



TÜVNORD

What to Expect when Exporting – Certification to Comply with the Supply Chain Act

**Ambassadors' Roundtable: The German Supply Chain Act –
Challenges and Possibilities for Companies Around the World**

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Agenda

What to Expect when Exporting – Certification to Comply with the Supply Chain Act

1. TÜV NORD as a global TIC-company

2. Background: Legal requirements for companies

- German Supply Chain Due Diligence Act (LkSG)
- Outlook: Proposal for a Corporate Sustainability Due Diligence Directive (CSDDD)
- Supply Chain Act: ILO Core Labor Standards
- Supply Chain Act: 15 human rights and environmental risks

3. Insight into industries with high human rights and environmental risks

- Insights into industries with high human rights risk

4. The due diligence process – upcoming requirements for exporters

- What German buyers will demand from exporters?

5. Significance and benefits of audits and certificates for exporters

- Significance of audit results
- Benefits of certificates

6. TÜV NORD CERT TIC-SERVICES

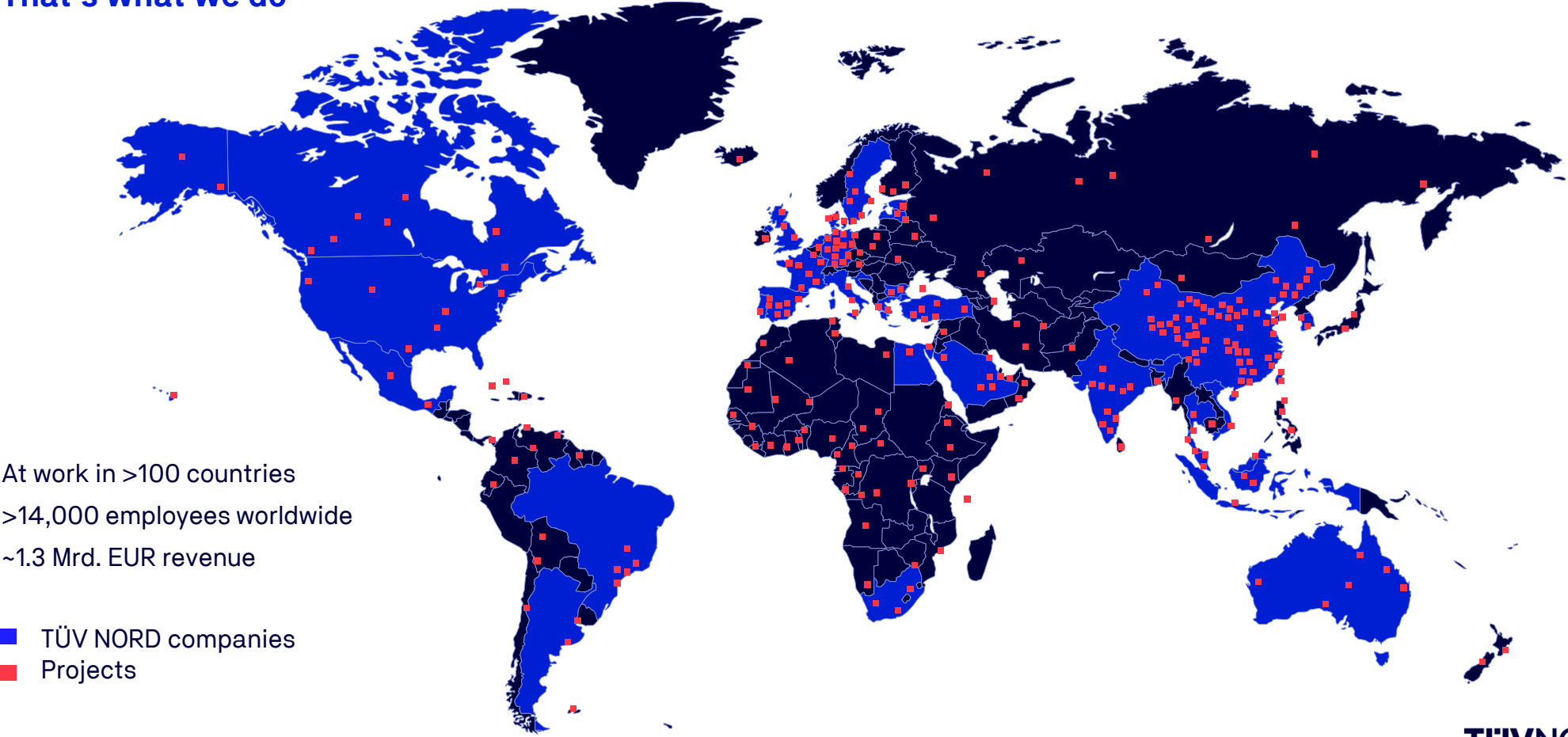
- Overview of possible certifications / audits
- TÜV NORD CERT worldwide

7. Conclusion

1. TÜV NORD as a global TIC-company

Expertise worldwide, services on site.

That's what we do



At work in >100 countries
>14,000 employees worldwide
~1.3 Mrd. EUR revenue

■ TÜV NORD companies
■ Projects

Facts and figures*

The TÜV NORD at a glance

14.000



TÜV NORD employs 14.000 employees worldwide

100



Active in 100 countries

28.1%



Around 28.1% of our employees are international and work outside of Germany

1.37



€ 1.369 billion in sales realized in 2021

150



More than 150 years in the testing, inspection and certification industry

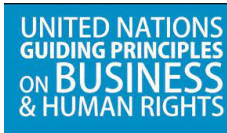
2. Background: Legal requirements for companies

German Supply Chain Due Diligence Act (LkSG)

**Group 1 (2023) > 3,000 FTEs
(German Companies approx. 700)**

**Group 2 (2024) > 1,000 FTEs
(German companies approx. 2,900)**

Establish a **due diligence management system** consisting of these elements:



- ✓ Establishment of a risk management system,
- ✓ Conducting regular risk analyses,
- ✓ Issue a policy statement on human rights strategy,
- ✓ Anchoring preventive measures,
- ✓ Introduction of a complaints procedure,
- ✓ Take remedial measures,
- ✓ Documentation requirements on the fulfillment of due diligence obligations.

75% of German citizens were in favor of a supply chain law in 2020. 91% of respondents see it as the responsibility of the German government to ensure that German companies respect environmental and social standards in their foreign business.

*Source: Stiftung Wissenschaft und Politik (2021):
Responsibility in supply chains*

Outlook: Proposal for a Corporate Sustainability Due Diligence Directive (CSDDD) (2024-2026?)



Group 1 (EU: approx. 12,000 companies)

- **> 500 FTE**
(no explicit restriction to domestic employees; employees worldwide to be taken into account)
- Worldwide net sales > EUR 150 million
- Legal forms (Germany): AG, GmbH, KGaA, SE (or partnership held only by corporation) + supervised financial companies

Group 2 (EU: approx. 4,800 companies)

- **> 250 FTE**
- Worldwide net sales > EUR 40 million
- > = 50% of net sales from risk sectors:
 - *Textiles, agriculture, forestry, fisheries, food, chemicals, extraction of mineral resources (e.g. crude oil, natural gas, coal, metals and ores).*
- Legal form (see left)

Group 3 (Non EU companies)

- Regardless of the number of employees
- Net sales in EU > EUR 150 million or
- Net sales in EU > EUR 40 mio, if 50% of the turnover originates from the sectors of group 2.
- Legal form: persons or corporations

Source: www.gleisslutz.com

Supply Chain Act: ILO Core Labor Standards

ILO core labor standards are basic criteria of many social standards and SCoCs



ILO CORE PRINCIPLES

ILO CORE LABOR STANDARDS

Freedom of association

No. 87 (1948): Freedom of Association and Protection of the Right to Organise Convention

No. 98 (1948): Freedom of Association and Collective Bargaining Convention

Abolition of forced labor

No. 29 (1930): Forced Labour Convention

No. 105 (1957): Abolition of forced labor Convention

Elimination of child labor

No. 138 (1973): Minimum Age Convention

No. 182 (1999): Worst Forms of Child Labour Convention

Equality

No. 111 (1958): Discrimination (Employment and Occupation) Convention

No 100 (1951): Equal Remuneration Convention

Supply Chain Act: 15 Human rights and environmental risks

Risks become audit criteria/requirements of many social standards and audits



11 + 1 Human Rights Risks

3 Environmental Risks



1
Child labor -
minimum age of
employment



2
Worst form of
child labor



3
Forced labor



4
All forms of slavery



1
Related-risks on mercury as prohibited in
the Minimata Convention



5
Occupational
health and safety



6
Freedom of
association



7
Unequal treatment



8
Adequate living
wage



2
Related-risks on persistent organic
pollutants (POPs) as prohibited in the
Stockholm Convention



9
Adverse effects due to
environmental changes
(soil, water, air, noise)



10
Land rights -
unlawful eviction
and deprivation of
natural livelihood



11
Security forces



12
Any other
protected legal
position that goes
beyond 1-11



3
Import and export of hazardous wastes as
prohibited in the Basel Convention

3. Insight into industries with high human rights and environmental risks

Insights into industries with high human rights risks

Industries (and exemple products)	Examples of human rights issues (according to Sustainability Accounting Standards Board (SASB))
Textiles and leather (cotton fibers, clothing in general)	Occupational health and safety, forced labor, working conditions, environmental protection and health
Electronics (electr. components for automotive industry, copper)	Working conditions, health and safety at the workplace, child labor and youth employment, forced labor, restrictions on freedom of association
Chemicals (petroleum, other basic organics, crude oil)	Occupational health and safety, environmental protection and health, land use and property rights, restrictions on freedom of association
Metal (iron ore, bauxite)	Working conditions, forced labor, land use and property rights
Mechanical engineering (gears, gear wheels, drives, chrome)	Occupational health and safety, environmental protection and health
Food and beverages (soybeans, oils, fats)	Working conditions, health and safety at work, child labor and employment of young people
Automotive (electrical and electronic equipment, natural rubber)	Working conditions, occupational safety, environmental protection and health

Source: *Die Achtung von Menschenrechten entlang globaler Wertschöpfungsketten*, Federal Ministry of Labour and Foreign Affairs, 2020

4. The Due Diligence Process – Upcoming requirements for exporters

What German buyers will demand from exporters?

- **Compliance with human rights and environmental requirements** when selecting new business partners.
- **Regular monitoring of improvements** of and compliance with human rights and environmental requirements.
- **Contractual concessions / guarantees** of compliance with human rights and environmental protection regulations.
- **Passing on contractual obligations to indirect suppliers.**
- **Contractual adjustments** to existing contracts with granting of audit and inspection rights (f.e. signing annex CoC).
- **Contract termination rights** in the event of violations of human rights and environmental obligations.
- **Compensation payments, contractual penalties** (if applicable).



Compliance with private standards will not release German companies from conducting internal corporate risk analyses, including on-site visits, to avoid a situation where the applied standards only cover individual human rights and environmental aspects.

5. Significance and benefits of audits and certificates for exporters

Significance of audit results


.....regarding human rights and environmental issues at the suppliers workplace:

- Audits and verifications **check compliance** with Supplier Code of Conduct (SCoCs). Audit results **identify and record the status quo** with regard to human rights and environmental **risks** at the workplace.
- Audit results **indicate** which **corrective actions (plans)** need to be implemented to improve the human rights and environmental problems at the workplace. Thus, they form the **basis** for further **preventive and corrective measures** (f.e. the establishment of a complaint mechanism or trainings).
- Audit results can **help track the degree of implementation** of corrective actions from the initial audit (f.e. via follow-up audits). They provide information on the **effectiveness of measures** taken by the supplier.

Benefits of certificates

... regarding the business situation:

- Certificates serve as **evidence** of compliance with the requirements of German buyers, thereby **reducing potential business risks**.
- Certificates help to increase the **attractiveness** as a supplier.
- Certificates help to open up **new customer groups**.
- Certificates form the **foundation for mutual trust and long-term business relationships**.
- Certificates (and consumer labels) can be **competitive advantages** over market competitors (e.g. in public tenders)
- Certification can help companies **avoid being directly linked to human rights violations** committed by their business partner and thereby prevent **competitive disadvantages**.



No standard or certificate can substitute 100% of the corporate due diligence obligations

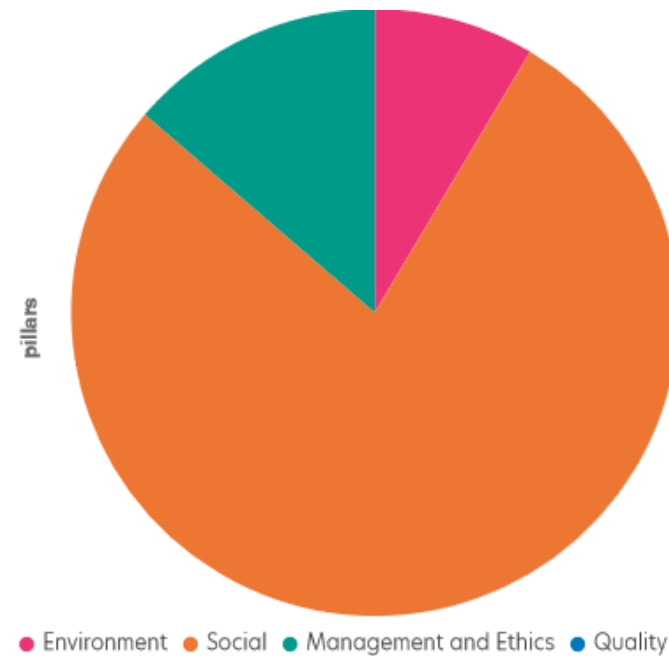
TÜV NORD CERT services: Certification, verification and inspection

- ❖ *Pre-audits*
- ❖ *CoC /SCoC-audits*
- ❖ *(Social) audits*
- ❖ *Follow-up-audits*

6. Overview of possible certifications / audits

Amfori BSCI

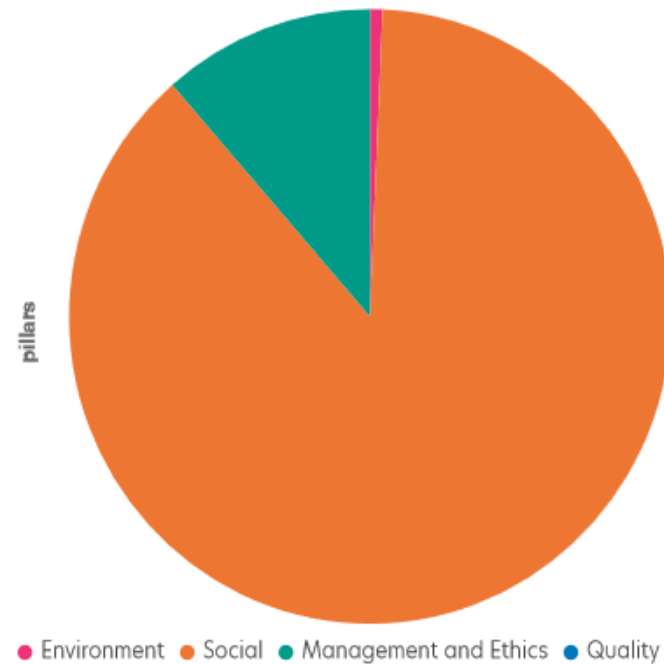
Approach:	Membership initiative and certification
Branch:	Cross-industry
Audit activity	Field visit (incl. office visit & doc. review)
Audit frequency	1-2 years
International law / legal frameworks	ILO conventions and declarations, the United Nations (UN) Guiding Principles on Business and Human Rights as well as guidelines for multinational enterprises of the Organization for Economic Co-operation and Development (OECD).
Audit criteria	Human and labor rights, environmental protection, etc.
Supply chain	Raw material production, manufacturing
Website	https://www.amfori.org



Source: ITC Standards Map

SAI - SA8000

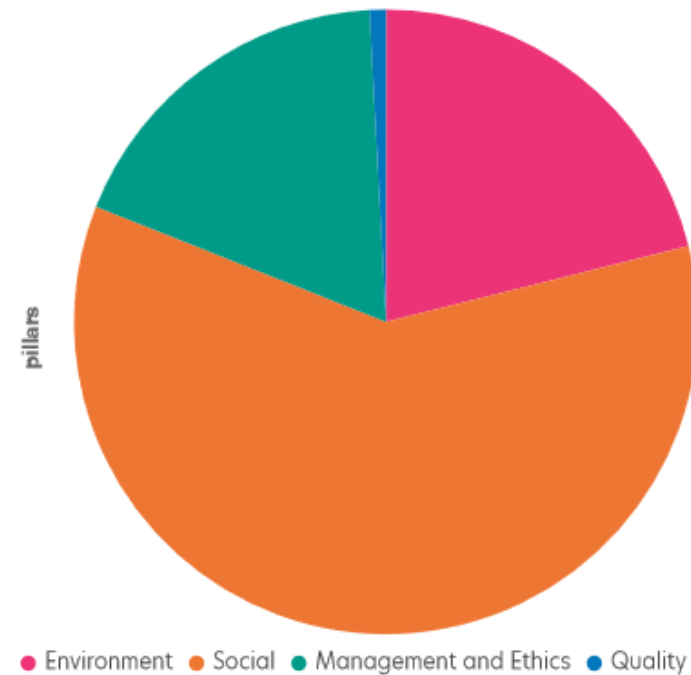
Approach:	Certification
Branch:	Cross-industry
Audit activity	Field visit (incl. office visit & doc. review), Combination of announced, semi-announced and unannounced audits
Audit frequency	1 year or less
International law / legal frameworks	ILO Core Labor Standards, UN Human Rights Charter, UN Convention on the Rights of the Child
Audit criteria	Labor rights, working conditions
Supply chain	Raw material production, manufacturing
Website	http://www.sa-intl.org/



Source: ITC Standards Map

SEDEX/SMETA

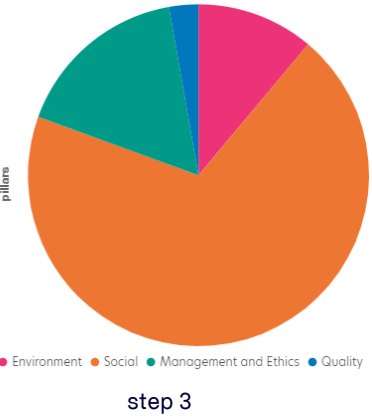
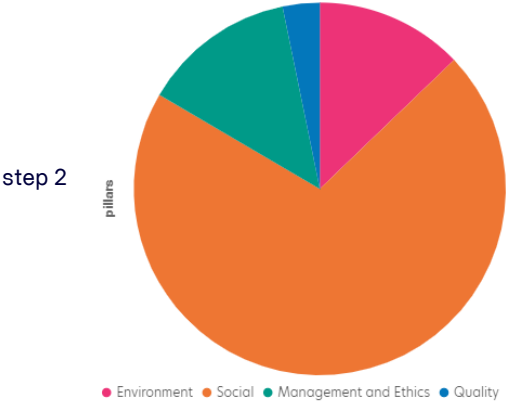
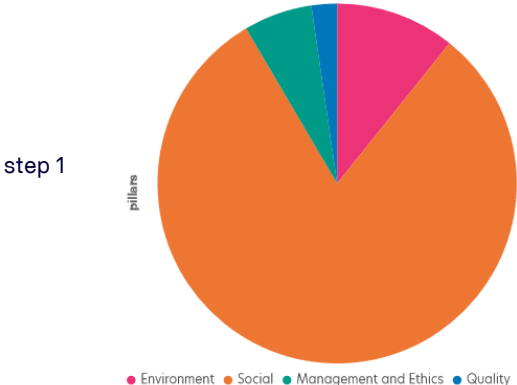
Approach:	Member initiative and verification
Branch:	Cross-industry
Audit activity	Field visit (incl. office visit & doc. review)
Audit frequency	1-2 years
International law / legal frameworks	Ethical Trading Initiative Base Code (ETI), local laws, International Labor Organization (ILO) conventions and local country laws.
Audit criteria	2-pillar audit includes the topics: labor standards, health and safety 4-pillar audit additionally includes the topics: environmental, business ethics
Supply chain	Raw material production, manufacturing, distribution
Website	https://www.sedex.com



Source: ITC Standards Map

Social Labor & Convergence Program (SLCP)

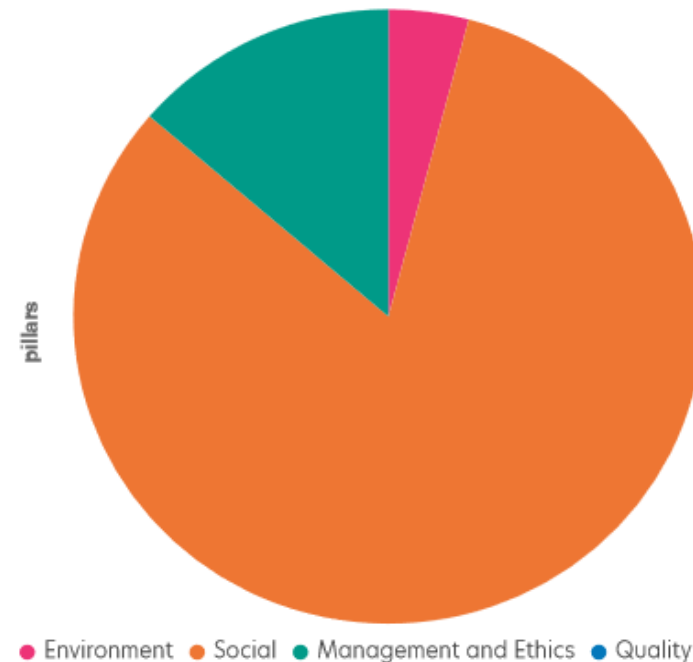
Approach:	Verification
Branch:	Apparel and footwear manufacturing sector
Audit activity	Field visit (incl. office visit & doc. review), possibility of announced or semi-announced audit (within 10 days)
Audit frequency	Customer request
International law / legal frameworks	ILO core labor standards, national laws, etc.
Audit criteria	Social and ethical criteria, management system, scope of audit criteria selectable (step 1 (>900 questions), step 2 (questions))
Website	https://slconvergence.org/



Source: ITC Standards Map

BRCGS ETRS & BRCGS ETRS Risk Assessment

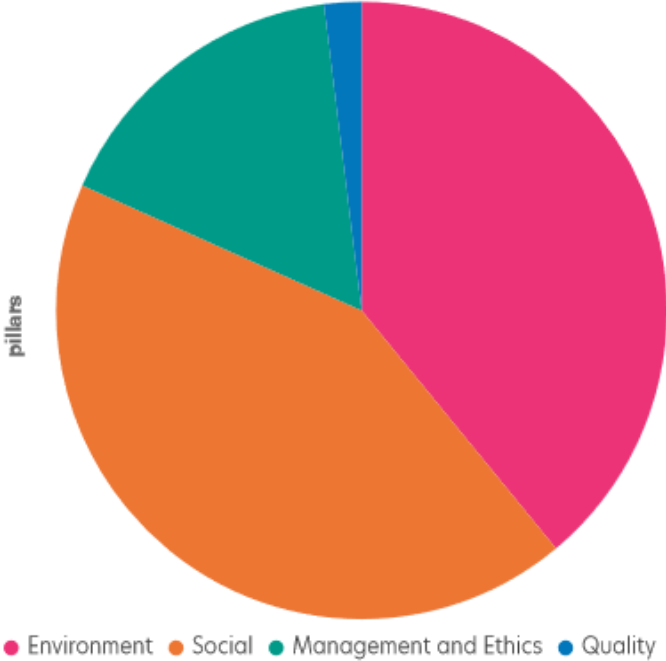
Approach	Certification & verification
Branch	Food- Near- and Nonfood sector
Audit activity	Field visit (incl. office visit & doc. review)
Audit frequency	ETRS: 3-year cycle, two annual surveillance audits in years 1 and 2 (semi-announced), in year 3 sites have a recertification audit. ETRS RA: additional module to other BRCGS standards (4 hours onsite audit).
International law / legal frameworks	ILO Core Labor Standards, UN Guiding Principles on Business & Human Rights, national laws.
Audit criteria	Labor standards, basic human rights, management system, human rights risks.
Website	www.brcgs.com



Source: ITC Standards Map

Forest Stewardship Council® - FSC®

Approach	Certification
Branch	Traders in alle sectors below; f.e. furniture producer, paper producer, printing industry, textile fibres, sawmills.
Audit activity	Office assessment at production site (incl. warehouse, purchase, sales); annual mass balance
Audit frequency	1 x yearly
International legal frameworks	ILO Core Labor Standards, etc.
Supply Chain	Production, Manufacturing, Distribution, Consumption
Website	https://fsc.org



Source: ITC Standards Map

Grüner Knopf (Green Button)

Approach	Government-run certification label (BMZ), especially for German companies, meta-label approach
Branch	Textile industry
Audit activity	Office visit, remote visit (possible), document review
Audit frequency	3-year cycle, initial certification, annual review, recertification
International law / legal frameworks	ILO Core Labor Standards, UN Guiding Principles on Business and Human Rights, OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.
Audit criteria	Environmental aspects, human rights; product criteria at the level of wet processes, confection as well as management processes.
Website	www.gruener-knopf.de



Cera 4in1

Approach	TÜV NORD CERT house standard, third-party certification (with certificate)
Branch	Mineral raw materials value chain (exploration, operation, processing up to final product)
Audit activity	Management tier and practical implementation in operation / remote & on-site
Audit frequency	3-year cycle, initial certification, annual review, re-certification
International law / legal frameworks	ILO, OECD, UN Guiding Principles on Business & Human Rights, national legislations
Audit criteria	ESG criteria - Environmental, Social, Governance
Website	https://www.cera4in1.org/ go to market → mid of 2023

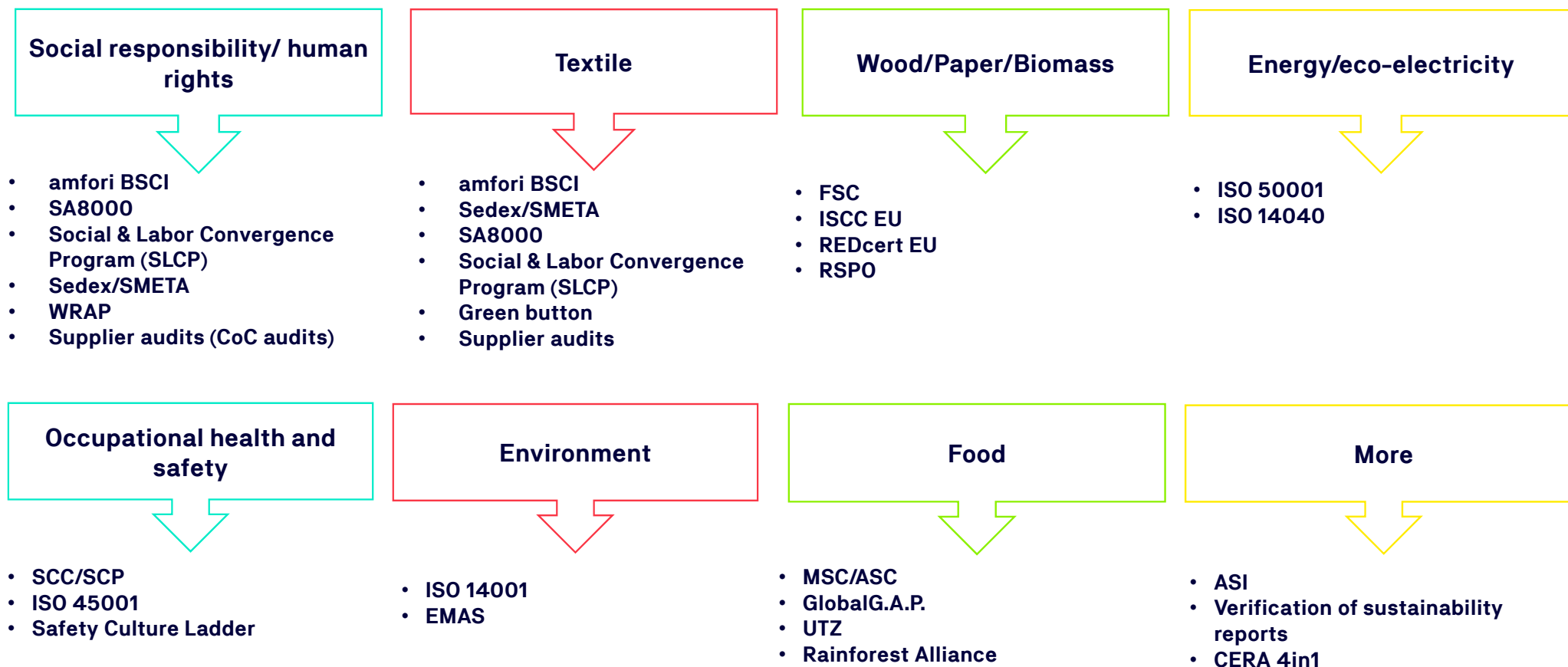


TÜV NORD CERT - Supplier audits

Approach:	TÜV NORD CERT house standard
Branch:	Cross-industry
Audit activity	Office visit (incl. office visit & doc. review), Combination of announced (stage 1), semi-announced or unannounced audits (stage 2) (customer request). Follow-up audits, pre-check audits.
Audit frequency	Usually annually (customer request)
International law / legal frameworks	Mostly a company's CoC/ SCoC, which is based on the UN Guiding Principles, ILO core labor standards, national laws and other desired frameworks.
Test criteria	Human and labor rights, environmental criteria, environmental aspects, corruption, etc.
Website	http://www.tuev-nord.de



TÜV NORD CERT - Overview of possible certifications / audits



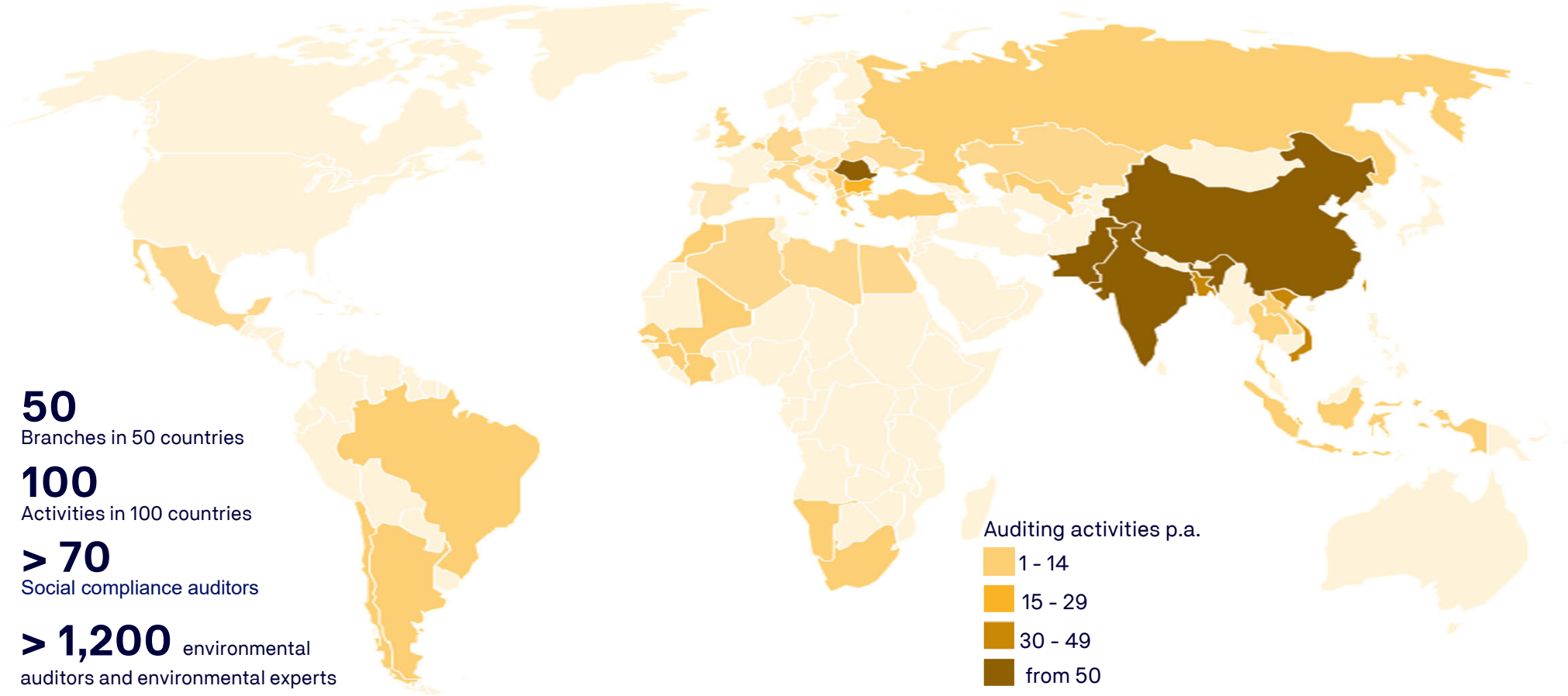
TÜV NORD CERT - Social & environmental audits worldwide

50
Branches in 50 countries

100
Activities in 100 countries

> 70
Social compliance auditors

> 1,200 environmental
auditors and environmental experts



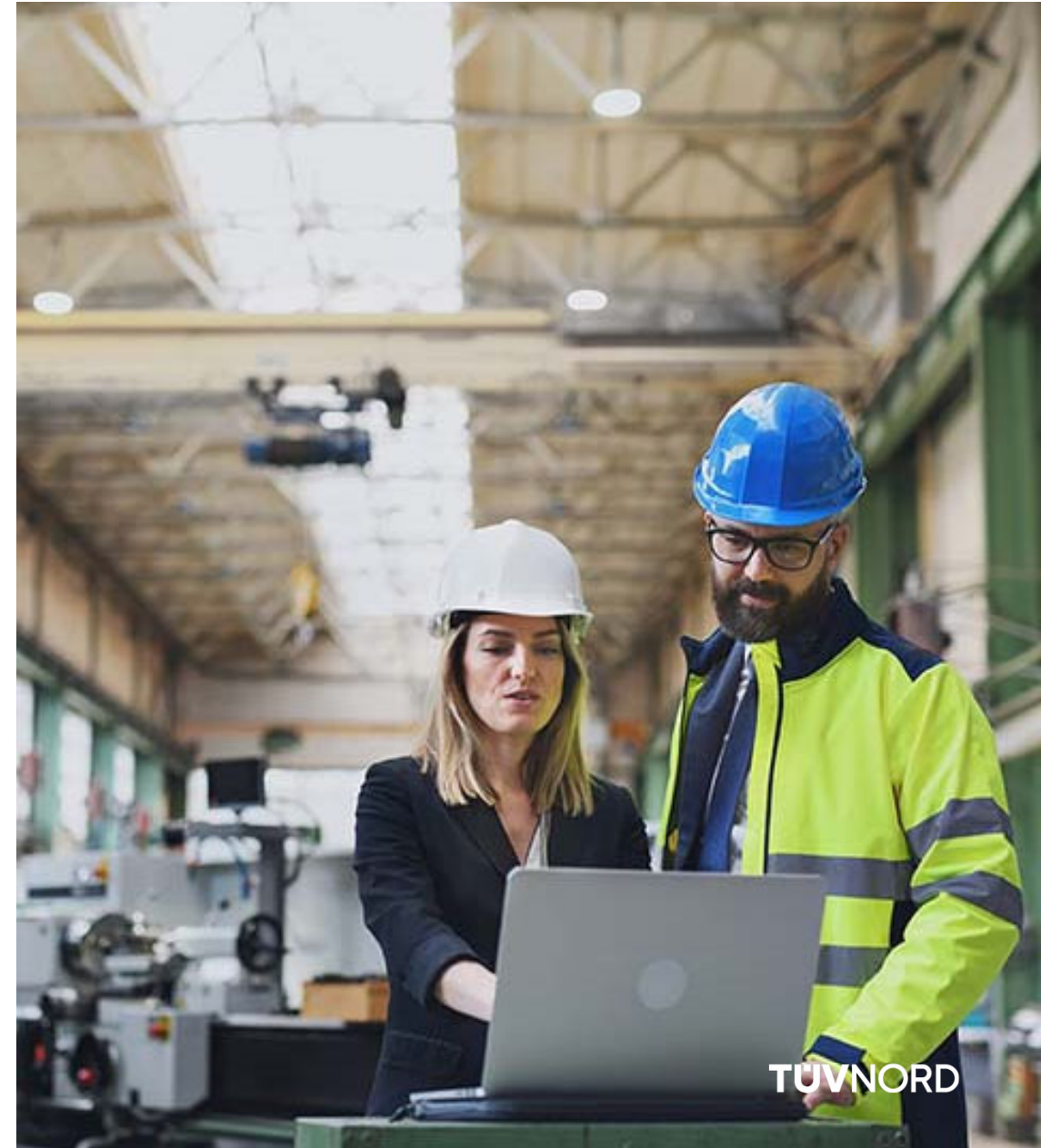
Auditing activities p.a.

- 1 - 14
- 15 - 29
- 30 - 49
- from 50

7. Conclusion

Conclusion

- Companies in Germany, but also throughout Europe, will have to deal more and more with social and environmental requirements in their supply chain due to legal requirements.
- Due to the requirements of the LkSG, exporters are increasingly asked by German buyers to perform audits.
- TÜV NORD as a global TIC-company can support you with many services to help you implement and monitor your due diligence obligations and comply with human rights and environmental requirements.
- TÜV NORD CERT is internationally positioned and serves customers worldwide.



TÜVNORD

TUVNORD

Do you have questions?

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