



THE IMPACT OF DUE DILIGENCE LEGISLATION

Practical Examples from the Implementation of
the German Supply Chain Act (LkSG)

Imprint

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Introduction

Since the adoption of the Supply Chain Due Diligence Act (LkSG), Supply Chain Act for short, in early 2023, legislative requirements have been in place in Germany to prevent human rights violations as well as some environmental breaches in relation to German companies' business activities, including their supply chains.

How effective is the Supply Chain Act?

Three years after the law came into force, it is worth asking about its impacts: **are the requirements fulfilling their stated purpose? What specific impact have the legal regulations had so far with regard to human rights violations by – or linked to – German companies?** The answer to these questions is of great political significance, because both the German Supply Chain Act and the implementation of the recently watered-down EU Corporate Sustainable Due Diligence Directive (CSDDD) continue to be the subject of intense debate. Throughout the recent EU Omnibus-I process, pressure from some trade associations has led to drastic restrictions on the scope and enforcement instruments of the EU directive.

While critics have been discrediting the LkSG for years as a mere 'reporting obligation' and an additional 'bureaucratic burden' that supposedly ignores the reality of the business world, a look at the practical implementation of the law shows exactly the opposite: employees and human rights defenders worldwide are using the LkSG to claim their rights, and many companies are systematically addressing the human rights impacts of their business models for the first time.

The widespread misconception that the LkSG is primarily imposing 'reporting obligations' is also due to the fact that its impact logic is still insufficiently known, even among companies applying the law. The examples listed below serve to illustrate this logic. They show not only *that* the LkSG is effective, but also *how* its effects unfold in practice.

Structural changes take time

Nevertheless, a number of caveats are important to keep in mind when considering the LkSG's impact. Firstly, companies can usually not eliminate human rights violations in their supply chains overnight. Rather, it is necessary to build trust with suppliers and rights-holders, to develop step-by-step action plans, and to monitor them continuously. **The LkSG is designed to bring about long-term structural changes. Thus, impact takes time, especially at the beginning of the supply chain.** This is another reason why there is a lack of scientific studies on the subject, as a recent literature analysis by the German Institute for Human Rights shows.¹

Secondly, much of the impact of the Supply Chain Act is simply not verifiable. This is because the law is primarily preventive in nature: human rights violations must be prevented before they occur. Whether the law has prevented another disaster such as the collapse of the Rana Plaza textile factory in Bangladesh or the dam accident in Brumadinho in Brazil is difficult to prove.

Practical examples

Nevertheless, the law's impact in terms of human rights and environmental protection can be monitored. Countless people apply the LkSG on a daily basis – in the supply chains of German companies, in trade unions, civil society organisations, and in the companies themselves. Below, we present some of the experiences gained from this application.

We do not claim that the examples provide a comprehensive or conclusive assessment of the Supply Chain Act's impact. However, they do show that the law is already making a noticeable difference. At the same time, **current political developments are seriously jeopardising this impact:** experts involved in the law's implementation unanimously report that the debate over a weakening of the LkSG and CSDDD, which has been going on for several years, has already significantly slowed down implementation in companies. In anticipation of legal changes, jobs have already been cut and measures along the supply chain have been halted for the time being.² It is therefore to be expected that the planned weakening of the law would have a significant negative impact on its practical effectiveness.

A Note on Methodology:

For this publication, Germanwatch conducted a total of 21 interviews with experts from trade unions, associations, companies, and civil society organisations (*personal interviews*) between July and December 2025. In addition to publicly available sources, we also drew on written communication and internal reports from partners (*personal communication*).

Practical examples: Protection for people and the environment

Combating exploitation in the transport sector

The LkSG is often associated primarily with human rights violations in distant manufacturing countries at the beginning of global supply chains. However, the law also helps to uncover and remedy abuses right on our doorstep – in Germany and Europe.

One specific area of application is **road transport**. For years, this sector has been plagued by massive labour rights violations, concealed by complex chains of subcontractors. Drivers are systematically denied their wages, pressured or intimidated, and subjected to psychological and physical stress. According to the German Trade Union Confederation's (DGB) Fair Mobility Advisory Network, these are not isolated cases, but structural abuses that can be found 'at any time at any motorway service station' in Germany.³ The strikes by truck drivers in **Gräfenhausen** in the spring and autumn of 2023 became symbols of these conditions. The Federal Office for Economic Affairs and Export Control (BAFA), which is responsible for enforcing the LkSG, intervened publicly to help find a solution. It was only the pressure built up through the supply chains that finally led to the drivers being paid their outstanding wages after the second round of protests.

**„MENTIONING THE
SUPPLY CHAIN ACT
OPENED DOORS
FOR US.“**

(Onur Bakir, 2025)

Beyond Gräfenhausen, the LkSG has an impact on the **fight against violations of labour rights in road transport**. According to the Fair Mobility Network, it is a key instrument for supporting truck drivers in enforcing their rights. When customers and clients who are subject to the LkSG take complaints seriously and investigate reports of human rights violations in their supply chain, transport companies are often forced to take action for the first time.

The network reports, for example, on **the case of a Georgian truck driver** who was finally paid his wage after a large German chain of home improvement stores had gotten involved via the LkSG.⁴ In the case of another truck driver who had not been paid for four months, one of the responsible haulage companies refused to pay even after an intervention by the DGB Fair Mobility Network. This changed quickly when the driver lodged a complaint with the customer companies subject to the LkSG. He was then immediately compensated by the responsible haulage company⁵

According to Anna Weirich, branch coordinator for international road transport at the Fair Mobility Network, the LkSG has brought about **clearly visible changes in the road transport sector**: 'Now

I'm often in touch with serious contacts in companies who are taking responsibility. Complaints to companies are taken much more seriously than before.' According to Weirich, many companies are now aware that they are dealing with a structural problem. At the same time, companies should tackle existing abuses more proactively in her opinion. Some companies have been attempting to avoid responsibility by hiding behind ineffective compliance reports instead of effectively combating exploitative practices.⁶

Nevertheless, the application of the LkSG in international road transport illustrates the law's intended effect: by focusing on leading German companies, the law puts an end to the diffusion of responsibility along the supply chain that is caused by opaque subcontractor structures. The examples show that contracting companies often have considerable influence when it comes to improving working conditions in the transport sector. **The LkSG obliges them to use this influence.**



Protest by truck drivers in Gräfenhausen.
Source: DGB Fair Mobility Advisory Network.

Enforcing freedom of association

The freedom to join a trade union is a fundamental human right enshrined in international treaties. It forms the basis for the protection and enforcement of numerous other labour rights. However, this right is under threat in many places – including in the operations and supply chains of German companies. Since it came into force, the LkSG has proven to be an effective means of pressure for enforcing these internationally protected rights. This can be observed, for example, in Turkey, where companies' **trade union busting strategies include threats, unlawful dismissals of employees, and abusive lawsuits.**

The case of a German retail company with extensive business activities in Turkey illustrates how the LkSG has supported freedom of association. The company used various means to prevent its employees from joining a trade union. Despite considerable pressure, the Tez Koop-İs union succeeded in organising the minimum percentage of employees required under Turkish law to be recognised as a legitimate union. The company then filed a lawsuit against the state recognition of the union without any apparent legal basis – a tactic commonly used in Turkey to weaken unions and prevent collective bargaining. The International Labour Organisation (ILO) found that such abusive lawsuits may constitute a violation of international labour standards.⁷

The company only changed its behaviour when Tez Koop-İs, supported by UNI Global Union and ver.di, increased international pressure and threatened legal action based on the LkSG. Suddenly, the company agreed to negotiate with the union. **The negotiations ultimately led to the conclusion of a collective agreement that provides for significantly better pay for nearly 1,000 current and all future employees of the company in Turkey.**⁸

This example is by no means an isolated case: trade unions report similar incidents in the clothing and chemical industries in Turkey, where anti-union lawsuits were withdrawn after pressure was exerted via the LkSG.⁹ Successes have also been achieved in cases where German companies themselves are not active in Turkey, but only their suppliers are. For example, the IndustriALL trade union federation has supported local trade unions in several cases involving suppliers to the German automotive industry. By referring to the LkSG, they succeeded in getting German companies to take constructive action and contact their suppliers.¹⁰ 'Mentioning the Supply Chain Act opened doors for us,' says Onur Bakir of UNI Global Union, summarising the law's impact.

There are known cases from other countries in which the LkSG has supported or even enabled the exercise of freedom of association. For example, the law was cited as a key factor in enabling the formation of a trade union at a foreign subsidiary of a leading German logistics company in Côte d'Ivoire after years of obstruction.¹¹ In the United States, the LkSG was reportedly a decisive factor in the historically unique formation of a trade union at a German automotive company.¹² And in Brazil, trade unions are successfully using the new due diligence obligations to exert pressure to enforce their rights: 'Due diligence legislation [...] has become a bargaining chip for the union to pressure companies [...]. We've already had collective negotiations that didn't progress, and we wrote a public letter together with partners and sent it outside Brazil referring to the new laws. [...] A day and a half after we wrote the letter, they came back saying: "We want to negotiate, we accept the proposal you made"', says a Brazilian trade union, describing the effect of the legal rules.¹³

**„DUE DILIGENCE
LEGISLATION HAS
BECOME A BARGAINING
CHIP FOR THE UNION TO
PRESSURE COMPANIES.“**

(Brazilian trade union, 2025)

Demanding fair wages and protection from toxic pesticides

On plantations in Ecuador and Costa Rica that supply bananas to large German supermarket chains, **workers** are **systematically exploited and exposed to health hazards**. Some of them receive significantly less than the local minimum wage, and union activity is actively discouraged. Pesticides are sometimes sprayed from aeroplanes over the heads of workers in the fields during working hours.¹⁴ Trade unionists who campaign for labour rights receive death threats. In some cases, attacks have been carried out against them.¹⁵



A plane used to spray pesticides in Ecuador.
Source: Oxfam Germany.



Labour rights violations repeatedly occur on plantations from which German supermarkets source bananas.
Source: Oxfam Germany.

The trade unions ASTAC in Ecuador and SITRAP in Costa Rica, together with Oxfam Germany and supported by the European Centre for Constitutional and Human Rights (ECCHR), **have** therefore **filed complaints against four German supermarket chains** based on the LkSG. As a result, two of the chains entered into negotiations with the trade unions and local suppliers – leading to initial successes for the workers: **one supplier made payments to workers** who had not previously been paid their full wages.¹⁶ One supplier of the other chain abolished employment agencies – a subcontracting model that promotes particularly precarious working conditions.¹⁷ Working conditions improved significantly for employees of suppliers to a third supermarket chain. Among other things, workers there now receive the statutory minimum wage.¹⁸ Didier Leitón, General Secretary of SITRAP, emphasises that these successes were made possible by the LkSG.¹⁹

These cases are prime examples of how the LkSG is having an impact: when German companies – as required by the law – take responsibility for the working conditions at their suppliers, working with them and local trade unions to develop concrete solutions, tangible human rights improvements can be achieved.

At the same time, the examples also show the extent to which such progress depends on German companies' willingness to act. Two of the four German supermarkets that source bananas from the aforementioned plantations have so far refused to develop effective measures involving those affected. The Ecuadorian trade union ASTAC and individual affected workers have therefore filed a complaint with the BAFA, which is responsible for monitoring the LkSG, together with Oxfam Germany, the ECCHR, and Misereor.²⁰ Whether the law can have an impact in these cases now depends on the BAFA's willingness to consistently enforce the legal obligations laid down in the LkSG.

The importance of decisive and transparent action by the the supervisory authority for effective enforcement of the law is evident in two further cases in which the BAFA was called upon to intervene in a struggle for fair wages and better working conditions. After the Bangladeshi trade union NGWF, together with Femnet, filed a complaint with the BAFA against an online retailer and a furniture group, wage payments were improved and overtime was reduced. However, these advances remained rather isolated – partly because, despite the ongoing complaint, the responsible companies did not involve the NGWF in efforts to achieve real, systematic improvements. The BAFA did not involve the trade union in the further process either.²¹

More responsible extraction of raw materials

To meet the aluminium needs of German industry, **bauxite** from which aluminium is extracted, is mined on a large scale in Guinea. **The consequences of mining for the people and environment in Guinea are serious:** mining destroys soil, impairs agriculture, pollutes drinking water, and causes water sources to disappear altogether.²² Local communities lose their land, often without receiving adequate compensation.²³ Houses have been destroyed by explosions, and many residents complain of respiratory diseases as a result of high levels of air pollution.²⁴

For a long time, German companies that are linked to bauxite mining in Guinea through their supply chains did not pay sufficient attention to these conditions. The LkSG now obliges them to exert their influence on the supply chain. As part of the so-called sector dialogues, several energy companies examined the human rights and environmental risks of bauxite mining in Guinea in more detail and sought contact with affected communities.²⁵ The companies placed particular emphasis on the effective and context-specific involvement of these communities in identifying negative impacts and developing solutions.

With the participation of various stakeholders, the companies are currently developing measures to restore destroyed areas.²⁶ A local coordination office for civil society organisations in Guinea, financed by the sector dialogues, acts as an interface to ensure that the measures are tailored to the needs of the affected communities.²⁷

Amadou Bah of the Guinean NGO Action Mines Guinée is convinced that the LkSG is having a positive impact on the situation in Guinea by bringing German companies and local organisations together and creating a framework for a common understanding of the human rights impacts on the ground. In his view, the law is an important instrument of social justice.²⁸

The LkSG appears to counteract the frequent serious environmental consequences of mineral extraction in other places as well. After reports of significantly elevated arsenic levels in the vicinity of a cobalt mine in Morocco that supplies a German automotive company, the BAFA intervened. Apparently, measures to limit the ecological impact were taken immediately.²⁹

In Peru, the mining, transport, and processing of copper are leading to the contamination of drinking water, fishing grounds, and soil, thus destroying livelihoods. Elevated arsenic levels in the blood of the local population – including many children – often cause cancer and other serious illnesses. In November

2025, several local rights-holders, together with Misereor, filed two BAFA complaints against a German metalworking company. They see the LkSG as one of their last chances to claim their rights.³⁰



Bauxite mining has devastated entire swathes of land. Source: Ricci Shryock for Human Rights Watch | CC BY-NC-ND 3.0 US.



Local sources of water are also affected by the mineral resource extraction. Source: Ricci Shryock for Human Rights Watch | CC BY-NC-ND 3.0 US.

Against involvement in land grabbing, forced labour, and displacement

Honduras is one of the world's largest palm oil producers. For years, the north of the country has seen violent attacks against smallholders who are reclaiming land that they have lost to large palm oil companies since the 1990s, sometimes by force. Since the 2000s, at least 160 farmers have been murdered. Between January and October 2023 alone, ten smallholders were killed. There are also reports of extrajudicial evictions, threats, and intimidation. At least one of the plantation companies is suspected of being involved in the attacks, for example through private security services.³¹ Several German companies have been sourcing palm oil from this supplier. Affected smallholders and local residents, supported by the Romero Initiative (CIR), therefore notified the companies based on the LkSG. **As a result, a large German chemical company and two major food manufacturers, among others, decided to stop sourcing palm oil from the supplier in question.** Although the LkSG only provides for the termination of business relationships in exceptional cases, in this instance the termination was an explicit demand of the complainants.³²

The **withdrawal of a major German automotive company** from China's Xinjiang region may also be related to the LkSG. Due to documented supply chain links of several German automotive companies to forced labour in the region populated by Uyghurs, the ECCHR had filed a complaint with the BAFA. **About a year and a half later, one of the companies closed its production plant in the region.**³³ In this case, too, complainants had demanded the termination of the business relationship unless the companies could ensure that violations would be prevented.³⁴

In another LkSG complaint, a business relationship did not even come about in the first place: Misereor and several other civil society organisations from Brazil and Germany filed a complaint against a large German transport and logistics company that had expressed interest in a controversial port and rail project in Brazil. The NGOs warned of the project's adverse impact on indigenous territories in the Amazon region and its serious ecological consequences. **After initially refusing to engage in talks, the company agreed to investigate the risks immediately after the LkSG complaint was filed** and ultimately decided against participating in the project. Whether the LkSG played a role in this decision is not publicly known.³⁵



Workers on a palm oil plantation in Honduras.
Source: Romero Initiative (CIR), Radio Progreso.

Demands of employees and their representatives are taken seriously

People in the supply chains of German companies around the world are using the Supply Chain Act to assert their rights. Many report a fundamental change in their relationship with German companies or their local suppliers and say that **they are being taken seriously for the first time.**

One example is a German chemical company producing seeds in Peru. In the past, the organisation Perú EQUIDAD reported, among other things, restrictions on freedom of association and disadvantages for trade union members. There were also cases of occupational safety hazards.³⁶ Since the LkSG came into force and a dialogue process with the BAFA began, workers have noticed **significant progress**, particularly in the **treatment of employees and trade unions.** The health infrastructure has also been improved.³⁷

In the textile sector in Pakistan and Bangladesh, which supplies many German companies, serious human rights violations are widespread. In 2023, a survey of Pakistani factories documented numerous labour law violations, including frequent denial of living wages.³⁸ However, textile union representatives report that the LkSG has brought about some change: **for the first time, they are sitting at a table with German companies, and suppliers are also treating them differently.**³⁹ A trade unionist from Bangladesh reports that the law gives unions more confidence in negotiations with local companies. Nasir Mansoor from the Pakistani trade union NTUF puts it this way: **'This law is like an oxygen tent for us. [...] This is big for me, this is a new instrument in my hand, a new hope.'**⁴⁰

In Brazil, too, NGOs and trade unions report that the impact of German and European legislation is clearly noticeable – for example in coffee and orange production. A Brazilian trade union sums it up: „For the first time, trade union representatives travelled to Germany for talks. We spoke to the largest coffee traders and orange producers. [...] This was due to German laws, and it was a big change for us.“⁴¹

However, the positive momentum generated by the LkSG is being called into question by **current developments in a complaint filed by the NTUF trade union, and supported by**

Femnet and the ECCHR, against a German textile discounter. After initially agreeing to talks, the company refused to take responsibility for the actions of its supplier in Pakistan, despite mass dismissals of local trade union members.⁴² Particularly problematic in this case was the role of the BAFA, which decided that the company had not committed any breaches without hearing the parties concerned. The aforementioned organisations have filed a complaint against this decision.⁴³

The case illustrates how fragile the successes achieved through the LkSG have been so far. For the law to become an effective tool against human rights violations in German companies' supply chains in the long term, the trust of the affected workers and local communities is crucial. This trust can only be built through systematic and transparent enforcement of the rules. It remains to be seen whether the BAFA, as the competent German authority, is willing and able to ensure such systematic enforcement. A decisive factor in this regard is the leeway that the BAFA will be allowed by the ministries that have authority over the office (namely the Federal Ministry of Economics and the Federal Ministry of Labour) and how independently the BAFA will be able to act in the future.⁴⁴

**„THIS LAW IS LIKE AN
OXYGEN TENT FOR US.“**

(Nasir Mansoor, 2025)



Drawing on the LkSG, employees of a German chemical company in Peru achieved a significant improvement in working conditions and company infrastructure. Source: Perú EQUIDAD.

Practical examples: How businesses are adapting



Putting human rights on the executive agenda

Clear responsibilities and accountabilities within companies are needed to effectively prevent and combat human rights violations and environmental destruction in their supply chains. Before the LkSG came into force, companies' sustainability departments were often willing to remedy human rights impacts, but they lacked sufficient power to act and enforce their decisions. According to many experts, this has changed with the LkSG: companies have expanded their capacities, and the issue is now better anchored in the corporate structure.

The **concentration of responsibilities** is repeatedly mentioned in this context: for example, many companies created the position of a human rights officer in order to implement the law.⁴⁵ The fact that the person responsible for the LkSG reports **directly to the board of directors** has

**„WITHOUT THE SUPPLY
CHAIN ACT, WE WOULD
HAVE SAID: WE DON'T
GIVE A DAMN“**

(employee of a
German company, 2025)

also greatly enhanced the importance of human rights and environmental due diligence within companies. Previously, these issues were rarely discussed at management level.⁴⁶

The implementation of the LkSG also leads to the involvement of other departments, such as the **purchasing department**. According to an evaluation of LkSG reports by the consulting firm Systain, almost all reporting companies involve the purchasing department in the law's implementation process.⁴⁷ In a survey commissioned by the JARO Institute, more than half of the companies surveyed cited legal requirements as the main reason for the stronger anchoring of sustainability in the purchasing department.⁴⁸ Risk-based audits by the BAFA in the respective companies have also helped to initiate change. Madeleine Koalick from the consulting firm Sustainable Links emphasises that this has created a new kind of pressure within companies, enabling the implementation of ambitious measures in supply chains.



Taking responsibility for the supply chain

As a first step, the LkSG requires companies to conduct a risk analysis of their own business and supply chain to identify human rights and environmental risks and impacts. **As a result, many companies are seriously assessing these risks for the first time.** According to reports from a company network for sustainable corporate management, even many large companies lacked centralised information about the sources of their products and services before the LkSG came into force. Others found that the previous risk assessment mechanisms were not suitable for actually identifying human rights risks. 'Before the Supply Chain Act, many companies were already screening their suppliers using questionnaires,' explains an expert from the network. 'But the Act has prompted them to prioritise certain risks, travel to production sites, and carry out cross-checks. It made them discover that the results of the questionnaires often had little to do with reality.'

In many cases, internal discussions about whether a company should treat a particular issue as a priority risk already make a difference.⁴⁹ Improving risk management also benefits the companies themselves: 'The new information obtained on the

basis of the law has a positive effect on quality assurance, can help to bundle contracts and thus increase efficiency, and increases the resilience of companies' supply chains to external shocks,' says the expert from the network for sustainable corporate management. **Many companies became aware of the impact that human rights risks have on their own business for the first time.**⁵⁰

The complaint mechanisms provided for in the LkSG are a key instrument. These allow rights-holders to report information about human rights risks or about violations that have already occurred directly to companies and demand redress. Experts unanimously agree that the LkSG and the BAFA's detailed guidance on the subject have led to a significant improvement in quality.⁵¹ This is also confirmed by Anna Weirich from the Fair Mobility Network, who regularly uses companies' complaint channels in her work.⁵²

At the same time, there is still considerable room for improvement. According to Michaela Streibelt from the German Business and Human Rights Helpdesk, 'the shifting of responsibility onto suppliers and box ticking exercises – i.e. merely ticking off human rights risks without seriously addressing them – are still very common.'⁵³ The above-cited Systain study of company reports shows that one third of the companies surveyed primarily

use automated software solutions for risk analysis – an indication that they did not seriously examine the risks in their own supply chain.⁵⁴ Almost half of the companies even stated that

they had not identified any risks either in their own operations or among their direct suppliers – a finding that is highly questionable, to say the least, for large international companies.⁵⁵



Taking action: prevention and remedy

In order to prevent human rights violations or mitigate environmental risks, companies must use the information they have gathered and take effective measures to prevent and remedy such violations. The case of a large German automotive supplier (hereinafter referred to as ‘Company A’) illustrates how these requirements of the law take effect in companies.⁵⁶ Company A employs temporary workers who are hired through an external recruitment agency. The risk analysis carried out by the company in accordance with the LkSG revealed that a group of Nepalese temporary workers were charged so-called recruitment fees. This means that they had to pay additional fees from their salaries, for example for their flights to get to their place of work. Opaque additional fees can pose a significant human rights risk, especially for migrant workers who are employed through third-party providers. The imposition of such fees is a common labour rights violation when employing temporary workers.⁵⁷

Company A took the violation seriously and responded: it not only ensured that the specific violation was remedied but also took preventive measures.

First, those responsible within the company spoke directly with the temporary workers to **determine the amount of the fees paid** and to **reimburse them**. In the next step, the company tackled the underlying causes: **it negotiated a new contract with the recruitment agency that explicitly prohibited recruitment fees**. In addition, the company assisted the recruitment agency in improving its recruitment and control processes to ensure that no recruitment fees are charged or

paid at any point. For the next group of temporary workers hired, Company A conducted ‘pre-flight’ and ‘post-arrival’ interviews to ensure that they had not had been charged any fees. Finally, an independent third party reviewed the effectiveness of the remedial measures.

According to one employee of the company, “without the LkSG [...] and the increased awareness in key positions in the companies following from it, [...] we would probably not have noticed this issue so quickly.” An expert from a sustainable business network also confirms: ‘The Supply Chain Act has led to the establishment of remedial processes in companies that did not exist before.’

In this context, companies are increasingly joining forces to take **joint action**. This is in line with the LkSG: companies must use their leverage in the supply chain and increase it as much as possible in order to effectively prevent human rights violations. This leverage is often greater when joining forces. One example of this is the Business Partner Code of Conduct developed by the German Association of the Automotive Industry (VDMA), which explicitly focuses on shared responsibility rather than passing risks on to suppliers.⁵⁸

At the same time, company reports show that in many places there is still considerable room for improvement in order to actually meet the law’s requirements. According to Systain, at least a quarter of the companies reporting in mid-2024 had not yet taken any preventive measures. Over 80% of companies had not identified any violations in their own operations, and more than 80% had not identified any violations among their direct suppliers and had therefore not initiated any remedial measures.⁵⁹ Given the well-known human rights risks in many industries, this is not a credible result.

The human rights implications of the legislative backlash

On 9 December 2025, the EU agreed on a series of measures to severely water down the CSDDD as part of so-called Omnibus I Directive. In addition, the German Federal Government intends to weaken the LkSG. In a directive to the BAFA in October 2025, the responsible ministries anticipated the legislative changes without having created a legal basis for such a directive.⁶⁰

The following changes to the CSDDD were, among others, decided upon in the Omnibus process:

- a drastic **reduction in the number of EU companies subject to the directive**, now including only corporations with at least 5,000 employees and an annual turnover of EUR 1.5 billion;
- **the abolition or significant weakening of some of the directive's enforcement mechanisms** by reversing the harmonisation of civil liability rules across the EU as well as, in comparison to the original CSDDD, reducing the fines in case of breaches.

At the German level, the Federal Government has instructed the BAFA to consider fines against companies only in cases of 'serious allegations' and only 'as a last resort in cases of grave human rights violations.'⁶¹

If these legislative changes were implemented in Germany, they would significantly reduce the level of human rights protection afforded by the LkSG. If, for example, the reduction in the number of companies subject to the law were to be applied in Germany, only around 150 German companies would still be obliged to implement the law, according to government numbers.⁶² Currently, around 2,900 German companies are covered by the law.⁶³ This means that the scope of companies covered by the law would be reduced to around five percent of the current scope. Although various legal experts unanimously agree that such a reduction in the current level of human rights protection in Germany would likely constitute a **breach of Germany's obligations under international and EU law**,⁶⁴ the German government has not yet clearly committed itself to maintaining the current scope of the LkSG.

Looking at how the LkSG is operating in the transport sector, such a reduction in scope would likely mean that a link between responsible logistics companies and German companies subject to the law could be established in significantly fewer cases. The number of cases in which truck drivers could claim fair pay would likely **drop dramatically**. It is also questionable whether the remedial measures planned by German companies in the raw materials sector in Guinea would continue to be implemented. Due to their size, several of the companies active in Guinea that have joined forces in the Energy Industry Dialogue would **suddenly no longer be legally obliged to implement such measures**.

The described weakening of sanctions under the LkSG would also have a massive impact on the law's effectiveness. Many of the cases described above are currently hanging in the balance. In order to provide rights-holders with access to justice, decisive intervention by the BAFA is required. As long as there is no practical way for them to seek compensation for human rights violations by means of civil law in Germany, rights-holders depend on enforcement by the competent German authority.

However, if the BAFA is only allowed to impose sanctions in exceptional cases, such resolute action becomes considerably more difficult. This could mean that supermarkets that import bananas from Costa Rica and Ecuador feel encouraged to argue that the withholding of wages and the health impacts caused by pesticide use do not constitute 'grave human rights violations.'

In view of the cases described, **the regulatory setback clearly threatens to become a dramatic setback in the realisation of human rights.** For the LkSG to be effective, it is therefore crucial that the Federal Government maintains the level of human rights protection applicable in Germany and demonstrates a clear willingness to enforce it against companies that fail to meet their obligations.

Conclusion

Practical examples of the LkSG's application by civil society organisations, trade unions, and companies demonstrate that due diligence legislation in Germany has already had a wide-ranging impact just a few years after coming into force. At the same time, it can be assumed that most of the law's effects are not visible to the public.

The (limited) selection of examples presented here shows that the law has so far had the most immediate impact on companies' own operations. This is consistent with the law's logic: contrary to what its name suggests, the LkSG specifically addresses human rights violations both in the actual business operations of companies and in their supply chains. Companies usually have the greatest influence on their own operations, which is why they can bring about change there most quickly, while changes further down the supply chain take more time.

Endnotes

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⁶ *Ibid.*, pp. 5-6.

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¹⁰ Personal communication with IndustriALL Global Union, 13 September 2025.

At the same time, the examples illustrate that there is still an urgent need for improvement in order to make the law more effective for the rights-holders – be it workers, human rights defenders, local communities, or smallholder farmers. Effective enforcement is crucial. In Germany, due to inadequate access to civil law protection, the enforcement of due diligence obligations has so far exclusively been the responsibility of the BAFA. However, due to its obligation to follow directives from the responsible ministries, the political independence of the German supervisory authority is questionable. Further restrictions that the ministries have imposed threaten to seriously impede its work. There are already obvious enforcement deficits when it comes to the BAFA's handling of complaints and notifications submitted by third parties, especially with regard to transparency and the involvement of complainants.⁶⁵

If Germany were to reduce the number of companies covered by the law, as stipulated in the EU Omnibus Directive, many of the above-mentioned companies could suddenly be exempted from their obligations – with immediate consequences for rights-holders in their supply chains.

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