

How to Prepare for the German CDDOSC





Introduction

The German Corporate Due Diligence Obligations in Supply Chains Act (CDDOSC) requires companies operating within Germany properly address their responsibilities regarding human rights and environmental due diligence.

This compliance may seem straightforward since it's conducted alongside risk management through a supplier due diligence programme. However, the devil truly is in the details here. It's therefore necessary to take a deeper dive into this law, any explanations provided by the ministry responsible, and make sure you conduct a careful review of risk analysis and compliance management materials.





A Six-Step CDDOSC Blueprint

Here are some steps companies can take to be prepared:

- Establish a robust third-party risk management system.
- Conduct regular and ad hoc risk analyses of supply chain and internal operations concerning human rights and environmental risks.
- Leverage internal and external sources and self-reporting for risk assessment.
- Ensure the focus is not on enterprise risks but on risks for affected persons (human rights, environmental risks).
- Develop preventive measures, document existing measures, and implement remedial measures, as needed to further mitigate risks. Note that these processes should closely mirror those related to supplier due diligence.
- Establish a violation reporting system.

IMPORTANTLY, THE CDDOSC CANNOT BE VIEWED IN ISOLATION FROM OTHER LAWS AND REGULATIONS

A Snapshot of CDDOSC's Impact on Businesses

Now that you have a little more background, it's critical to emphasise one thing: CDDOSC has greater implications than many companies may realise.

Besides adopting a statement of principles, a company is also required to carry out a risk assessment related to its activities. This work includes implementing a corresponding risk management process.

Moreover, companies must set up a process for managing complaints that allows for the reporting of violations related to human rights and environmental protection. This work should be documented and reported to the overseeing ministry. Additionally, a report should be made available on the company's website to promote transparency of the information.

Now, let's explore a few additional intricacies worth noting. Importantly, the CDDOSC cannot be viewed in isolation from other laws and regulations. Think of it like a domino effect; risks linked to the CDDOSC may also influence overall corporate risks. These risks can stem from either adhering to or failing to comply with the CDDOSC, leading to outcomes including hefty fines to possible disruptions in business operations.

For example, think about what happens if a major supplier gets barred from public procurement. The economic fallout could be significant. By integrating the risks to affected individuals with the broader risks to the company, you're not just enhancing risk management practices. You're also meeting due diligence obligations. This approach ensures bases are covered—both for all those involved and for a company's long-term stability.

There are a few more unique elements of the CDDOSC. Some of these, for instance, involve detailed monitoring by the overseeing ministry. There's also a notable aspect concerning legal actions. For instance, trade unions and NGOs can sue companies on behalf of affected individuals for CDDOSC violations.



How to Navigate CDDOSC



Cross-department cooperation within a company involves doing the following:

- Analysing supply chain risks.
- Establishing and implementing preventive and remedial measures.
- Managing complaints and addressing risks that arise from them.
- Communicating effectively with suppliers.

All of these steps must involve thorough documentation and reporting to ensure everything is auditable. Furthermore, you also have to keep in mind a holistic viewpoint—namely, how all your efforts intersect with broader corporate risks.

Taking an Integrated Approach



Technology is the greatest tool your company can leverage to ensure smooth sailing with CDDOSC initiatives. Given how complicated CDDOSC requirements are, plus the absolute need for departments to work together smoothly, relying on software support becomes a must to handle this challenge effectively.

Merely tweaking the existing supplier due diligence process and adding a system for managing complaints won't cut it for meeting CDDOSC demands. Instead, it's about adopting an approach that brings software into the mix. This strategy is the key to effectively fulfilling CDDOSC requirements.



How Can SAI360 Help?

Tap into SAI360's all-in-one solution to get a handle on business risks, figure out how we could interrupt your business flow, and take advantage of tools for audits, managing policies, and internal controls. This way, you can check that everything you're doing—and what your suppliers are doing, too—meets the mark.

SAI360'S INTEGRATED PLATFORM OFFERS A COMPREHENSIVE SOLUTION TO ADDRESS CDDOSC ASPECTS, INCLUDING:

- Establishing risk management
- Defining and documenting internal responsibilities
- Conducting regular risk analyses
- Formulating and issuing a policy statement
- Providing evidence of acceptance within the company and by suppliers
- Embedding preventive measures within your business area and towards direct suppliers, while providing evidence of their risk-reducing efficacy
- Executing, documenting, and evaluating corrective measures
- Implementing a complaint procedure in tandem with case management to handle complaints, assess associated risks, and examine legal implications
- Undertaking due diligence on risks related to indirect suppliers
- Maintaining audit-proof documentation and generating reports for the ministry and publication up on your company's website

SAI360's unified approach to risk sets us apart

Today's complex risk landscape demands more. SAI360 leads the way with an integrated GRC platform and Learning solution that spans the entire risk and compliance spectrum.

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- IT & Cybersecurity
- Business Continuity Management

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- Competition & Anti-Trust
- Conflicts of Interest
- Data Protection & Privacy
- Exports, Imports & Trade Compliance
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SAI360 is giving companies a new perspective on risk management. By integrating Governance, Risk, Compliance (GRC) software and Ethics & Compliance Learning resources, SAI360 can broaden your risk horizon and increase your ability to identify, manage, and mitigate risk. See risk from every angle. [Visit www.sai360.com](http://www.sai360.com).