Determine, weight and priorit

Guidelines for the implementation of a risk analysis according to the Provisions of the Supply Chain Due Diligence Act

Bundesamt für Wirtschaft und Ausfuhrkontrolle

Wirtschaft & Menschenrechte

contents

introduction

The following guide explains the requirements of the Supply Chain Due Diligence Act (LkSG) for the preparation and implementation of a risk analysis in order to provide companies with assistance in implementing the law. The handout describes the requirements of the law, shows the role of risk analysis in the due diligence process and offers assistance and practical tips for implementation.

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Risk analysis as the basis of an appropriate and effective risk management

- According to Section 4 of the LkSG, the LkSG requires companies to set up an appropriate and effective risk management system[1] around men Identify, prevent, minimize or stop human or environmental risks or injuries[2] . Here, companies should use a risk-based

follow approach. This means that they should use their resources in a targeted manner and tackle the most important and urgent issues first.
- The risk analysis is to be carried out once a year and on an ad hoc basis in accordance with Section 5 (4).
- It is a fundamental building block of your own risk management and helps companies to use their resources as sensibly as possible
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- The due diligence processes and measures described in the law under risk management build on one another and should reinforce each other in their effect. For the risk analysis, this means, on the one hand, that findings from other areas in implementation should be included. This includes, for example, the experiences gained through the implementation of preventive and remedial measures. But also information on risks and actual obligations Injuries gained through the handling of reports and complaints should be taken into account.
- On the other hand, the results are the risk

Central analysis for the overarching strategic and operational orientation and the practical implementation of risk management and the individual due diligence processes. The analysis results provide companies with information about their own risk disposition, i.e. to what extent and to what extent in their own business area and in the supply chain with regard to human rights and the environment risks occur. This is the starting point for decisions about the necessary resources, expertise, the definition of responsibilities and the anchoring in relevant business processes within the framework of risk management.

1 See § 4 Para. 1. All the paragraphs listed below are those of the LkSG.
2 For a list of human rights and environmental issues covered, see § 2, paragraphs 2 and 3.

• The following figure summarizes these and other exemplary cross references between the risk analysis and the other elements of due diligence processes.

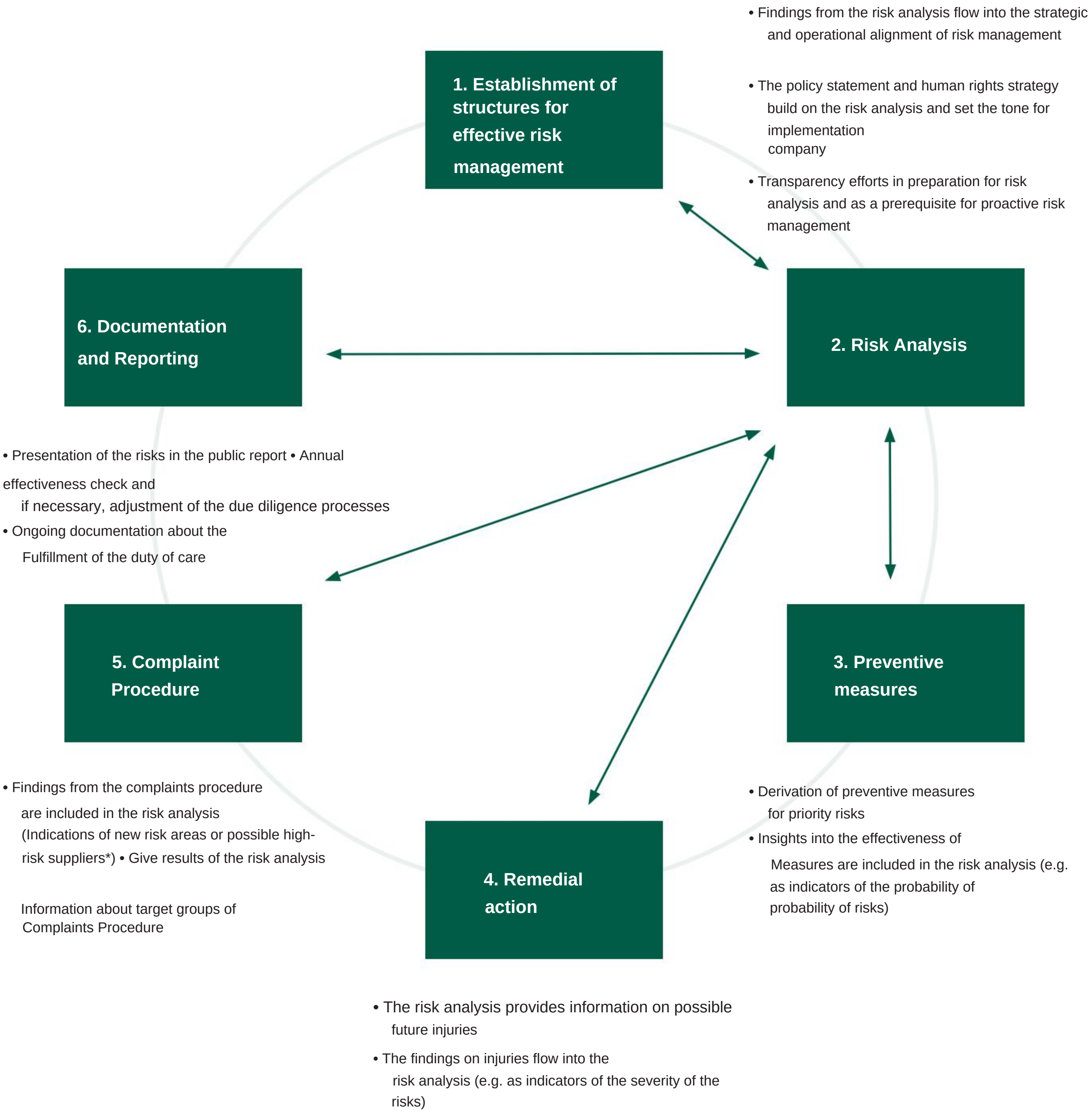

Figure 1: Interaction of risk analysis and other elements of due diligence processes

* High-risk suppliers are suppliers where the company has prioritized risks or identified violations of human rights or environmental obligations. The latter can be identified, for example, through risk-based controls or other preventive measures.

basic requirements to the risk analysis

3.1 What is the aim of the risk analysis?

The aim of the risk analysis according to the LkSG is Knowledge of human rights and environmental risks in their own business area and in the supply chain and to prioritize them for further processing. The risk analysis must be carried out appropriately.

On the one hand, this means that systematic and comprehensible processes for determining, weighting and prioritizing risks must be introduced, with each company being entitled to a certain degree of discretion with regard to design and choice of methods.

On the other hand, the specific design and choice of method is subject to the reasonableness.

3.2 When and in relation to which part of the supply chain does a risk analysis need to be carried out?

- Companies are obliged to comply with due diligence obligations in their own business area and with suppliers throughout the supply chain3 . In the supply chain, the law distinguishes between suppliers with whom a contractual relationship exists (direct suppliers), and indirect ones Suppliers further down the supply chain.4
- The law provides for two types of risk analysis: regular risk analysis and further event-related risk analysis. These differ both in their cause (when or how often they have to be carried out) and in the parts of the supply chain that they cover

  have to cover.
- Appropriate prevention measures build on the outcomes of both types. The following graphic summarizes the scope and the interaction of the risk analysis that is to be carried out regularly every year and on a case-by-case basis.

3 For the definition of the supply chain, see BAFA Q&A, No. II.

4 The group parent company must fulfill due diligence obligations for its own business area and along its supply chains. This also includes the business area and the supply chains of a group company if the parent company exercises a decisive influence on them (cf. Section 2 (6) sentence 3).

Goal: Appropriate and effective risk management along the entire supply chain

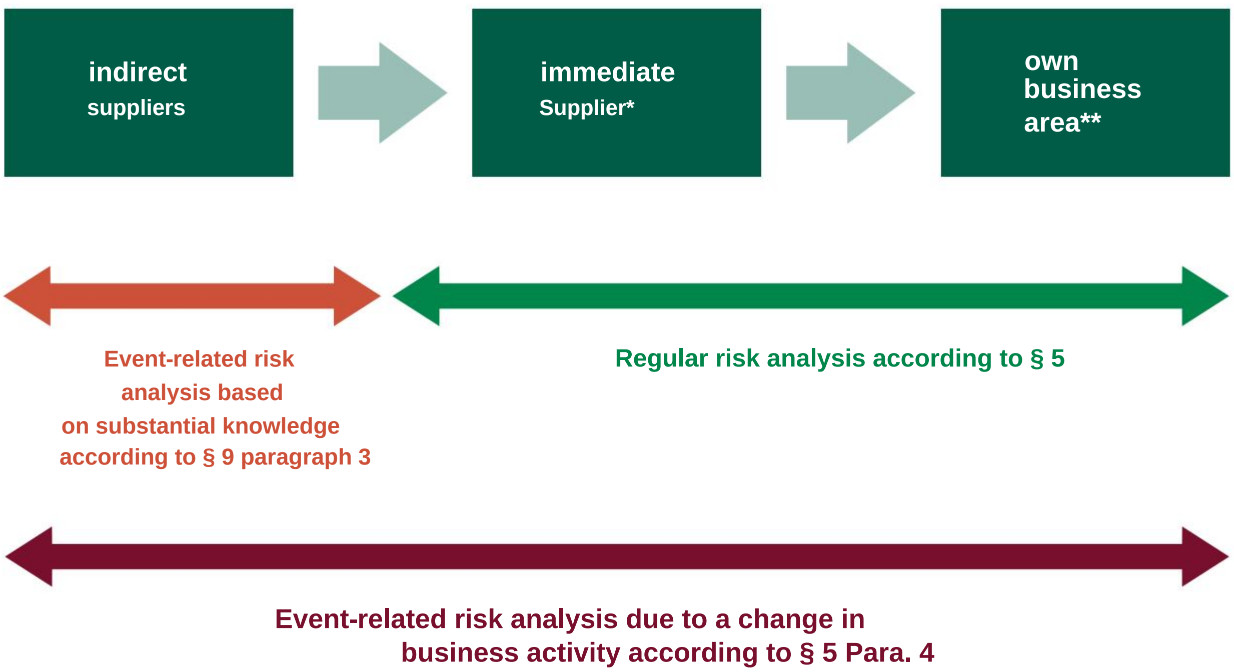

Figure 2: Range of the regular and event-related risk analysis

*Including delivery to end customers.
**Including companies belonging to the group that are decisively influenced.

Example:

Chocolate maker X has been involved for a long time the risks in the deeper cocoa supply chain at the. Considered during regular risk analysis the company its immediate suppliers and combines this with information on risks at the level of indirect suppliers along the cocoa supply chain. The company takes a holistic approach when developing preventative measures. As a member of the "Better Cocoa Initiative", it is committed to improving the structural conditions for cocoa cultivation in important sourcing countries in order to counteract priority risks such as child labour.

At the same time, the company purposefully works with its immediate suppliers by adapting purchasing processes to mitigate priority risks related to the lack of a decent wage and/or living income.

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5 Delivery to end customers is covered by the LkSG. If the company commissions a third party to deliver a product, then this company is part of the supply chain as a supplier in accordance with Section 2 (5). If the company that falls under the scope of application takes on the distribution or delivery of a product to the end customer itself, then this is part of your own business area. See BAFA Q&A, No. IV.11.

6 For more information on the definition of controlling influence and affiliated companies, see BAFA Q&A.

The regular risk analysis must be carried out once a year. In doing so, all risks in one's own business area and with direct suppliers must be considered.

For the event-related risk analysis sees that Law two triggers:

(1) The subject of the event-related risk analysis based on substantiated knowledge is the possible violation of a human rights or environmental obligation at one or more indirect suppliers. substantiator

te knowledge means that the company has actual indications that a breach of a human rights-related or an environmental obligation appears possible on the part of indirect suppliers.

This can be the case, for example, via a report to a complaints channel, information in the media or a civil society report as well as discussions on cases or problems in existing industry initiatives.

(2) The object of the event-driven risk analysis in the event of a change in business activities are the risks that the company must expect to have in the entire supply chain and in its own business area.

This can be due to internal decisions, for example regarding important investments or the development of a new procurement country, or external events, such as the outbreak of a conflict or a natural disaster in a country of operation. In both cases, companies are required to review the risks along their supply chain as required. The entire supply chain must be considered here.

This means: It is necessary to analyze those risks in the supply chain whose significant changes or additions from a perspective

of the company are evident as a result of the change in business activity.

Basically, company is facing

recommended to proactively give priority to the spirit and purpose of the LkSG and the specifications of the relevant international frameworks such as the UN Guiding Principles on Business and Human Rights. If already known to a company

is that in the lower supply chain of the company or in individual raw material or material supply chains with high people

legal or environmental risks are to be expected, companies are advised to integrate the relevant parts of the supply chain into the regular annual risk analysis. In short: If you consider the risks in the lower supply chain from the start, you can often save yourself a lot of effort later on for an event-related risk analysis and the resulting update of your own preventive measures.

3.3 What issues need to be considered at risk analysis be covered?

• Basically, it is important to note that in the risk analysis according to the LkSG, it is not relevant how human rights and environmental risks affect the commercial success of the company. In other words, to what extent this results in financial costs or reputational damage for your own company. The LkSG demands sub

rather begin to take a change of perspective. The focus is on them

interests of their own employees

Employees within the supply chain and those who are otherwise affected by the company's economic activities

or a company in its supply chain

may be affected.7 It is therefore a question of determining whether and to what extent these people

[7] § 4 paragraph 4.

(groups) or the environment through one's own Business activities and/or business relationships with suppliers are damaged be able.

- The LkSG covers the following human rights and environmental risks:

Human rights risks according to § 2 paragraph 2	Environmental risks according to § 2 paragraph 3
Violation of the prohibition on child labor (Nos. 1 and 2)	Violating a Minamata Convention Prohibition (Nos. 1-3)
Violation of the Prohibition of Forced Labor and All Forms of Slavery (No. 3 and No. 4)	Violation of the ban on the production and/or use of substances within the scope of the Stockholm Convention (POP) and non-environmentally friendly handling of waste containing POPs (No. 4 and No. 5)
Disregard for occupational health and safety and work-related health hazards (No. 5)	Violation of the ban on the import and export of hazardous waste as defined in the Basel Convention (Nos. 6-8)
Violation of freedom of association, freedom of association and the right to collective bargaining (No. 6)	
Violation of the prohibition on unequal treatment in employment (No. 7)	
Violation of the prohibition on withholding adequate wages (No. 8)	
Destruction of the natural basis of life through environmental pollution (No. 9)	
Unlawful Infringement of Land Rights (No. 10)	
Violation of the ban on hiring or using private/public security forces that can lead to impairments due to a lack of instruction or control (No. 11)	
Violation of the prohibition of an […] action or omission in breach of duty that is directly capable of impairing a protected legal position (= other human rights) in a particularly serious way and whose illegality is obvious after a reasonable assessment of all relevant circumstances (No. 12)	

Implementation of the risk analysis

4.1 How should the risk analysis be prepared?

• A basic requirement for the Implementation of an appropriate risk analysis is the creation of transparency regarding the type and scope of one's own business activities and business relationships in the supply chain. This information makes it possible to determine in advance which areas the risk analysis must cover (e.g. in relation to the determination of one's own business area). Likewise, through a first estimate Examination of the available information about the own supply chain, decisions are made in terms of proactive risk management (see also 3.2). • With reference to the specific requirements of the LkSG, companies are required to compile basic information about the structure of their own company, the procurement structure and their own supply chains and business relationships and to successively strive to increase transparency in the supply chain.

This should include:

corporate structure	• Name and industry of all group companies over which a decisive influence is exercised • For each of the group companies: • Contact person (name and e-mail address) • Business premises/locations (by country8) • Product types/type of service(s) • Production steps/activities carried out (aggregated) • Sales volume • Number of employees
procurement structure	• Procurement categories (products, raw materials, services) • Definition of the procured product types/services per category • **Sourcing** countries per category • Number of direct suppliers per procurement category and country • Order volume per procurement category in the last financial year (percentage of total volume)
building on that: Type and scope of business activity	• An overview of the most important products or services in terms of sales that the company manufactures and/or sells or offers • An aggregated visualization of the associated corporate supply chain(s) and key business relationships (by sourcing or order volume) • An overview of the current operating and sourcing countries

8 See, for example, the list of countries from the UN Statistics Division (https://unstats.un.org/unsd/methodology/m49/).

In terms of appropriate and effective, comprehensive risk management, companies should endeavor to constantly increase transparency in their supply chains.

Here, too, companies should be risk-based

Action. If a company already has direct or indirect "high-risk suppliers".

ferer" are known, for example due to indications from complaints procedures, risk-based controls or prior risk analysis, the data collection should initially concentrate on these. companies should

record the following information for these suppliers:

Increasing supply chain transparency at high risk suppliers	• name • Contact person (name and e-mail address) • Parent company, if applicable • Type of product/type of service • For direct suppliers: order volume in the last financial year • Operating or production sites9 • Number of employees • Existence of employee representation

The more complex the supply chains and thus the number of suppliers in a company

are, the more time and human resources a company should have for the through

plan to carry out his risk analysis. Frequently, the information required for the risk analysis is not (initially) available at a central location and must be obtained from different sources

departments or subsidiaries that have a decisive influence. Accordingly, a lead time should also be planned for the compilation of the information.

4.2 What steps does the risk analysis include and what results should it achieve?

• The following tables provide assistance with the individual implementation steps and results of the regular and event-related risk analysis.

Example:

Industrial company Y has developed its own risk monitoring approach. Risks in the company's own business area have been integrated into the compliance management system. An initial risk assessment is carried out on the basis of external sources and data. In the second step, information on the location and the handling of risks is obtained from all company-owned locations using self-assessment questionnaires and the first assessment is checked for plausibility on the basis of this.

For the supply chain, the company takes a similar, separate approach. Using external sources, it determines risks in relation to sourcing countries, sourcing categories and the raw materials used.
These are compared with internal data such as social and environmental audits, supplier self-assessments and complaints channels, and high-risk countries, suppliers and raw materials identified.

9 BAFA Q&A VIII.4.

I. Assistance for a regular risk analysis in your own business area10		
Steps of risk analysis	**Proceed**	**Exemplary results**
1. Abstract consideration of risks, in particular • ***industry-specific11 risks,*** • ***country-specific risks*** for identification of Companies/branches/ locations with a er increased risk disposition. Identification of possibly of the risks involved finally special vulnerable people groups.	**Focus: Which human rights or environmental related risks exist in your own business area?** Comparison of information and sources on human rights and environmental risks within the meaning of Section 2 (2) and (3) with information on your own industry or your own industries and countries of activity. First abstract assessment of the risks (= abstract risk assessment). Appendix II provides an overview of selected information and sources that can be used in the first step to determine human rights and environmental risks. It is not enough to consider risks on this abstract basis alone. A plausibility check of the risks in their own specific context takes place in the next step.	The company knows which human rights and environmental risks typically arise in the countries where it operates and which groups may be affected. With regard to each procurement category (if necessary aggregation of several categories), the company knows which risks are typical for the industry. The company knows in which affiliated companies (over which it exercises a decisive influence), branches/locations abstract human rights or environmental risks occur and, based on this, has identified companies/branches/locations for further in-depth analysis. With regard to previously identified risks, the company knows whether these are still potentially occurring.
2. Concrete determination of risks and their weighting as well as prioritization based on the criteria mentioned in § 3 paragraph 2 with footnote 12 • ***Nature and scope of business activity*** • ***Probability of occurrence*** • ***According to the severity of the injury degree, number of people affected and irreversibility*** • **Possibilities** of ***influence*** • ***Contribution to causat company to individual Risks or risk areas***	**Focus: What concrete risks exist in the locations and companies?** **Which risks does the company have to prioritize and where?** Plausibility check of the results of the previous abstract risk analysis. Individual determination, weighting and prioritization of specific human rights and environmental risks in a specific context at the companies/branches/locations with an increased risk disposition **(= specific risk assessment).** Risks are determined, weighted and prioritized in a transparent, comprehensible manner and according to a consistently applied system. The probability of occurrence and the severity of the injury must be assessed individually, for example using a scale or a heat map. The risks identified as part of the concrete risk assessment must be systematically documented, for example in a risk inventory. A risk inventory usually contains the following minimum information: risk description, person responsible, weighting, preventive and remedial measures.	Building on Step 1 and the preparatory Infor information on the type and scope of business activities, the company knows its specific people legal or environmental risks at country, company and site level. The company knows its locations/branches/companies with an increased risk disposition and the priority risks that specifically exist there. The company has clearly defined responsible persons determined for each priority risk or aggregate risk area. If further information is required in order to take appropriate measures, the company carries out in-depth examinations for individual priority risks or risk areas.

10The following footnotes apply to Tables I–IV accordingly.

11 Cf. "Industry risks are risks that are globally prevalent within an industry due to the characteristics of the industry, its activities, products and manufacturing processes." OECD Due Diligence Guide for Responsible Business Conduct, p. 64 .

12 The type and scope of business activity must be taken into account across the board and with a view to preparing the risk analysis, not as a specific prioritization criterion.

Steps of risk analysis	Proceed	Exemplary results
3. Gradual expansion of the specific risk assessment (step 2) to all companies/ branches/locations in your own business Area	**Focus: What are the specific risks in your entire business area?** The process of determination, weighting and prioritization shown in step 2 is to be applied successively to all other companies/ branches/locations in addition to the companies/ branches/locations with an increased risk disposition.	The company knows the concrete Human rights or environmental risks in the entire own business area.

- The abstract described in step 1 Risk assessment is also generally permissible as part of regular risk analysis in one's own business area. The prerequisite for this, however, is that the company affected by the scope of the LkSG has as many subsidiaries/ branches/locations that an individual consideration of all subsidiaries/units (at least initially) does not seem reasonable or the company its risk-based approach can plausibly demonstrate. The abstract risk assessment serves to identify companies/branches/ locations in one's own business area with an increased risk disposition for a specific risk assessment, as described in step 2.

- As with the immediate suppliers However, this prioritized procedure does not mean that these companies/branches/locations are no longer covered by the LkSG risk management. Rather, the reporting company must ensure, in accordance with its obligation to set up effective risk management (Section 4 (1)), that the relevant employees in all of the own business area included companies/branches/ locations for after LkSG protected legal positions are sensitized and thus enabled to identify corresponding risks and the associated responsible departments in the Group. The relevant employees workers must therefore be enabled – for example through training, e-learning, workshops, one-to-one talks and handouts – to recognize human rights and/or environmental risks. In addition, as part of a corporate or Group-wide information must ensure that identified risks are reported reliably and promptly to the responsible departments. The same applies to the implementation of an effective grievance mechanism as well as, if necessary, for preventive measures so that these can also be used in the non-priority companies/branches/locations (e.g. guidelines).

- Companies that, in the sense of a risk-based approach, initially look at an abstract risk joint assessment and only carry out the concrete risk assessment at prioritized companies/branches/locations are obliged to gradually improve the information situation about their entire business area and thus the process of concrete risk assessment to extend the risk analysis to all companies/branches/ locations in their own business area.

II. Assistance for regular risk analysis of direct suppliers12		
Steps of risk analysis	**Proceed**	**Exemplary results**
1. Abstract consideration of risks, in particular • ***industry-specific13risks,*** • ***country-specific risks*** to identify high-risk suppliers. Identification of possibly of the risks involved finally special vulnerable people groups.	**Focus: Which human rights or environmental** **The risks involved occur where in relation to the business activities of the suppliers?** Comparison of information and sources on human rights and environmental risks within the meaning of Section 2 (2) and (3) with information on the Be countries of origin and/or procurement categories. First abstract assessment of the risks **(= abstract risk assessment).** Appendix II provides an overview of selected information and sources that can be used in the first step to determine human rights and environmental risks. It is not enough to consider risks on this abstract basis alone. A plausibility check of the risks in their own specific context takes place in the next step.	The company knows which human rights and environmental risks occur in which of its sourcing countries and which groups may be affected. With regard to each procurement category (if necessary, aggregation of several categories), the company knows which risks are typical for the sector. The company knows in which of its sourcing countries or in relation to which of its sourcing categories abstract human rights or environmental risks occur and, based on this, has identified countries, sourcing categories or suppliers for further in-depth analysis. With regard to previously identified risks, the company knows whether these are still potentially occurring.
2. Concrete determination of risks and their weighting as well as prioritization based on those mentioned in § 3 para. 2 Criteria: • ***Nature and scope of business activity*** • ***Probability of occurrence*** • ***According to the severity of the injury degree, number of people affected and irreversibility*** • **Possibilities** of ***influence*** • Contribution to ***causatio company to individual Risks or risk areas***	**Focus: Which risks are at which specific relevant to high-risk suppliers?** **Which risks does the company have to prioritize and where?** Plausibility check of the results of the previous abstract risk analysis. Individual determination, weighting and prioritization of concrete human rights and environmental risks in a specific context, for example in relation to countries, locations and/or suppliers of high-risk suppliers **(= specific risk assessment).** Risks15 are determined, weighted and prioritized in a transparent, comprehensible manner and according to a consistently applied system. The probability of occurrence and the severity of the injury must be assessed individually16, 17, 18, for example using a scale or a "heat map". In case of missing data documented and the company establishes information gaps and demonstrates corresponding efforts to acquire data. The risks identified as part of the concrete risk assessment must be systematically documented, for example in a risk inventory. A risk inventory usually contains the following minimum information: risk description, person responsible, weighting, preventive and remedial measures.	Building on step 1 and the preparatory ones Information on the type and scope of business activities, the company knows its specific needs legal or environmental risks supplier level. The company knows its high-risk suppliers19 or -Countries//-Regions20 and the priority risks occurring in the respective context. The company has clearly defined responsible persons for each priority risk or aggregate risk area sure. If further information is required to define appropriate measures, the company carries out in-depth examinations for individual priority risks or risk areas.

13Cf. "Industry risks are risks that are globally prevalent within an industry due to the characteristics of the industry, its activities, products and manufacturing processes." OECD Due Diligence Guide for Responsible Business Conduct, p. 64.

[14] Contributing is defined as follows: contributing/(co-)causing means that the effect is the result of an action by a third party. The under
take “contributes” when the Company's act or omission in any way permits, enables or motivates the breach of a specific duty. In determining whether a company is making such a contribution (particularly in the context of the supply chain), the following factors can help.

1. The extent to which the company encourages or encourages harm by a third party. Say how the company's action increases the risk of the breach occurring.

2. The extent to which the company knew or should have known of the breach. Speak to what extent the injury was foreseeable.
3. The degree to which the company's action would have actually prevented, minimized, or ended the violation. Say to what extent the company has failed to act appropriately.

All in all, the concept of “contribute/co-cause” should not be seen as static. Initially, companies can only be “indirectly connected” to violations. However, if they fail to act, they can ultimately “contribute” to it. See also OECD Due Diligence Guide for Responsible Business Conduct, p. 73.

15 When prioritizing the risks, the credibility, credibility and relevance of the evaluated information must be considered.

[16] See the 2011 edition of the OECD Guidelines for Multinational Enterprises, there under Part 1 II. 21. (= p. 29): "Strength and probability of occurrence of negative effects".

17 Cf. IDW auditing standard: Principles of proper auditing of compliance management systems (IDW PS 980), there under item 23 (= p. 55): "The identified risks are analyzed with regard to the probability of occurrence and possible consequences."

[18] See IDW auditing standard: Principles of proper auditing of risk management systems (IDW PS 981), there under item 31 (= p. 6): “Risks are […] assessed in terms of likelihood and potential impact.” 19 High-risk suppliers are suppliers where the company has prioritized risks or identified violations of human rights or environmental obligations.

20High-risk countries are countries where the company prioritizes risks or has identified breaches of human rights or environmental obligations (in its own business or) in the supply chain.

III. Assistance for an event-related risk analysis (substantiated knowledge, focus on indirect suppliers)		
Steps of risk analysis or investigation of the injury	**Proceed**	**Exemplary results**
1. Abstract consideration of risks, in particular • ***industry-specific risks,*** • ***country-specific risks*** for the purpose of initial verification of the actual clues points for violating human rights or environmental obligations. Identification of possibly of the risks involved finally special vulnerable people groups.	**Focus: Which human rights or environmental related risks occur at one or more indirect suppliers?** Comparison of information and sources on human rights and environmental risks related to one or more indirect suppliers (e.g. one or more indirect suppliers in a specific sourcing country; at a specific supply chain stage; in a specific raw material supply chain). An overview of selected information and sources that can be used in the first step to identify human rights and environmental risks can be found in Annex II. Identifying risks on this abstract basis alone is not sufficient. A plausibility check of the risks in their own specific context takes place in the next step.	The company knows which human rights and environmental risks typically arise at one or more of its indirect suppliers and which groups may be affected.
2. Concrete determination of risks and their weighting as well as prioritization in comparison with the results of the regular risk analysis based on the criteria mentioned in § 3 paragraph 2: • ***Nature and scope of business activity*** • **Probability of *occurrence*** • ***According to the severity of the injury degree, number of people affected and irreversibility*** • **Possibilities** of ***influence*** • ***Contribution to causat company to individual Risks or risk areas***	**Focus: What risks occur at the level of my indirect suppliers? How does this change the priority risks of my company?** Plausibility check of the results of the previous risk assessment. Individual consideration of concrete risks in a specific context from one or more indirect suppliers. Risks are determined, weighted and prioritized in a transparent, comprehensible manner and according to a consistently applied system. The probability of occurrence and the severity of the injury must be assessed individually, for example using a scale or a heat map. If data is missing, the company documents and justifies gaps in information and demonstrates appropriate efforts to obtain data. Comparison with the results of the regular risk analysis to determine the extent to which the prioritized risks need to be adjusted.	The company knows whether new or modified priority risks at the level of indirect suppliers appear. The company knows whether new or modified Prevention measures for dealing with these risks are necessary. The company has clearly defined responsible persons for each priority risk or aggregate risk area sure.
Alternatively: investigation of a specific violation of human rights or environmental Obligations at one or several indirect suppliers.	**Focus: Is a human rights or environmental related violation occurred at one or more indirect suppliers or is it currently occurring? What is the injury(s) and who is affected? What is the company's contribution to causation?** Investigation of the violation involving those who may be affected or their representatives, for example in the form of consultations.	The company knows whether and which violations of human rights or environmental obligations have occurred at the level of indirect suppliers. The company knows its contribution to causation in order to be able to plan and implement appropriate remedial measures to minimize or stop the injuries. The company has clearly defined responsibilities any identified violation.

IV. Assistance for an event-related risk analysis (significant change or expansion of the risk situation, focus on the entire supply chain)		
Steps of risk analysis	**Proceed**	**Exemplary results**
1. Abstract consideration of risks, in particular • ***industry-specific risks, • country-specific risks*** for verification changed or added risks Identification of possibly of the risks involved finally special vulnerable people groups.	**Focus: What new or changed people legal or environmental risks occur due to the trigger of the event-related risk analysis?** Comparison of information and sources on human rights and environmental risks in relation to the trigger of the risk analysis (e.g. on country-specific risks in connection with a possible new procurement country, material or raw material-specific risks in connection with the introduction/development of a new product) . An overview of selected information and sources that can be used in the first step to identify human rights and environmental risks can be found in Appendix II. Identifying risks on this abstract basis alone is not sufficient. A plausibility check of the risks in their own specific context takes place in the next step.	The company knows what possible new or changed human rights or environmental related risks typically associated with the trigger of the risk analysis and which groups may be affected.
2. Concrete identification of risks and the Weighting, identification of those who may be affected by these risks as well as prioritization in comparison with the results of the regular risk analysis based on the criteria specified in Section 3 • ***Nature and scope of business*** • **Probability of *occurrence*** • ***According to the severity of the injury degree, number of people affected and irreversibility*** • **Possibilities** of ***influence • Contribution to causat company to individual Risks or risk areas***	**Focus: What risks are caused by the trigger caused by the event-related risk analysis? How does this change the company's priority risks?** Concrete risk consideration and prioritization of the results of the risk analysis with reference to the trigger of the risk analysis using a transparent, comprehensible and consistently applied system. Comparison with the results of the regular risk analysis.	The company is aware of its specific risks Connection with the trigger of the event-related risk analysis (e.g. in connection with a potential joint venture partner in a high-risk country). The company knows whether the upcoming decision or the external event will change the company's priority risks and can assess whether new or modified preventive measures are necessary are agile. The company has clearly defined responsible persons determined for each priority risk or aggregate risk area.

4.3 From priority risks to effective prevention

• When prioritizing risks, companies are required to consider and weigh up the appropriateness criteria of Section 3 (2) (see Appendix I). When developing preventive measures, companies are only required to address the human rights and environmental risks that they cause within the supply chain or to which they have contributed21. If, in the course of the analysis, a company comes to the conclusion that no causal contribution to one or more risks can be identified, this must be documented.

• When developing preventive measures, companies should build on the results of regular and ad hoc risk analyzes and relate them

put.

(1) Example: Due to the regular and ad hoc risk analysis, a company has prioritized a number of risks along raw material supply chains (at the level of direct and indirect suppliers).

When developing preventive measures, the company relies on a standard
name mix. The company is investigating
the contribution of his own purchasing and Procurement practices and adapts them, develops training for immediate high-risk suppliers, which, among other things, provides information on risks in the lower supply chain
the supplier picks up and decides to leverage available certifications deeper in the supply chain that cover the priority risk issues. In individual high risk

countries, the company works with Part
ners or a multi-stakeholder initiative
together to increase its influence in the deeper supply chain and to create more transparency on local supply chain structures.

(2) Example: As part of an important investment decision, a company carries out a case-related risk analysis and identifies a number of priority risks.

In addition to individual measures in dealing with the priority risks in relation to the specific decision, the company introduces mandatory clauses in contracts with project or joint venture partners in high-risk countries or sectors that allow investigations to be carried out in the event of indications location and to terminate or pause the business relationship if violations of human rights and environmental obligations are proven

can become.

• The implementation of due diligence processes is a learning process. company is recommended themselves within the framework of multi-stakeholder or Sharing industry initiatives with others
to create synergies and share learning experiences.

21 See footnote 12 and Appendix I for the definition of “contribute”.

Appendix I – Overview of the appropriateness criteria from Section 3 (2) LkSG

Appropriateness criteria § 3 para. 2	Auxiliary criteria based on government justification, Bundestag printed paper 19/28649, pp. 42 f.
1. Nature and scope of the company's business	Qualitative: ◯ complex nature of the products or services ◯ Variety of services and business relationships national or ◯ international orientation Quantitatively: ◯ Company size (employees and their function, turnover, fixed and working capital, production capacity) ◯ Vulnerability (frequency of country, industry and category-specific risks)
2. The ability of the company to influence the immediate cause of a risk or the breach of duty	◯ Size of the company (compared to its competitors (market dominance) and to the immediate polluter) ◯ Order volume (compared to immediate polluter's revenue) ◯ Proximity to the risk (where and by whom does the risk arise: at the company itself, at a direct or at an indirect supplier?)
3. The typically expected severity and likelihood the breach of a duty	severity: ◯ Degree (intensity/depth) of impairment ◯ number of people affected ◯ no possibilities to fix the negative effects (irreversibility) Probability of occurrence: ◯ whether and when a breach occurs (e.g. if there is already information about the liable performance of the supplier (increased probability) or effective preventive measures there (reduced probability))
4. Nature of the entity's causal contribution to the risk or the injury	◯ The company predominantly contributes to the risk or causes it directly (alone) ◯ Contributing/(co-)causing means that the impact is the result of an action by a third party. The company "contributes" when the company's act or omission in any way permits the breach of a specific duty, light or motivated.

Annex II – Overview of selected, available implementation aids for identifying human rights and environmental risks

- CSR risk check: industry, product and country-specific risks
- Business and Human Rights Resource Centre: filter option of reports by country, Sectors and Themes
- Human Rights and Business Country Guide: Risks by Country
- Multi-stakeholder country reports Initiatives like the Fair Wear Foundation
- US State Department: Country reports on human rights
- Indices and rankings (Human Development Index, Global Rights Index, ILAB Child and Forced Labor, Modern Slavery Index etc.)
- Websites and reports of civil society or governmental organizations (e.g. ILO Helpdesk for Business, WHO, UNICEF, Amnesty International, Human Rights Watch, IndustriAll, local unions, ...) • UN GCD, Helpdesk for Business and Men

schenrechte and Verisk Maplecroft: Praxislotse Business and Human Rights, detailed Background information on various human rights risks

- UN GCD: Human rights information portal Care with sector focus on automotive, Clothing and textile, ICT and technology
- WWF Water Risk Filters: Information on water scarcity risks
- Environmental Justice Atlas: Information to environmental pollution, injuries of environmental rights
- ~~BMUV-funded study by Adelphi and Systain: Environmental Atlas of Supply~~ Chains • BMAS (2020): Respect for human rights along global value chains chains. Risks and Opportunities for Industries German economy. industry study too human rights risks
- Alliance for Sustainable Textiles: Information Papers on various topics in textiles and clothing manure sector
- Drive Sustainability: Raw Material Outlook with background information on raw material-specific risks
- UN Guiding Principles Reporting Framework

OECD Industry Guides

- OECD (2018): OECD Due Diligence Guidance for Responsible Business Conduct
- OECD (2012): OECD Guidance for Responsible Supply Chains of Minerals from Conflict Affected and high risk areas
- OECD/FAO (2016): OECD FAO Guidance for Responsible Agricultural Supply Chains
- OECD (2017): OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector

- OECD (2018): OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector
- OECD (2018): Responsible business conduct for institutional investors: Key considerations for due diligence
- OECD (2019): Due Diligence for Responsible Corporate Lending and Securities Underwriting: Key considerations for banks implementing the OECD Guidelines for Multinational Enterprises

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