



prewave

PREWAVE
INSIGHTS

THE GERMAN LIEFERKETTENGESETZ (SUPPLY CHAIN DUE DILIGENCE ACT)



OVERVIEW
STRATEGIES
GOALS
SOLUTIONS

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.

OVERVIEW

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.



From 2023 onwards

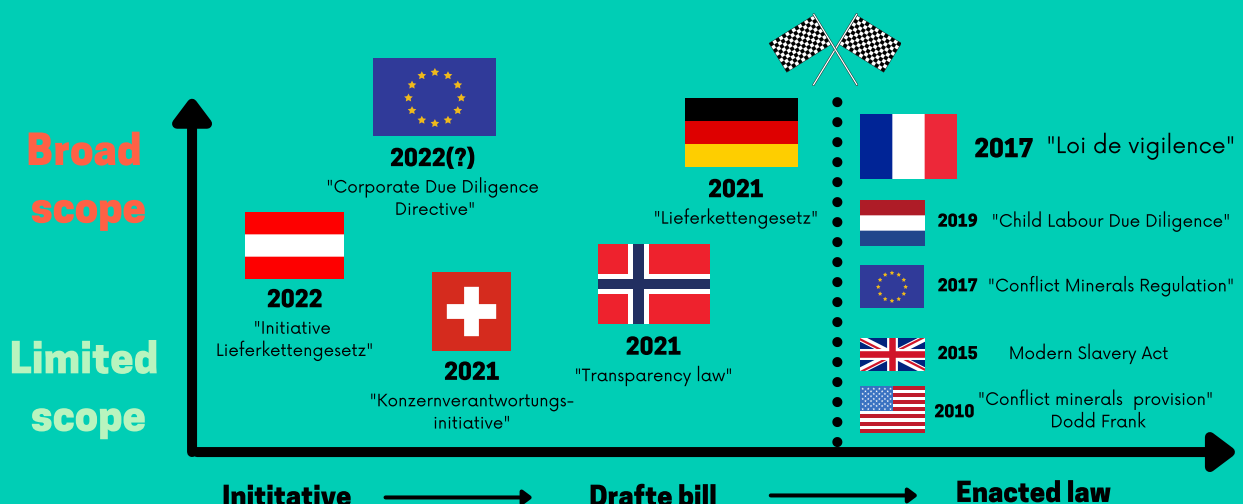
companies with more than 3000 employees in Germany.



From 2024 onwards

companies with more than 1000 employees in Germany.

The supply chain acts in Europe



THE LIEFERKETTENGESETZ AT A GLANCE

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.

Mandatory Risk Analysis

Carry out a risk analysis: by implementing procedures for identifying disadvantageous impacts on human rights.

Policy Statement & Org. Responsibilities

Draft and adopt a policy statement on respecting human rights and assign organisational responsibility.



**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.



Bundesamt
für Wirtschaft und
Ausfuhrkontrolle

Penalties

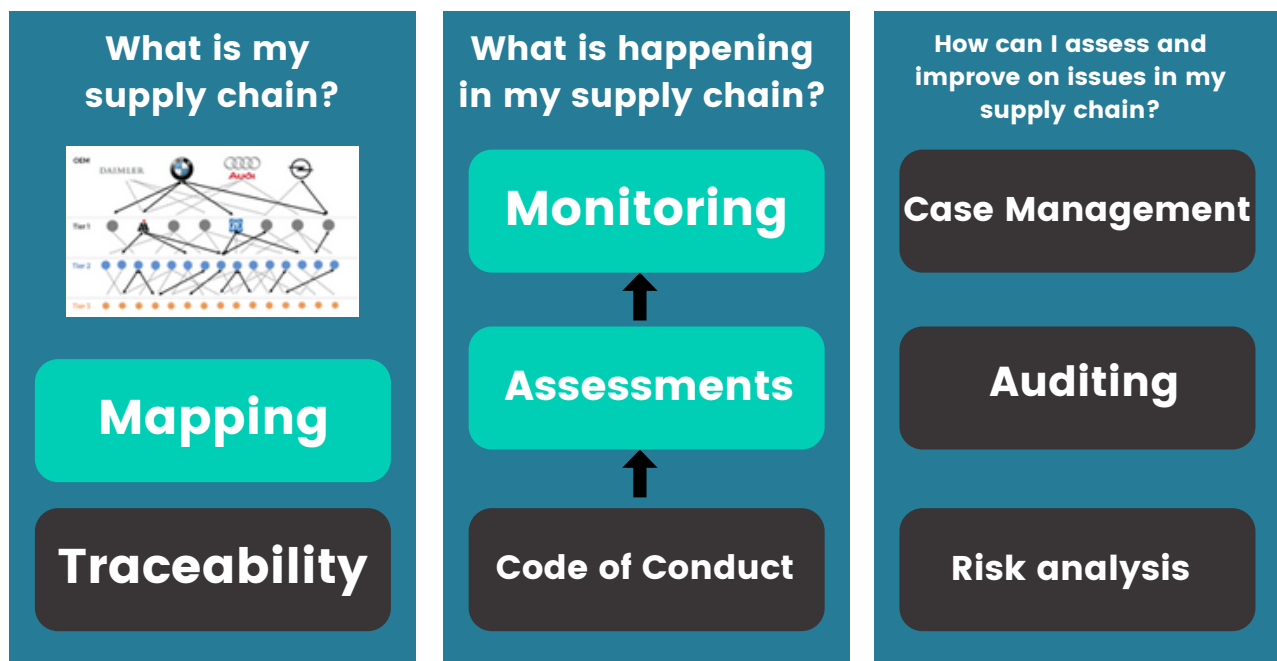


1. Exclusion from public procurement processes for up to three years.
2. Infringements of the law may result in fines:



- 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.

RISK MANAGEMENT IN ACCORDANCE WITH THE DUE DILIGENCE ACT



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 ones 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?

COURSE OF ACTION



Supply chain transparency

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.



Supplier data

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 monitoring

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 and react

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

THE SUPPLY CHAIN RISK MANAGEMENT STATUS QUO

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



How **sustainable** are my suppliers?



Code of conduct
Self Assessments & Audits

How **reliable** are my suppliers?



Financials &
Credit reports

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

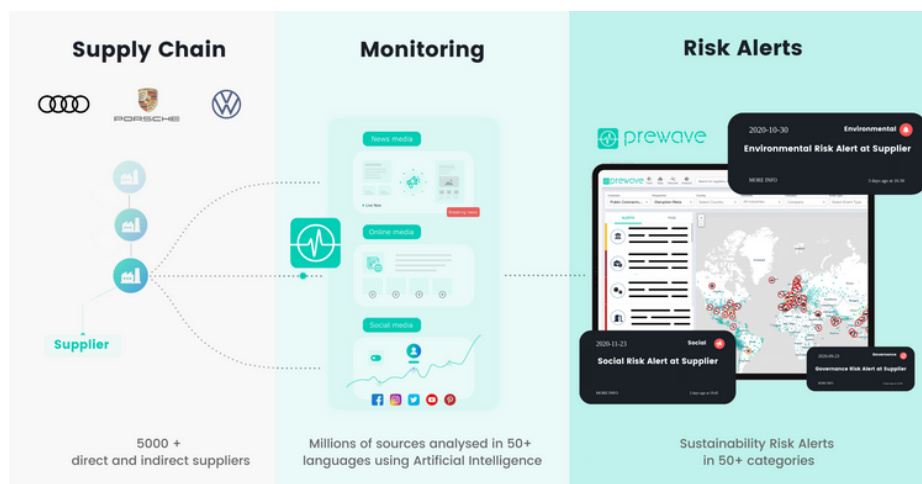


THE LIEFERKETTENGESETZ WITH PREWAVE

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.

prewave.com/vw

GET STARTED

Find out how you can use Prewave in your company, not only to comply with the Lieferkettengesetz, 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



Get in touch via email

info@prewave.ai



prewave

www.prewave.com
