

 Title: **German Supply Chain Due Diligence Act (LkSG)**

Date: **January 2023**

Issued by: **German Federal Government**

Country: **Germany**

Overview:

The German Supply Chain Due Diligence Act or Lieferkettensorgfaltspflichtengesetz (LkSG), enacted to enforce human rights and environmental standards throughout the supply chains of companies operating in Germany. This act aims to prevent violations such as forced labour, child labour, and environmental damage, not just within a company's own operations but also among its suppliers and subcontractors, both domestically and internationally.



Applicability: The Act applies to companies with more than 1,000 employees in Germany



Risk Analysis: Companies are required to conduct regular risk assessments to identify potential human rights and environmental risks within their supply chains



Human Rights: Companies must identify, prevent, and address violations like forced labour, child labour, discrimination, and unsafe working conditions within their supply chains, while also ensuring fair wages and the right to form trade unions



Environmental Protection: Companies must ensure their operations and supply chains do not contribute to environmental degradation, particularly in violation of international agreements



Preventive Measures: Implementation of policies and measures to prevent violations, including training, setting contractual agreements for suppliers, and developing an internal grievance mechanism



Remedial Action: If a violation is identified, companies must take appropriate remedial actions, which may include terminating business relationships if the violation cannot be mitigated



Reporting: Companies must annually report to the Federal Office for Economic Affairs and Export Control (BAFA) on their due diligence efforts, identified risks, and actions taken. These reports must be publicly accessible, ensuring transparency and allowing stakeholders to assess the company's commitment to human rights and environmental standards