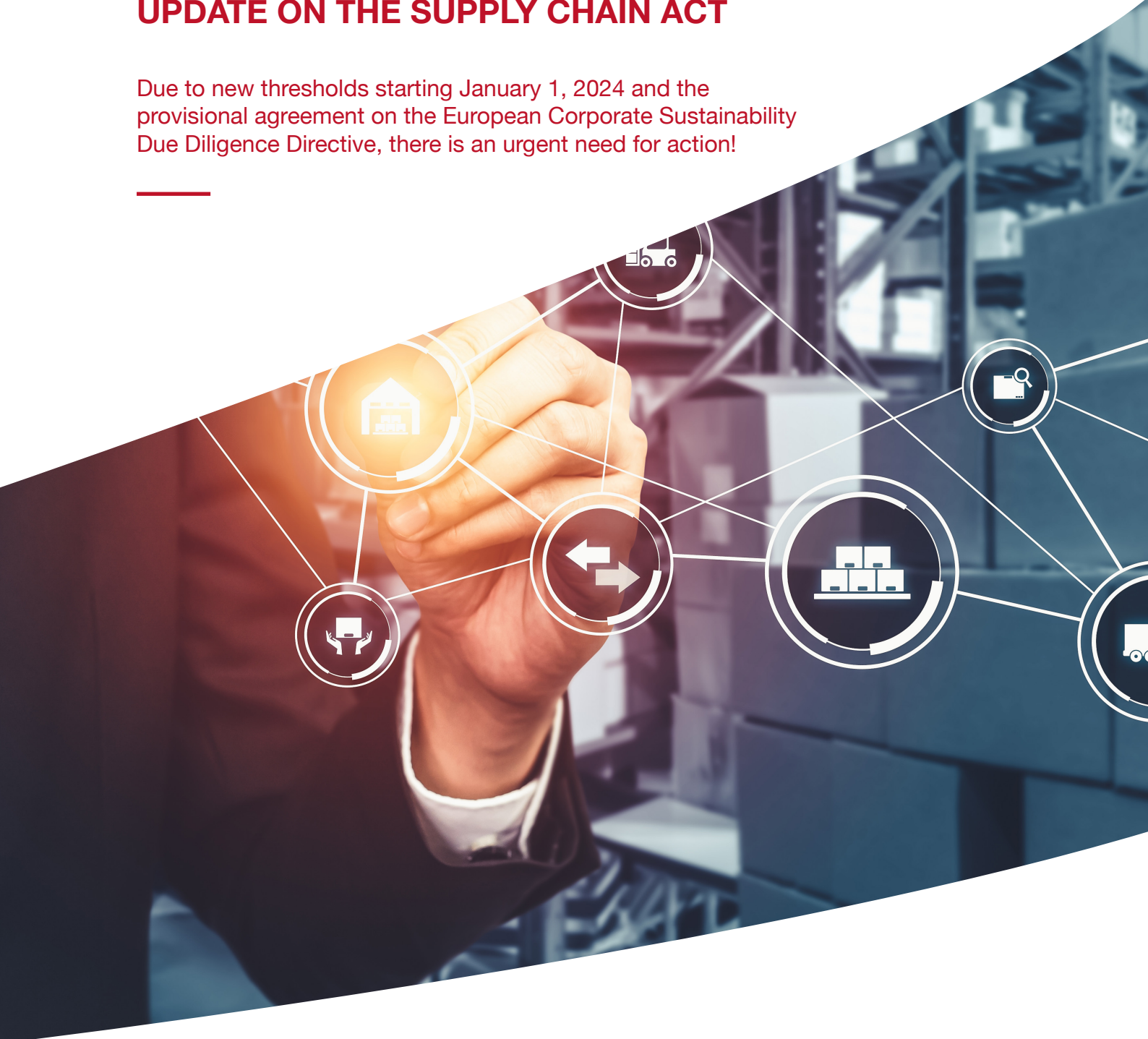


UPDATE ON THE SUPPLY CHAIN ACT

Due to new thresholds starting January 1, 2024 and the provisional agreement on the European Corporate Sustainability Due Diligence Directive, there is an urgent need for action!



Starting **January 1, 2024**, the threshold for companies based in Germany will be reduced from 3,000 to 1,000 employees in Germany.

Furthermore, on **December 14, 2023**, the EU-Parliament and the EU-Council reached a provisional agreement on key elements of the Corporate Sustainability Due Diligence Directive (CSDDD).

Provisional agreement on CSDDD

Pursuant to the press release issued by the EU-Council and the EU-Parliament on December 14, 2023, the CSDDD contains significantly stricter provisions than the German Supply Chain Act. Key points of the provisional agreement reached at European level include the scope of application, the civil liability of companies for non-compliance by their suppliers and service providers as well as the adoption of a transition plan for climate change mitigation, which is to be implemented through best efforts.

What should companies consider now?

The scope of application of the draft CSDDD includes EU-based companies with 500 employees and a net worldwide turnover of EUR 150 million.

Non-EU companies are also affected if they generate a net worldwide turnover of EUR 150 million within the EU within three years of the CSDDD coming into force.

In contrast to the German Supply Chain Act, the draft CSDDD also provides for civil liability for companies. This enables victims, such as those affected by human rights violations, to sue companies in the EU for misconduct and abuses along the

supply chain. The draft also limits the disclosure of evidence, injunctive measures, and cost of the proceedings for plaintiffs. In addition, fines of up to 5% of net worldwide annual turnover could be imposed.

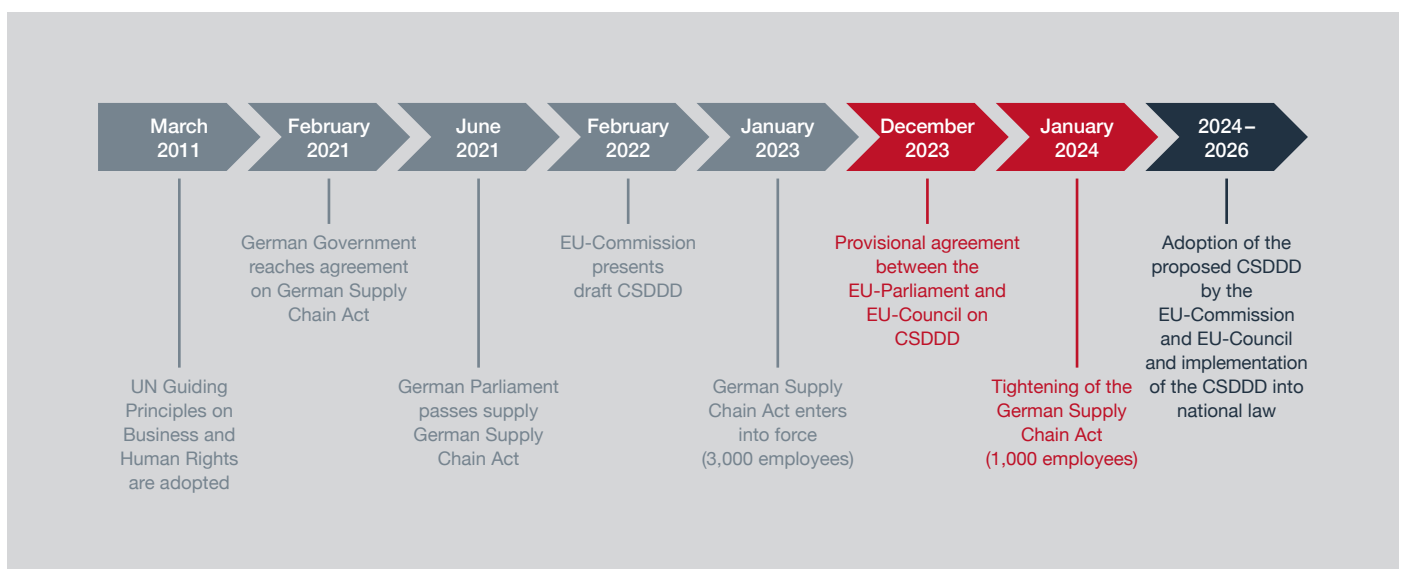
Stricter rules on climate protection

In order to achieve the climate change mitigation, affected companies are obliged to adopt a plan that ensures compliance of their business model and strategy with the Paris Agreement on climate change and implementation to the best of their ability. On the other hand, all quantifiable environmental impacts such as water, soil or air pollution are included.

How should companies act now?

As of January 1, 2024, obligated companies must comply with the requirements of the German Supply Chain Act with regard to the reduced threshold of 1,000 employees and must implement their compliance regulations (e.g. codes of ethics, rules of conduct for suppliers) including their own conditions of purchase and sale.

It is expected that the stricter CSDDD will be confirmed at European level and will be implemented into national law by 2026 at the latest.



How can we provide assistance?

The implementation of the Supply Chain Act within a company is a complex challenge. Sound and up-to-date legal knowledge is indispensable. Our multidisciplinary team specializes in the legal issues of the Supply Chain Act and has in-depth practical experience from corresponding projects.

Using special software solutions can also be advantageous, especially when reviewing numerous suppliers and integrating the Supply Chain Act into the company's existing IT systems.

We have an experienced IT partner at our disposal who has tailor-made software solutions to meet the requirements of the Supply Chain Act.

Feel free to contact us! We will be happy to provide assistance.

How are we different – Why Andersen?

Our multidisciplinary team specializes in the legal aspects of both the German and European supply chain act and provides comprehensive legal advice at the highest level.

We provide comprehensive expertise in legal advice and provide IT services out of one hand.

As a member of Andersen Global, we operate in over 170 countries worldwide and can therefore offer consulting services that are tailored to your individual needs worldwide.



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