



The German Supply Chain Due Diligence Act (LkSG) – Training for Suppliers

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1 Introduction

Human Rights issues are prevalent across the globe.
The United Nations effectively summarized human rights:

“Human rights are rights that belong to all people, regardless of race, gender, nationality, ethnicity, language, religion or any other status.”



“Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and much more. Everyone has a right to it, without discrimination.”

The German Supply Chain Due Diligence Act (LkSG), which came into force on **1st January 2023** in Germany, significantly enhances support and protection for victims and requires businesses to implement measures and address any human rights risks and violations in their organizations and supply chains.



1 Introduction



RWE requires its suppliers to be aware of the legal requirements and principles underpinning the LkSG and implement measures to combat **human rights and environment-related risks and violations.**



The purpose of the training is to provide a general overview on **the subject of human rights**, the legal requirements under LkSG, RWEs responsibilities and your obligation as a supplier.



1 Examples of Human Rights violations

Below are examples of human rights violations so suppliers recognise the importance of complying with the LkSG

Rana Plaza – A well-known case of human rights violations



Source: Human Rights Watch (2018) | Image source: Pixabay.com, Maruf Rahman

Description



Rana Plaza, an eight-story building, located 24 kilometres from Dhaka (capital of Bangladesh) and housing multiple garment factories, collapsed. This was one of the worst industrial accidents on record and it occurred as a result of disregarding basic health and safety measures and the generally poor working conditions of the local textile industry.

Connection to Human Rights



At the time of the tragedy, most human rights were violated:

- Prohibition of child labour
- Prohibition of all forms of forced labour
- Occupational health & safety
- Adequate living wage
- Freedom of association
- Safe working conditions

Consequences



- Over 1,100 people, who were employed by garment factories, died
- Loss of reputation, Ignition of an activism movement, Increased awareness leading to customer migration, Collapse of share prices

2 Examples of Human Rights violations

Below are examples of human rights violations so suppliers recognise the importance of complying with the LkSG

Child labour in the tobacco industry



Source: The Guardian (2018) | Image source: Pexels.com, Simon Reza

Description



Child labour in industries such as tobacco is increasing particularly in poorer countries. Cigarettes sold internationally contains tobacco produced in hard conditions. Human rights organisations have documented child labour in Bangladesh, Kazakhstan, Indonesia, Brazil etc.

Connection to Human Rights



Tobacco farming can involve: gruelling physical labour, nicotine poisoning, exposure to toxic pesticides, exposure to sun and high heat etc. Human rights violated include but not limited to:

- Prohibition of child labour
- Prohibition of all forms of forced labour
- Occupational health and safety
- Safe working conditions

Consequences



- Child labour along with other human rights abuses is frowned upon. Consequences can include reputational damage, raising awareness of the issue, pressure on corporations to implement further measures etc.

3 Human Rights Instruments and Legislation Overview

3.1 International Human Rights Instruments

There are a number of instruments that have been established to support human rights

International Human Rights Law

1

International human rights law lays down the obligations of Governments to act in certain ways or to refrain from certain acts in order to promote and protect human rights and fundamental freedoms of individuals or groups.

Source:
[International Human Rights Law](#)

Office of the United Nations High Commissioner for Human Rights (OHCHR)

2

OHCHR develops guidance and training for dissemination and implementation of UN Guiding Principles on Business and Human Rights for States, business, civil society, and other relevant stakeholders. This means:

- Providing advice, tools and other resources
- Supporting capacity building on business and human rights to all stakeholders
- Acting as secretariat for human rights mechanisms and bodies

Source:
[OHCHR](#)

The Universal Declaration of Human Rights (UDHR)

3

UDHR is a milestone document in the history of human rights. It is a common standard of achievement for all peoples and all nations. It sets out, for the first time, for fundamental human rights to be universally protected.

Source:
[UDHR](#)

International Labour Organization (ILO)

4

The ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998, is an expression of commitment by governments, employers and workers' organizations to uphold basic human values

- Freedom of association and the effective recognition of the right to collective bargaining
- The elimination of all forms of forced or compulsory labour
- The effective abolition of child labour
- The elimination of discrimination in respect of employment and occupation and
- A safe and healthy working environment

Source:
[ILO](#)

3 Human Rights Instruments and Legislation Overview

3.2 German Supply Chain Due Diligence Act (LkSG) – Scope of Application

A summary of the law concerning LkSG and its impacts



LkSG

Aim

To address human rights and environment-related risk or violations in the organization and supply chain through the introduction of appropriate measures

Ambition

Currently the most comprehensive law on human rights, which may be further strengthened by EU legislation currently in draft form.



Who is impacted?

Currently, any company that has their central administration, principal place of business, administrative headquarters or their statutory seat in Germany and with at least **3,000** employees. From **1st January 2024**, this threshold will reduce to **1,000** employees.



What is regulated?

Holds companies responsible for **implementing an effective risk management** for human rights and environmental risks

Activities

Own business activities as well as direct and indirect suppliers

3 Human Rights Instruments and Legislation Overview

3.3 Protected Legal Positions under LkSG

The LkSG establishes the following protected legal positions

Human & labour rights



Child labour



Forced labour and all forms of slavery



Occupational safety and work-related health hazards



Freedom of association and the right to collective bargaining



Equality in employment



Fair wages



Destruction of vital natural resources through environmental pollution



Land right



Hiring or use of private/public security forces without an adequate command structure or proper oversight to prevent harm



Any other behaviour in breach of a duty to act which is likely to cause human rights injuries

Environmental aspects



Production or use of mercury and the handling of mercury waste



Production and use of persistent organic pollutants (POPs) and the handling, collection, storage and recycling of POPs



Import and export of hazardous waste as defined by the Basel Convention

Source: [Act on Corporate Due Diligence Obligations in Supply Chains](#)

3 Human Rights Instruments and Legislation Overview

3.4 Due Diligence Obligations under LkSG

There are 9 due diligence obligations that impacted companies (including RWE) must implement as required by the LkSG



The establishment of a risk management system



Designating a responsible person



Risk analysis and assessment



Issuing a policy statement



Documentation on fulfilment of due diligence obligations and reporting



Prevention measures



Remedial measures



Establishment of a complaint's procedure



Due diligence obligations concerning indirect suppliers

Source: [The Supply Chain Due Diligence](#)

3 Human Rights Instruments and Legislation Overview

3.5 Risk Management and Risk Analysis under LkSG



Companies shall establish an appropriate and effective **risk management system** in order to identify, prevent, mitigate and eliminate human rights or environment-related risks and violations



The risk analysis must be conducted **once a year** and on an ad hoc basis where the company expects a significantly changed or significantly expanded risk situation in its supply chain



The analysis plays a fundamental role in the **company's own risk management** and supports the company to allocate its resources appropriately



The company must consider **the interests of its own employees** and the employees in its supply chains, particularly individual(s) in a protected legal position that are impacted by the company's economic activities or the economic activities of a company in its supply chain

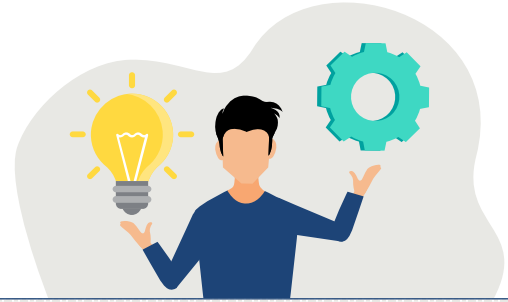


The results of the risk analysis play a central role in the **overarching strategic & operational orientation** as well as the practical implementation of both the risk mgmt. system & individual due diligence processes

Source: [The Supply Chain Due Diligence](#)

4 Your Obligations as our Supplier

4.1 Why must you comply with LkSG as our supplier?



The LkSG aims to further strengthen human rights and environmental protection in **global** supply chains.

Whilst the LkSG is a German legislation, it also applies to companies that have their head office, principal place of business, administrative headquarters or branch office in Germany. Therefore, we require our RWE entities outside of Germany to also comply with the German LkSG.

The obligation to comply with the legal requirements underpinning the LkSG also extends to all RWE suppliers regardless of their geographical location or even if the supplier does not fall under the scope of the law. The law obliges RWE to extend the requirements of the LkSG to its supply chain and we aim to fulfil this obligation.

Further Information: [Human Rights Supplier Contract Appendix](#)

4 Your Obligations as our Supplier

4.1 Why must you comply with LkSG as our supplier? (Cont.)



It is also important to recognize that human rights is a global issue and companies (including our suppliers) should be implementing measures to eliminate the risk of human rights abuses in their organisations and supply chains (including indirect suppliers).

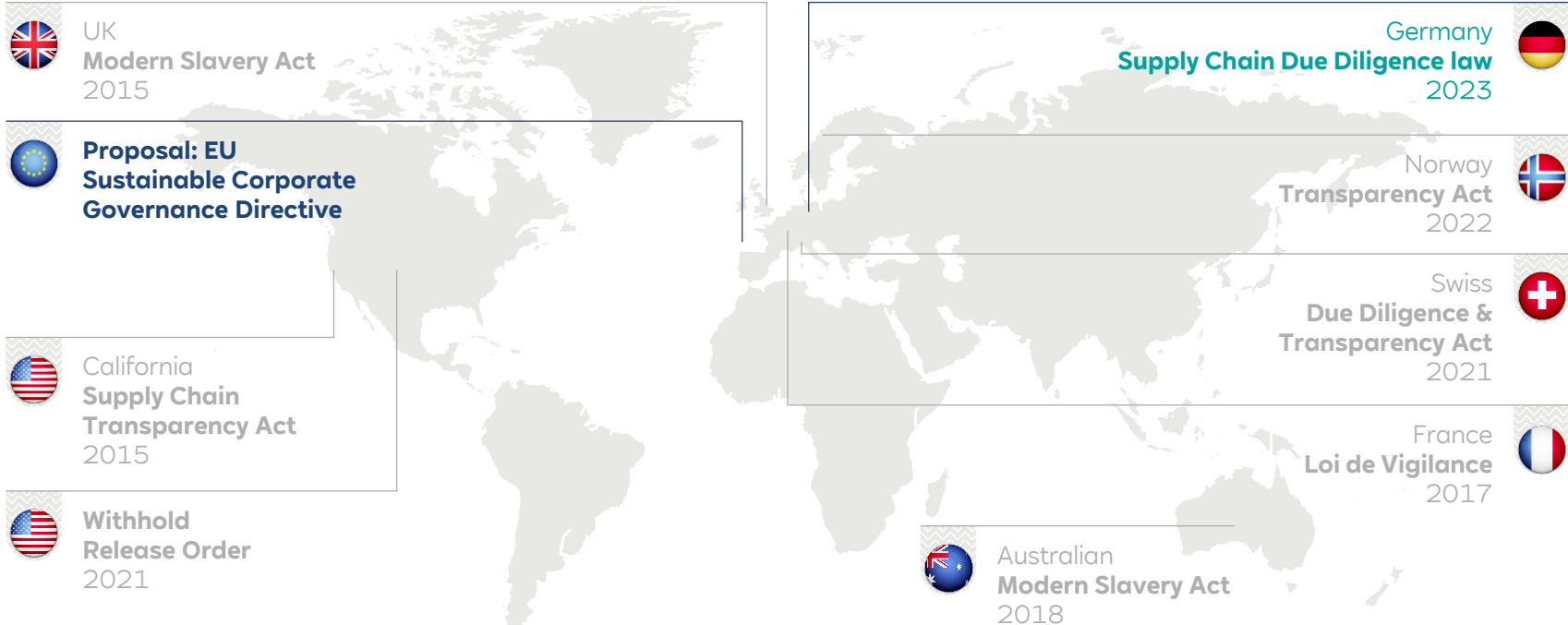
More countries are implementing similar laws requiring businesses to do more to protect human rights e.g., UK (Modern Slavery Act 2015), Australia (Modern Slavery Act 2018), Norway (Transparency Act 2022). There are also further developments at EU level where the EU commission has presented its proposal for a much firmer directive. Therefore, it is in your interest to comply with appropriate laws concerning human rights.

Suppliers as part of RWE's global supply chain should actively prepare the implementation of the LkSG, as violations can lead to significant fines, reputational damage and consequential financial losses.

Further Information: [Human Rights Supplier Contract Appendix](#)

4 Your Obligations as our Supplier

4.1 Similar laws enacted globally to support human rights



Further Information: [Human Rights Supplier Contract Appendix](#)

4 Your Obligations as our Supplier

4.2 How can you comply as an RWE supplier?



Suppliers have a duty and social responsibility to respect human rights, for example, by driving out poor labour practices in their business, and a duty to influence and incentivise continuous improvements to reduce the risks of adverse impacts by following the steps mentioned below:

- **Support & respect** the protection of internationally proclaimed human rights and labour rights
- **Respects the rights of employees** within their own value chain, which are protected by Applicable Laws and as defined in the RWE's Human Rights Appendix
- If a Supplier identifies a human rights-related risk in its own business area or in its upstream value chain (i.e., **sub-suppliers and other sub-contractors**), an environment-related risk or a concrete violation, the Supplier must take appropriate measures **without undue delay and inform RWE immediately**

Further Information: [Human Rights Supplier Contract Appendix](#)

4 Your Obligations as our Supplier

4.2 How can you comply as an RWE supplier? (Cont.)



- Without undue delay, **take appropriate remedial action to prevent, end, or minimise** the extent of a concrete violation of human rights or related environmental obligations
- Provide upon RWE's request **all information and/or documents**, which RWE may reasonably demand to verify the Supplier's compliance with the obligations **within ten days**
- Accept and permit RWE's own right to initiate and/or conduct **specific checks on the Supplier**, as the LkSG extends to both direct and indirect suppliers
- Conduct **initial training measures** for all its staff to implement the assurances made
- Ensure, through contractual obligations, that its own suppliers and contractors (i.e., **sub-suppliers and other sub-contractors**) comply with them
- **Maintain within the limits provided by local law, all documentation** sufficient to identify and confirm traceability (i.e., evidence) for any or all item(s) of goods and services purchased from sub-suppliers or other sub-contractors

5 RWE Measures to comply with LkSG

5.1 Human Rights Risk Management System (HRRMS)

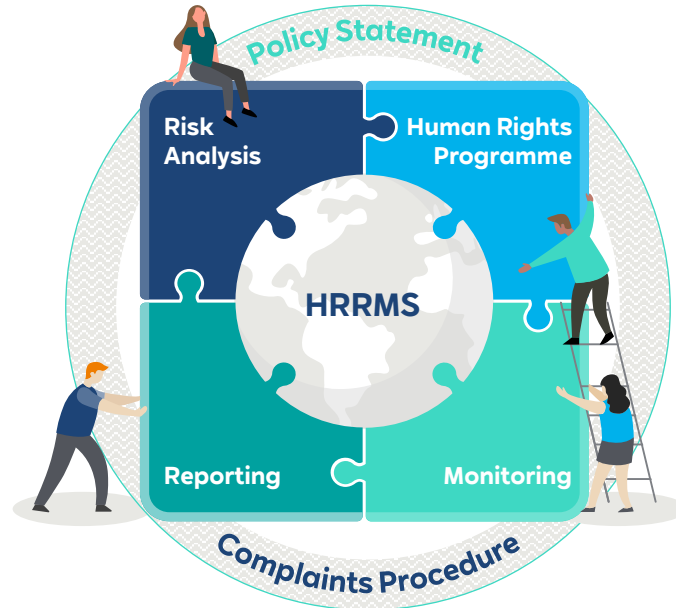
RWE has implemented a HRRMS, which considers the following measures

1. Risk Analysis

Systematic assessment and evaluation of human rights risks

4. Reporting

Regular and standardised reporting internally and externally, to the Federal Office for Economic Affairs and Export Control – BAFA



2. Human Rights Programme

Definition and implementation of measures for protecting and promoting human rights (preventive & remedial), addressing the specific identified and prioritised risks

3. Monitoring

Evaluation of the effectiveness of the Risk Analysis and measures implemented

5 RWE Measures to comply with LkSG

5.2 Complaints Procedure

- RWE has implemented complaints procedures for the appropriate review and management of any reported human rights and/or environment-related risks or violations.
- We advise all Business Partners (incl. suppliers) to implement their own complaints procedure (whistleblower platform) to effectively capture and address any reported risks and/or violations. If Business Partners (incl. suppliers) have not established such a platform, they are able to use RWE's Whistleblower System.
- The complaints procedure is a **key aspect** of the HRRMS, as it supports our ability to conduct a risk analysis on reported risks and/or violations with the aim of addressing these within a reasonable timescale. This will also allow RWE to monitor the **effectiveness of any measures introduced along with preventive and remedial actions.**

BKMS¹ platform
for internal
RWE employees

RWE's
reporting
channels

Whistleblower System
for externals:
[Whistleblower System \(rwe.com\)](https://www.rwe.com)

¹ BKMS – Business Keeper Monitoring System

5 RWE Measures to comply with LkSG

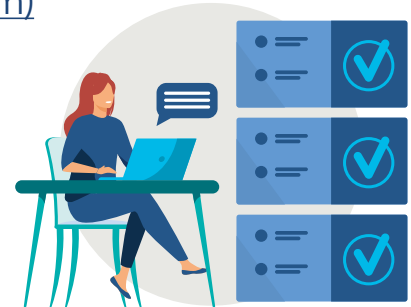
5.2 Complaints Procedure

The platform is available to any Business Partner, direct and indirect suppliers, customers, and other interested third parties



The Complaints Procedure includes:

- Insights on the process e.g. acknowledgment of receipt, updates on the proceeding to the whistle-blower
- If preferred, anonymity of the whistleblower is ensured
- See more details in RWE's Rules of Procedure: [230324 Human Rights – Rules of Procedure \(rwe.com\)](https://www.rwe.com/230324-Human-Rights-Rules-of-Procedure)



¹ BKMS – Business Keeper Monitoring System

5 RWE Measures to comply with LkSG

5.3 Human Rights Supplier Contract Appendix

Suppliers that contract with RWE must comply with RWE's Human Rights Supplier Contract Appendix



Content/Structure:

Informs our suppliers and business partners of our expectations concerning human rights (in compliance with the LkSG) by establishing a list of general obligations and appropriate definitions and principles.

Requires the supplier to:

- Comply with internationally applicable human rights
- Observe nationally applicable employee rights
- Report to RWE violations of human rights at its own premises or those of its suppliers and to work together with RWE to remedy such violations
- Inform RWE about the human rights situation and working conditions in its own and its suppliers' operations
- Enable audits in its business area
- Hold its own supply chain accountable for compliance with the LkSG

Further Information: [Human Rights Supplier Contract Appendix](#)



6 References

6.1 International Standards



- ▶ [Universal Declaration of Human Rights](#)
- ▶ [International Labour Organisation \(ILO\) Declaration on Fundamental Principles and Rights at Work](#)
- ▶ [International Covenant on Civil and Political Rights](#)
- ▶ [International Convention on Economic, Social and Cultural Rights](#)
- ▶ [Minamata Convention, Stockholm Convention & Basel Convention](#)
- ▶ [UN Guiding Principles for Business and Human Rights](#)
- ▶ [OECD Guidelines for Multinational Enterprises](#)



Image source: Pexels.com, Sora Shimazaki

6 References

6.2 Other Relevant RWE Documentation



- ▶ [Policy Statement on RWE's Human Rights Strategy](#)
- ▶ [Code of Conduct](#)
- ▶ [Modern Slavery Act Statement](#)
- ▶ [Compliance hotline](#)
- ▶ [Rules of the Complaints Procedure](#)
- ▶ [RWE Human Rights Supplier – Contract Appendix](#)
- ▶ [Whistleblower System](#)

Further Information: [Human Rights Due Diligence \(rwe.com\)](https://www.rwe.com)

Human Rights Due Diligence

Our commitment to human rights
For RWE, respect for human rights is a fundamental component of responsible corporate management. It is our claim and goal that human rights are respected in all our group companies and supply chains.
RWE has therefore developed a systematic approach to respecting human rights and implemented the Human Rights Risk Management System (HRMS).

Whistleblower System
Report risks and violations of human rights to us.
[Read more](#)

Policy Statement on RWE's Human Rights Strategy
Binding basis for the implementation of human rights standards at RWE.
[Read more](#)

More information

- [Policy Statement on RWE's Human Rights Strategy](#)
- [Code of Conduct](#)
- [Dutch Coal Governance Report](#)
- [Modern Slavery Act Statement](#)
- [Compliance hotline](#)
- [Rules of Procedure \(Beschwerdemanual\)](#)
- [RWE Human Rights Supplier Contract Appendix](#)

6 References

6.3 Public Official Information

Specifically related to LkSG

- [BAFA – Sorgfaltspflichten in der Lieferkette](#)
- [BAFA – Überblick](#)
- [BAFA – Information in English](#)

Key standards from the International framework on Human Rights

- [OHCHR | International Bill of Human Rights](#)

Guiding Principles for Business and Human Rights

- [MNE Guidelines – Organisation for Economic Co-operation and Development \(oecd.org\)](#)
- [Guiding Principles for Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework | UN Global Compact](#)





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If you have further question concerning the content in the training material please contact our Human Rights Expert Team:

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