



**ESSENTIAL  
GUIDE**

**SUPPLY CHAIN LAWS  
YOU SHOULD KNOW**

Governments and regulators in many countries are stepping up their scrutiny of supply chains. In the past decade, dozens of laws, regulations, and executive orders involving procurement and supply chain operations have gone into effect around the world. Most of these aim to uncover conflict minerals, human trafficking, and modern slavery. They seek to ensure due diligence, cyber security, sustainability, and more broadly, corporate social responsibility (CSR).

Laws and regulations in the US, Europe, Asia-Pacific, and across the globe demand increased visibility into extended supply chains, to drive transparency into opaque and ethically dubious production processes. This goes hand in hand with mandating or promoting more ethical and sustainable business practices, usually under the auspices of environmental, social and corporate governance (ESG). Most laws apply only to the largest corporations, with a primary focus on human rights and working conditions.



# SUPPLY CHAIN LAWS YOU SHOULD KNOW

# OVERVIEW OF KEY SUPPLY CHAIN LAWS

Important legislation and regulations 2012–2022 | Q1

## 2014

### **California Transparency in Supply Chains Act**

Requires companies to disclose efforts to eradicate slavery and human trafficking from their supply chain (from 2012).

Risk Type: ESG

### **Indian Companies Act**

Requires large Indian businesses to channel 2% of profits to corporate social responsibility initiatives. Amended 2019 to make CSR mandatory.

Risk Type: CSR

### **EU CSR Directive**

EU businesses should integrate social, environmental, ethical, consumer, and human rights concerns into business strategy and operations.

Risk Type: CSR

## 2015

### **UN 17 Goals for Sustainable Development**

UN members pledge to prevent child labor, support local value chains and green agriculture, among other aims.

Risk Type: Multi

### **UK and Australian (2018) Modern Slavery Acts**

Requires large organizations doing business with/in UK or Australia to publish a modern slavery statement annually.

Risk Type: ESG

## 2017

### **EU Conflict Minerals Regulation**

Prohibits the export of conflict minerals and metals to the EU, and prohibits abuse of mine workers.

Risk Type: ESG

### **French Corporate Duty of Vigilance Law**

Requires large French companies to address and assess adverse impacts of their business on people and the planet.

Risk Type: ESG

### **French Loi Sapin 2 (anti-corruption law)**

French companies must implement anti-corruption and compliance programs.

Risk Type: Financial

## 2018

### **EU General Data Protection Regulation (GDPR)**

Requires companies to protect individuals and their rights when processing personal data.

Risk Type: Cyber

### **US Federal Acquisition Supply Chain Security Act**

Establishes the Federal Acquisition Security Council to standardize SCRM practices and improve sharing of IT-security risk information.

Risk Type: Multi

## 2019

### **Dutch Child Labor Due Diligence Act**

Requires companies that sell to Dutch consumers to identify and prevent child labor in their supply chains.

Risk Type: ESG

## 2021

### **German Supply Chain Act (Lieferkettengesetz)**

Requires companies to ensure compliance with human rights along their entire supply chain.

Risk Type: ESG

*In Congress:*

### **US National Manufacturing Guard Act of 2021**

Establishes an Office of Supply Chain Preparedness, introduces a supply chain data exchange program.

Risk Type: Multi

*Draft adopted:*

### **EU Regulation on Corporate Due Diligence and Corporate Accountability**

Makes corporate due diligence on human rights and environmental issues mandatory.

Risk Type: ESG

## 2022

### **US Uyghur Forced Labor Prevention Act**

Requires companies to prove that goods they import from China's Xinjiang region were not made with slave labor.

Risk Type: ESG

### **Norwegian Transparency Act**

Larger companies must conduct supply chain due diligence on human rights and working conditions.

Risk Type: ESG

# EU REGULATION ON CORPORATE DUE DILIGENCE AND CORPORATE ACCOUNTABILITY



## Act on Corporate Due Diligence of Supply Chains in Germany (Lieferkettengesetz)



### Due Diligence

Under a mandatory European due diligence framework, businesses operating in the EU will be held accountable and liable for adverse impacts to human rights, the environment, and good governance in their value chains. In this context, 'due diligence' means companies must investigate how their business partners operate, identify and assess risks, and take action to remedy violations. The EU law would require large companies (as well as publicly listed or high-risk small and medium-sized enterprises) to map their value chain and conduct due diligence on suppliers or subcontractors in all tiers.

### Among other requirements, businesses are obliged to:

- ▶ Establish processes to uncover violations.
- ▶ Communicate their due diligence strategy or risk assessment statement to authorities on request.
- ▶ Regularly verify that suppliers and sub-tiers continue to comply with the stated principles.
- ▶ Provide mechanisms for early warnings and for stakeholders to raise concerns.

### Compliance

Independent national authorities will monitor compliance with the regulation. Possible sanctions include fines, exclusion from public procurement, or import bans. Implementing EU-wide legislation harmonizes requirements across member states, and prevents competitive disadvantage for countries with strict national supply chain laws, such as France, Germany, and the Netherlands.

**A solution that monitors for all types of risk in real-time and provides tools to proactively handle risk events would help manage these challenges.**

Corporations in Germany will be responsible for monitoring their supply chains on an ongoing basis, and they must respond quickly to violations. This applies to:

- ▶ Business practices (such as exploitation, unfair trade, environmental damage)
- ▶ Product quality (particularly involving conflict minerals)
- ▶ Third parties (violations at logistics service providers, distribution partners)

Beginning in 2023, companies with more than 3,000 employees must ensure compliance with human rights along their entire supply chain. They must analyze risks, establish processes to prevent and mitigate violations, install preventative measures and action plans for direct suppliers, report on their activities, and set up mechanisms for complaints. The bill also covers environmental risks that can lead to human rights violations. Annual checks will verify whether measures are being implemented. The law permits fines of up to two percent of a company's annual revenue.



Source: Study on due diligence requirements through the supply chain, prepared for the European Commission (2020)

# NATIONAL LAWS ON CORPORATE DUE DILIGENCE AND ACCOUNTABILITY



## Netherlands

Taking effect in 2022, the **Dutch Child Labour Due Diligence Law** requires companies in the Netherlands of any size to assess their supply chains to identify any child labor risks. Businesses including foreign companies that sell goods online to Dutch consumers, must investigate their supply chains beyond direct suppliers, develop action plans, and report on due diligence efforts. Fines up to €870,000 or 10% of total global revenue.



## Norway

Since July 2022, the **Norwegian Transparency Act** aims to ensure that enterprises in Norway comply with fundamental human rights and decent working conditions in their supply chains. (2 of 3 criteria: 50+ employees, balance sheet NOK 35m, sales NOK 70m). Due diligence across all tiers, annual reporting, and public access to information are required. Penalties depend on the scope of the violation.



## France

Anti-corruption law **Sapin II** from 2017 requires companies in France with 500+ employees to implement programs to fight corruption and influence in trading: Code of conduct, whistleblower mechanisms, risk mapping, third-party due diligence, accounting controls, compliance training, disciplinary regime, internal controls. Penalties up to €1 million.

Since 2017, the **French Corporate Duty of Vigilance Law** requires large French companies (5,000+ employees) to establish measures to safeguard human rights and the environment. Plans must include: mapping, mitigation, and prevention of risks, and alert mechanisms.



## REGULATIONS IN NON-EU COUNTRIES



## Switzerland

Beginning 2023, new provisions of the **Swiss Code of Obligations and Ordinance** require due diligence in the supply chain on child labor, conflict minerals and metals. The supply chain includes “all upstream economic operators.” Businesses including foreign-based multinationals, with 250+ employees, assets CHF 20m/sales CHF 40m must comply. Some exceptions apply.

Enterprises must establish a supply chain policy, and **name the tools used to identify, assess, eliminate and/or mitigate impact.** Audits, reporting obligations and grievance



## United Kingdom

**The Modern Slavery Act 2015** and Transparency in Supply Chains provisions require businesses, as well as public bodies, with a turnover above £36 million to report on their attempts to **identify and prevent slavery in their operations and supply chains.** A progress report from late 2021 included risks for COVID-19 related procurements.

## Implications of the UFLPA for companies that operate in the U.S.

Importing anything into the U.S. from Xinjiang and China will become more difficult. Companies that import raw materials, components or finished products are advised to upgrade their supply chain risk management (SCRM) and supply chain due diligence capabilities if they plan to seek exemptions from U.S. Customs and Border Protection. Your procurement and supply chain teams will need automated and intelligent tools to help you gain visibility, transparency, and synergy within your supplier base to ensure that what you're importing was not made with slave labor.

## UNITED STATES - UYGHUR FORCED LABOR PREVENTION ACT



2022

### Uyghur Forced Labor Prevention Act (UFLPA)

An Act to ensure that goods made with forced labor in the Xinjiang Uyghur Autonomous Region of the People's Republic of China do not enter the United States market

Risk Type: ESG



### Uyghur Forced Labor Prevention Act (UFLPA)

Presumes that “any goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in the Xinjiang Uyghur Autonomous Region” of China were made using forced or compulsory labor.

Any such goods arriving in U.S. ports may be seized by U.S. Customs and Border Protection (CBP). Exceptions can be granted if importers can demonstrate use of measures to ensure that imports from Xinjiang are not produced with slave labor.

Such measures include: “due diligence, effective supply chain tracing, and supply chain management” that produce sufficient evidence that imports are not produced with slave labor.



## Supply Chains on the POTUS Executive Agenda

In the recent past, two presidents of the United States (POTUS) have identified supply chain resilience as a necessity for the long-term health, security, and stability of the nation.

US President Biden and former US President Trump have issued executive orders that mandate the assessment of supply chain risk in industries critical to the public health, national security, and economic strength of the nation. These supply chains and industrial sectors include aerospace and defense, automotive, biotechnology, electronics, energy, IT, medical technology.

## RECENT U.S. EXECUTIVE ORDERS ON SUPPLY CHAINS



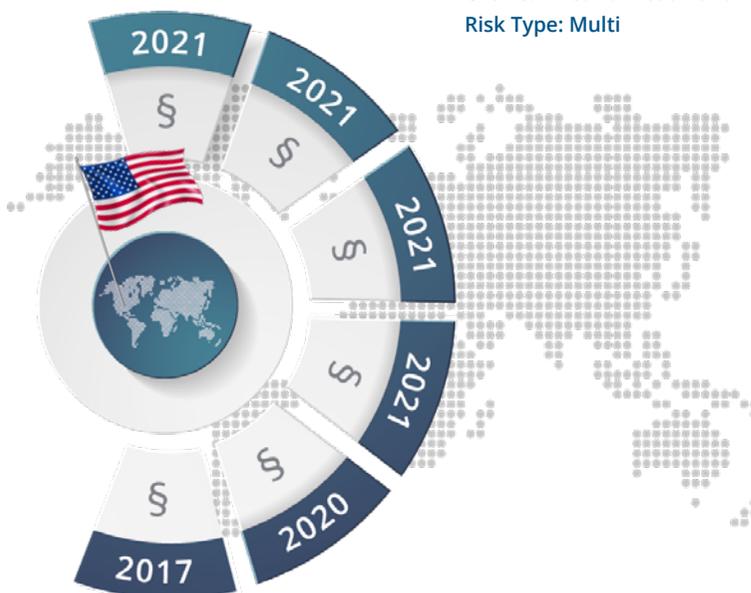
**2021**  
**Improving the Nation's Cyber Security (E.O. 14028)**  
Instructs federal agencies to enhance the nation's software supply chain security, such as by increasing visibility into IT supply chains  
**Risk Type: Cyber**

**2021**  
**Securing America's Supply Chains (E.O. 14017)**  
Calls for a 100-day review to identify ways to secure US supply chains in critical industries against a wide range of risks

**2022**  
**Capstone Report**  
Executive Order on America's Supply Chains: A Year of Action and Progress  
**Risk Type: Multi**

**2021**  
**A Sustainable Public Health Supply Chain (E.O. 14001)**  
Directs immediate actions to secure supplies for coronavirus pandemic response. Includes review of inventory and operations to prioritize, acquire, and distribute such supplies  
**Risk Type: Multi**

**2021**  
**Ensuring the Future Is Made in All of America by All of America's Workers (E.O.14005)**  
"Buy American" order requiring or preferencing goods or materials produced in the United States for federal procurement  
**Risk Type: Geopolitical**



**2017**  
**Assessing and Strengthening the Manufacturing and Defense Industrial Base and Supply Chain Resiliency of the U.S. (E.O. 13806)**  
Requires the US Secretary of Defense to assess risk, identify impacts, and propose recommendations to support a healthy manufacturing and defense industrial base  
**Risk Type: Multi**

**2020**  
**Addressing the Threat to the Domestic Supply Chain from Reliance on Critical Minerals from Foreign Adversaries and Supporting the Domestic Mining and Processing Industries (E.O. 13953)**  
Identifies 35 minerals essential for economic and national security. Calls for a review of measures for reducing the nation's vulnerability to disruptions in supply  
**Risk Type: Multi, esp. geopolitical**

## Understanding Executive Orders

At the heart of all US executive orders on supply chains beats a common refrain: review, assess, and recommend.

**Review:** supply chains critical to the US government, by the relevant federal agencies with support from its private-sector partners.

**Assess:** critical supply chains for multiple types of risk, including but not limited to, supplier financial risk, geopolitical risk, natural disaster risk and effects of climate change, as well as for cybersecurity and sustainability.

**Recommend:** policy changes to increase supply chain resilience across key sectors. Changes include halting or curtailing sourcing of critical goods and materials from adversarial countries. Incentivizing businesses to change sourcing and procurement behaviors. Transitioning key supplier bases out of adversarial countries. Re-shoring manufacturing to the US whenever possible.

Executive orders are not laws, and the president's jurisdiction ends at the federal level. These orders are also reversible, and are subject to the changing political winds of the US. Yet such orders have the force of law, and violations could be punished. Executive orders can also lay the groundwork for new laws, regulations, or standards that apply to all businesses. So even if your company does not directly or indirectly conduct business with the federal government, or whether or not you are a US-based entity, you may be affected by these executive orders. Your suppliers, or their suppliers, may be located in the US. Or you may lose business to competitors who are. This is why it's critical to understand your entire supply network.

Your sourcing and buying behaviors, the visibility you have into your supply base, the viability of your supply networks, and the reliability of your goods and services may (or may not) withstand government and regulatory scrutiny. To comply, you most certainly "need to know" what's going on in your supply chains.



## Ensuring Visible, Viable, Reliable Supply Chains

Whether at the national, multi-national, or international level, all these laws, regulations, and executive orders share a common thread. Organizations and government entities are required to gain visibility into their supply chains, and into who their business partners are.

They need a clear view of risks, to reveal threats that may be hiding beneath the surface. To understand the viability of global supply chains, regulators are mandating, while the public is increasingly demanding, transparency from your first tier on down, where a majority of risk events occur. Ignorance of laws, regulations, orders, or consumer demands is not a sustainable supply chain risk management (SCRM) strategy.

Supply chain risk management is more than just conducting due diligence on your suppliers at contracting or onboarding, followed by periodic performance assessments. Adopting holistic, ongoing supply chain risk management enables you and your supply base to adhere to regulations through real-time visibility into risk. This starts the dialogue with suppliers for risk mitigation as events or issues occur. This will also strengthen your business from within, and make your entire supply network more reliable.



## Managing Risk in Your Supply Chain

Supply chain risk management is a necessary part of a company's larger source-to-pay process. It provides chief procurement officers and chief supply chain officers with a taxonomy of processes to identify, assess, mitigate, and monitor a growing number of risks across a company's end-to-end value chain. Here are recommendations on how to achieve this:



You need a SCRM solution that will help you achieve compliance through better visibility into risk, and help you remain compliant with all national, multinational, and international reporting requirements.



You need an automated SCRM solution that collects, monitors, analyzes, and reports on real-time supply chain intelligence to help keep you informed on the threats arising in your supply chains, so you can accurately report incidents and findings when required.



You need a comprehensive SCRM solution that tracks any mitigation actions, so you can report on your due diligence to your stakeholders.



What if the threat is slowly burning, you may ask? You need an intelligent SCRM solution that can analyze historical data, blend it with current data, connect the dots, and help uncover patterns that you may have missed.



You also need a SCRM solution that will help you model future risk scenarios and the impact that they may have on your business, so you can make the best decision for your business, ahead of the risk event.



And you need a SCRM solution that provides you with off-the-shelf risk mitigation plans, so you can be proactive vis-à-vis risk events, and build supply chain resilience.

## What You Can Do Now

At every level of trade and commerce, one thing is clear: businesses and governments will need to drive visibility, accountability, and in many cases, remediation into their global sourcing and procurement activities.

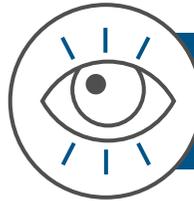
Notably, this is one trend that the global business community cannot attribute entirely to the COVID-19 pandemic. The need for supply chain security and visibility has been very clearly long in the making, and only exacerbated by the pandemic.

And the trend towards further laws and greater government intervention is accelerating. Businesses can stay in the fast lane by proactively adopting holistic risk mitigation strategies and automated supply chain risk management as offered by [Sphera Supply Chain Risk Management](#) [formerly riskmethods]. In any case, by strategically managing risk, organizations ensure compliance and sustainability, maintain business continuity, and strengthen their supply chain resilience.

## Sphera Supply Chain Risk Management

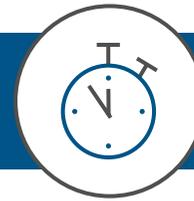
Powered by artificial intelligence, Sphera Supply Chain Risk Management [formerly riskmethods] actively monitors your end-to-end supply chain.

You get visibility into the risks in your supply chain and understand



### Be risk aware

Visualize your entire network on a world map. Uncover vulnerabilities, and understand their criticality. Monitor risk in real time.



### React faster

Collaborate with your supply network, and be the first to respond to events. Identify and evaluate the best mitigation strategy.



### Be proactive

Use advanced analytics, and have mitigation plans ready before threats materialize. By streamlining your actions, you make your business more resilient.

*\*riskmethods was acquired by Sphera in October 2022.*

*This content originally appeared on the riskmethods website and was slightly modified for sphera.com.*

## About Sphera

Sphera is the leading provider of Environmental, Social and Governance (ESG) performance and risk management software, data and consulting services focusing on Environment, Health, Safety & Sustainability (EHS&S), Operational Risk Management (ORM), Product Stewardship and Supply Chain Risk Management (SCRM). For more than 30 years, we have served over 6,700 customers and a million-plus users in 80 countries to help companies keep their people safe, their products sustainable and their operations productive.



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