

## Supply Chain Act: Technology to implement regulations is in place

- SCM specialist Setlog is developing a three-phase model to help companies bring transparency to their value chain.
- Pioneers come from the German fashion industry, among others for example, the fashion retailer KiK.



**Download** (click on image): Fashion production in Asia: To ensure that human rights are respected in manufacturing, the government coalition is introducing the Supply Chain Act. (Image: Kenny Lou/unsplash)

(Bochum, 02/22/2021). To help companies implement the Supply Chain Act that has recently been pushed by the current German government coalition, the Bochum-based software provider Setlog relies on a three-phase model designed to help companies bring transparency to their supply chain. The model is structured around the cloud-based IT tool "OSCA VCM (Vendor & Compliance Management)", which numerous consumer goods companies, such as KiK Textilien und Non-Food GmbH, use. "We are happy to be able to utilize digital solutions, which are constantly developed further, in order to centrally control and monitor audits, our code of conduct and corrective measures. Especially regarding the new Supply Chain Act," explains Ansgar Lohmann. He is the head of the Corporate Social Responsibility (CSR) department at KiK.

Setlog board member Ralf Duester disagrees with critics from the business world and politics who describe the regulations planned for 2023 as ineffective, too expensive and bureaucratic. "The law is long overdue, since just one-fifth of German companies with more than 500 employees currently comply with their duty of care in terms of respecting human rights. I can understand well that critics call for a harmonized EU-wide solution so that competition is not distorted. It also makes sense to me that proceedings cannot be initiated against a company with a simple e-mail and without serious evidence. But the argument that the planned regulations for controlling suppliers in the first tier technically unfeasible and too bureaucratic, was refuted by our

customers years ago. When supply chain partners communicate via one common software, they bring transparency to the value chain. But anyone who manages their global supply chain with phone calls, e-mails or self-generated Excel lists today, is not up to date anymore," says Duester.

In the Setlog system, companies from all industries can store their customer-specific requirements along their supply chains. Therefore, they can create unique specifications for auditing suppliers, define their own processes, set up an individual code of conduct, and request and track clearly defined corrective actions from suppliers. Companies can also specify that supply chain partners must answer individual questionnaires and that unannounced audits will take place. When using the tool, it is not relevant under which guidelines a company is audited whether Fair Ware, Fairtrade, BSCI, Sedex or other seals. Constant further development of the software allows inclusion of upstream suppliers, in addition to the direct suppliers necessary for the planned law.

Setlog CEO Duester advises companies to start preparing for the new regulations now, even though the law will not apply to companies with more than 3,000 employees until 2023 and to companies with more than 1,000 employees until 2024. "Implementing software is not enough. It's more about finding an ideal process. That can't be done in four weeks," says Duester. Setlog's experience has shown that a three-phase model leads to the desired results quickly. These three phases are:

1. **Assembling a collaborative supply chain:** It is about identifying and integrating the right partners for a future central IT system. Partners include suppliers, factories, warehouses, purchasing offices, quality control centers, laboratories and customers.
2. **Reorganization of partners:** In short term, it must be clarified who works with whom and what the structure of the supply chain should look like. The long-term goal should be to select partners based on defined criteria. This means that companies will only consider those suppliers as future partners, who comply with the code of conduct, carry out regular quality controls and meet toxicological limits in production. The important thing here is that companies have clear responsibilities and specifications.
3. **Use of software:** An IT system should eliminate media discontinuities. All partners must work centrally on a customer-based software product to exchange information in real time. The process steps are: define, verify and improve. Four topics are important: compliance with standards (profiles, guidelines, master data), regular audits (commissioning and initiating corrective actions), collaboration (responding to surveys), and evaluation of actions (reporting).

**Background:** According to the German government, around 80 percent of global trade passes through the supply chain networks of transnational companies. In many cases, there is a lack of

state control of health and occupational safety. In numerous cases, minors are also employed in the production of goods. In 2020, an evaluation by the German government showed that only about one-fifth of all German-based companies with more than 500 employees fulfill their duty of care regarding respect for human rights as formulated by the United Nations in its Guiding Principles. Since voluntary self-commitment did not lead to the desired result, the German government felt responsible for enacting a legal requirement to comply with due diligence in supply chains.

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**About Setlog**

Setlog Holding is a provider of customized supply chain management (SCM) solutions. Its core product is the cloud-based SCM software OSCA®, which is used by over 150 brands in the apparel, electronics, food, consumer goods and hardware sectors. With the help of OSCA®, companies connect to their customers, suppliers and service providers to optimally coordinate their supply chain, accelerate processes and efficiently manage supply chains.

Setlog GmbH is a wholly owned subsidiary of Setlog Holding AG. The company was founded in 2001 and is today one of the leading providers of SCM software with over 40,000 users in 92 countries. The software house employs 60 people at its locations in Bochum (headquarters), Cologne and New York. [www.setlog.com](https://www.setlog.com)