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ANNEX X

of the Commission Implementing Decision on the financing of the annual action plan in favour of the Asia Pacific region for 2022 Part 1

Action Document for Responsible Business Conduct for green, digital and resilient supply chains in Asia

ANNUAL PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plans in the sense of Article 23 of NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Responsible Business Conduct for green, digital and resilient supply chains in Asia OPSYS number: ACT-60871/JAD.981614 Financed under the Neighbourhood, Development and International Cooperation Instrument (<u>NDICI-Global Europe</u>)
2. Team Europe Initiative	NO
3. Zone benefiting from the action	The action shall be carried out in in Asia-Pacific, primarily in the Republic of Korea, Japan, Singapore, with possible activities in Australia and New Zealand.
4. Programming document	Regional Multi-annual Indicative Programme Asia and the Pacific 2021 – 2027 (RIP for Asia and the Pacific)
5. Link with relevant MIP(s) objectives / expected results	<p>In line with priority area 2.2.4 of the RIP for Asia and the Pacific 2021-2027, the proposed action intends to pursue EU and mutual interests with Asian partners in Asia and the Pacific (High Income Countries and other key partners).</p> <p>Relevant specific objectives from the 2021-2027 Regional MIP:</p> <p>SO 2 – Promotion and projection of EU policies and standards in collaboration and alliance with Asian and Australasian HICs (<i>alliance diplomacy</i>)</p> <p><i>In line with the EU's priorities, in particular the green and digital transition, international labour standards, decent work agenda, and regional connectivity, policy-driven action will cover the array of EU policies, in line with the evolution of the EU policy framework and the outcomes of bilateral/regional dialogues.</i></p> <p>SO 3 – Economic diplomacy: FTAs, level playing field, market access, investment promotion and protection, business opportunities</p> <p><i>The aim is to support the negotiation and implementation of trade and investment agreements, compliance with tax good governance standards, circular economy, raw materials, clean energy technology goods and products, international labour standards,</i></p>

	<p><i>competition, trade and sustainable development, sustainability and due diligence in global value chains, (green) procurement WTO-related and other similar actions. [...] Working on green/digital/responsible, equitable supply chains will be key to promote more resilient and greener post-COVID economies and build back better.</i></p> <p>Relevant expected results from the 2021-2027 Regional MIP:</p> <p>ER 3.1: Effective implementation of trade and investment agreements, including successful negotiations and enhanced cooperation on norms, regulations, standards and interoperability and the effective implementation of commitments by the Parties to adhere to international labour and environmental conventions.</p> <p>ER 3.6: Sustainable and resilient supply chains and sustainable food systems, as well as the promotion of decent work.</p>			
PRIORITY AREAS AND SECTOR INFORMATION				
6. Priority Area(s), sectors	Priority Area 2 – Pursuing EU Interests with Key Partners Sectors: Trade and Sustainable Development/Sustainable Corporate Governance			
7. Sustainable Development Goals (SDGs)	Main SDG (1 only): SDG 17 Partnerships for the Goals Other significant SDGs (up to 9) and where appropriate, targets: SDG 12 Responsible Consumption and Production SDG 8 Economic Growth and Decent Work SDG 9 Industry, Innovation and Infrastructure SDG 13 Climate Action			
8 a) DAC code(s)	25040 - Responsible business conduct			
8 b) Main Delivery Channel	47080 - OECD			
9. Involvement of multilateral partners	Yes			
10. Targets	N/A <input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
11. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
12. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @ digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Connectivity @ transport people2people energy digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Migration @ (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities (methodology for marker and tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	BUDGET INFORMATION			
13. Amounts concerned	Budget line(s) (article, item): 14 02 01 31 - South and East Asia Total estimated cost: EUR 4 000 000 Total amount of EU budget contribution EUR 4 000 000			
MANAGEMENT AND IMPLEMENTATION				
14. Type of financing	Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.2.1			

1.2 Summary of the Action

This Action aims to promote responsible business conduct (RBC) in global supply chains based on internationally-recognised OECD principles and standards by working with the OECD and key high-income EU trading partners in Asia, namely Japan, South Korea and Singapore. Activities may take place also in Australia and New Zealand, as relevant. More specifically, the action will promote (i) integration, convergence and harmonisation on RBC policies; (ii) boost industry capacity to implement RBC standards and engage in cross-cutting issues in the supply chain; and (iii) engage with market makers to adopt RBC standards and use their leverage in the market to lead to increased uptake of RBC standards. This Action supports multiple EU policies where RBC and OECD standards are mentioned. It also directly responds to challenges of global concern (e.g. disruption of essential supply chains, unsustainable consumption and production and their impact on the environment, climate change, growing inequalities, erosion of human rights, including labour rights, and the rule of law, health threats, digital transformation, etc.) and supports EU trade policy, access to partner country markets, and opportunities for EU companies. Moreover, it aims to contribute to the implementation of the international dimension of internal EU policies and widens understanding and visibility of the EU on the global stage, as envisioned by the NDICI.

2 RATIONALE

2.1 Context

Asia's relative importance and key role in global supply chains has only increased with the onset of the COVID-19 pandemic. Key supply chains, notably for the green and digital transition, and COVID-19 recovery (e.g. for raw materials, medical goods or electronics), are deeply integrated in the Asian region and directly impact European economic and broader policy interests.

This economic reality takes place against a backdrop of a changing geopolitical context, and in particular, rising geopolitical tensions which have seen trade policy increasingly politicised. The world's economic recovery from the COVID-19 pandemic is further aggravated by the immediate consequences of Russia's invasion of Ukraine. Inflation, food security, energy security and further supply-chain pressures are among the many challenges policy makers worldwide must tackle following the global ramifications of the conflict. In the region, China has joined the EU, United States, Japan, South Korea, and Australia as a key actor on the international stage, with its relationships defined by a mix of co-operation, competition, and systemic rivalry. Emerging economies increasingly comprise a growing share of global GDP and global trade¹ with trade in global value chains remaining as the most prominent form of business internationalisation.² Combined with trends towards regionalisation, decoupling of some supply chains, near-shoring trends, and additive manufacturing, the supply chains of the future present a rapidly changing context for EU interests. Additionally, the digital and green transitions, core European Commission priorities for 2019-2024, have brought to the fore key questions around decent work, digital rights, just transition, and the challenges with ensuring core labour rights are respected, including the right to a living wage, a safe and healthy workplace, and access to remedy for workers whose rights have been infringed.

At the same time, **COVID-19 crisis has reignited debates about the benefits of international trade and globalisation** and the ability of global value chains to ensure security of supply of essential goods and services, while generating benefits for all and ensuring that economic growth does not come at the expense of human rights and environmental protection. For instance, the COVID-19 crisis has further exacerbated impacts on the most vulnerable, with progress to end child labour stalling for the first time in 20 years, endangering recent progress made in Asia.³ Estimates of forced labour in global supply chains also indicate that a significant share of child labour and human trafficking in global supply chains occurs at their lower tiers in activities such as raw material extraction and agriculture, making due diligence, visibility and traceability challenging.⁴ While these concerns

¹ According to the IMF, emerging market and developing economies account for 57.8% of world GDP (2021). <https://www.imf.org/external/datamapper/profile/OEMDC>

² About 70% of international trade today involves global value chains (GVCs), as services, raw materials, parts, and components cross borders. <https://www.oecd.org/trade/topics/global-value-chains-and-trade/>

³ Child labour rises to 160 million – first increase in two decades. UNICEF, 2021. <https://www.unicef.org/press-releases/child-labour-rises-160-million-first-increase-two-decades>

⁴ Ending child labour, forced labour and human trafficking in global supply chains. ILO, OECD, IOM and UNICEF, 2019. <http://mneguidelines.oecd.org/Ending-child-labour-forced-labour-and-human-trafficking-in-global-supply-chains.pdf>

pre-date the COVID-19 crisis, the last two years in particular have seen public interest and expectations - within the EU, the OECD, and across Asian economies - increasingly focused on how to promote and support responsible supply chains, as evident also in the high-level statements at the G7, G20, OECD, ILO, WTO, APEC and ASEAN.

The EU has been at the forefront in introducing policies and strategies for sustainable and resilient COVID-19 recovery – underpinned by fair green and digital transitions. These efforts build on long-standing EU efforts to promote an economy that works for all, both within the EU and externally, as a stronger global actor ensuring the highest standards of climate, environmental and labour protection. This policy framework notably includes the EU Green Deal (2019)⁵; the EU Circular Economy Action Plan⁶; the “Farm to Fork Strategy”⁷ and the “Biodiversity Strategy” (2020)⁸; the new EU Industrial Strategy (2021)⁹; the EU Action on Human Rights and Democracy 2020-2024¹⁰, the Communication on Decent Work Worldwide (2022)¹¹ and, importantly, the recently adopted Commission package on the Circular Economy, which includes measures on products sustainability, textiles and construction material¹². Importantly, the European Commission is stepping up its commitment to promote sustainable and responsible value chains, including by pursuing additional mandatory due diligence initiatives at the EU-level. The new Trade Strategy ‘An Open, Sustainable and Assertive Trade Policy’ (2021) is promoting responsible and sustainable value chains as one of its main pillars and refers to autonomous measures in this regard [...], including through a proposal on cross-sectoral mandatory due diligence (Corporate Sustainability Due Diligence Directive (CSDD)). The CSDD and the elaboration of practical tools such as the 2021 “EU guidance on due diligence for EU companies to address the risk of forced labour in their operations and supply chains”, the recent updates of Non-Financial Reporting Directive (2014/95/EU) and Sustainable Finance Disclosure Regulation (2019/2088/EU), the entry into force of the EU Regulation on Responsible Mineral Supply Chains (Regulation (EU) 2017/821)¹³ are concrete examples of how the EU is upholding its commitments to lead globally on human rights and environmental due diligence for fair, prosperous and sustainable societies. “Supporting the business case for the twin transitions” is one of the key objectives of the EU Industrial Strategy. Importantly, sustainable and inclusive prosperity, green transition as well as digital governance and partnerships are also at the core of the EU geopolitical strategic framework for the region as laid down in the EU’s Indo-Pacific Strategy (2021)¹⁴.

These policies and strategies emphasise **the role of and contribution of the private sector to broader policy objectives**, notably with regard to **promoting and enabling responsible business conduct (RBC)** and a **level playing field for EU businesses** in the global market, while **reinforcing commitment to multilateralism and an open and rules-based trade and investment environment**. This reflects the growing experience and evidence that companies that are responsible do better during crises and that better risk management, awareness at the firm level and greater transparency are a key strategy for building overall resilience in the global economy.¹⁵ This also echoes the **global convergence around global common priorities** such as addressing the climate crisis and

⁵ Commission Communication “A European Green Deal”: https://eur-lex.europa.eu/resource.html?uri=cellar:b828d165-1c22-11ea-8c1f-01aa75ed71a1.0002.02/DOC_1&format=PDF

⁶ Commission Communication “A new Circular Economy Action Plan”: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020DC0098&from=EN>

⁷ Commission Communication “A Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system”: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020DC0381&from=EN>

⁸ Commission Communication “EU Biodiversity Strategy for 2030: Bringing nature back into our lives”: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0380>

⁹ Commission Communication “Updating the 2020 New Industrial Strategy: Building a Stronger Single Market for Europe’s recovery”: https://ec.europa.eu/info/sites/default/files/communication-industrial-strategy-update-2020_en.pdf

¹⁰ https://www.eeas.europa.eu/sites/default/files/eu_action_plan_on_human_rights_and_democracy_2020-2024.pdf

¹¹ <https://ec.europa.eu/social/main.jsp?langId=en&catId=89&furtherNews=yes&newsId=10172>

¹² Cfr. https://ec.europa.eu/commission/presscorner/detail/en/ip_22_2013, Press Release of 30/04/2022 “Green Deal: New Proposals to make sustainable products the norm and boost Europe’s resource independence”, following the launch of the “Communication from the Commission on making sustainable products the norm”: https://ec.europa.eu/environment/publications/communication-making-sustainable-products-norm_en

¹³ Regulation (EU) 2017/821 of the European Parliament and of the Council of 17 May 2017¹⁴ laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas.

¹⁴ https://eeas.europa.eu/sites/default/files/jointcommunication_2021_24_1_en.pdf

¹⁵ Building more resilient and sustainable global value chains through responsible business conduct. OECD, 2021. <https://mneguidelines.oecd.org/rbc-and-trade.htm>

channelling the financial sector action to speed up green and digital transitions, as evidenced for example by the outcomes of the COP 26¹⁶ as well as the adoption of G20 Sustainable Finance Roadmap¹⁷.

Most notably, the Commission proposal on **EU legislation on mandatory due diligence (Corporate Sustainability Due Diligence Directive)**¹⁸ aligns with and covers international RBC principles and standards, which is also the case for already existing mandatory due diligence legislation in individual EU Member States (e.g. France¹⁹ and Germany²⁰). The legislation implies that there will be an increasing need to support businesses as well as build capacity for supply chain partners to meet the forthcoming obligation to identify, prevent, mitigate and account for adverse human rights and environmental impacts throughout the value chain. The due diligence process set out in the EU CSDD Directive aligns with and should cover the six steps defined by the OECD Due Diligence Guidance for RBC, which include due diligence measures for companies to identify and address adverse human rights and environmental impacts. This encompasses the following steps: (1) integrating due diligence into policies and management systems, (2) identifying and assessing adverse human rights and environmental impacts, (3) preventing, ceasing or minimising actual and potential adverse human rights, and environmental impacts, (4) assessing the effectiveness of measures, (5) communicating, (6) providing remediation.

It is within this context that the EU and the OECD are collaborating to promote and enable coherent implementation and alignment around international RBC principles and standards and to work in partnership with selected high-income countries in the region, namely Japan (OECD member), South Korea (OECD member), and Singapore (OECD partner).²¹ Like-minded economies in Asia-Pacific like Australia²² and New Zealand²³ (both OECD members) might also co-operate in the action being also important regional economic actors in promoting and enabling responsible business conduct.

These high-income countries are key EU political partners in the region as well as key commercial markets that EU companies collaborate and compete with. Japan is the EU's second largest trading partner in Asia and seventh largest partner for EU exports and imports of goods. Together, the EU and Japan account for a quarter of global GDP.²⁴ The EU is South Korea's biggest foreign direct investor and South Korea's third largest export market; EU exports of goods to South Korea increased by 78% from 2010 to 2020.²⁵ Singapore is the EU's largest trading partner in Southeast Asia, accounting for one-third of EU trade with the region and over two-thirds of EU foreign direct investment stock in the region.²⁶ The EU is New Zealand's fourth largest trading partner and export market, and accounted for 14.9% of all imports into New Zealand in 2020. It is the 7th largest foreign direct investor in New Zealand. The EU represented Australia's 3rd largest trading partner in 2020 (after China and Japan and before the US). Total trade in goods accounted for €36 billion in 2020 and total trade in services added another €26 billion in 2019.

The EU, the OECD, and the aforementioned Asia-Pacific economies are natural partners to promote RBC due to their close economic links and alignment around strategic priorities on RBC. This notably includes:

¹⁶ <https://ukcop26.org/the-conference/cop26-outcomes/>

¹⁷ <https://g20sfwg.org/wp-content/uploads/2021/10/G20-Sustainable-Finance-Roadmap.pdf>

¹⁸ Published on 23 February 2022; https://ec.europa.eu/info/publications/proposal-directive-corporate-sustainable-due-diligence-and-annex_en

¹⁹ LOI n° 2017-399 du 27 mars 2017 relative au devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre

²⁰ Gesetz über die unternehmerischen Sorgfaltspflichten in Lieferketten, Bundesgesetzblatt Jahrgang 2021 Teil I Nr. 46, http://www.bgbl.de/xaver/bgbl/start.xav?startbk=Bundesanzeiger_BGBI&jumpTo=bgbl121s2959.pdf

²¹ Considering Australia and New Zealand are also OECD members, it is envisioned they would also be included in activities where relevant.

²² In Australia, the Modern Slavery Act (2019) requires larger companies and other entities to report on how they are preventing and addressing modern slavery risks in their operations and supply chains. By managing and reporting on the risks of modern slavery in their operations and supply chains, Australian entities join the international effort to eliminate modern slavery.

²³ New Zealand Supplier Code of Conduct requires all contracted suppliers to “monitor and address” adherence to international human rights standards within their supply chains, including labour standards. Additionally, the Government Procurement Rules require that for designated contracts, procuring agencies must conduct due diligence to ensure employment standards are met by the supplier, including within their domestic supply chain. An overview of New Zealand's efforts on RBC and procurement is available in OECD publication on *Integrating Responsible Business Conduct in Public Procurement*. Modern Slavery legislation is expected to be introduced in the near future after a cross-party Committee recommended its introduction “as soon as possible” in mid-February 2022.

²⁴ <https://ec.europa.eu/trade/policy/countries-and-regions/countries/japan/>

²⁵ <https://ec.europa.eu/trade/policy/countries-and-regions/countries/south-korea/>

²⁶ Report from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of the Regions on the Implementation of EU Trade Agreements. European Commission, 2020.

- The EU and EU Member States are at the forefront of promoting RBC. They actively adhere to²⁷ and support the development of and use of OECD RBC instruments and due diligence framework and have referenced it in EU and domestic legislations; and consistently make them a reference point in key strategies, e.g. as part of Trade and Sustainable Development chapters of EU trade agreements.
- The OECD Guidelines for Multinational Enterprises and its related due diligence guidance²⁸ are the main international standards and cover all aspects of key areas of business responsibility, including human rights, labour rights, the environment, consumer interests, as well as information disclosure. They are aligned with the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO MNE Declaration) and the UN Guiding Principles on Business and Human Rights (UN Guiding Principles). These three instruments have become key global reference points for responsible business. Practical OECD due diligence guidance can help also operationalise the UN and ILO instruments (including ILO core Conventions) and help clarify private sector contributions to the Sustainable Development Goals.
- The EU and the OECD, along with the ILO, have significant experience working on RBC in the region through the existing collaboration under the *Responsible Supply Chains in Asia* Action (2018-2022) and through other global RBC work. Japan, South Korea, Australia and New Zealand have also established National Contact Points (NCPs) to further the implementation of the OECD RBC instruments. Additionally, the OECD's ability and expertise on mainstreaming RBC into economic policies and access policy communities across topics relevant to RBC is unique among international organisations.
- The new OECD global relations strategy and vision for the next decade for the OECD directly references RBC. The partner economies under this Action are like-minded partners of the EU and have also acted on RBC in their own economies.

This Action will contribute to EU's objectives under the NDICI in **supporting innovative policies/initiatives and deepening EU relations and dialogues, forging alliances and partnerships with partners of strategic interest across political, economic and security issues**, notably in (i) responding to challenges of global concern; (ii) supporting the EU trade policy, access to partner country markets, boosting trade, investment and business opportunities for companies from the EU while promoting sustainability, responsibility and accountability (iii) contributing to the implementation of the international dimension of internal EU policies such as, inter alia, environment, climate change, energy, digitalisation and decent work; and (iv) enhancing and widening understanding and visibility of the EU and of its role globally.

2.2 Problem Analysis

This Action intends to promote convergence and alignment in policies and in the market around a common understanding of and approach to RBC based on internationally-recognised rules and standards. The Action aims to build a level playing field for EU businesses, while ensuring a positive business contribution to sustainable development and, more specifically, the policy objectives mentioned above.

In particular, the Action will target (i) integration, convergence and harmonisation on RBC policies; (ii) boosting industry capacity to implement RBC standards and engage in cross-cutting issues in the supply chain; and (iii) targeted advocacy with “market makers” to adopt RBC standards and use their leverage in the market.

These objectives directly aim to address:

- *Lack of policy alignment and coherence:* the current landscape of RBC-related policies in partner countries and in the region overall is mixed; governments face challenges in coordinating efforts across Ministries in the promotion and implementation of different international standards on RBC, which are often the responsibility of different Ministries. There is also a need to increase understanding and buy-in of RBC amongst traditional Ministries (e.g. trade, finance) that environmental and social dimensions are relevant to achieving their goals and national policy objectives.

²⁷ 25 EU members formally adhere to OECD RBC instruments, with the exception of Cyprus and Malta.

²⁸ <https://mneguidelines.oecd.org/guidelines/>

- *Complex operating environment for business:* Business activities and relationships span multiple countries, sectors, and many cultural, legal, and regulatory environments. This complexity, coupled with the intensely competitive nature of international business, presents businesses and their stakeholders with unique and specific challenges. Building the capacity of business on RBC and implementing risk-based due diligence assists leaders, while also incentivises uptake of RBC in the market overall and makes it harder for businesses who neglect RBC in an attempt to gain undue competitive advantage.
- *Supporting better resilience of supply chains:* OECD research demonstrates that business practices can minimise or aggravate value chain disruptions and their impacts.²⁹ Yet there is still lack of awareness overall about the role of RBC in building resilience. The capacity of businesses in Japan, South Korea, and Singapore to conduct robust human rights and environmental due diligence remains limited. For example, recent survey data in Japan produced by government agencies and business associations indicates only a small proportion of businesses have implemented human rights and environmental risk identification, risk prevention and related management measures.³⁰ RBC due diligence can improve business knowledge of their value chains, equipping them to better identify vulnerabilities. Building lasting, stronger relationships with suppliers through due diligence processes has been identified as an important factor in building value chain resilience.
- *Acting now to support global priorities:* In light of urgent need to act on climate, support COVID-19 recovery, and meet the SDGs,³¹ there is a need for businesses to *act now* and speed-up action to support these broader priorities. OECD RBC instruments are practical and operational. The OECD also has experience working with ‘market makers’ such as the financial sector to support action on RBC, and this approach will be an integral part of this Action.
- *Moving towards more evidence-based policy making:* The current lack of relevant and quality data and indicators on RBC significantly limits the understanding of policy makers of the uptake and effectiveness of RBC policies and practices. Limited evidence-based policy making may lead to confusion and unnecessary costs for businesses, policy choices that might not work in practice, and to a sub-optimal use of government resources.
- *Lack of institutional capacity on remedy:* Complex global supply chains, corporate structures and sub-contracting practices have made it difficult to understand where responsibility for impacts caused by business activities begins and where it ends, and presents a challenge for accountability. The adverse impacts of international business operations on communities and the environment are very visible in Asia (like in other world regions) as the increasing cases in supply chains presented to the attention of OECD and EU National Contact Points on RBC demonstrate. There is therefore a need to further build links and strengthen the system on remedy.

Identification of main stakeholders:

Considering the multi-stakeholder character of the proposed action, foreseen activities will entail close collaboration with key RBC actors both in the EU and the three main partner countries such as:

- the relevant national authorities (often Ministry of Commerce, Ministry of Industry, Ministry of Trade and/or Ministry of Investment in charge of inter-departmental coordination, Environmental Ministries, Labour Ministries, or sector specific Ministries);
- Businesses (e.g. Multinational enterprises, who can function as champion and leverage in a global supply chain), chambers of commerce (European-Asia CoC), European Centres for the Promotion of Imports from developing countries as well as businesses associations (e.g. Foreign Trade Association) including at national level and

²⁹ See Building more resilient and sustainable global value chains through responsible business conduct. OECD, 2021. <https://mneguidelines.oecd.org/rbc-and-trade.htm>

³⁰ See Japan Ministry of Economy, Trade and Industry 2021 survey <https://www.meti.go.jp/press/2021/11/20211130001/20211130001-1.pdf>, with additional reporting here: https://www3.nhk.or.jp/nhkworld/en/news/20211130_31/. See also Japanese Business Federation Keidanren 2020 Survey: https://www.keidanren.or.jp/en/policy/2020/098_summary.pdf. The Japan Ministry of Environment also commissioned a survey carried out by Mitsubishi UFJ Research & Consulting on environmental due diligence practices among Japanese business in October 2020.

³¹ The 2030 Agenda calls for a robust involvement of the private sector in global development efforts and the implementation of RBC standards is recognised as essential for the private sector’s contribution to the SDGs. The coming decade is likely to see increasing needs for RBC data to support tracking of SDG progress. See <https://mneguidelines.oecd.org/Draft-report-for-the-stocktaking-of-the-OECD-guidelines-for-multinational-enterprises.pdf>

employers and business organisations at multi-sector level (e.g. Business Europe, International Organisation of Employer) and sector level;

- relevant Civil Society Organisations; trade unions (local and international);

- country-specific highly qualified RBC research and consultancy entities (e.g. think tanks, academia, etc.);

- Other international organisations / networks, e.g. the ILO, UN Global Compact, Global Reporting Initiative, UNIDO's Global Resource Efficient and Cleaner Production Network, UNEP, UNESCAP, etc.

- Specific networks focusing on CSR/RBC or sustainable development (e.g. CSR Asia, ASEAN CSR Network, Amfori, CSR Europe, etc.).

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

Overall Objective (Impact)

The **Overall Objective (Impact)** of this action is to contribute to enhancing convergence and alignment around responsible business conduct (RBC) policies and practices in Asia, based on internationally-recognised RBC rules and standards for global supply chains, with a view to build a level playing field for businesses and promote due diligence-related EU policies.

Specific Objectives (Outcomes)

The **Specific Objectives (Outcomes)** of this action are to:

1. Enhance knowledge and awareness of RBC policies (including EU and OECD approaches) as well as convergence, and harmonisation and mainstreaming of RBC in public policies.
2. Boost industry capacity to implement RBC standards and engaging on cross-cutting issues in the supply chain, including mobilising businesses to advocate for public policy on RBC.

Outputs

The outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

1.1 Contributing to Outcome 1 (or Specific Objective 1): Standardising RBC - Policy Alignment, Coherence, and Advocacy.

Main aim of this track is to assist policy makers embed and mainstream RBC in economic policy, with the aim to drive coherence across policy areas and ultimately promote a playing field for responsible businesses conduct at global level. The OECD has extensive experience in doing so and the OECD Council is expected to adopt by early 2022 a new and comprehensive policy instrument to assist governments. The instrument will bring together provisions from various OECD legal instruments and other guidance documents on RBC or RBC-related areas and will contain guidance on government policies for RBC (including trade, investment, corporate governance, development finance, environment, and other areas).

2.1 Contributing to Outcome 2 (or Specific Objective 2) :

Operationalising RBC - making RBC mainstream and boosting industry capacity to implement RBC standards. This track would aim to support implementation of RBC by enabling scale and simplicity for business in particular working with partners to scale up implementation of RBC due diligence standards and targeted engagement with market makers in specific sectors and on priority themes. Targeted engagement with 'market makers' to adopt RBC standards and use their leverage in the market to lead to increased uptake of RBC standards in the market is also envisioned.

3.2 Indicative Activities

Indicative activities to support the implementation of the aforesaid outputs would include the following:

Activities related to Output 1.1

Activities will focus on 1) providing practical technical advice to policy makers and 2) using OECD convening power to organise peer-exchanges on key RBC issues. By doing so, the action will advance *alliance diplomacy*, i.e. it will strengthen alliances between the EU and like-minded countries in Asia-Pacific. This will contribute to position the EU as standard setter, based on the internationally recognised OECD, UN and ILO instruments and standards (i.e. *the OECD Guidelines for Multinational Enterprises*, *the OECD Guidance for Responsible Business Conduct*³² and other sector-specific due diligence guidance, *the UN Guiding Principles on Business and Human Rights*³³, *the ILO MNE Declaration*³⁴) which shape EU policies like trade and investment, socio-economic as well as environmental policies.

More specifically:

1.1. Providing practical and technical advice to policy makers: Activities would include tailored country support and technical advice with a focus on integrating RBC in economic policies, with activities to be anchored around trade and investment; resilience and functioning of supply chains in light of COVID-19, labour rights, strategic autonomy and circular economy considerations; sustainable corporate governance; green and digital transformation; and regional integration and cooperation. Activities would include policy reviews; engagement around salient issues facing policy makers; series of practical policy roundtables, workshops and roundtables on key supply chain issues; as well as multi-country policy review(s) and diagnostic studies (thematic and/or sectoral).

1.2. Building institutional capacity on RBC: Activities would include establishing a high quality network of the Asian National Contact Points (NCPs) for RBC to strengthen the system and organising more exchanges between EU and regional NCPs, as well as considering the establishment of centre of excellence for RBC, which could be hosted by one of the countries under the action. Activities would also envision establishing regular exchanges among OECD and EU Member States on RBC. These activities are intended to facilitate cooperation with relevant counterparts on RBC, such as the NCPs. No direct funding or financial support to individual NCPs is envisioned.

1.3. Prioritising evidence-based policy making on RBC: Considering the high-income countries under this Action and their relative high capacities on data, the OECD would look to expand empirical research on RBC impacts in the supply chain to support policy discussions with key new data/indicators (e.g. on RBC and land use, RBC and Co2 emissions, RBC and waste, RBC and biodiversity, etc.) and assisting with monitoring the up-take and impact of implementing RBC due diligence.

Activities related to Output 2.1

Activities will focus on 1) working with partners to scale up implementation of RBC due diligence standards and 2) targeted engagement with market makers in specific sectors and on priority themes. It would also encompass mobilising businesses to advocate for public policies on RBC. The implications of the EU proposed legislation on environmental and human rights due diligence, once applied, on businesses with value chains extending throughout Asia and businesses in HICs with significant economic activities in the EU could become another key area of work under this track.

More specifically:

2.1. Training and outreach on RBC risk-based due diligence. Activities will encompass wide roll-out of due diligence training materials and e-learning modules; consultations around key practical tools of the OECD which aim to assist companies with due diligence and adverse human rights and environmental impacts; new resources

³² <https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>

³³ https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

³⁴ https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/publication/wcms_094386.pdf

and training materials (e.g. new e-learning courses on key topics, based on demand from business (e.g. due diligence for SMEs)); and explanatory notes and briefs for business on key themes/issues (e.g. digital tools available to business to enable due diligence).

2.2. Aiming at scaling up due diligence implementation: Activities will entail undertaking alignment assessments with certification groups/key critical commodities in Asia; supporting key local industry associations to develop dedicated RBC work programmes with their members; series of outreach and awareness raising with key partners and stakeholder groups; and organising multi-stakeholder roundtables.

2.3. Targeted engagement on strategic sectors and priority themes: In order to contribute to global priorities such as addressing the climate crisis and channelling the financial sector action to speed up green and digital transitions, the OECD will enhance advocacy on RBC, promote its integration into relevant policies at country and regional level as well as the up-take of RBC practises by businesses in the region. In particular, this would entail working with the electronics and financial sector as well as promoting due diligence.

Geographic and sectoral considerations

Geographic scope. The high-income economies under this Action namely Japan, South Korea, and Singapore (with possible activities taking place also in Australia/New Zealand) are like-minded and key EU trading partners and regional leaders committed to implementing OECD RBC instruments, as well as broader policy goals and priorities such as fight against climate change, the rule of law and commitment to multilateralism. Japan and South Korea are OECD members and adherents to RBC, as well as to other relevant OECD instruments (including corporate governance, public procurement, and SOEs among others). As adherents to RBC instruments, both Japan and South Korea have functioning state-based and supported National Contact Points on RBC.

The partnership between the EU and these like-minded countries would demonstrate significant leverage on RBC in the region and would help normalise RBC and drive increased alignment in the region – on the basis of OECD instruments and EU-based rules. The Action will also contribute to EU's own priorities and to understanding concerns and positions of key EU trading partners in the region. Ultimately, the partnership between the OECD, EU and the countries under the scope of the Action is expected to increase transparency, reinforce regulatory co-operation and promote rules-based multilateralism.

In Japan, the concept of CSR/RBC has become mainstream, especially by multinational companies, since the early 2000s particularly in the area of environmental conservation and green procurement. Many Japanese companies are leaders in this area. With regard to social aspects such as corporate governance, human rights, decent working conditions and gender equality, a large focus of the national debate has been so far on domestic firms and workers. Japanese companies are increasingly taking into account social risks in their own business operations and supply chains, and OECD instruments, tools, guidance and resources can be helpful to accelerate learning and implementation. For example, the 2021 revised Keidanren Charter of Corporate Behaviour (8th edition) and its implementation guidance include several meaningful references to OECD RBC instruments.

On 13 December 2021, the Japanese business federation Keidanren revised chapter 4 on "Respect for Human Rights" in the Implementation Guidance on its Charter of Corporate Behaviour and formulated a "Handbook for Business Management that Respects Human Rights", which both reference the OECD instruments and are in line with UNGPs.

The Minister of Economy, Trade and Industry (METI) in Japan recently announced at a press conference on 15 February, 2022 that '*the government will compile guidelines for human rights due diligence to eliminate human rights violations from supply chains*' by summer. The Minister also referred to Europe and other countries which are making mandatory legal instruments, and noted that "*we will consider the possibility of formulating a law in the future, taking into account domestic and international trends, including discussions on international cooperation*".

In South Korea, a new development strategy has been announced to support COVID-19 recovery, which includes strengthening employment and social safety net, and promoting transition towards a digital and green economy. In this context, series of measures have been introduced, including mandatory Environmental, Social and Corporate (ESG) disclosure for listed companies and review of the stewardship code to improve ESG factor

integration into their decision-making. Moreover, in 2021 South Korea passed motions to ratify 3 out of 4 pending ILO core Conventions, including on freedom of association and protection of the right to organise, collective bargaining and forced labour.

In Singapore, the focus would be on the financial sector. Singapore is a global financial hub, so efforts will be made in particular to target key topics that have a reverberating effect also on other sectors, e.g. commodity trade finance³⁵. In addition, a number of key hubs on RBC (e.g. Grow Asia) and learning (National University Singapore, INSEAD business school, etc.) are based in Singapore, and could act as resources for RBC knowledge management and learning.

The outputs above will be pursued through partnerships and activities implemented primarily starting at country level. To facilitate exchanges of best practices for cross-fertilisation and expansion of alliances for policy coherence and advocacy on RBC, some activities might be scaled-up using a multi-country approach and involve other like-minded countries in the region, such as Australia and New Zealand.

Australia and New Zealand, both OECD members, are already important trade partners for the EU. The on-going bilateral FTA negotiations with Australia and New Zealand are expected to enhance the trade and investments flows with the EU considerably. Common concerns that are being addressed in the negotiations (as well as in other forums) with both Australasian partners include promoting trade in green goods, making sure trade supports sustainable development and environmental protection, and boosting trade in services. In this regard, the involvement of Australia and New Zealand in this action could contribute to further policy alignment in the areas above in the course of the FTA negotiations. As countries leading on corporate due diligence both internally and with their trading partners (e.g. the integration of RBC standards in public procurement legislation and the adoption of the Modern Slavery Act) Australia and New Zealand could contribute to advance policy advocacy and operationalise RBC in the region and beyond.

Sectoral/thematic scope. In implementing activities under the action, the overarching tracks will integrate sector and thematic emphasis where relevant, especially related to digitalisation, green, trade and investment policy, resilience of supply chains and financial sector. Activities are planned at both country and regional levels (i.e. multi-country level involving high-income countries in the Asian region). The Action will also see dedicated emphasis in three sectors and one thematic cross-cutting area, namely:

- **Electronics sector:** this sector is of high importance being related to EU strategic autonomy and just green/digital transitions. Considering that the countries under Action are key players, especially when it comes to semi-conductors and their value chains (which underpin innovation and competitiveness in all major sectors of the economy and have been also under shortage due to the pandemic), the focus of activities under this Action will be on promotion of the adoption of due diligence widely in the sector and across the whole-supply-chain, targeting relevant business associations; organising regional workshops and roundtables and feeding into work of existing alliances; and providing targeted policy support in development of new policies that aim to address digital/green transformation (e.g. as outlined in Commissioner's Breton's latest speech on *The Geopolitics of Technology* [here](#), July 27 2021). Based on demand, the OECD could also look to convene a regional practitioner's network and involve relevant EU and OECD business associations. The OECD would look to develop case studies and resource documents/diagnostic reports that map out key environmental and social risks as well as advocate about the value of RBC in the sector and how RBC can help prop up resilience and better socio-economic as well as environmental outcomes overall.
- **Financial sector:** activities will aim to promote convergence and alignment in the market, based on best international practice and using OECD standards (especially RBC due guidance for institutional investors, corporate lending and securities underwriting, and forthcoming guidance on project and asset-based finance) in light of widely differing practices in the market on what is considered sustainable or ESG-compliant. Increased country engagement with the sector will include technical engagement with policy makers and industry around RBC (which has been recognised by the International Platform on Sustainable Finance and the Commission as a key tool for financial service providers), development of diagnostic sector reports, and workshops/roundtables building on ongoing engagement in the region (e.g. in Japan

³⁵ See for example December 2020 article [Commodity finance industry in Singapore gets code of best practices](#)

with the Financial Services Authority). It would also entail building out networks in South Korea and Singapore. Singapore is a global financial hub, so efforts will be made in particular to target key topics that have a reverberating effect also on other sectors, e.g. commodity trade finance.³⁶ Activities would also include a regional sector diagnostics/analysis which would present RBC standards in order to influence and promote alignment of various practices and initiatives on sustainable finance with international standards. Additionally, OECD will look to establish a network on RBC with key financial institutions and organise forums on sustainable finance.

- ***Textiles and footwear sector:***

On the basis of existing sectoral OECD due diligence guidance, the CSDD lists textiles, leather and related products (including footwear) as one of the “high-impact” sectors associated to adverse human rights and environmental impacts in global supply chains. Considering the importance of the garment and footwear industry in the region, which is the 3rd largest import sector in Japan and of increasing significance in South Korea, the Action will also seek to include in its activities a multi-stakeholder roundtable that could help create momentum on implementing environmental and human rights due diligence and address key technical due diligence topics that are specifically challenging in the Asia context, in particular four core labour standards (i.e. freedom from forced labour, freedom from child labour, freedom from discrimination at work, freedom to form and join a union, and to bargain collectively). Main activities could include survey and interview-based analysis of sourcing models and commodity value chain (i.e. identifying economic drivers of adverse impacts and change actors, implications for the sustainable business models); due diligence deeper in the supply chain (e.g. Tier 1 to Tier 2; identifying and working with choke points); as well as building capacity on grievance mechanisms – learning from successful mechanisms, what works and what is in it for factories.

Environmental and human rights due diligence: activities will aim to expand existing networks in Asia to gain insights on significant environment- and human rights- related challenges and/or within key sectors (i.e. climate change, biodiversity, labour standards, plastics, food systems, and water) from the country to regional level. More specifically, this will entail working with countries to mobilise business in the implementation of a comprehensive approach to due diligence that integrates environmental and human rights priorities, including climate related challenges, and embeds such priorities within corporate governance frameworks. Sector-specific industry engagement or thematic issues where diagnostic reports could be envisioned, including in areas where OECD has on-going engagement (e.g. plastics, textiles, construction, electronics). For example, specific focus could be given on how RBC and circular economy initiatives can be connected in specific sectors (e.g. e-waste) that are linked with strategic supply chains and major global initiatives, with a view to support the Green Deal implementation and the Circular Economy Action Plan, including also when it comes to renewables and solar supply chains, as well as the Communication on Decent Work Worldwide. An environmental and human rights perspective will also be mainstreamed across the Action (e.g. climate and labour standards in the Asia financial sector engagement).

In implementing activities under the action, close collaboration with the ILO, given its international mandate to promote labour rights/labour standards as key elements of RBC/due diligence, will be sought. Synergies and complementarities with other on-going and future EU-funded initiatives/projects on decent work implemented in the region by the ILO will also be pursued.

3.3 Mainstreaming

For the proposed action, different cross-cuttings issues have been identified, regarding global challenges, EU principles and values, fundamental rights and multilateralism. This includes in particular gender equality and empowerment of women and girls, fundamental values, inclusivity, and a rules-based multilateral order. Highlighting the joint pursuit in addressing global challenges, environmental protection and climate change are also included in the thematic scope of the action.

³⁶ See for example December 2020 article [Commodity finance industry in Singapore gets code of best practices](#)

Environmental Protection & Climate Change

The action will focus on key sectors directly linked to environmental protection and climate change along the supply chains in the primary, secondary and tertiary industry (including raw materials and mining; manufacturing and construction; financial sector and other services) to ensure coherence with key principles of EU guidelines related to ESG.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality is an important and deliberate objective, but not the principal reason for undertaking the programme. The gender dimension will be integrated in so far as female entrepreneurs and female workers will be among target recipients of the action. A gendered-approach and considerations related to various due diligence aspects will be promoted across the various strands of the Action, with a view to promote gender sensitive and gender responsive policies to mitigate and address real and potential adverse impacts on women (and men).

Human Rights

Respect for human rights, including women's rights, is a fundamental value of the European Union. Through the proposed activities, the action will directly or indirectly promote EU fundamental values including non-discrimination, women's rights, labour rights, freedom of expression, freedom of association, the prohibition of all forms of forced labour and child labour. The approach will be guided by the principle of "leaving no one behind", equality and non-discrimination on any grounds.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the action does not have a focus on disability, at main or significant objective level. However as the action promotes inclusiveness, diversity and tolerance as key EU values, people affected by disability will indirectly benefit from the action and will not be discriminated on any grounds.

Democracy

There is no foreseen impact on elements related to democracy or rule of law as such. However, as the action will promote the principles of an international rule-based order and multilateralism, the subject of democracy is being mainstreamed in the action.

Conflict sensitivity, peace and resilience

This cross-cutting issue is not applicable for the proposed action.

Disaster Risk Reduction

Addressing challenges of global concern including protecting the environment, mitigating and adapting to climate change and building resilience of communities is a central theme for engagement with target audiences. In particular following the COVID-19 pandemic, resilience, green and sustainable recovery as demonstrated by the EU model would be a relevant crosscutting issue and thematic focus in the envisaged activities under this Action.

Other considerations if relevant

N/A

3.4 Risks and Lessons Learnt

A key assumption underlying the implementation of this Action is that global supply chains will remain a key feature of the global economic framework and that re-shoring trend in the short-term will not lead to significant changes to the structure of the global economy.

The most prominent risks and corresponding mitigating measures are the following:

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures

External environment	Reduced support and commitment from relevant governments and negative perspective of EU-funding/intervention in their economies	Low/Medium	Medium	<ul style="list-style-type: none"> • Early engagement with OECD members and securing political commitments prior to starting country-specific activities • Work closely with EU delegations on how this Action is framed in EU bilateral discussions • Maintain flexibility in the Action to tailor activities to suit specific needs in the relevant countries and according to regional dynamics • Build on OECD networks and engage local business stakeholders to showcase business buy-in and added-value of RBC to the government • Focus on peer learning and exchanges, where relevant
External environment	Interest and capacity of businesses lower than expected (or decreasing over time)	Low	Medium	<ul style="list-style-type: none"> • Implement and build on methods of engaging with private sector gained through the 2018-2022 <i>Responsible Supply Chains in Asia</i>³⁷ Action and broader OECD work on due diligence • Utilise OECD institutional stakeholders, namely the Business Advisory Committee (representing over 7 million companies and maintaining local networks in OECD members), Trade Union Advisory Committee (representing 58+ million workers), and OECD Watch (representing 130 NGOs in 50 countries)
External environment	COVID-19 surges and continuing crisis impacts organisation of activities, building networks and partnerships, and ability to access information required for research and analysis	Medium	Medium	<ul style="list-style-type: none"> • Rely on a mix of online, hybrid and in-person meetings and events • Maintain flexibility in the log frame to account for possible contingency plans • Establish a steering committee and regular exchanges between the OECD, the EU, and partner countries. Utilise local consultants in carrying out relevant research and analysis, and in providing organisational support as needed
People and the organisation	Duplication among international organisations working on business and human rights in the region	Low	Low	<ul style="list-style-type: none"> • Maintain regular exchange of information with the ILO, UNDP, and relevant UN organisations that work on RBC-related issues in Asia • Focus on OECD added-value, e.g. expertise in trade and investment and RBC in economic policies; policy coherence; operationalizing international standards and due diligence
Lessons Learnt: The OECD has extensive experience working in Asia on promoting and enabling RBC. RBC is an increasingly important policy area in the policy frameworks and regulations of OECD member states (see Section 2.1). The EU and the OECD have worked together since 2018 in the context of the FPI-led Action on <i>Responsible Supply Chains in Asia</i> (RSCA), implemented by the OECD, ILO, and EU in Japan, China, Thailand, Viet Nam, Philippines, and				

³⁷ Funded under the Partnership Instrument 2016 Annual Action Plan.

Myanmar. The lessons learnt from this experience, as also underlined by the 2021 EU independent evaluation of the RSCA, include:

- RSCA has been an instrumental and forerunner Action for raising awareness of RBC in the region, the tools available for business, and for supporting policy reforms and change. Its flexibility and focus on building partnerships at all levels (i.e. policy makers, the private sector and civil society) has delivered results not originally foreseen when the Action was designed in 2016-2017.
- 2020 and 2021 have seen unprecedented political commitments on RBC, however, awareness remained low in relative terms and these commitments are not guaranteed to be translated into action. Policy makers in the region still need technical support to develop and implement additional policies and regulations. Companies need more guidance on how to apply international standards. Promoting RBC standards in Asia, in particular with strategic political and trade EU's partners like Japan, the Republic of Korea and Singapore, is a process requiring continued engagement that the EU has initiated also with actions like RSCA. This is even more timely given the publication of the EU draft CSDD legislation as well as tabled sector specific due diligence proposal, has increased the perception of the EU as global standard setter by partner countries in the region.
- In light of strategic alignment between OECD and the EU on RBC, having a strategic view of activities under this Action could also serve to bring together like-minded countries to use their joint leverage to promote environmental protection, human rights and shared values, while ensuring a level playing field for business and supporting trading partners.
- Close collaboration between the EU, OECD, and partner countries has knock-on positive effects. Establishing a steering committee that can discuss strategic direction of the Action would be beneficial, as seen also in RSCA.
- In this new Action it would be critical to maintain the flexibility adopted under RSCA, which has helped facilitate quick and successful contingency plans when COVID-19 started in early 2020.

In particular two key recommendations of the aforementioned evaluation on the RSCA project have been at the core of the formulation of the proposed action:

- “In order to strengthen the relevance of the RBC and to be in line with the upcoming EU mandatory human rights due diligence, additional topics such as climate change, digitalisation as well as many other human rights-related issues and the need for disclosure including non-financial standards could be integrated in future actions”.
- “The design of future actions should also include an analysis of the opportunities to collaborate with high-income countries which have important regional trade or investments in third countries. Such collaboration leads to higher commitment of both the ‘host’ and ‘home’ countries and has higher spill-over and multiplier effects”.

3.5 The Intervention Logic

The underlying intervention logic for this action is to contribute to enhancing convergence and alignment on RBC policies and practices in Asia, with a view to building a level playing field for businesses and coherence and alignment around RBC policies in line with internationally-recognised RBC rules and standards for global supply chains.

Planned outputs and activities directly feed in to achieving broader objectives and outcomes – notably (i) the aim of promoting policy coherence through technical advice, building institutional capacity and prioritising evidence-based policy-making (output 1) is to enhance knowledge and awareness of RBC policies in the region and ensure their integration, convergence and harmonisation (outcome 1), and (jj) the aim of operationalising RBC through training and outreach and due diligence among businesses, particularly in strategic sectors, (output 2) is to boost industry capacity to implement RBC standards and engage in cross-cutting issues (outcome 2). The undertaking of these activities and meeting relevant outputs (if assumptions hold true), should contribute to meeting outcomes under the action.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain (a): Main expected results (maximum 10)	Indicators (a): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To contribute to enhancing convergence and alignment around responsible business conduct (RBC) policies and practices in Asia, based on internationally-recognised RBC rules and standards for global supply chains, with a view to build a level playing field for EU businesses and promote due diligence-related EU policies.	1. Number of approaches and/or practices beneficial to the achievement of EU interests, values and standards which have been taken up in third countries (new IMP1) 2. Number of regulations and standards relating to trade, investment and business in partner countries which have been aligned to EU/international standards.	0 (2022)	Number of approaches and/or practices on RBC influenced.	Narrative explanation of approaches and/or practices and how they have been influenced. Verification to include testimony from strategic partners, evidence of exchanges and input into policy formulation/development, and empirical data on RBC approaches and practices within industry.	<i>Not applicable</i>
Outcome 1	Increased knowledge and awareness of RBC policies (including EU and OECD approaches) and integration, convergence, and harmonisation and mainstreaming of RBC in public policies.	1.1 Number of processes related to partner country approaches to challenges of global concern which have been influenced (OC3).	0 (2022)	1.1 Number of policy processes related to building an enabling environment for RBC influenced. 1.2 Number of policy processes related to improving policy	Narrative reports explaining the type of process influenced and the subject of the process, with evidence of input into policy development.	1.1 Support and continuing commitment from relevant governments on importance of RBC-related policies. 1.2 Global supply chains remain a key feature of the global economic framework

Results	Results chain (a): Main expected results (maximum 10)	Indicators (a): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
				coherence on RBC influenced.		and re-shoring trends do not lead to significant changes to the structure of the global economy
Outcome 2	Increased industry capacity to implement RBC standards and engage on cross-cutting issues in the supply chain, including mobilising businesses to advocate for public policy on RBC.	2.1 Number of processes related to partner country practices on challenges of global concern which have been influenced (OC4).	0 (2022)	2.1 Number of processes influenced related to the contributions of businesses operating in Asia to sustainable supply chains, protection of the environment, human rights and decent work. 2.2 Number of processes influenced related to improving implementation of relevant regulatory frameworks by businesses.	Narrative reports explaining the type of process influenced, with empirical data on RBC approaches and practices within industry.	2.1 Interest and capacity of businesses maintained or increasing over time. 2.2. Global supply chains remain a key feature of the global economic framework and re-shoring trends do not lead to significant changes to the structure of the global economy.
Output 1 related to Outcome 1	1.1 Providing practical and technical advice to policy makers	1.1.1 Number of participants in the events organised/supported (OP 2) 1.1.2 Number of knowledge-based products developed (OP 8) 1.1.3. Number of communication products developed (OP 10)	0 (2022)	1.1.1 Number of participants / events on average 1.1.2 Number of knowledge-based products 1.1.3 Number of communications products	1.1.1 Narrative reports 1.1.2 Knowledge-based products 1.1.3 Communication products	
Output 2 related to Outcome 1	1.2 Building institutional capacity on RBC	1.2.1 Number of participants in the events organised/supported disaggregated by sex and age (OP 2)	0 (2022)	1.2.1 Number of participants / events on average	1.2.1 Narrative reports 1.2.2 Knowledge-based products	

Results	Results chain (a): Main expected results (maximum 10)	Indicators (a): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
		1.2.2 Number of knowledge-based products developed (OP 8) 1.2.3 Number of communication products developed (OP 10)		1.2.2 Number of knowledge-based products 1.2.3 Number of communications products	1.2.3 Communication products	
Output 3 related to Outcome 1	1.3 Prioritising evidence-based policy making on RBC	1.3.1 Number of participants in the events organised/supported disaggregated by sex and age (OP 2) 1.3.2 Number of knowledge-based products developed (OP 8) 1.3.3 Number of communication products developed (OP 10)	0 (2022)	1.3.1 Number of participants / events on average 1.3.2 Number of knowledge-based products 1.3.3 Number of communications products	1.3.1 Narrative reports 1.3.2 Knowledge-based products 1.3.3 Communication products	
Output 1 related to Outcome 2	2.1 Training and outreach on RBC risk-based due diligence	2.1.1 Number of participants in the events organised/supported (OP 2) 2.1.2 Number of knowledge-based products developed (OP 8) 2.1.3 Number of communication products developed (OP 10)	0 (2022)	2.1.1 Number of participants / events on average 2.1.2 Number of knowledge-based products 2.1.3 Number of communications products	2.1.1 Narrative reports 2.1.2 Knowledge-based products 2.1.3 Communication products	
Output 2 related to Outcome 2	2.2 Scaling up due diligence implementation across the market	2.2.1 Number of participants in the events organised/supported (OP 2) 2.2.2 Number of knowledge-based products developed (OP 8) 2.2.3 Number of communication products developed (OP 10)	0 (2022)	2.2.1 Number of participants / events on average 2.2.2 Number of knowledge-based products	2.2.1 Narrative reports 2.2.2 Knowledge-based products 2.2.3 Communication products	

Results	Results chain (a): Main expected results (maximum 10)	Indicators (a): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
				2.2.3 Number of communications products		
Output 3 related to Outcome 2	2.3 Targeted engagement on strategic sectors and priority themes	2.3.1 Number of participants in the events organised/supported (OP 2) 2.3.2 Number of knowledge-based products developed (OP 8) 2.3.3 Number of communication products developed (OP 10)	0 (2022)	2.3.1 Number of participants / events on average 2.3.2 Number of knowledge-based products 2.3.3 Number of communications products	2.3.1 Narrative reports 2.3.2 Knowledge-based products 2.3.3 Communication products	

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with the partner countries.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action is 84 months from the date of adoption by the Commission of this Financing Decision. This includes a period of 18 months for procurement, an indicative 48 months of action implementation and 18 months until the FDI.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³⁸.

4.2.1 Indirect Management with an international organisation

This action may be implemented in indirect management with the Organisation for Economic Cooperation and Development (OECD). This entails implementation of the activities as indicated under Section 3. The OECD is a strategic interlocutor of the EU for several different reasons, including as holder of important normative and standard setting instruments, such as the most comprehensive and main international instrument on RB, i.e. the OECD Guidelines for Multinational Enterprises and the related due diligence guidance, which provide an authoritative framework on what constitutes RBC due diligence. Several OECD RBC instruments and concepts have been integrated as building blocks in several EU and EU Member states policies and initiatives (see Section 3). OECD's expertise in trade and investment and building policy coherence around RBC as well as operationalising RBC through due diligence is wide-ranging. The ability to build alliances with OECD members on RBC enhances the ultimate impact in Asian markets – and reinforces values shared between the EU and the OECD, including the unwavering commitment to multilateralism and rules-based international order.

4.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other

³⁸ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Implementation modalities – cf. section 4.2	
Indirect management with an International Organisation	4 000 000
Total	4 000 000

4.6 Organisational Set-up and Responsibilities

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

The regional project office will be located in the Responsible Business Centre of the Organisation for Economic Development and Cooperation (OECD) in Paris. The Project Team will be composed of OECD staff including international and national team members located in the OECD Headquarters and country offices respectively (detailed composition of the team to be determined).

A joint steering committee will be set-up to ensure strategic orientation and oversight of progress. It will be composed of representatives of the OECD, and representatives of relevant services of the European Union. Representatives of EU Member States and implementing partners of relevant complementary EU-funded actions in the region (such as ILO, UNDP, UNEP and UN-OHCHR) might be invited as observers. The committee will indicatively meet twice a year. Co-ordination meetings among the EU programme managers will take place at regular intervals and will ensure that all operations are coordinated and overall communication and promotion of the action flow regularly.

The multi-country action will be managed by the FPI Regional Team for Asia-Pacific with country components managed by the project managers in the targeted countries.

4.7 Pre-conditions [Only for project modality]

N/A

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as

reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The implementing partners are responsible for day-to-day monitoring and reporting based on the agreed indicators in the logframe. Indicators shall be disaggregated at least by per gender of participants, type of events and sector of participants. Adjustments to the agreed indicators will be subject to a discussion and approval by the contracting authority. The contracting authority will also be responsible for the approval of reports (interim, final etc.).

All monitoring, evaluation and reporting shall assess how the action is taking into account the gender dimension, and, where applicable, the implementation of the human rights-based approach working principles (applying all human rights for all; meaningful and inclusive participation and access to decision-making; non-discrimination and equality; accountability and rule of law for all; and transparency and access to information supported by disaggregated data).

5.2 Evaluation

Having regard to the importance of the action, a final and/or ex-post evaluation(s) may be carried out for this action or its components via independent consultants contracted by the Commission.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The Commission shall inform the implementing partner at least 30 days in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a Financing Decision.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: 'a given contract can only contribute to one primary intervention and not more than one'. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a 'support entities'. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as:

Action level		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action