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THE GERMAN SUPPLY CHAIN LAW

The Covid pandemic has brought for most countries strong economic setbacks. In particular smaller and family owned companies have been hit hard. Governments do their best with vaccination and controls to fight the problems which came totally unexpected. Economic support programmes are discussed everywhere. So there is at least a ray of hope for recovery.

Recovery, however, depends to a large extent on the regaining of competitiveness and on its further successful strengthening. For the growth of India's trade with Germany and the European Union a new law will be of major importance: The German Supply Chain Law which has been passed by the German Parliament after long and intensive discussions on 11 June, 2021. For the first time it makes importing buyers responsible for the social and environmental conditions not only in the manufacturing and exporting foreign company, but in all parts of the supply chain. This also includes sub-contractors and material suppliers of the final exporter in other countries. That means that the whole value chain has to be in line with social working conditions and ecological regulations and standards. The law aims at better protection of human rights and environment in the global economy for the benefit of all involved employees. How much importance politicians today give such objectives can be seen from the voting result. 412 out of 630 members of parliament were in favour of the supply chain control. The task of supervision has been given to the Federal Office of Economics and Export Control (BAFA). In case of violations this office can decide about monetary penalties and also blacklist importing companies from public procurement. In suspected cases legal action can be taken by trade unions, non-governmental organizations (NGOs) and other interested parties before German courts.

Germany will not be the only country taking such steps. End of March 2021 the European Parliament passed with big majority a Legislative Report about Human Rights and Environment Related Due Diligence of Companies. It recommended the EU Commission to introduce an EU wide law like the German initiative for the control of supply chains. Also the OECD has advised its member countries to go for similar activities. The opposition of private companies and associations against such laws which may have negative influence on competitiveness was not successful.

The German law will be in force from 2023 onwards for companies with more than 3000 employees. One year later all companies with more than 1000 employees must be compliant with the regulations. This will give Indian and other suppliers enough time for preparation. The examples of IGEPs social and ecological audits and certification in the natural stone industry, in the production of carpets, textiles and garments, shoes and many other sectors convincingly show that there is no reason for panicking. The legal requirements can be fulfilled; but one has to take the new development seriously. The supporters of the supply chain law will definitely try to cover all private companies. And if markets are lost once because of non compliance it needs Herculean strength to get them back.

Therefore let us work now! IGEP will support you.

With best regards
Dr. Dietrich Kebschull
Chairman