

## Supply Chain and SMEs – the facts

### The German Supply Chain Due Diligence Act (SCDDA) – Support for Small and Midsize Enterprises (SME) to deal with the new law

The German SCDDA came into force on the 1st of January 2023. Does this law also apply to SMEs? What should they do? Why and for whom the law is important and what SMEs can do, they can find out below.



#### To whom does the law apply?

Coming into effect in 2023, the German SCDDA law is aimed at large companies that employ at least 3,000 workers in Germany. Starting on January 1st 2024, the law will also apply to companies with 1,000 employees in Germany.

- ▶ SMEs are not yet directly subject to the law. **BUT:** If you are a supplier of a large company, you will be at least indirectly affected.

#### What does the law regulate?

In terms of content, it obligates the affected companies to comply with the SCDDA along the entire supply chains with regard to

- ▶ human rights, i.e. certain labour and social standards (occupational safety and health) and
- ▶ environmental protection

SMEs can also be affected, e.g. by being requested by their customer to provide the relevant information.

#### What does the law require?

The law requires companies covered by the SCDDA to

- ▶ analyse and assess the risks related to human rights and environmental standards,
- ▶ if necessary, take appropriate measures to minimise and avoid them,
- ▶ take immediate remedial action in the event of legal violations and significant risks,
- ▶ document their risks and measures.

#### A law that offers opportunities in competition

The requirements of the law can also be used by smaller companies to increase their competitiveness. Businesses that comply with and promote human rights and environmental standards increase their attractiveness and sustainability by

- ▶ paying attention to the health and safety of employees, including those of business partners and suppliers,
- ▶ seeing good working conditions as a prerequisite for good services and products,
- ▶ contributing to environmental protection,
- ▶ demonstrating that they take responsibility for society and the environment,
- ▶ because of this being attractive to their employees and finding new employees more easily,
- ▶ thereby retaining their customers and winning new ones.

## Supply Chain Due Diligence Act – What can we do?

<b>Obligatory task for all</b> That should you do in every case:	need for action (yes/no)	
Please check if you are supplier for a large company. (2023: 3,000 employees; 2024: 1,000 employees).		
If this is the case: ask these company, what requirements you will have to meet because of the SCDDA so that you are not caught off guard.		
If this is not the case: Go to the following part, "Human rights and environmental risks", and check whether you do want to address one or the other.		

## Risks concerning human rights and environment protection

Check and evaluate the following risks (high, middle, low, not relevant) and define your need for action (red: urgent action needed; yellow: action needed, green: currently no action required).

Risk areas →	direct supplier	own business	at the assigned logistics company (transport, shipping and, storage)	need for action
Topics ↓				
▶ <b>child labour</b>				
▶ <b>Reduction of employee rights</b> – Forced labour/use of violence against workforce/humiliation – Obstruction of the representation of interests at the workplace (unions, works councils, ...) – Discrimination & unfair wages				
▶ <b>Violation against safety regulations</b> – Bad working conditions (work time, work equipment, working materials, physical overload, lack of hygiene) – Psychological stress (excess and insufficient mental workloads)				
▶ <b>Illegal usage of land</b> – Illegal expropriation and usage of property – Illegal deforestation – Damage of the residents' livelihood – Operational use of force against residents/critics/activists/journalists				
▶ <b>Damage to the environment</b> – Damage of air, land and water (including excessive use) – Products/production with dangerous pollutants (e. g. POPs, mercury, Dioxin, ...) – Hazardous waste and their export				

**OM-Checks for risk analyse and reporting:**  
 With the checks "Environmental Protection" (OM-Practical-Standard A-3.6) and "Systematic occupational safety and health" (OM-Practical-Standard A-3.1) you can analyse your internal risks in environmental protection and occupational safety in detail, take measures and document them. The OM-Checks are provided free of charge. With the OM-self-audit OSH ([www.om-self-audit.eu](http://www.om-self-audit.eu)) you can control your activities and can visibly document them to the public, clients, suppliers, or employees.