



# The German Supply Chain Due Diligence Act (LkSG) Training for Suppliers

Sasol Germany GmbH | revision 1 October 2024

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# 1. Human Rights

Human Rights issues are widespread around the world



## ■ United Nations summarises:

- “ Human rights are rights that belong to all people, regardless of race, gender, nationality, ethnicity, language, religion or any other status ”
- “ Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more. Everyone is entitled to these rights, without discrimination ”

The German **Supply Chain Due Diligence Act (LkSG)** came into force on 01 January 2023  
It is intended to ensure compliance with **Human Rights and Environmental Regulations** in global supply chains  
Comparable legal requirements have been implemented in France, the UK and the Netherlands, among others

LINK: <https://www.un.org/en/global-issues/human-rights>

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# 1. Human Rights and objective of the training



Sasol expects its suppliers to stay informed about the legal requirements and regulations of the LkSG and take action to address Human Rights and environmental risks and violations



The LkSG training aims to provide an overview of Human Rights topics and the specific obligations imposed by the LkSG, to outline what we at Sasol must do to comply with the law, and to explain your responsibilities as our Suppliers



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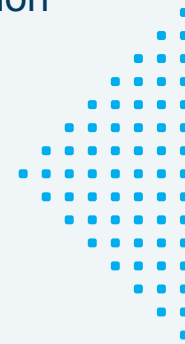
## 2. LkSG aims to strengthen Human Rights and Environmental Protection within supply chains (1/2)

- Strengthening **Human Rights** through:
  - prohibition of child labour and of all forms of forced or compulsory labour
  - ensuring safe and healthy working conditions
  - prohibition of discrimination
  - protection of the right to form and join trade unions and the right to collective bargaining
  - adequate wages and right to adequate living conditions
  - protection of livelihoods: including a ban on air, water and soil pollution, excessive water consumption
  - prohibition of using security forces for project protection if it leads to torture, harm to life or physical integrity, or impairs organising and association rights



## 2. LkSG aims to strengthen Human Rights and Environmental Protection within supply chains (2/2)

- **Environmental Protection** through the prohibition of:
  - manufacturing mercury-added products
  - using mercury in manufacturing after specified phase-out dates and improper treatment of mercury waste (Minamata Convention)
  - Production and use of certain chemicals (Stockholm Convention on Persistent Organic Pollutants)
  - Handling waste in an environmentally unsound manner (Stockholm Convention)
  - Exporting hazardous wastes from countries listed in the Basel Convention to countries not listed and importing hazardous wastes from non-parties to the Basel Convention





### 3. Examples of Human Rights violations

For our Suppliers to understand why it is so important to comply with the LkSG

#### Description

Amnesty International investigated in 2016 the **cobalt supply chain**, highlighting the harsh conditions under which cobalt is mined, particularly in the Democratic Republic of Congo (DRC). It underscores the contrast between the high-tech, glamorous image of modern technology products and the grim realities of cobalt mining, where children and miners work in hazardous conditions. The investigation documents how cobalt, sourced from areas with prevalent child labour, is sold to major corporations through a chain of Suppliers and Traders



#### Connection to Human Rights

The investigation emphasises the human rights violations in the cobalt mining industry. It points out that child labor and unsafe working conditions are rampant in the mines. Amnesty International calls on big brands to take responsibility for ensuring that their supply chains do not involve human rights abuses. The investigation reveals that cobalt mined under such conditions is eventually used in products by well-known companies like Apple, Microsoft, Samsung, Sony, Daimler, and Volkswagen

In summary, the report sheds light on the ethical implications of cobalt mining and challenges major corporations to address and mitigate Human Rights abuses within their supply chains

#### Consequences

Child Labor along with other Human Rights abuses is frowned upon. Consequences can include reputational damage, substantial media attention and public scrutiny to these companies regarding their supply chain practices, pressure on corporations to acknowledging the issues raised and outlining steps they take to address them, etc.

Source: Amnesty International (2016) | <https://www.amnesty.org/en/latest/news/2016/01/Child-labour-behind-smart-phone-and-electric-car-batteries/>

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### 3. Examples of Human Rights violations

#### Dow shareholders must help ensure justice for victims of Bhopal disaster

##### Description

Amnesty International is urging shareholders ahead of Dow’s annual general meeting on 11 April 2024, to consider withdrawing their investment from the chemicals company if it fails to rapidly meet its human rights responsibilities towards the more than 500 000 people still suffering from the Bhopal disaster, one of the world’s worst industrial incidents

Background: On 02 December 1984, a leak of about 40 tons of lethal Methyl Isocyanate gas (MIC) from the pesticide plant in Bhopal, then owned by US-based Union Carbide Corporation (now Dow), quickly killed thousands of people in the informal housing around the plant



##### Connection to Human Rights

The investigation emphasises the Human Rights violations related to Occupational Health & Safety. The ongoing Human Rights abuses in Bhopal, resulting from a gas leak and continuing site contamination, are unresolved with survivors awaiting justice, environmental clean-up, medical aid, and comprehensive rehabilitation. Amnesty International has urged Dow's investors to address the enduring suffering or severities. The untreated site continues to contaminate local resources, causing chronic health issues

##### Consequences

It is estimated that more than 22 000 people have died prematurely as a direct result of exposure to the gas, with deaths continuing to occur. More than 500 000 were injured or have suffered permanent harms, including through the inter-generational impact of MIC exposure on reproductive health, and through water sources contaminated by chemicals left on the site.

For Dow the triggering of an activist movement, increased media and public awareness leading to the potential loss of reputation and financial impact

Source: Amnesty International (2024) | <https://www.amnesty.org/en/latest/news/2024/04/global-dow-shareholders-must-help-ensure-justice-for-victims-of-bhopal-disaster/>

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## 4. Human Rights Risks under LkSG (1/2)



### Child Labour / worst forms of Child Labour

This includes situations where children are engaged in work that is mentally, physically, socially, or morally harmful, and often interferes with their schooling and overall development



### Slavery

This refers to situations where individuals are owned by others, deprived of personal freedom, and forced to perform labour or services against their will



### Forced labour

This involves work or services that individuals are compelled to perform under the threat of punishment and for which they have not offered themselves voluntarily



### Unequal treatment / discrimination

This occurs when individuals are treated unfairly or differently based on characteristics such as race, gender, age, religion, or disability, leading to disadvantages in employment and other opportunities



### Collective bargaining

This is the process where workers, through their unions, negotiate with their employers to establish terms of employment, such as wages, hours, and working conditions



### Freedom of association

This is the right of individuals to form and join groups, such as trade unions, to pursue common interests and protect their rights



## 4. Human Rights Risks under LkSG (2/2)



### Improper use of security forces

This involves the misuse of police, military, or private security personnel, often leading to human rights abuses such as violence, intimidation, or unlawful detention



### Adequate living wage

This is a wage level that allows workers to meet their basic needs, including food, housing, and other essential expenses, ensuring a decent standard of living



### Occupational health & safety

This refers to the standards and practices in place to ensure that workplaces are safe and healthy, preventing accidents and illnesses among workers



### Unlawful eviction and taking of land, forest, water

This involves the illegal displacement of people from their homes or the appropriation of natural resources without fair compensation or due process



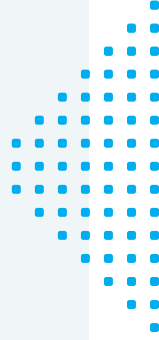
### Environmental damage / excessive water consumption

This encompasses activities that harm the environment, such as air, water and soil pollution and deforestation, as well as the overuse of natural resources like water consumption, which can lead to long-term ecological imbalance



### Act or omission in breach of duty to act

This refers to situations where an individual or organisation fails to perform an action that they are obligated to do, resulting in harm or violation of legal or ethical standards



## 4. Environmental Risks under LkSG

Manufacture mercury-added products / use of mercury / mercury compounds in manufacturing process / inadequate treatment of mercury waste (Minamata Convention)

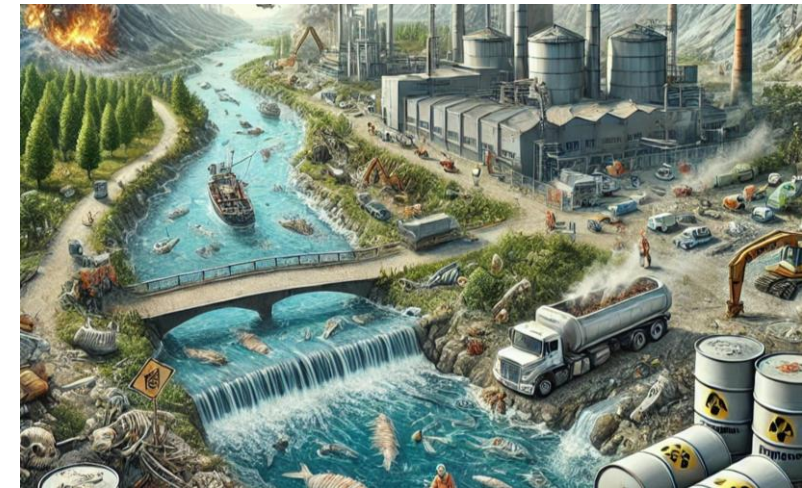
This involves the production or use of products containing mercury, as well as the improper treatment or disposal of mercury waste, which can lead to severe environmental and health impacts, in violation of the Minamata Convention aimed at minimising mercury pollution

Prohibited Production & Use of Persistent Organic Pollutants (POPs) (Stockholm Convention on POPs)

This refers to the manufacture or utilisation of persistent organic pollutants (POPs), which are chemicals that remain in the environment for long periods and can cause adverse effects on human health and the ecosystem, contravening the Stockholm Convention that seeks to eliminate or restrict these substances

Inadequate Handling, Collection, Storage, and Disposal of Waste (Basel Convention)

This includes improper management of hazardous and other waste materials, leading to potential harm to human health and the environment, contrary to the Basel Convention which aims to control and reduce the movement and disposal of hazardous waste across borders



Picture generated by AI

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# 5. Human Rights Framework

## Due Diligence obligations under LkSG



- Impacted companies, including Sasol, must implement nine due diligence (DD) obligations as required by the LkSG



Establishment of a risk management system	Preventive measures in own business area and towards direct suppliers	DD obligations regarding indirect suppliers in case of substantiated knowledge of violations
Appointment of one or more responsible persons within the company (Human Rights Officer)	Taking appropriate remedial action against violations	Announcement of a policy statement
Documenting and reporting	Regular performance of risk analyses	Establishment of a complaint's procedure

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## 6. This is what Sasol is expecting from you as our Supplier

### Why does LkSG apply to you as our Supplier? (1/2)



The LkSG is designed to enhance Human Rights and Environmental Protections within global supply chains

While it is a German law, it also pertains to companies that have their registered office, principal place of business, administrative headquarters, or a branch office in Germany



The law obligates Sasol Germany GmbH to apply the LkSG requirements throughout its supply chain, and we are dedicated to meeting this mandate

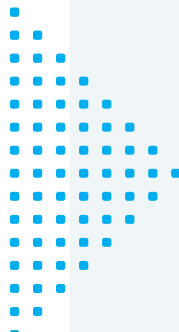
In conclusion, this LkSG compliance obligation extends to all Sasol Suppliers, no matter their geographical location or whether they fall under the law's jurisdiction



It is also crucial to acknowledge that Human Rights are a global concern, and companies (including our Suppliers) should take steps to eliminate the risk of Human Rights violations within their organisations and supply chains (including their Suppliers)

An increasing number of countries are implementing legislation requiring businesses to take greater steps to protect Human Rights. Examples include the UK (Modern Slavery Act 2015), Australia (Modern Slavery Act 2018) and Norway (Transparency Act 2022)

It is therefore in your interest to comply with the relevant Human Rights legislation



## 6. This is what Sasol is expecting from you as our Supplier

### Why does LkSG apply to you as our Supplier? (2/2)



As part of Sasol's global supply chain, Suppliers must comply with the relevant Human Rights legislations and should prepare for the implementation of the LkSG due diligence obligations if directly affected by the LkSG law

In general, violations can result in substantial fines, reputational damage and financial losses



It is the duty and social responsibility of all companies to respect Human Rights, such as by eliminating poor labour practices in their business, and to influence continuous improvements to reduce the risks of adverse impacts. This can be achieved through exemplary actions such as:

- **Respecting the rights of employees within their own value chain**, as protected by applicable laws and as defined in the Sasol Supplier Code of Conduct
- Supporting and respecting the protection of internationally declared human rights and labour rights
- If a Supplier **detects** a risk linked to human rights within their own operational domain or in their upstream value chain, or identifies an environmental **risk or specific violation**, **the Supplier is required to take appropriate measures to minimise the risk or end the violation without unreasonable delay**





# 7. Our suppliers are expected to follow the Supplier Code of Conduct

## Suppliers to operate with values and behaviours



We at Sasol focus on building reliable and long-term supplier relationships

When selecting our Suppliers and assessing new and existing Supplier relationships, we apply a risk-based approach in addition to economic criteria.

The selection and evaluation of Suppliers are therefore important components of our sustainable supply chain and risk management



We have set out our expectations of Suppliers in the [LINK: SUPPLIER CODE OF CONDUCT.](#)

In the present and future commercial relations between Sasol and its Suppliers, the supplier is expected to adhere to the principles provided in this Supplier Code of Conduct



We also require our Suppliers to operate with values and behaviours that are comparable to ours [LINK: SASOL CODE OF CONDUCT](#) and in a manner that is consistent with prudent business practice  
Non-compliant business practices are grounds for the termination of the business relationship



## 8. Sasol EthicsLine

If you see or hear something, you are expected to speak up



In the event that a Supplier identifies a **human rights-related risk** within their own business area or in their upstream value chain (i.e. sub-suppliers and other sub-contractors), **an environmental-related risk** or a concrete violation, the supplier is required to take appropriate measures without undue delay and inform Sasol immediately

A complaints procedure (**Sasol EthicsLine**) has been implemented, which is accessible to internal and external persons and can be used in case of concerns, actual or potential violations



If you would like to **make a report**, click [here](#) or enter the following link in your browser:

[https://eu.deloitte-halo.com/whistleblower/website/Sasol\\_EthicsLine](https://eu.deloitte-halo.com/whistleblower/website/Sasol_EthicsLine)

The Sasol EthicsLine can also be contacted by telephone

The telephone numbers can be found [here](#)



**SASOL**