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June 2025

Supply Chain Laws: Protect People and the Planet

*Arguments in favour of
corporate due diligence*

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Introduction

The introduction of legally binding corporate due diligence obligations in Germany and a number of other countries has brought about a paradigm shift. With voluntary commitments no longer sufficient, businesses are now subject to legal requirements that protect people and the environment in global supply chains. Supply chain legislation therefore plays a crucial role on the path towards making the global economy sustainable, resilient and more socially just. While most of the supply chain laws passed in the last decade have been national legislation, progressive forces from politics, trade unions, civil society and business achieved a breakthrough in 2024 with the adoption of the EU Supply Chain Directive (Corporate Sustainability Due Diligence Directive – CSDDD).

Supply chain laws have faced criticism and objections from the outset. In the past year, however, discussions in Germany and across Europe have intensified to such an extent that the debate is now dominated by numerous falsehoods and fallacies, with measures to protect people and the environment repeatedly being equated to bureaucracy.

Against this backdrop, this publication summarises key arguments in favour of supply chain legislation. Our aim is to dispel any myths and explain why an effective EU supply chain law is needed more urgently than ever before.

1. Laws are the only way to protect human rights

Past experience has clearly shown that voluntary commitments by companies alone are not sufficient to protect human rights in global supply chains. For decades, trade unions and civil society organisations have been documenting exploitative working conditions in connection with global value chains, with examples ranging from fires in textile factories in Bangladesh and Pakistan to exports of toxic pesticides to India and Paraguay and violations of workers' rights in the USA and Europe. While some cases have become public knowledge, many others remain undisclosed.

The international division of labour provides jobs for around 450 million people.¹ Unfair wages, exploitation, child labour, sexual violence in the workplace, restrictions on trade union rights and inadequate fire and building safety systems are part of everyday life for a great number of workers worldwide, with women and migrant workers often especially affected. Attempts to improve working conditions with voluntary initiatives and to prevent human rights violations have been unsuccessful. In light of this, the United Nations Human Rights Council passed the UN Guiding Principles on Business and Human Rights (UNGPs) in 2011. These principles confirm that states have a duty to protect human rights and to regulate businesses, while also affirming that businesses have a responsibility to respect human rights.

The adoption of the UNGPs prompted numerous countries to introduce National Action Plans on Business and Human Rights as well as legal regulations on corporate due diligence. These Action Plans have now been implemented in 20 countries worldwide and are being developed in 11 further countries.² As one of the first countries to pass a comprehensive supply chain law in 2017 (*Loi relative au devoir de vigilance*), France – which was Germany's second-largest trade partner for exports in 2023 – is a major forerunner here. However, countries such as the UK, Norway, Switzerland, Australia, Canada and Mexico have also introduced sustainability-related legislation for companies. Similar regimes are currently being discussed in countries like South Korea, Japan and Brazil. Companies in Germany now subject to the German Act on Corporate Due Diligence Obligations in Supply Chains (*Lieferkettensorgfaltspflichten-gesetz* – LkSG; also commonly referred to as the German Supply Chain Act) are therefore by no means the first to be legally required to observe human rights and protect the environment. On the contrary, the introduction of the law in Germany was long overdue. National requirements and the upcoming EU Supply Chain Directive are simply a way for countries to meet their obligations to protect human rights – as laid down in internationally agreed human rights treaties.

¹ Federal Ministry for Economic Cooperation and Development (n.d.): Supply chains, available at: <https://www.bmz.de/en/issues/supply-chains> [last accessed: 12 May 2025]

² Danish Institute for Business and Human Rights (n.d): Global NAPs, available at: <https://globalnaps.org/> [last accessed: 12 May 2025]

2. Supply chain legislation is timely

We are living beyond our planet's limits in various ways and putting our livelihoods at risk in the process. This is a consequence of our economic model, which focuses on achieving growth and increasing levels of production. This is associated with the need to constantly lower production costs, which is why we are finding ourselves in a race to the bottom. People are being forced to work for increasingly lower wages and are facing precarious working conditions, while new natural resources need to be tapped into and exploited constantly.

In contrast to this, the implementation of human rights and environmental due diligence obligations helps to preserve our ecosystems and livelihoods. A future-proof and progressive economic system must uphold the interests of people and the natural world along the entire value chain and take them into account effectively when planning production processes. Legislation like the German and French supply chain laws and the upcoming EU Supply Chain Directive facilitate just that by obliging companies to bring their business, production and procurement practices in line with human rights standards and to use preventative measures to protect workers and the environment. This, in turn, makes it easier for companies to anticipate and survive crises and radical changes. As a result, corporate due diligence helps make business processes more resilient. Supply chain legislation supports fair competition by making sustainable business practices advantageous rather than disadvantageous.

3. Consumers support supply chain legislation

Surveys show that the majority of people living in Germany do not want to profit from exploitation. Instead, buyers want to know the conditions under which goods are made. For example, a survey by the Federation of German Consumer Organisations (Verbraucherzentrale Bundesverband – vzbv) shows that consumers are in favour of a strong supply chain law, with over 85 percent of respondents believing that companies should be obliged to observe human rights and should be liable for breaches to these obligations. Almost the same proportion of those questioned agree with the statement that companies

must avoid damaging the environment abroad and should ensure that workers are paid a living wage.³ Another survey conducted on behalf of the non-governmental organisation Germanwatch shows that two-thirds of respondents are also in favour of an EU-wide supply chain directive.⁴ These figures clearly demonstrate that consumers want to see fundamental changes to the conditions in which companies do business to make the consumer goods industry fair and sustainable for everyone in the first place.

It is also important that sustainable consumption is affordable and possible for everyone and not only those who can afford it or who have the resources to inform themselves about sustainable products. Legislation like supply chain laws can ensure that social and environmental standards apply to all products and are accessible.

4. Companies proactively support the introduction of supply chain legislation

An increasing number of global companies are striving to observe human rights and environmental due diligence obligations. Companies like Tchibo, Ritter Sport, Nestlé Deutschland and Hapag-Lloyd have publicly declared their support for the German Supply Chain Act and believe that transparent and fair supply chains will help safeguard their business models in the long term.⁵ Numerous other companies have voiced their support for the law to the government directly. Looking more broadly at the EU Supply Chain Directive, more and more companies operating in Europe are also in favour of comprehensive due diligence obligations.⁶ There are many reasons why. For some companies, sustainable business practices are simply part of their corporate philosophy and they have been pursuing them for years.

Other companies believe that the expectations being placed on them are feasible. This is because the German and European supply chain laws create a duty of means, rather than a duty of results. What matters is that companies can demonstrate that they have identified risks and are addressing them comprehensively. And despite business associations publicly claiming otherwise, corporate due diligence is affordable. A study by the EU estimates that implementing human rights due diligence obligations costs an average of 0.005 percent of the revenue of large

³ Federation of German Consumer Organisations: Umfrage (2021): Verbraucher für starkes Lieferkettengesetz, available at: <https://www.vzbv.de/pressemitteilungen/umfrage-verbraucher-fuer-starkes-lieferkettengesetz> [last accessed: 2 May 2025]

⁴ Germanwatch (2024): Befragung in Deutschland, available at: <https://lieferkettengesetz.de/wp-content/uploads/2024/02/INSA-Umfrage-Lieferkettengesetz-Deutschland-Februar-2024.pdf> [last accessed: 2 May 2025]

⁵ Business & Human Rights Resource Centre (n.d.): Our responsibility in a globalised world, available at: <https://www.business-humanrights.org/en/big-issues/governing-business-human-rights/gesetz/> [last accessed: 3 May 2025]

⁶ Business & Human Rights Resource Centre (2025a): EU: Major businesses urge Commission to ensure 'Omnibus' approach will not allow renegotiation of agreed texts, incl. CSDDD, available at: <https://www.business-humanrights.org/en/latest-news/business-letter-omnibus/> [last accessed: 3 May 2025]; Business & Human Rights Resource Centre (2025b): German Supply Chain Act: SMEs call for swift implementation of European regulation, available at: <https://www.business-humanrights.org/en/latest-news/kmu-state-ment-lieferkettengesetz/> [last accessed: 3 May 2025]; Bundesverband Nachhaltige Wirtschaft (2025): Starke Standards. Starke Wirtschaft. Unternehmen für den Erhalt der EU-Sorgfaltspflichten, available at: https://www.bnw-bundesverband.de/sites/default/files/inline-files/20250512_Starke%20Standards_Starke%20Wirtschaft_Start_.pdf [last accessed: 3 May 2025]

companies and an average of 0.07 percent of the revenue of small and medium-sized enterprises (SMEs).⁷

Other companies see supply chain legislation as a way to avoid reputational damage. These days, companies directly or indirectly involved in environmental or human rights disasters can expect to face press reports and campaigns against them as well as legal action. The devastating incidents at textile factories in Pakistan in 2012 and in Bangladesh in 2013 testify to the huge and long-term reputational damage that companies may incur.

It can generally be financially beneficial for companies to know exactly what problematic raw materials are being used in their products and to know how they can help improve local working conditions. After all, value chains in which social and environmental standards are observed are more sustainable and resilient. Strikes and supply disruptions are less likely when employees work in humane conditions for fair wages. And – as clearly demonstrated during the Covid-19 pandemic – crises can be better anticipated and overcome when the managers of suppliers maintain reliable contractual relationships. With this in mind, it is clear that protecting human rights, the environment and the climate is not an optional ‘nice to have’, but rather a core part of corporate responsibility.

5. Risk-based approach prevents unnecessary bureaucracy

One common argument against supply chain legislation is the fear of excessive bureaucracy, especially for SMEs. However, the risk-based approach aspired to in the German Supply Chain Act – which will be applied even more rigorously in the upcoming EU Supply Chain Directive – prevents just that. It refers to how companies are required to focus on urgent problems, risks and specific complaints regardless of whether they occur at the start or end of the supply chain. Prioritising these matters reduces unnecessary costs and burden, while making the law more effective.

During the process of drafting the German Supply Chain Act, business associations and the Christian Democratic Union of Germany (CDU) negotiated for the law to distinguish between direct and indirect suppliers. This resulted in the risk-based approach being watered down and an inexpedient shift towards blanket reporting requirements. In practice, this has led to companies fulfilling their due diligence obligations by examining the operations of as many of their sub-suppliers as possible instead of concentrating on problematic areas within their supply chain. The current version of the EU Supply Chain Directive tackles this issue

by preventing companies from mindlessly sending standardised, automated questionnaires to a large number of suppliers. Instead, the law allows companies to concentrate on exactly the areas of their supply chain that are problematic for people and the environment. This approach ties in with established international frameworks and related standards, strengthening international coherence between regulations and boosting synergies for companies.

6. Companies of all sizes are supported with implementing the law

Contrary to a common criticism of supply chain legislation, companies have not been abandoned and left to implement human rights and environmental due diligence obligations alone. For example, the German government has been providing numerous forms of assistance and support services for years. After the German Supply Chain Act entered into force, the Federal Office for Economic Affairs and Export Control (BAFA)⁸ published a series of practical guides on how to apply and interpret the law. To help it implement its own National Action Plan on Business and Human Rights, the German government had already launched sector dialogues, including for the automotive and energy industries in 2020. The aim of these dialogues is to offer guidance to companies in sectors with particular human rights challenges and support them with implementing human rights obligations appropriately. Germany has also set up a well-staffed helpdesk to advise companies on matters relating to the German Supply Chain Act.⁹

For decades, the Organisation for Economic Co-operation and Development (OECD) has also been regularly publishing Due Diligence Guidance to support the development of responsible supply chains in specific industries like the garment and footwear sector. Similar support measures are planned for the EU Supply Chain Directive, such as a helpdesk for companies operating in the EU. Companies can also make use of specific technical tools like the CSR Risk Check and BHR Navigator.

What’s more, companies have been given plenty of time to effectively bring their business processes in line with the legislation and requirements of the UNGPs. The UNGPs were passed over ten years ago in 2011, while the German Supply Chain Act was initially negotiated by the German parliament for years before being passed in 2021 and finally entering into force in 2023. The reporting period for companies was postponed several times. The EU Supply Chain Directive was passed in 2024 and is now anticipated to enter into force a year later than originally expected (in 2027 instead of 2026) following the Omnibus procedure.

⁷ European Commission (2020): Study on due diligence requirements through the supply chain. Final Report, available at: <https://op.europa.eu/en/publication-detail/-/publication/8ba0a8fd-4c83-11ea-b8b7-01aa75ed71a1/language-en> [last accessed: 3 May 2025]

⁸ Federal Office for Economic Affairs and Export Control (BAFA) (n.d.), available at: https://www.bafa.de/EN/Home/home_node.html [last accessed: 5 May 2025]

⁹ Partners in Transformation (n.d.): Helpdesk on Business and Human Rights, available at: <https://wirtschaft-entwicklung.de/en/helpdesk-on-business-human-rights> [last accessed: 2 May 2025]

This means that associations and companies have time to prepare themselves for the new requirements.

7. Supply chain legislation is an opportunity for economic development and social changes in manufacturing countries

Supply chain legislation is an opportunity to instigate economic development and social changes in manufacturing countries, including those with a weak rule of law. It is a tool for stopping exploitation and wage dumping in manufacturing countries and for bringing about social upgrading instead, for example in the form of protecting people's health, respecting minimum wages and observing trade union rights. Contrary to claims by business associations, supply chain legislation does *not* force companies to withdraw from manufacturing countries or to stop working with suppliers as soon as problems emerge. In fact, the opposite is true. The duty of means requires companies to engage in discussions with rights holders, workers and local trade unions about the conditions within their suppliers' businesses and to make gradual improvements. One of the intentions of supply chain laws is for companies to change their procurement practices in such a way that makes it possible for businesses in manufacturing countries to observe human rights and environmental standards. This requires greater compatibility between delivery times and the number of units ordered.

Supply chain legislation also helps to ensure that workers are paid adequate minimum wages, which in the long term may have a positive impact on a country's overall economic situation. The objective of supply chain laws is therefore to achieve systemic changes step by step – rather than imposing penalties or forcing companies to withdraw from contracts. In fact, reports suggesting that supply chain regulations would compel companies to rapidly pull out of certain manufacturing countries entirely are not substantiated. On the contrary, the first complaints raised with BAFA, the competent German authority, as well as negotiations on improving working conditions in production facilities conducted as part of internal company complaints procedures demonstrate that there are completely non-bureaucratic ways for German companies to enter into discussions with workers and other parties concerned in their supply chains and to engage with them to make specific on-site improvements.

8. Successes for local trade unions

Supply chain legislation is a crucial tool for trade unions to enforce their rights. It encourages trade unions to forge transnational alliances along supply chains, which may strengthen the international trade union movement as a whole.

Initial experiences with the French and German supply chain laws show that the legislation has already had a positive impact. In France, trade unionists review companies' plans for meeting due diligence obligations to point out shortcomings and grievances.¹⁰ The possibility of companies being held liable under civil law has already been successfully used in 14 cases. One example of this is the agreement made between Danone and several non-governmental organisations (NGOs) in February 2025 after Danone was accused of not doing enough to combat plastic pollution. The agreement led to the company taking action to reduce plastic in its products.¹¹

In Germany as well, trade unions and rights holders are making use of the opportunity to submit complaints and report information to the competent national authority (BAFA) or as part of a company's internal complaints mechanism. Wherever possible, they use their expertise to support the company's internal risk assessment procedure and to help with remedying problems. The German Supply Chain Act has enabled some trade unions to demand that their production facilities observe workers' rights (for example, by paying an adequate minimum wage, implementing occupational health and safety measures and respecting the freedom of trade unions). In the process, this has enabled them to ensure that companies subject to the German Supply Chain Act are meeting their obligations.¹² An example of how the German Supply Chain Act was used to promptly remedy grievances is the case of long-distance lorry drivers from Eastern Europe who went on a hunger strike in Gräfenhausen due to illegally low pay and the failure to pay wages.¹³ The workers' demands were ultimately met with the help of BAFA.

Examples like this illustrate how it is simply incorrect to claim that rights holders would not make use of the German Supply Chain Act. The complaints and information submitted to BAFA and to companies prove how the opposite is in fact true. In addition to the cases that make it into public view, many more are resolved off record, as the laws

¹⁰ Business & Human Rights Resource Centre (2023): France: La Poste partially failed to respect Duty of Vigilance Law, rules tribunal, available at: <https://www.business-humanrights.org/en/latest-news/devoir-de-vigilance-la-poste-partiellement-condamne-une-premiere-fois-:text=BNN%20Breaking%2C%20AFP-France%3A%20La%20Poste%20partiellement%20faillit%20to%20respect,of%20Vigilance%20Law%2C%20rules%20tribunal&text=In%20a%20landmark%20ruling%2C%20La,concerning%20human%20and%20environmental%20risks> [last accessed: 15 May 2025]

¹¹ Clifford Chance (2025): French Duty of Vigilance: An Amicable Agreement on Plastic Use, available at: https://www.cliffordchance.com/insights/resources/blogs/business-and-human-rights-insights/2025/03/french-duty-of-vigilance.html?utm_source [last accessed: 15 May 2025]

¹² European Center for Constitutional and Human Rights (ECCHR) (n.d.): Edeka and Rewe violate supply chain law, available at: <https://www.ecchr.eu/en/case/edeka-und-rewe-verstossen-gegen-lieferkettengesetz/> [last accessed: 15 May 2025]; European Center for Constitutional and Human Rights (ECCHR) (2025): Zwei Jahre Lieferkettengesetz: Ein Erfahrungsbericht, available at: https://www.ecchr.eu/fileadmin/Publikationen/20250512_2JahreLkSG_FINAL.pdf [last accessed: 15 May 2025]

¹³ Verdi (2023): Gräfenhausen: Protest beendet, Fahrer erhalten Geld, available at: https://www.verdi.de/themen/geld-tarif/%2B%2Bco%2B%2B30982468-611d-11ee-a748-001a4a16012a?utm_source= [last accessed: 5 May 2025]

also allow trade unions to exercise their negotiating power behind the scenes.

It will also take time and resources for the laws to become established in the minds of trade unionists and rights holders. The new legal avenues available need to be fully understood and tested out and transnational alliances between trade unions and civil societies must be strengthened before they can take full effect. Moreover, trade unionists are often at significant risk of being suppressed by local employers when they become involved in a complaints procedure. Greater protective measures are desperately needed here as are improvements to the support available to trade unions. While companies have numerous (financial) possibilities available to them, trade unions urgently need state measures and financial support to help them make effective use of applicable laws.

9. A level playing field for everyone

The introduction of the EU Supply Chain Directive will give the EU the chance to achieve several objectives at the same time. It will be able to meet the longstanding demands of numerous business associations and companies in Europe and give legal certainty to companies operating in the EU. Plus, by laying down universal requirements, the Directive will create a level playing field for everyone. Instead of 27 different national laws, all Member States will be subject to one European directive. Companies will receive legal clarity about what they do and do not have to do and about which penalties to expect in case of compliance failure. A single European regulation will prevent companies that observe environmental and human rights standards from being put at a disadvantage by less regulated companies.

With the Directive, the EU is also creating a crucial tool for sustainably regulating the business activities of multinational companies in our globalised world. The bloc is sending an unequivocal message to its global partners that it is an advocate for social, sustainable and resilient economic globalisation. This will allow the EU to gain an important competitive advantage by clearly standing out from geopolitical superpowers like China and providing its global allies with the opportunity to do business with reliable suppliers that observe human rights and protect the environment.

Many countries in the Global South are also in favour of regulating corporate due diligence obligations. This is

evident from their efforts to initiate an international human rights agreement that regulates companies and their value chains. This process has been ongoing since 2014 and was predominantly the brainchild of South Africa and Ecuador. The most recent meeting to discuss the agreement took place in late 2024 when 74 countries came together for negotiations at the United Nations Human Rights Council. To date, the EU has not proposed an official mandate for negotiations to allow it to actively participate in the proceedings.

10. An operational and effective EU supply chain law is needed now

Critics opposing the introduction of supply chain legislation repeatedly claim that it leads to excessive bureaucracy and burdens companies with numerous overlapping and redundant reporting requirements. At EU level, this criticism has gone so far that regulations that have already been agreed are being reopened for renegotiation as part of the Omnibus procedure¹⁴ with the aim of reducing bureaucracy. However, what these critics fail to recognise is that the laws are still young, have yet to be tested on a large scale and still need to be proven in practice. While it is of course necessary to address overlapping reporting requirements and revise ineffective questionnaires for companies, the substance of the laws – namely the way in which they protect people and the environment – must not be eroded.¹⁵ Instead of simplifying the legislation, recent developments at EU level run the risk of deregulation at the cost of people and the environment. For progressive companies, these developments are a source of frustration, as indicated by the numerous statements supporting an effective CSDDD.¹⁶ Instead of giving companies the desired certainty that they require to make plans, the developments are causing them anxiety and making it impossible to plan ahead. By revisiting the contents of the agreed EU Supply Chain Directive, the EU may also lose trust on a global level among state bodies, civil society organisations and trade unions.

It is more important than ever for clarity to be provided quickly both in Germany and the EU. In countries with existing supply chain laws like Germany, it is imperative that there are no periods of time when the regulations do not apply or, in other words, there must not be any legal loopholes. If, for example, amendments are made to the German Supply Chain Act, international standards like the UN Guiding Principles on Business and Human Rights must still be observed. Before the EU Supply Chain Directive is

¹⁴ European Commission (2025): Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52025PC0080> [last accessed: 3 May 2025]

¹⁵ Horn, Miriam-Lena & Korn, Franziska (2025): Less bureaucracy or less accountability?, available at: <https://www.ips-journal.eu/topics/democracy-and-society/less-bureaucracy-or-less-accountability-8125/> [last accessed: 10 May 2025]

¹⁶ Business & Human Rights Resource Centre (2025): EU: Major businesses urge Commission to ensure 'Omnibus' approach will not allow renegotiation of agreed texts, incl. CSDDD, available at: <https://www.business-humanrights.org/en/latest-news/business-letter-omnibus/> [last accessed: 3 May 2025]; Initiative for Sustainable & Responsible Business Conduct (n.d.): Broad support for the CSDDD, available at: <https://www.we-support-the-csddd.eu/> [last accessed: 5 May 2025]

transposed into German law, there must not be an interim period in which existing gaps and failures in applying the German Supply Chain Act are accentuated. BAFA must continue to ambitiously implement the German Supply Chain Act in order to meet the objectives of using preventative measures to protect people and the environment.

At a European level, changes to the EU Supply Chain Directive introduced to reduce bureaucracy for companies must not make the Directive any less effective at safeguarding workers and the environment. The level of protection for human rights provided by the laws already passed in Germany and France represents a standard beneath which the two countries must not fall short. The EU Supply Chain Directive must also uphold its level of protection, regardless of any efforts to make the regulation easy to apply. To achieve this, it is crucial that the risk-based approach is retained, Europe-wide liability under civil law is introduced, caps for penalties are harmonised and the regulation's scope is not trimmed back. Ultimately, only an effective directive will help to bring about real change – change in the form of business practices that protect human rights around the world.

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Supply Chain Laws: Protect People and the Planet

The introduction of legally binding corporate due diligence obligations in Germany and a number of other countries has brought about a paradigm shift. With voluntary commitments no longer sufficient, businesses are now subject to legal requirements that protect people and the environment in global supply chains. Supply chain legislation therefore plays a crucial role on the path towards making the global economy sustainable, resilient and more socially just.

Supply chain laws have faced criticism and objections from the outset. In the past year, however, discussions in Germany and across Europe have intensified to such an extent that the debate is now dominated by numerous falsehoods and fallacies, with measures to protect people and the environment repeatedly being equated to bureaucracy.

Against this backdrop, this publication summarises ten key arguments in favour of supply chain legislation. For example, we show how supply chain laws contribute to legal clarity and a level playing field for companies. We also list first successes of due diligence legislation for trade unions. This makes it clear that an effective EU supply chain directive is needed more urgently than ever. Because only an effective directive will help to bring about real change – change in the form of business practices that protect human rights around the world.

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