



Federal Ministry
of Labour and Social Affairs



Business &
Human Rights

Act on Corporate Due Diligence Obligations in Supply Chains



The Act on Corporate Due Diligence Obligations in Supply Chains (Gesetz über die unternehmerischen Sorgfaltspflichten in Lieferketten) was published in the Federal Law Gazette on 22 July 2021 after completion of the parliamentary procedure. This is the first time the responsibility of German enterprises to respect human rights in global supply chains has been put on a legal footing.



The Supply Chain Act at a glance:

- From 2023, the Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, LkSG) places enterprises with at least 3,000 employees that have their central administration, principal place of business, administrative headquarters, statutory seat or branch office in Germany under the obligation to respect human rights by implementing defined due diligence obligations. From 2024, the Act additionally will apply to enterprises with at least 1,000 employees in Germany.
- The core elements of the due diligence obligations include the establishment of a risk management system to identify, prevent or minimise the risks of human rights violations and damage to the environment. The Act sets out the necessary preventive and remedial measures, makes complaint procedures mandatory and requires regular reports.
- The due diligence obligations apply to an enterprise's own business area, to the actions of a contractual partner and to the actions of other (indirect) suppliers. This means that an enterprise's responsibility no longer ends at its own factory gate but applies along the entire supply chain.
- The Supply Chain Act contains an exhaustive list of eleven internationally recognised human rights conventions. The legal interests protected in those conventions are used to derive behavioural requirements or prohibitions for corporate action in order to prevent protected legal positions from being violated, for example by child labour, slavery or forced labour.
- If enterprises fail to comply with their legal obligations, administrative fines may be imposed. These can amount to up to 8 million euros or up to 2% of annual global turnover. The fines system based on turnover applies only to enterprises with an annual turnover of more than 400 million euros. Moreover, if an administrative fine is imposed exceeding a certain minimum level, enterprises may be excluded from the award of public contracts.
- An authority will be equipped with effective enforcement instruments to monitor an enterprise's supply chain management. The competent authority, the Federal Office for Economic Affairs and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle), has far-reaching supervisory powers. It can, for example, enter business premises, demand information and inspect documents as well as demand that enterprises take concrete action to fulfil their obligations and enforce this by imposing financial penalties.

The NAP as the foundation for the Supply Chain Act

The foundation for the Supply Chain Act has already been laid in recent years. In 2016, the Federal Government launched the National Action Plan for Business and Human Rights (Nationaler Aktionsplan Wirtschaft und Menschenrechte, NAP) to contribute to more socially just globalisation together with enterprises. The NAP is based on the United Nations Guiding Principles on Business and Human Rights. In addition to the state's protection obligation as well as judicial and extrajudicial remedies, corporate responsibility is a centerpiece of the plan. The Federal Government supports enterprises in fulfilling this responsibility. In cooperation with industry sectors that face particular human rights risks, specific guidelines are currently being developed for use in practice.

However, a survey of businesses conducted by the Federal Government over several years (NAP monitoring) revealed that only about one fifth of all German-based enterprises with more than 500 employees meet their human rights-related due diligence obligations along their supply chains to a sufficient extent. This shows that a voluntary commitment does not suffice. In the coalition agreement, the Federal Government agreed to take legislative action at a national level in this case and, at the same time, to work towards binding rules at a European level.

The effect of the Act will be evaluated in 2026. In the light of possible EU legislation, it will then be assessed whether any adjustments are necessary. As part of that process, it will also be examined whether the scope of application should be extended to other enterprises.

Implementation by enterprises

The five core elements of the National Action Plan for Business and Human Rights (NAP) form the basis for the due diligence obligations set out in the Act:



The due diligence obligations address:

1. the implementation of a risk management system
2. the designation of a responsible person or persons within the enterprise
3. the performance of regular risk analyses
4. issuing a policy statement
5. laying down preventive measures in an enterprise's own area of business, vis-à-vis direct suppliers and – if there are indications that suggest a possible violation of human rights – vis-à-vis indirect suppliers
6. taking remedial action
7. establishing a complaints procedure
8. documentation and reporting

We have compiled a wide range of support for you on implementing corporate due diligence. This includes, for example, up-to-date information, training and advisory services, events, and general guides tailored to different sectors and regions. You will also find text and film reports illustrating practical corporate approaches.

For more information, visit: www.wirtschaft-menschenrechte.de/en

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