

GUIDE

# Craft and the German Supply Chain Act

Learn how Craft supports compliance with GSCA through Risk Management & Analysis and Documentation Efforts.



## What is the German Supply Chain Act?



The Act on Corporate Due Diligence in Supply Chains, also referred to as the German Supply Chain Act<sup>1</sup>, went into effect in January of 2023.

This Act requires large companies of 3,000+ employees with a head office, principal place of business, or administrative headquarters in Germany to ensure strict standards that safeguard human rights and the environment in their supply chains. In January of 2024, the Act will apply to smaller companies with 1,000+ employees, and cause ripple effects across their direct and indirect suppliers.

The German Supply Chain Act contains several key measures and due diligence obligations that are integral for the work of supply chain, procurement, and compliance teams. These include:

- **Risk Management and Analysis**

Companies must conduct annual risk analyses of their businesses and their direct suppliers to better understand their involvement in human rights violations and environmental damages. If the risk profile of a direct supplier is expected to change prior to its yearly review, ad hoc risk analyses must be conducted.

- **Preventive & Remedial Measures**

Companies must take appropriate preventive and remedial measures. This applies, for example, to supplier selection and supplier monitoring, the creation of codes of conduct, the implementation of training courses, the establishment of an internal complaints procedure, and also sustainable contract drafting.

- **Indirect Suppliers**

If companies uncover substantiated knowledge of an indirect supplier violating human rights or environmental obligations, companies must conduct a risk analysis of this supplier and implement appropriate preventive measures.

- **Policy Statement**

Companies must adopt a policy statement on their human rights strategy and communicate it across their organization.

- **Human Rights Officer**

Companies are required to appoint a “human rights officer” who is responsible for monitoring the risk management of the supply chain.

- **Documented Effort**

Companies must report their efforts to ensure no violations of human rights or the environment occur in their own operations or their supply chains. The Act explicitly clarifies that a mere duty of effort is established & documented and not a duty to succeed or guarantee liability. They must publish and submit an annual report.

As the leading supplier intelligence platform, Craft is prepared to help companies strengthen their Risk Management, Analysis, and Documentation Efforts in response to the German Supply Chain Act.

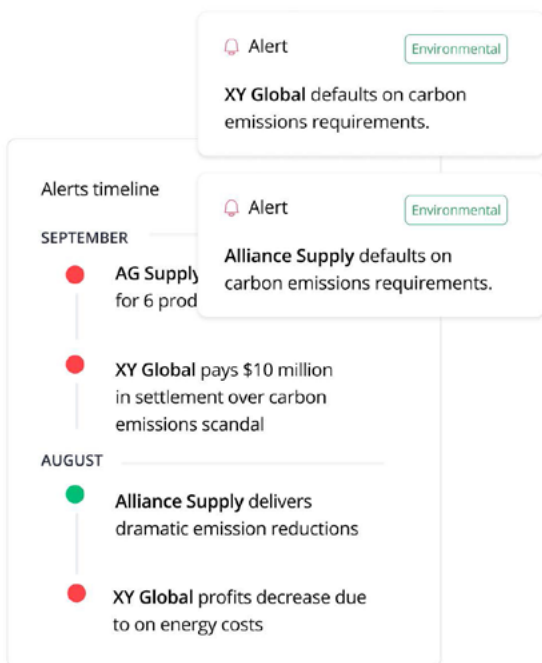
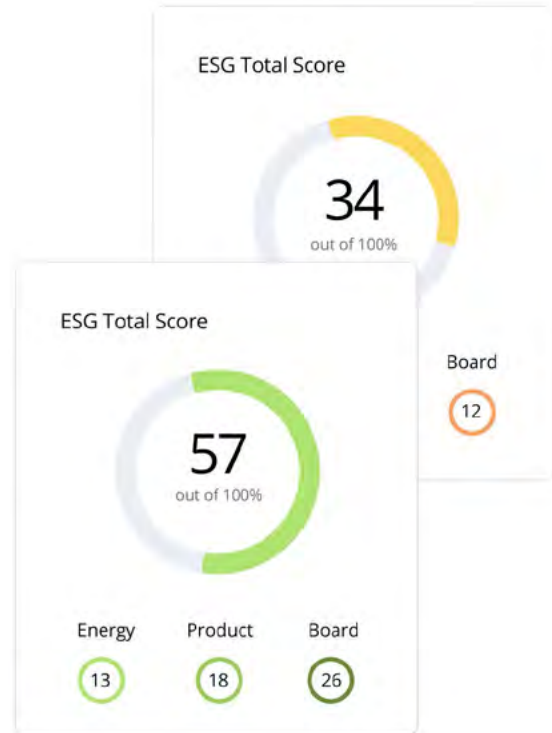
<sup>1</sup>Act on Corporate Due Diligence Obligations of the Prevention of Human Rights Violation in Supply Chains.

# Risk Management and Analysis

## CRAFT COMPANY PROFILES

The Craft Portal offers users 450+ data points on any single supplier, which grants users greater visibility into a number of key risk categories- including ESG. For example, on a Craft company profile, users may find valuable data points that signal a supplier’s environmental impact, like its yearly energy consumption and water usage, along with direct links to a company’s sustainability report.

Leveraging best-in-class data partnerships, Craft company profiles also show numeric ESG scores that indicate a supplier’s commitment to its community, employees, and environment. These insights, delivered to users clearly and in one-place, can enhance and accelerate a company’s risk analyses, while also enabling it to remain proactive in its monitoring efforts.



## ALERTS

Craft Alerts are curated, news-based notifications that allow users to break through the noise and stay up-to-date on crucial changes to their suppliers across named categories like *Workforce Issues, Energy Crisis, and Social Contribution*.

Alerts can strengthen any risk monitoring effort by providing users with expanded visibility into the activities of their suppliers, and informing them when an ad hoc risk analysis may be necessary. Craft Alerts offer coverage seven days a week and can be delivered directly within Craft’s Portal and API, or via email directly to their in box.

# Risk Management and Analysis

## Risk Management and Analysis

### RISK HUB

Risk Hub is the central place within Craft where users can quickly and clearly assess the overall health of their suppliers across various risk categories- including ESG. With Risk Hub, ESG risk is broken down into three subcategories, which each receive a risk scoring of Minimal, Low, Medium or High depending on distinct and transparent criteria. Clicking into any individual risk score will lead users to the supplier's Craft company profile, where they will gain greater context into the risk signals that power these scores.

### INSIGHTS

Appearing alongside the Risk Hub, ESG Insights leverage Craft's proprietary machine learning methodology to identify trends in a company's performance and contextualize a company's ESG scores against those of its industry partners. This intelligence is valuable for assessing trends in supplier behavior and determining where direct intervention, or further investigation, may be necessary.

### MULTI-TIER MAPPING

The due diligence obligations embedded within the German Supply Chain Act extend, in some form, across a company's entire value chain. As a result, companies can benefit from having improved visibility into their indirect suppliers and the ESG risks that they pose. Craft's Multi-Tier Mapping contributes to this aim by helping to illuminate the network powering a company's direct suppliers, so that users may expand their supplier monitoring capabilities and better anticipate ESG risks.

## Documented Effort

### CASE MANAGEMENT

Documenting the fulfillment of due diligence obligations is key to remaining compliant with the German Supply Chain Act. Case Management allows users to achieve this goal within the Craft Portal by enabling them to create a running summary of the supplier risks identified by their company and the steps that were taken to mitigate those risks. Leveraging Case Management, users can inform colleagues of potential human rights or environment related risks, outline and assign a plan of action, and track the progress of any risk mitigation initiatives.

Between Craft Company Profiles, Alerts, Case Management and more, Craft's supplier intelligence Portal helps companies comply with key sections of the German Supply Chain Act and other ESG legislation that requires heightened due diligence and supply chain monitoring.

# Craft is your partner on the path to supply chain resilience

## Our Proven Solutions:



### SUPPLIER INTELLIGENCE

Conduct checks in hours instead of weeks with comprehensive supplier intelligence you can trust



### SUPPLIER RISK MANAGEMENT

Continuously monitor potential threats and disruption to your supply chain with real-time alerts and deep insights into your suppliers



### SUPPLY CHAIN RISK MANAGEMENT

Expand your visibility beyond tier one suppliers to uncover potential risks and dependencies and take action with integrated collaboration tools

## Craft empowers organizations to strengthen their global supply chains

Our advanced data fabric and risk mitigation engine provides 360-degree visibility to quickly explore and evaluate suppliers, AI-driven insights to minimize disruptions, and collaborative tools to optimize supply chain strategies. With Craft, organizations can confidently navigate regulatory environments, uphold ethics, and drive business continuity and growth.

Ready to learn more about our solutions?

Connect with a Craft expert today: [sales@craft.co](mailto:sales@craft.co)