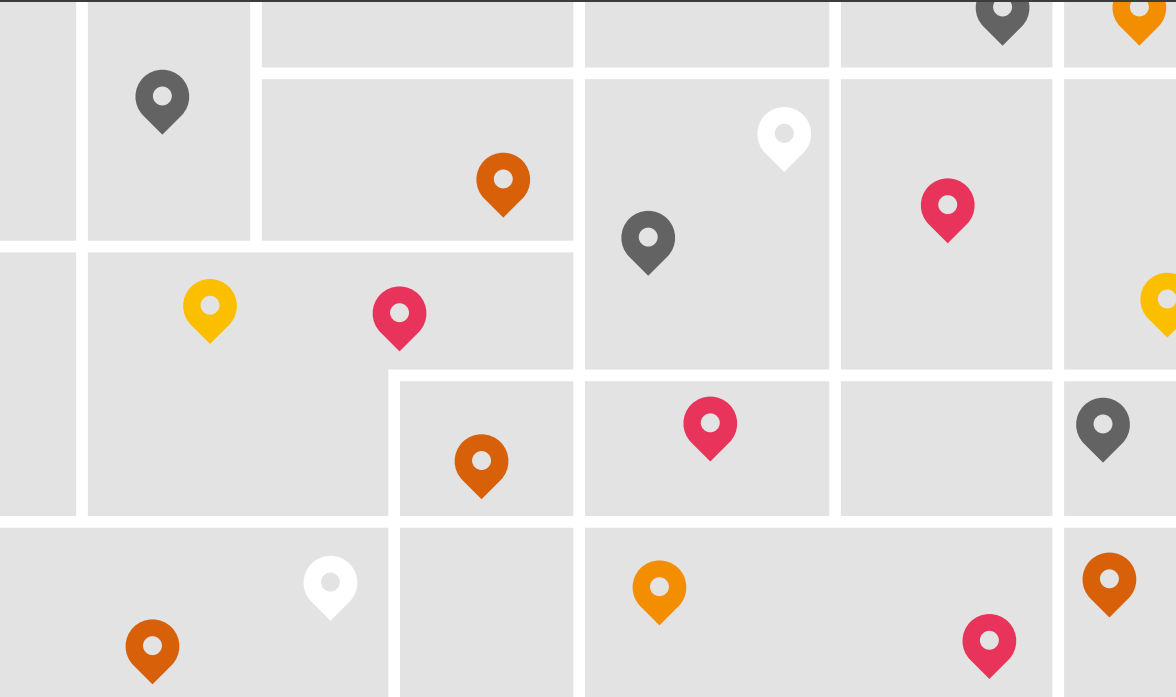


# LkSG flyer for PwC suppliers





## Background

Germany's new Supply Chain Act (Lieferkettensorgfaltspflichtengesetz, or LkSG) is set to enter into force on 1 January 2023, requiring companies to ensure due diligence throughout their supply chains. The aim of the LkSG is to ensure compliance with standardised due diligence requirements to reduce or avoid **potential environmental and human rights risks** in the various parts of supply chains – risks both in companies' own operations and resulting from the actions of direct and indirect suppliers. The LkSG will apply to a wide variety of companies – including PwC GmbH WPG.

**Our purpose at PwC is to build trust in society and solve important problems, and so we are keenly aware of our corporate responsibility to uphold human rights.** We are committed to upholding human rights in our own business operations and in our global supply chains and value chains, and to ensuring that victims of human rights abuses have access to redress. Our corporate activities are in line with the UN Guiding Principles on Business and Human Rights and other appropriate guidelines.

How are we addressing this complex issue in our company and our supply chains? We carry out risk analyses and evaluations of all our suppliers as required by the LkSG, we've created the position of Human Rights Officer as required by the LkSG to centralise work to coordinate implementation within PwC, and we're formalising our processes. We consider upholding human rights to be a continuous process; our work to meet these commitments is subject to constant review and continuous development, based on changing conditions and our own business activities.

So what does this mean for you, our suppliers? **We expect all our suppliers to uphold human rights and follow environmental laws, and to comply with the LkSG if applicable.** We also expect you to make commitments to upholding human rights and implementing suitable processes to ensure compliance with these obligations, and to demand the same from your own suppliers.

These guidelines are intended to help you meet these requirements. We also hope that they will encourage you to analyse human rights risks and environmental risks in your own supply chain so that you can play your part in continuous improvement around these issues.



## Upholding compliance with defined due diligence requirements throughout the supply chain is a key element of the LkSG

These have as their object the protection of human rights and environmental legal positions.

### The following are prohibited on human rights grounds:

- Child labour, forced labour, slavery
- Breaches of occupational safety law
- Denial or restriction of freedom of association
- Discrimination
- Unreasonably low pay
- Soil pollution, water pollution, air pollution, noise pollution, excessive water usage
- Illegal evictions or seizures of land, forests or bodies of water
- Hiring or using private or public security forces in violation of human rights law
- Any other action which severely conflicts with any legal protections

### The following are prohibited on environmental grounds:

- Manufacture, use and handling of mercury, as per the Minamata Convention
- Production and use of persistent organic pollutants (POPs), as per the Stockholm Convention
- Improper handling, collection, storage and disposal of waste, as per the Stockholm Convention
- Import and export of hazardous waste, as per the Basel Convention

### 1. What are sustainable supply chains?

Sustainable supply chains are the key to preparing for changing environmental factors. Take a look at the future of supply chain management: global, regional and local impacts are all too clear – and that's before they even start to affect other parts of your business. This is why setting up a **sustainable supply chain** is so important.

### 2. The LkSG: background and development

The LkSG will come into effect for many companies on 1 January 2023, and for many more on 1 January 2024. Check out [this video](#) (so far only available in German) to learn more about the background to the new law.

### 3. LkSG FAQs

Any questions on the LkSG? [This](#) is where to go to find concise answers. We'll be updating and expanding our FAQ section as time goes by.

### 4. Help with implementation

To help companies meet their human rights obligations, the German Federal Government has produced various [resources on the subject](#). These provide the know-how you need and offer solutions to specific challenges.

### 5. BAFA risk analysis handout

[This handout](#) has been produced by the German Federal Office for Economic Affairs and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle, or BAFA) and explains the LkSG's requirements around preparing and carrying out risk analyses, in order to help companies comply with the new law. The handout describes what the law requires, explains the role of risk analyses in due diligence, and provides practical help and tips on carrying out a risk analysis.

### 6. BAFA reporting questionnaire

[BAFA's reporting questionnaire](#) (so far only available in German) is intended to help companies ensure compliance with LkSG requirements. All the content is based on the new law, translating legal requirements into simple questions.

To make it as simple as possible to submit the reports required by the LkSG, BAFA is planning to launch an online form in the spring of 2023 which will allow companies to answer the reporting questions.



# What is PwC Germany doing?

## 1. Global Human Rights Statement

Our statement on upholding human rights. This is where you'll find information about our approach and what we're doing to ensure human rights due diligence.

## 2. Global Third-Party Code of Conduct

At PwC, we expect the same standards of integrity and conduct from third parties and their employees as we expect from our own employees. These standards can be found in our [Global Third-Party Code of Conduct](#).

“ We consider upholding human rights and ensuring human rights due diligence in our operations to be an important contribution towards improving the global situation around human rights. We accept this challenge, and we are committed to continuous improvement of our human rights due diligence processes.”

**Daniela Geretshuber**

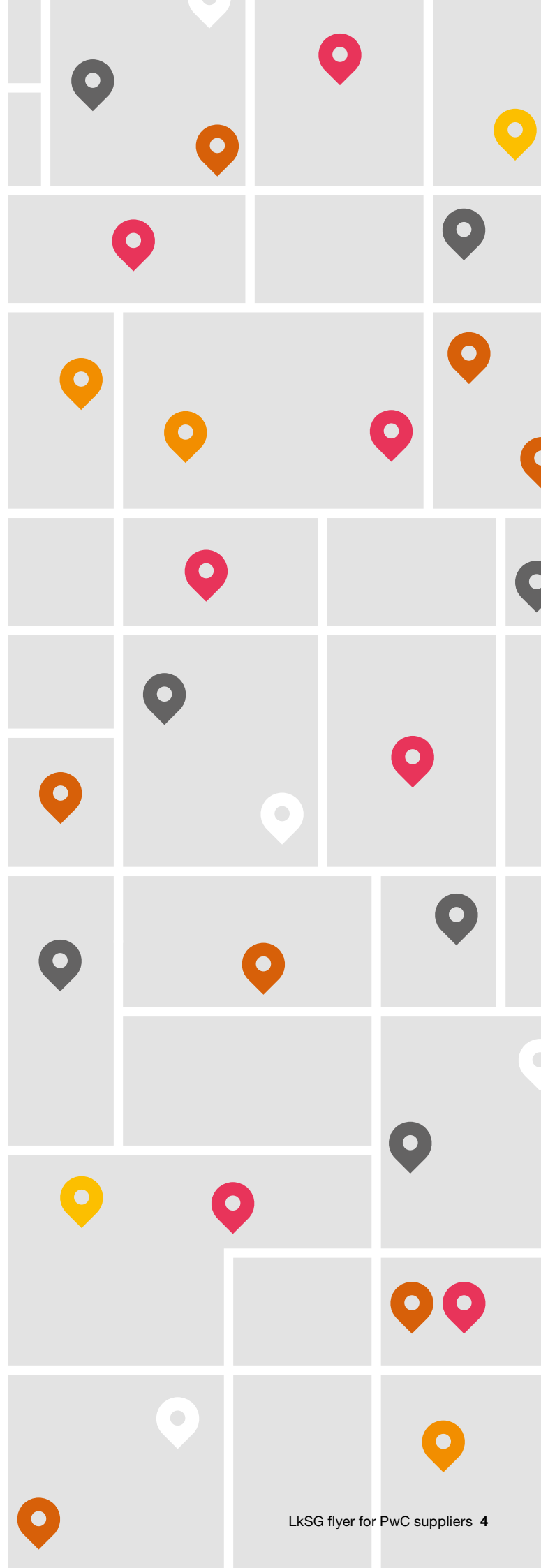
Management Board member and  
People Leader, PwC Germany

## 3. Risk analysis

We at PwC Germany have carried out a risk analysis and identified particular areas of human rights as especially important to us. These areas cover the greatest risks of negative human impacts arising directly or indirectly from our operations at our offices and in our global supply chains and value chains.

## 4. Ethics helpline

Our [ethics helpline](#) is an important element of our human rights due diligence processes. This allows PwC employees, employees of our suppliers, and any third parties to submit confidential tip-offs of human rights violations, breaches of environmental law, and inhuman or degrading working conditions.





# Practical guidelines for the LkSG

## What is your official position on ensuring due diligence on human rights and the environment throughout your supply chain?

If the LkSG is applicable to you, you need to draw up a general declaration of your company's human rights strategy. This should include information about your due diligence processes, and explain what you expect from your employees and suppliers regarding human rights and the environment.

## Where are the biggest environmental and human rights risks in your company?

Organisations are best able to take targeted action to identify, eliminate and prevent environmental and human rights risks if they have an accurate idea of how severe their exposure to these risks is. This is why you should carry out a risk analysis and set up a comprehensive risk management system – and, if possible, get it certified.

## What due diligence processes do you have to manage environmental and human rights risks?

Due diligence processes and guidelines are what you need to minimise environmental and human rights risks in your company and supply chain. These might include a commitment to following a code of conduct (both among your own operational employees and your suppliers), or a complaints system to enable employees and external stakeholders to make tip-offs.

## Are your stakeholders sufficiently aware of environmental and human rights risks in your company?

Human rights violations and environmental incidents can ultimately only be prevented if you raise awareness among your employees and suppliers. You also need to identify where risks are present and what can be done to combat them.

## What will you do if human rights violations or environmental incidents occur in your company or supply chain?

For a quick response, it's essential to have a well-thought-out escalation plan to guide your actions. Responses should consider appropriate corrective actions and measures to ensure that a given incident cannot happen again.

## How can you tell whether your measures are having an effect against human rights violations and environmental incidents?

As with many other things, it's important to review the effectiveness of your work to combat human rights violations and environmental incidents. A potential way of doing this might be to assess KPIs together with your progress on meeting due diligence obligations.

## High-level recommendations for action

**Increase transparency** around environmental and human rights obligations in your global value chains.

For **good communication**, engage with all of your **stakeholders** (e.g. suppliers, employees, other companies in your industry, NGOs).

Ensure **consistent compliance and risk management**.

Further useful information and support<sup>1</sup>:

- BAFA – supply chains
- The economy and human rights
- German National Action Plan

<sup>1</sup> This is a selection of our recommendations of publicly available resources.

# Contact

US

If you want to know more, please get in touch! We'd be very happy to talk to you if you have any questions or you want to discuss your approach to environmental or human rights due diligence.

# Contact

**Barbara Wieler**

Senior Manager

Human Rights Officer

Tel: +49 30 2636-1563

barbara.johanna.wieler@pwc.com

You can also get in touch with your contact person in our Procurement Department.