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Respecting human rights through an EU supply chain law

In its legislative own-initiative report "on corporate due diligence and corporate accountability" the EU Parliament makes proposals for a European supply chain law. The German chemical industry attaches great importance to the subject and supports the project of an EU-wide regulation in order to achieve a "level playing field". In view of the preparation of a legislative proposal by the EU Commission, we would like to point out that some of the EU Parliament's proposals should be reconsidered to enable workable and target-oriented legislation for sustainable supply chains.

Focus on human rights

- To ensure legal certainty, the scope of the future law should be limited to the respect for human rights. Including the areas of "environment" and "governance" would extend the scope of responsibility for companies too far and create additional legal uncertainty due to the lack of international standards.

Limit due diligence to tier 1

- The EU Parliament's report calls for the analysis and presentation of the entire value chain. Due to the sheer mass of suppliers (upstream) and users (downstream) a screening of whole value chains is impossible to realize. The scope of application with regard to corporate due diligence should be limited to direct suppliers (tier 1) in the supply chain outside the European Union.
- Companies must be able to know straight away what their concrete obligations are and what measures they are expected to take to fulfil their obligations. Here, companies need assistance such as recognized industry standards or universally applicable ratings that define the degree of due diligence for regions, raw materials and products.

Promote and recognize industry initiatives

- In the chemical-pharmaceutical industry, a variety of approaches to sustainable supply chain management already exist, such as Chemie³, Together for Sustainability or the Pharmaceutical Supply Chain Initiative. Industry initiatives as well as certifications should be recognized and supported by political decision-makers.
- The fact that a company applies a recognized industry standard should be taken into account in the due diligence or sanctions regimes, for example with safe harbour arrangements. This would provide positive incentives for the implementation and further development of appropriate standardisation to achieve the required level of protection.

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The VCI represents the politico-economic interests of around 1,700 German chemical companies and German subsidiaries of foreign businesses vis-à-vis politicians, public authorities, other industries, science and media. In 2020, the German chemical industry realised sales of ca. 186 billion euros and employed around 464,000 staff.

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The German Federation of Chemical Employers’ Associations (BAVC) is the head organisation for collective bargaining and social policy in the chemical and pharmaceutical industry, as well as large parts of the rubber and plastics processing industries in Germany. It represents the interests of its 10 regional member associations, with 1,900 companies and 580,000 employees, vis-à-vis trade unions, politics and the public.

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