



Supply Chains Act: Do not overburden SMEs

STATUS

The EU Commission will present a proposal on sustainable corporate governance in the second quarter of 2021, which is to regulate corporate due diligence obligations in supply chains and related liability issues. In parallel, a German supply chain law is being discussed at the federal level, which is foreseen to be adopted by the end of the current legislative period.

EVALUATION

The skilled crafts sector stands for sustainability. Supply chains in skilled crafts are often local and regional, and customers and suppliers work together in a trustful and long-term relationship. Many crafts enterprises are also committed locally to the quality and safety of products and services. However, legal regulations for providing evidence and sharing information in the supply chain are mostly created with industrial value chains and users in mind. For crafts enterprises, this often means additional bureaucratic burdens which not only impede good approaches, but are not at all proportionate to the market position or the possibilities of these enterprises.

Duties must remain proportionate and feasible. Most crafts enterprises obtain their products and goods through intermediaries in the EU. As a result, they usually have no direct contact with international suppliers. Obligations to provide supporting documents must therefore be limited to the import of goods when entering the European internal market. However, the further processing of goods in Europe should not be subject to those obligations.

Disclosure and evidence obligations also affect crafts enterprises indirectly. An obligation for large companies has an impact on suppliers and downstream service providers, as they often are contractually obliged to comply with existing rules and regulations as well. That is why there is a strong need to limit the scope of application by means of a high SME threshold and to limit these reporting obligations to the first supplier stage („tier-1“).

New regulations can hinder sustainable approaches, for example in the field of the circular economy. German organ builders, for example, import tin from Indonesia to make metal pipes. To be as sustainable as possible, old tin pipes are melted with new tin and cast into new metal pipes. There is no need for elaborate obligations to prove, which tin batch is to be assigned to which metal pipes, as they run counter to this resource-saving approach.

Take existing industry solutions into account. Crafts enterprises that can prove with existing sectoral quality seals that the materials they are processing do not originate from conflict regions or were produced under working conditions that violate human rights should be exempted from the planned control and verification obligations („white list“).

DEMANDS

Given the severe economic consequences of the Corona pandemic, a supply chain law must not lead to unnecessary burdens, especially for small businesses in the skilled crafts sector. Therefore, a future supply chain law

- should in general be proportionate and consider already established sectoral sustainability and CSR labels;
- should identify bureaucratic burdens for SMEs by means of applying a thorough impact assessment;
- should only be introduced at European level (*level playing-field*);
- should be practically limited to the first supplier stage (tier-1);
- must not foresee civil or even criminal liability;
- should not only focus on an SME exemption; because even with a high threshold, reporting obligations can be shifted to SMEs; and
- should at least respect the criteria for exempting SMEs laid out in of the CSR Directive 2014/95/EU.

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Responsible: 

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