

An introduction to The Lieferkettengesetz

Lieferkettengesetz is a law that was passed in Germany in June 2021. It requires companies to take responsibility for human rights and environmental violations in their supply chains.

Why do we need regulation like The Lieferkettengesetz?

For many years, policies, or statements of commitment have been relied upon as tools to combat the issue of human exploitation, but data clearly shows more needs to be done.



20%
increase in
modern slavery

The International Labour Organisation estimated that 49.6 million people were living in modern slavery on any given day in 2021, an increase of 10 million people since 2016.



1 in 10
children worldwide

Approximately 160 million children were subjected to child labour at the beginning of 2020 according to the ILO and UNICEF. The figure accounts for nearly 1 in 10 children worldwide.



95.5
million tonnes

In 2020 the European Union generated 95.5 million tonnes of hazardous waste, an increase of 5.1% compared with 2010.

Why is Lieferkettengesetz important?

The Lieferkettengesetz is a positive development that has the potential to create a more ethical and sustainable supply chain ecosystem. By prioritizing the well-being of workers, communities, and the environment, companies can build a stronger and more resilient global economy for the future.

The law is designed to protect human rights by requiring companies to identify and address potential risks in their supply chains, including forced labour, child labour, and other forms of exploitation. By ensuring that companies are held accountable for human rights abuses in their supply chains, the law helps to protect vulnerable workers and communities around the world.

The law is consistent with international norms on business and human rights, including the United Nations Guiding Principles on Business and Human Rights. By aligning with these norms, the law helps to promote a common understanding of the responsibilities of companies in relation to human rights and the environment.



The law helps to protect the environment by requiring companies to prevent and address environmental damage caused by their operations or their suppliers, including pollution, deforestation, and the destruction of habitats. This helps to promote sustainable business practices and reduce the environmental impact of global supply chains, particularly on local communities.

The law promotes responsible business conduct by requiring companies to comply with ethical business practices in their supply chains, including respecting intellectual property rights, combating corruption and bribery, and ensuring fair competition. This helps to create a level playing field for companies and promotes sustainable economic development.

What does The Lieferkettengesetz require companies to do?



Under the Lieferkettengesetz legislation, companies are required to identify and address potential risks to human rights and the environment in their supply chains, including risks related to child labour, forced labour, and environmental pollution.

Reporting is done by making an annual online submission of a Bundesamt für Wirtschaft und Ausfuhrkontrolle (BAFA) report.

Who needs to comply?

The new legislation has been developed as part of a phased implementation and will impact the following companies from 2024 as follows:



+3000
employees

From January 2023, the Act has applied to all companies employing 3,000 or more staff that have their head office, principal place of business, or registered office in Germany. This also includes foreign companies with a branch office in Germany with 3,000 or more staff.



+1000
employees

From 1 January 2024, the Act will be extended in its scope to cover companies with head offices or branches in Germany with 1,000 or more employees.



Exporters
to Germany

The law also applies to companies that import goods into Germany, regardless of where the company is based, if the imported goods are intended for sale or use in Germany.

What happens if a company fails to comply with the German Supply Chain Due Diligence Act?

Failure to comply may result in a company being fined or being restricted from trading in Germany. The Act currently advises that consequences may include:

Fines of up to **EUR 800,000**, or, of up to **2%** of the company's annual global turnover.

Up to **EUR 50,000** financial penalty under administrative enforcement proceedings.

Exclusion from winning public contracts in Germany for up to **three** years.

Beyond the legislative penalties that may be brought against the organisation there are also other significant implications when failing to comply including damage to brand reputation and the financial impact of a loss of consumer or shareholder confidence.

[Learn more](#) ▶▶▶

Visit [\[address\]](#) for Achilles Ultimate Guide to Lieferkettengesetz, who it applies to, what it means to those organisations (and their suppliers) that need to comply and provide advice on how to get started based on our own experience of supporting organisations with supply chain risk assessment and compliance.