlands’ Child Labor Due Diligence Act - Modern Slavery Act of the UK, Australia, etc. - Canada’s Fighting Against Forced Labour and Child Labour in Supply Chains Act • Legislations related to specific aspects - Timber production - Food safety - Minerals - Government procurement - Anti-corruption and anti-bribery



02

The Supply-Chain Due Diligence Legislation of Germany

Germany's Act on Corporate Due Diligence Obligations in Supply Chains (SCDDA)



Content

Developed based on the framework principles set out in the UNGP and the OECD Guidelines

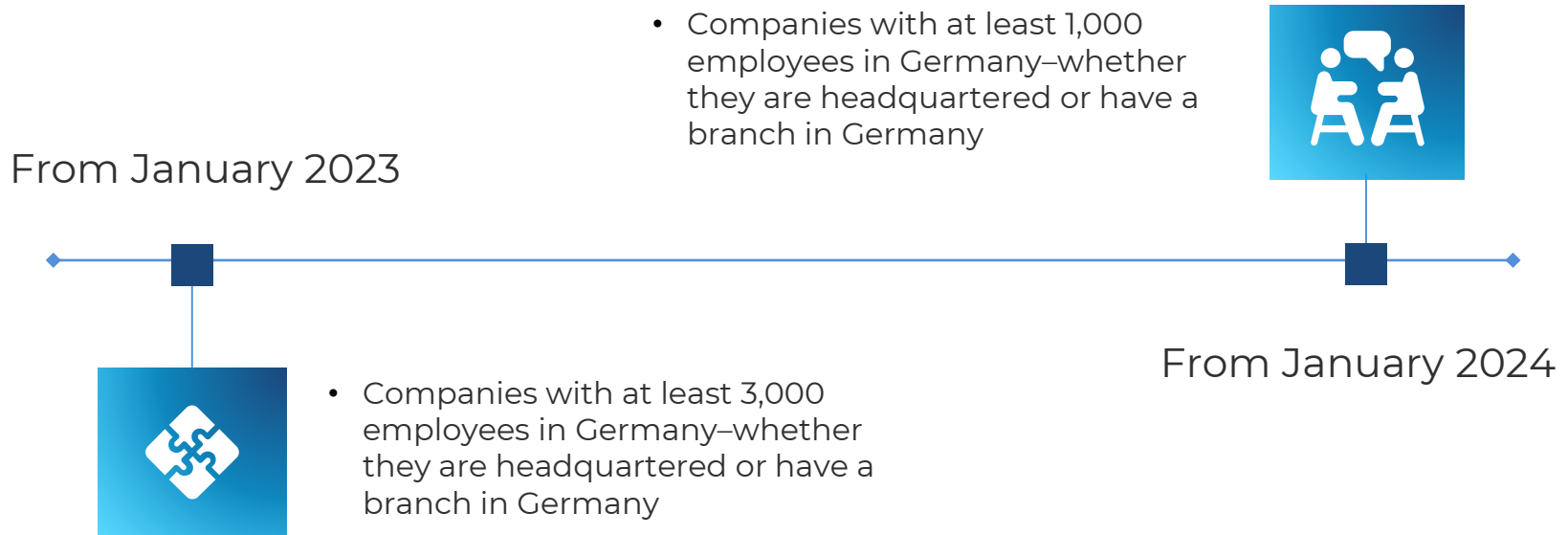


Legal effect

Adopted in July 2021 and entered into force on 1 January 2023

** In September 2025, Germany adopted several amendments to the SCDDA, easing certain due diligence obligations.*

Scope of application of the SCDDA?

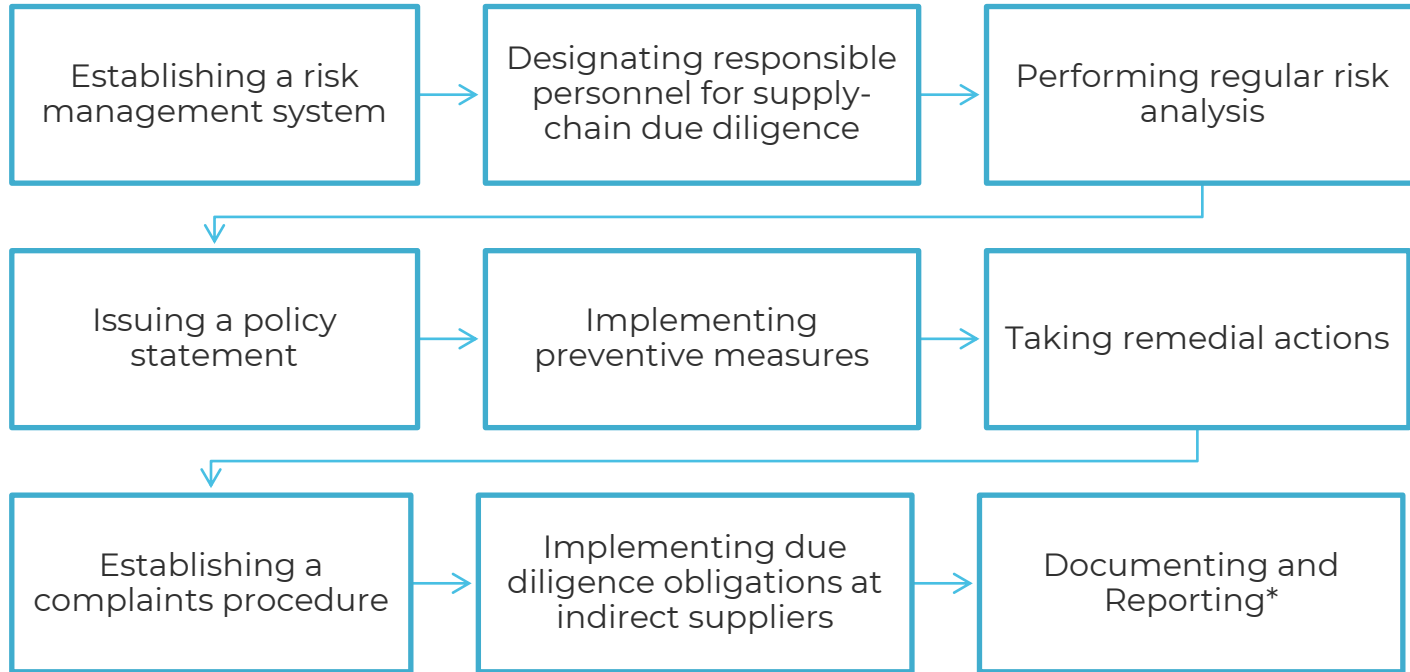


Due diligence standards under the SCDDA?

- Prohibitions relating to human rights and environment
- Listed in the Annex to the SCDDA, which refers to specific provisions of the relevant international conventions ratified by Germany.



Due diligence obligations under the SCDDA



Monitoring and enforcement of the SCDDA



Competent authority

Federal Office for Economic Affairs and Export Control (BAFA)



Penalties for violations

- Financial penalty: 50.000 – 800.000 EUR or 2% of turnover
- Exclusion from public procurement

03

The Supply-Chain Due Diligence Legislation of the EU



Respecting
human rights
in supply chains



EU Corporate sustainability due diligence Directive (CSDDD)



Content

Closely based on the UNGP and the OECD Guidelines



Objectives: (i) To specify the EU's overarching orientations on human rights and the environment; and (ii) To harmonize due diligence obligations across Europe



Legal effect

- Entry into force: 25 July 2024.
- EU member shall adopt and publish the laws, regulations and administrative provisions necessary to comply with CSDDD: by 26 July 2026,
- Due diligence obligations shall apply from 26 July 2027, 26 July 2028, or 26 July 2029, depending on the size of the company

Timeline for the application of the CSDDD?



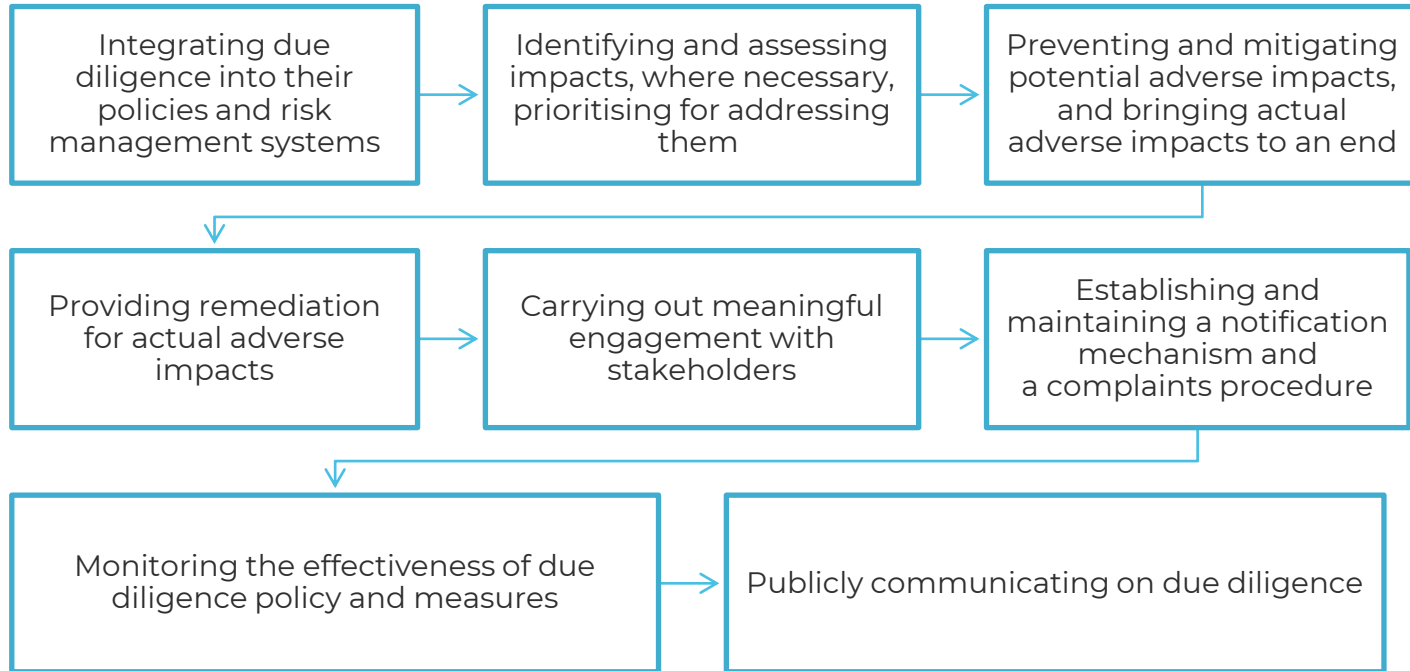
DUE DILIGENCE



Due diligence standards under the CSDDD?

- Adverse human rights impacts and Adverse environmental impacts
- As specifically listed in the Annex or as defined in the international conventions referred to in the Annex

Due diligence obligations under the CSDDD



Penalties for violations

The form of penalties shall be determined by the Member States, but must include at least one of the following:

- Financial penalty
- Public disclosure of the identity of the infringing undertaking and the nature of the infringement in case of failure to pay the penalty within the prescribed time limit



Thank you!

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