

DUE DILIGENCE REGULATION

Due Diligence is getting more and more important. Several countries already have regulations about due diligence or human rights in place. (e.g. UK modern slavery act; German due diligence supply chain act)

An EU wide regulation is under discussion and will be passed shortly. The implementation in all EU countries will be mandatory. In June 2023 the EU-Parliament voted to intensify the proposed regulation.

The framework for due diligence is defined through the „UN Guiding Principle on business and human rights“ and the „OECD Due Diligence Guidelines for Multinational Enterprises“. Additionally, the OECD published a sector specific guideline to support a common understanding of due diligence and responsible supply chain management in the garment and footwear sector ([link](#)).

RISK-INDIKATORS

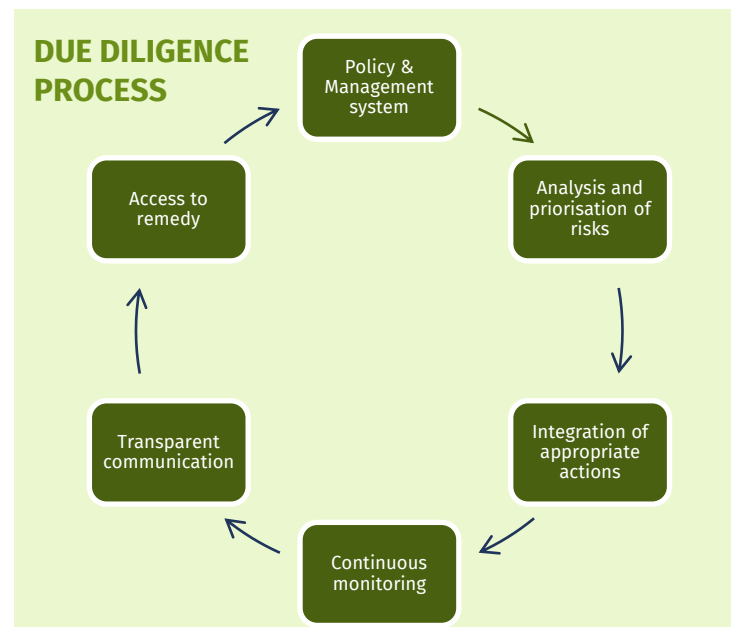
(RELATED TO GERMAN SUPPLY CHAIN ACT)

Human rights risk & duties:

- Child labour
- Forced labour
- Slavery
- Occupational health and safety
- Freedom of association
- Equal treatment at work, including equal pay
- Reasonable wage
- Harmful environmental changes that can significantly affect people
- Land grabbing
- Excessive use of force by security forces
- Other manifestly unlawful conduct that may directly affect human rights in a particularly serious manner

Environmental risks:

- Mercury
- Persistent Organic Pollutions
- Dangerous waste



GERMAN SUPPLY CHAIN ACT

The German Supply Chain Act is in force since 01.01.2023:

- From 2023: Companies > 3000 employees
- From 2024: Companies > 1000 employees
- Applicable for own business operations and towards direct suppliers; for indirect suppliers only in the case of substantiated knowledge

EUROPEAN CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (EU-CSDDD)

The final design of the regulation of the EU-wide supply chain law is under negotiation. The current proposed changes represent a significant tightening compared to the German Supply Chain Act.

- Companies > 250 employees and 40. Mio. Euro revenue
- Key is the monitoring of the entire value chain
- Climate protection and commitment to the Paris climate agreement of 1.5° is needed

DUE DILIGENCE REQUIREMENTS FOR SUPPLIERS TO GERMAN BUYERS

The German Federal Ministry for Economic Cooperation and Development published guiding documents like information sheets, guidelines for developing risk analysis, and a factsheet for global suppliers to German buyers.

This factsheet summarises the most important human rights and environmental requirements with which suppliers for companies based in Germany (which fall within the scope of application) must deal with.

<https://lnkd.in/g3NagSQp>

BE AWARE:

During the negotiations, the EU-wide law will be adapted and further implemented on national level. Due diligence elements are based on the global guiding principles of the UN and OECD; thus, the structure and framework is already set. Only details and specifications are under discussion.

Starting now with setting up a holistic and comprehensive due diligence process on corporate level, is the sustainable solution to implement due diligence into corporate core business.

FIRST STEPS FOR CORPORATE DUE DILIGENCE PROCESS:

Understanding your whole value chain with answering these questions

- Which are the main products we produce?
- Do I know the suppliers, including the sub-suppliers in my deeper supply chain?

Define requirements for producing your products by thinking of these elements:

- Include due diligence risk indicators in your supplier requirements catalogue
- Reach out to the suppliers on collaboration level
 - Support suppliers in implementing the requirements to work towards sustainable production
 - Include clause to adhere human rights and environmental standards

HOHENSTEIN SERVICES

Hohenstein offers a threefold-approach:

- **Validation & Certification:** for companies that have been setting up a strategy, implemented the requirements in the process and are asking for a third-party review and validation. OEKO-TEX® Responsible Business can support companies to verify their sustainability strategy.
- **Anamnesis & Gap-Analyse:** for companies that started working on due diligence, needing an external view on the process. Hohenstein defines GAPS and recommends next steps for a comprehensive approach and sustainable process integration.
- **Customized solution & Project management:** for many companies due diligence is overwhelming and very complex. Hohenstein supports on project management and coordination setting up a strategy with realistic timeframe and goals.