



## White paper

[ The Act on Corporate Due Diligence Obligations in Supply Chains - Supply Chain Act

## [ Introduction

This document serves to describe the application of the risk and opportunity management software antares RiMIS® with regard to the new legal situation concerning the Act on Corporate Due Diligence Obligations in Supply Chains (short: Supply Chain Act), which has to be implemented in Germany as of January 1, 2023.

antares RiMIS® is a standard software for opportunity and risk management. Elementary components of this standard software are measures management, reporting, Monte Carlo simulation and risk identification by means of questionnaires.

The standard software is primarily designed for industry, services and trade, for groups, stock corporations and larger medium-sized companies. The adaptations for the Supply Chain Act are available from version 6.5, which will be released in September 2022, and are not part of the basic license for antares RiMIS®. The module must therefore be licensed separately.

## [ 1. Purpose of the additions

The additions and adaptations to the Supply Chain Act are designed as an integral part of the standard software antares RiMIS® and serve to comply with the new legal situation from 2023 as well as the associated rights and obligations for companies. Organizationally, the monitoring of the supply chain should closely go hand in hand with the monitoring of the other risks.

As antares RiMIS® is designed web-enabled, any number of users can access the system decentrally within the scope of licensing and thus permanently participate in the process. This concerns in particular subcontractors, suppliers or other participants of the supply chain. They can enter relevant information directly into the company's internal system.

## [ 2. Definitions/assignments

### 2.1 Supply chain

The supply chain is a network of companies, subcontractors and suppliers which ensures the proper transportation of goods throughout the entire manufacturing process with the help of modes and means of transport. The starting point of the supply chain is usually the procurement of raw materials, supplies and materials for the manufacture of intermediate products.

A particular challenge is that these production factors have to be procured in part through imports from abroad and are thus exposed to a specific fulfillment risk by the supplier. Domestic suppliers are also subject to delivery risks which make further processing more difficult and can lead to operational disruptions. These risks can be minimized, for example, by redundancies or buffers.

By their very nature, disruptions in supply chains can cause a chain reaction in the form of a domino effect on downstream sales chains. In the supply chain, risks increase the longer the delivery routes and the number of links involved in the chain. Different modes of transport, additional transshipment processes with independent handling risks or administrative hurdles such as border clearance are much more susceptible to disruptions than with national suppliers.

Translated with [www.DeepL.com/Translator](http://www.DeepL.com/Translator) (free version)

## 2.2 Due diligence

Due diligence means that a person has to perform or refrain from certain actions so that there is no risk of damage to other persons, assets, the environment or goods themselves. For example, dangerous actions must be refrained from and measures to avert danger must be taken if an action poses potential dangers.

## 2.3 The Act on Corporate Due Diligence Obligations in Supply Chains

The Supply Chain Act is intended to regulate corporate responsibility for compliance with human rights in supply chains - for the first time.

The law will take effect on January 1, 2023 for companies with at least 3,000 employees and their head office/branch office, administrative headquarters, statutory headquarters or branch office in Germany. In the second stage, from January 1, 2024, it will also apply to companies with 1,000 employees or more. This is intended to create corporate responsibility along the entire supply chain.

The core elements of the Supply Chain Act include the introduction of a risk management system to identify, prevent or at least mitigate the risks of human rights violations and damage to the environment. Furthermore, the law obligates the establishment of a complaints procedure and regular reporting as well as a documentation and reporting obligation for the fulfillment of due diligence obligations. The immediate adoption of remedial measures in the event of identified legal violations and precautionary preventive measures are also part of the law.

Monitoring of compliance is carried out by an authority of the Federal Office of Economics and Export Control. This authority reviews the annually submitted report, which must also be published online, and can apply further control measures in the event of non-compliance or infringements.

## 2.4 Supply Chain Act questionnaire

The questionnaire provides companies from a wide range of industries and sizes with a quick overview of the risk status of their supply chain. By responding to the questionnaire, companies receive an assessment of where they stand and what next steps are needed to further develop their supply chain with regard to the above criteria. The questionnaire serves as a rough guide, but does not correspond to a comprehensive analysis of the companies' supply chain procurement commitments.

The questionnaire can either be carried out as part of a self-assessment by the supplier or contractor or accompanied as part of a periodic audit.

The results of this response are clearly presented and can also be cumulated (e.g. all suppliers from country X, all suppliers of a business unit, etc.).

## 2.5 Risk and opportunity management

Non-compliance with regulations or inadequate responses to the questionnaire harbors risks that violations could occur, e.g. in the area of environmental protection. These risks must be documented, evaluated and monitored as part of routine risk management and minimized by means of countermeasures.

Another problem area is represented by missing checks, missing detection due to insufficient information, additional and changed handling processes with new clearance risks or new or changed administrative hurdles such as new customs regulations. All these relevant issues are to be recorded in the system and are to be incorporated into the group-wide, established risk management system.

The influence of these risks on the risk-bearing capacity is to be examined in aggregations (Monte Carlo simulation). If this results in a shortfall in coverage, alternative suppliers should be considered, for example, so as not to endanger the continued existence of the company.

## [ 3. Implementation of the new requirements with antares RiMIS®

antares RiMIS® offers the possibility to meet the new requirements of the Supply Chain Act.

Through the risk management system, which has been established for years, the already identified risks and those still to come can be managed, evaluated and reduced or avoided with suitable measures.

The obligatory documentation and reporting requirements can also be implemented by means of report books and various customizable evaluations.

## [ 4. Supply chain risks and controls

In antares RiMIS® , there is already a comprehensive measure management with status monitoring of the measures, check of the efficiency of a measure and semi-automatic derivation of the net assessment of a risk. Measures can be typified in different ways, e.g. emergency planning, regular maintenance or one-time actions.

Identifying new risks in this environment and defining associated controls is a good prevention measure for the supply chain. In addition to the implementation of the control, the risk

must also be described, assessed, etc. on an individual basis, but this will not be discussed further here.

Further measures, which do not have a control character, can be defined at any time.

## [ 5. Integration and evaluations

The following integrations are implemented in antares RiMIS®:

- Master data maintenance of suppliers and users in antares RiMIS®.
- User creation with password security for single sign-on or separate antares user profiles
- User import (also possible from SAP modules)
- Provision of questionnaire and answers via Cloud system
- Questionnaire as web application, answers in antares RiMIS® database in secure environment
- Overview of evaluated questionnaires and data in antares RiMIS® with graphical display and filter options

## [ 6. Outlook

antares RiMIS® is permanently developed further. Numerous suggestions for improvement from customers are incorporated into each new version. The same applies to all extension modules.

Further requirements resulting from laws, standards and regulations are of course also taken into account accordingly.

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