



Making Mandatory Human Rights and Environmental Due Diligence Work for All

Guidance on designing effective and inclusive accompanying support to due diligence legislation



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Contents

Foreword	5
A note from the authors	6
Acknowledgements	7
1. Introduction and Background	8
2. What is Due Diligence?	10
2.1. The Normative Sources of Human Rights and Environmental Due Diligence.....	10
2.1.1. The UN Guiding Principles on Business and Human Rights (UNGPs)	10
2.1.2. OECD Guidelines for Multinational Enterprises	11
2.1.3. The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy	12
2.2. Mandatory human rights and environmental due diligence	12
2.2.1. Mandatory disclosure laws	12
2.2.2. Product-specific due diligence laws	12
2.2.3. Cross-sectoral mandatory due diligence laws that cover human rights and/or environmental impacts	13
2.3. Considerations for carrying out inclusive and effective due diligence.....	13
2.3.1. Embedding	14
2.3.2. Identifying and monitoring.....	15
2.3.3. Risk prevention and remedies	15
2.3.4. Transparency and traceability.....	15
2.3.5. Grievances.....	16
2.3.6. Meaningful stakeholder engagement and social dialogue.....	16
2.3.7. Reporting and accountability	16
3. Value chain Actors and their Role in the Due Diligence Process	17
3.1. The Value chain System	17
3.2. Roles of Relevant Actors along the Value chain	19
3.2.1. What role should governments play?.....	19
3.2.2. What should lead companies do?	19
3.2.3. What is the role of Industry Coalitions and Multi-stakeholder Initiatives?.....	21
3.2.4. The role of suppliers, producers and their associations	22
3.2.5. What is the role of workers and their organisations?	23
4. Designing and Implementing Effective and Inclusive Accompanying Support Measures	24
4.1. Theory of Change of Accompanying Support Measures to due diligence legislation	24
4.2. How can Accompanying Measures Catalyse Systemic Change?	25
4.3. Design Characteristics of Systemic Accompanying Support Interventions.....	26
4.4. Typology of Possible Accompanying Support Measures	27
5. Conclusions and Recommendations for the Programming of Accompanying Measures	30
ANNEXES	32

Annex 1: Glossary of Due Diligence Terms33

Annex 2: Accompanying measures to proposed EU legislation on due diligence and value chain sustainability (ongoing actions, MFF 2014-2020)39

Foreword

This publication, co-created by the European Commission's Directorate-General for International Partnerships (DG INTPA) and the International Trade Centre (ITC), is critical for addressing the issues that arise in the nexus between environmental sustainability and human rights.

The European Commission's legislative proposal for a Corporate Sustainability Due Diligence Directive (CS3D) is an important opportunity to strengthening the private sector's contribution to the implementation of the European Green Deal, and achievement of the Sustainable Development Goals. The proposal advances an integrated framework for mandatory human rights and environmental due diligence (mHREDD) together with administrative sanctions and civil liability for in-scope companies active on the EU market and their global value chain partners. When implemented through meaningful engagement of in-scope companies with their value chain partners, it has the potential to open up new opportunities for sustainable trade and resilient value chains, and in turn improved livelihoods, working conditions, and respect for human rights and the environment in producer countries.

However, a legal due diligence obligation will not achieve these results alone. It must be bolstered by support and guidance to incentivize, facilitate and inform meaningful engagement of EU companies with suppliers and producers in developing countries. A strong emphasis on capacity building that leads to the adoption of sustainable production practices must be implemented. In light of this, a partnership approach is crucial for the effective implementation of due diligence and must combine public and private sector efforts to ensure meaningful and inclusive outcomes.

It is in this spirit of partnership that DG INTPA and ITC, building on several years of collaboration in the promotion of sustainable and inclusive trade and development, joined forces to co-create this guidance on effective and inclusive accompanying support to due diligence legislation. This guidance document brings together the combined experience of many international organisations (EU, OECD, ILO, FAO, UNECE) while integrating the perspectives of consumer facing companies in Europe, Micro, Small and Medium-sized Enterprises (MSMEs), farmers cooperatives and business organizations from developing countries.

This co-creation effort between ITC and DG INTPA is a good example of what partnerships built on a shared purpose can achieve, and how tapping into strategic partnerships can create an opportunity to better respond to the requirements of MSMEs and overarching development policies. ITC's mission is to foster inclusive and sustainable economic development, and to create 'trade impact for good' together with its partners. ITC is well-positioned to partner with governments and the private sector to build a bottom up enabling accompanying framework for MSMEs to become more competitive, while minimizing the associated risks and maximizing opportunities to connect to international and regional markets for trade and investment. It is our aim to leverage the CS3DD and ongoing efforts by the private sector to help raise incomes and create decent job opportunities, especially for women, youth, and poor communities.

This joint work is of timely importance. Over the years, sustainability has become a key pillar in the way we do business and the integrated mandatory human rights and environmental due diligence framework seeks to extend responsible business conduct that delivers decent work in climate positive value chains.

The EU's push to raise the bar will challenge regulators and businesses alike, but it will also ensure better, and more sustainable and ethical business practices. Implementing due diligence throughout global value chains encourages firms to engage in trade responsibly and with a positive impact on the lives of workers and their communities. To achieve this, lead firms will need partners and actors all along the value chain to help identify and prevent risks and remedy harms. This makes capacity building and knowledge sharing between value chain actors all the more vital. The accompanying measures discussed in this paper are meant to strengthen and support these efforts. Cooperation and collective action by the private sector, regulators and civil society remains the most effective and indeed, the only way forward.

The key idea in promoting value chain sustainability is "shared responsibility". No one can achieve this alone, but everyone has a critical role to play. In accompanying the implementation of due diligence legislation, a particular focus of support has to be on MSMEs, smallholders and the informal sector. Social, environmental and economic sustainability cannot be achieved without them. Our support to MSMEs must therefore be targeted in the form of pragmatic

bottom-up solutions, investment and finance to empower them to have a voice in defining and solving sustainability challenges.



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A note from the authors

The EU legislative proposal on Corporate Sustainability Due Diligence calls for the development of accompanying measures to support its successful implementation and avoid unintended consequences for suppliers and producer groups in exporting countries.

With this paper, DG INTPA and the ITC seek to guide the formulation of effective accompanying support to the implementation of the legislation that maximizes the opportunities of mandatory due diligence for suppliers in developing countries, while avoiding any negative effects on their sustainable development and trade with the EU.

This guidance document is mainly targeted at EU programme managers at EU Delegations and geo-units, as well as at main implementing partners of EU-funded programmes. It aims at furthering their understanding of the due diligence process and the responsibilities and support needs that arise from it for all actors along global value chains. As a capacity building tool, we hope the guidance offered in this document will be useful for colleagues to design and implement support actions that are effective in harnessing forthcoming EU legislation on horizontal and product specific due diligence for achieving positive change on the ground.

In recognition of the fundamental role of collaboration and collective action in implementing mHREDD, the document was developed through a highly participatory process. It brought together a multidisciplinary group of practitioners from different European Commission Directorate Generals, UN and sister agencies, as well as other international partners and private sector organisations to share practical experience of accompanying measures and to reflect on the opportunities and pitfalls of mHREDD. Lessons were drawn from existing EU funded actions as well as the experience of the private sector, producer groups, business organizations and civil society.

This co-creation process started with the identification of gaps in value chain governance and accompanying measures. It continued with an expert workshop in June 2021 with Commission services and implementing partners, private sector consultations, case studies and interviews. The draft guidance document was presented to partners in December 2021 and shared for peer review before being finalised.¹

¹ This guidance was drafted while the CS3D legislative proposal was being finalised. It therefore builds primarily on concepts and definitions from existing international guidelines on value chain due diligence and may differ from the final CS3D. As such, the accompanying measures described in this document apply to due diligence in its entirety and not solely to the framework established by CS3D.

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1. Introduction and Background

Global value chains are a key feature of today's global economy with about half of world trade being related to them. Integration into global value chains provides significant opportunities for developing countries to attract investment, increase value added, diversify exports, become more competitive, and access and upgrade new technologies, which in turn helps to increase incomes, create jobs and alleviate poverty. At the same time, environmental degradation and human rights abuses associated with global production networks of multinational enterprises (MNEs) have revealed the downside of globalisation. It is no coincidence that when trade in global value chains peaked in 2011, the UN Human Rights Council endorsed the Guiding Principles on Business and Human Rights, which mark the beginning of a decade of voluntary commitments by companies to respect human rights in their business operations and global value chains. Since then, value chain have become more complex, increasing the challenge of maintaining visibility and risk mitigation.²

But voluntary action has not resulted in sufficient improvements especially in high-risk sectors such as garment, mining and agriculture that are still subject to frequent reports of adverse impacts like forced labour, child labour, inadequate workplace health and safety, exploitation of workers, and environmental impacts such as GHG emissions, pollution, and biodiversity loss (including deforestation and forest degradation). Far too few companies are conducting human rights and environmental due diligence on their business partners and value chain to identify and mitigate such adverse impacts.³ The COVID-19 pandemic amplified the adverse impacts on employment and social conditions in producer countries, including a dramatic fall in foreign direct investment and widespread cancellation of orders. These disruptions highlighted the need to foster the resilience and sustainability of global value chain with a focus on enhancing their positive economic, social and environmental impact.

Demands for mandatory environmental and human rights due diligence in global value chain are stronger today than ever before. Frontrunner companies themselves call for regulation in this area to create a level playing field and legal certainty for companies operating in sectors with high potential environmental and human rights impacts. Several countries in Europe have implemented,⁴ or are planning to implement⁵ mandatory due diligence legislations. The transition to an era of mandatory standards is first and foremost heralded by the proposal of a human rights and environmental due diligence duty for EU companies and their global value chain as part of the EU's proposal for a Corporate Sustainability Due Diligence directive. This legislative initiative intends to bring businesses on a path to the EU's headline ambitions of 'an economy that works for the people'. It is one of the measures to implement the European Green Deal, under which the European Union has set itself the objective of becoming climate-neutral by 2050⁶ and to deliver on the UN Sustainable Development Goals.⁷

The transition to mandatory due diligence does not mean that voluntary efforts facilitated by private sustainability standards, industry coalitions, multi-stakeholder initiatives or other value chain operators become irrelevant.⁸ Voluntary standard schemes are in fact an important part of the 'smart mix' of mutually reinforcing measures necessary to achieve the objectives of

² <https://panjiva.com/research/2020-outlook-ever-changing-trade-10-lessons-from-the-past-10-years/31707>

³ According to the [Study on due diligence requirements through the supply chain](#) prepared for the European Commission (DG JUST) by BIICL and LSE in February 2020, among larger EU companies, only around 33% claim that they undertake voluntary due diligence which takes into account all human rights and environmental impacts, and 16% cover the entire value chain.³ A forthcoming study commissioned by the European Commission (DG GROW) on the uptake of CSR by European SMEs and start-ups found that SMEs perform due diligence to an even lesser extent, as most of them source locally, their general awareness on human rights is low, and the human and financial resources they can dedicate to due diligence are also more limited.

⁴ France was first to adopt a Law of the Corporate Duty of Vigilance [*Loi de la Vigilance*] in 2017. In 2019, the Netherlands adopted a Child Labour Due Diligence Law [*Wet Zorgplicht Kinderarbeid*] that will come into effect in mid-2022. Germany adopted a supply chain act in June 2021.

⁵ Legislative initiatives on mandatory human rights and environmental due diligence are being considered in Austria, Belgium, Luxemburg, Finland, and Denmark.

⁶ "European Climate Law" ([Regulation \(EU\) 2021/1119](#)), together with a binding target to cut domestic net GHG emissions by at least 55 % compared to 1990 levels by 2030: Article 2 "European Climate Law".

⁷ The EU is committed to implementing the global 2030 Agenda and the 17 SDGs (see "[Delivering on the UN's Sustainable Development Goals – A comprehensive approach](#)", SWD(2020) 400).

⁸ See the International Trade Centre's 2021 report on "[Sustainability Standards. A New Deal to Build Forward Better](#)" for an account of the positive contribution voluntary sustainability standards can make for achieving responsible business conduct and sustainable trade also alongside mandatory due diligence requirements.

mandatory due diligence legislation. They can support companies in the implementation of the requirements of mandatory due diligence rules, for instance, by specifying and verifying sustainability requirements for producers, traders and manufacturers, by providing tools for companies to trace their value chain, or by serving as platforms for stakeholders to engage in collective action to address adverse impacts.

But there are limits to what companies can do individually and by collaborating through voluntary standard schemes or industry coalitions. Many sustainability challenges and opportunities relate to structural and systemic issues that require collective action beyond what the private sector can achieve on its own. In addition, many voluntary sustainability schemes will need to upgrade their audit and certification protocols to meet the ongoing risk identification requirements of human rights and environmental due diligence. At the same time, concerns exist that in addition to its expected positive impacts, mandatory due diligence legislation could have unintended adverse consequences in producer countries. For instance, lead companies may respond to new obligations by disengaging from high-risk countries or sectors in an attempt to de-risk their value chains, or may impose additional pressures and costs on upstream value chain operators, thereby weakening their capacity to respect human rights and environmental standards, and to achieve sustainable livelihoods. This guidance document proposes measures to avoid or mitigate such unintended consequences through inclusive accompanying support measures.

Due diligence aims at improving company risk management practices over time so that business-driven harms are more effectively prevented, mitigated and, where appropriate, remedied, but it is not a cure-all. If we are to attain and promote resilient and sustainable global value chains for all, strong accompanying support is needed, especially for value chain actors in producer countries where the most salient adverse impacts occur. Development cooperation by the EU, its Member States and international partners like the UN has an important role to play in helping to avoid any negative consequences of the legislation for upstream producers, and to scale-up the contribution that human rights and environmental due diligence could make for improving livelihoods, working conditions, respect for human rights and the environment in developing countries.

DG INTPA, together with EU Member States and strong implementing partners like the ITC, is well positioned to work with partner country governments and the private sector on creating the enabling conditions for companies to translate their due diligence duty into positive and lasting change on the ground. There is broad consensus that this support is needed now. Colleagues in EU Delegations have identified value chain sustainability as an objective or result of proposed priority areas in two thirds of all country Multiannual Indicative Programmes (MIPs) for the 2021-2027 Multiannual Financial Framework (MFF). In implementing these actions, the EU can draw on relevant experiences from a wide range of existing programmes from the support for the implementation of labour standards and human rights in national legislation, over tools to enhance transparency and traceability in global value chains, to capacity building and empowerment of local producers, and support to civil society actors for ensuring corporate accountability.⁹

At the same time, colleagues in EU Delegations and geo-units need a solid understanding of the support needs that arise from forthcoming legislative proposals on horizontal and product-specific due diligence, of the type of support that is most effective in a given country or sector context, and of the instruments, tools and best practices they can use to formulate and manage effective accompanying support actions. In addition, the design of these actions has to be informed by an essential idea of the concept of due diligence, the expectations on companies from proposed EU due diligence legislation, and how they can operationalise them in their global value chains to the greatest benefit possible for producers in EU partner countries.

This is what this guidance document aims to provide. It is inspired by the combined experience of around 45 experts from different Commission DGs, the ITC, the OECD, ILO, UNECE, and FAO, who came together in a workshop on 2nd and 3rd June 2021 to co-create ideas for an effective and inclusive support framework for companies and partner countries in anticipation of new EU legislation on horizontal and sector-specific due diligence. Moreover, it embraces the insights from a panel discussion among six distinguished private sector leaders representing all stages of global value chains that was organised at the sidelines of the workshop.¹⁰

⁹ See Annex 3 for a comprehensive list of ongoing EU-funded accompanying support actions to EU supply chain legislations.

¹⁰ See a report from the workshop at the link https://ec.europa.eu/international-partnerships/stories/workshop-accompanying-measures-eu-supply-chain-legislation-monitoring-good-remediation_en, and the recording of the panel discussion at the link <https://www.youtube.com/watch?v=wNLXIzQXzNE>.

2. What is Due Diligence?

Due diligence in the context of responsible business conduct is understood as the process through which companies identify, prevent, and mitigate actual and potential adverse human rights and environmental impacts, as well as monitor and report on how they address these impacts. The due diligence process covers both the impacts a company causes through its own operations, and those to which it contributes through its business partnerships and value chain relations. To be effective and commensurate with a company's circumstances, context and associated risks, the due diligence process has to be an integral part of companies' policies, business strategy and risk management systems. These defining elements of the due diligence processes are illustrated by the OECD's 6-step framework (see Figure 1 in Section 2.3).

The concept of due diligence has two components. It is both a **standard of conduct** that a business must meet in order to discharge its responsibility to respect human rights and environmental standards, and a **process** for assessing, managing and accounting for risks to people and the planet. In practical terms, this means that a company is responsible for the direct human rights and environmental impacts that it causes through its own operations or is linked to through its business partnerships and value chain relations.

By contrast, due diligence as known in the world of finance and investment is related to a process that must be undertaken before a decision is taken, for instance a decision on the financing of an investment or the acquisition of a company. Risk-based human rights and environmental due diligence expand this inward looking, corporate-focused and static notion of due diligence to one that is outward looking, societally-focused, continuous and dynamic. It is no longer an ad hoc legal or financial exercise conducted at specific points in time but rather an integral part of all business activity. Companies are not expected to be able to identify and mitigate all potential impacts immediately.¹¹ They should prioritise the risks they address, deal with the most severe impacts first and engage in a continuous process of improving both their sustainability performance and their systems and processes to prevent and mitigate adverse impacts. This implies calibrated, risk-based consultation and engagement with business partners, suppliers and stakeholders at every step in the due diligence process. Without such engagement, the process will not be effective or legitimate, and the value chain will not be ethical or sustainable. Moreover, engagement with all value chain actors and stakeholders is a way for companies to build leverage for influencing the behaviour of suppliers beyond those with which they have a direct business relationship.

While legal and voluntary due diligence regimes tend to focus on large downstream companies, they might not be able to identify, prevent or remedy potential and actual harms on their own. These are challenges that demand partnerships and alliances between multiple actors at multiple levels in the value chain system. The actors closest to the risks have a particularly important contribution to make in identifying and preventing potential and actual harms.

2.1. The Normative Sources of Human Rights and Environmental Due Diligence

The concept of due diligence on human rights and the environment draws on internationally agreed, government-backed recommendations and principles developed by the UN, the OECD and the ILO. Most voluntary and mandatory due diligence frameworks refer to these international guidelines and principles. While they represent voluntary or soft law standards, they may obtain the status of a legally binding norm when referenced in legislation on mandatory due diligence.

2.1.1. The UN Guiding Principles on Business and Human Rights (UNGPs)

The United Nations' "Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework" contain 31 principles developed by Prof. John Ruggie in his capacity as the Special Representative of the UN Secretary-General on human rights and transnational corporations and other business enterprises (SRSG), and were

¹¹ There is a recognition that enhanced due diligence may be necessary in zones of conflict or weak governance, and other high-risk areas. Strengthening the application of due diligence is particularly critical to encourage responsible sourcing in high risk sectors such as agriculture, often the dominant sector in low and middle income economies.

endorsed by the Human Rights Council in its resolution 17/4 of 16 June 2011. They do not create new legal obligations but clarify and affirm:

- The State duty to protect against human rights abuses by third parties, including enterprises, through appropriate policies, regulation and adjudication;
- The corporate responsibility to respect human rights, which means that enterprises should act with due diligence to avoid infringing on the rights of others and to address adverse impacts that they have caused or contributed to; and
- The need for greater access to remedy, both judicial and non-judicial, for victims of human rights abuses linked to business activity.

The UNGPs apply to all human rights in all states and all companies, regardless of size, sector, location, ownership and structure. They call on business to respect, as a minimum, the rights in the Universal Declaration of human rights, the two covenants and the Fundamental Principles and Rights at Work. They also provide for meaningful stakeholder engagement and remedies to victims of any harm, something that previous laws and guidance documents were often silent on.

The UNGPs clarify that a core component of the corporate responsibility to respect human rights is the concept of on-going due diligence to identify, prevent, mitigate and account for the impact on human rights of business activity. This shifted the focus on business and human rights from liability for harms already committed to responsibility for preventing harms from occurring. Company due diligence in this context has four elements:

- (a) Identifying and assessing actual or potential adverse human rights impacts linked to its business activities;
- (b) Integrating and taking appropriate action on the findings;
- (c) Tracking the effectiveness of measures to address adverse human rights impacts;
- (d) Communicating and demonstrating to stakeholders that policies and processes are adequate.

The Office of the High Commissioner for Human Rights (OHCHR) leads the Business and Human Rights agenda within the UN system, supporting the work of the UN Human Rights Council and the UN Working Group on Business and Human Rights in promoting the dissemination and implementation of the UNGPs.

2.1.2. OECD Guidelines for Multinational Enterprises

The OECD Guidelines are government-backed recommendations to multinational enterprises on what constitutes responsible business conduct (RBC). The OECD Working Party on Responsible Business Conduct brings together the 50 governments that have adhered to the Guidelines whose mandate is to promote the implementation of the OECD MNE Guidelines and RBC policies.

The OECD Guidelines cover all areas of business responsibility, including labour and human rights issues, environment, disclosure, bribery, consumer interests, science and technology, competition, and taxation. They were adopted in 1976 and last updated in 2011 to include a chapter on human rights aligned with the UN Guiding Principles. The chapter on Employment and Industrial Relations is aligned with ILO labour standards and the ILO MNE Declaration. The Guidelines follow the UNGPs in recommending that companies conduct due diligence to identify, prevent, mitigate and account for their actions to address actual or potential human rights impacts. They also include a unique non-judicial grievance mechanism, the National Contact Points (NCPs).¹²

The six-step OECD Due Diligence Guidance for Responsible Business Conduct (see Figure 1 below) has been further elaborated in the OECD Due Diligence Guidance for Responsible Business Conduct (2018), as well as sector-specific due diligence guidance.¹³ The various due

¹² As of 2021, there are 50 NCPs. NCPs can only be established in countries adhering to the OECD Declaration on International Investment and Multinational Enterprises, which comprises both OECD member and non-member countries. Three adherent countries are in North Africa (Tunisia, Morocco and Egypt), and seven are in Latin America (Argentina, Brazil, Colombia, Costa Rica, Mexico, Peru and Uruguay).

¹³ OECD sector-specific due diligence guidance exists for the minerals and garment value chains. The 2016 OECD-FAO Guidance for Responsible Agricultural Supply chains applies the six-step approach to the agricultural sector. Moreover, the

diligence guidelines, which were developed in consultation with governments, business, trade unions and civil society, provide practical support to enterprises on the implementation of the OECD MNE Guidelines. The cross-sectoral RBC Due Diligence Guidance includes steps, sub-steps, practical actions and additional explanations and illustrative examples of risk-based due diligence.

2.1.3. The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy

The ILO MNE Declaration is the only global instrument developed, adopted and supported by governments as well as employers' and workers' organizations. It was adopted in 1977, further amended in 2000 and 2006, and updated in 2017 to include new labour standards and make explicit references to global developments such as the UNGPs and the 2030 Agenda for Sustainable Development. The aim of the MNE Declaration is encourage the positive contribution of business to decent work and mitigating and resolving potential negative impacts of business operations on decent work and respect for labour rights.

The MNE Declaration provides guidance on how enterprises can contribute through their worldwide operations to the realisation of decent work. Its recommendations on employment, training, conditions of work and life, and industrial relations are based on international labour standards, including the fundamental Conventions underpinning the ILO Declaration on Fundamental Principles and Rights at Work (1998) which addresses forced labour, child labour, non-discrimination and freedom of association and collective bargaining.

2.2. Mandatory human rights and environmental due diligence

Ever since the adoption of the Dodd-Frank Act and the California Transparency in value chains Act over a decade ago, there has been a growing number of legislative initiatives that require companies to report on the due diligence they conduct regarding their human rights, environmental and governance impacts. These can be broadly classified into three categories:

2.2.1. Mandatory disclosure laws

Examples of such laws are the California Transparency in Supply chains Act (2010), the European Union Directive 2014/95 on Disclosure of Non-Financial Information (amended to the Corporate Sustainability Reporting Directive in 2021), the U.K. Modern Slavery Act (2015) and the Australian Commonwealth Modern Slavery Act (2018) require disclosure of specific efforts to manage specific risks and may involve sanctions for non-compliance but do not include remedies for victims of harms that in-scope companies may have caused or contributed to.

2.2.2. Product-specific due diligence laws

These differ from disclosure laws in that they focus on business conduct and require companies to take action concerning one or more product-related sustainability risks. They mandate companies to conduct, and report on, their due diligence on specific commodities, products, production processes, or value chains. Like the disclosure laws, they may carry sanctions for non-compliance but do not cover remedies to individuals or groups who suffer harm as a result of the failure to conduct due diligence. Examples can be found in:

- (a) Section 1502 of the Dodd-Frank Act that specifies the standard for due diligence that a company must adopt in the event that it uses conflict minerals;
- (b) EU Regulation 2017/821 that specifies that importers of tin, tantalum, tungsten and gold from conflict-affected and high-risk areas must use the five-step OECD framework to conduct due diligence on their value chains.
- (c) The European Commission's legislative proposal for an EU Regulation concerning certain commodities and products associated with deforestation and forest degradation, requires that operators and large traders use a three-step due diligence process to verify that products in scope placed on the EU market are deforestation-free.

OECD has released guidance on Due Diligence for Responsible Corporate Lending and Securities Underwriting, and guidance for Meaningful Stakeholder Engagement in the Extractive Sector.

2.2.3. Cross-sectoral mandatory due diligence laws that cover human rights and/or environmental impacts

Like product-specific due diligence laws, these laws target the business conduct, including sourcing and production practices of a company and its value chain. They are cross-sectoral in approach and tend to cover a wider range of environmental and human rights risks. They vary in company scope, risk coverage and alignment with international standards. They often combine administrative sanctions with civil (or even criminal) liability for harms that occur because of the failure to conduct effective due diligence. Examples include:

- (a) The French *loi relative au devoir de vigilance* covers the operations of a company (above a threshold size) and its suppliers and carries liability for harms that could have been prevented through due diligence. It also provides remedies in the form of compensation to groups impacted by the harm.
- (b) The German Act on Corporate Due Diligence in Value chains adopted in 2021 and entering into force in 2023 targets companies with 3,000 or more employees, and companies with 1,000 or more employees after 2024.¹⁴ It provides only for administrative sanctions for non-compliance, which may include fines and exclusion from public procurement.
- (c) The proposal of an EU Directive on Corporate Sustainability Due Diligence also falls within this group of mandatory due diligence laws that cover human rights and environmental impacts of EU companies' own operations and their global value chains.

2.3. Considerations for carrying out inclusive and effective due diligence

Drawing on the normative sources cited above (the UNGPs, OECD, ILO), due diligence can be defined as an on-going, proactive and adaptive process that a business embeds in its policies, management systems and strategy to apply across its operations, business relationships and value chains. These steps are illustrated in Figure 1:

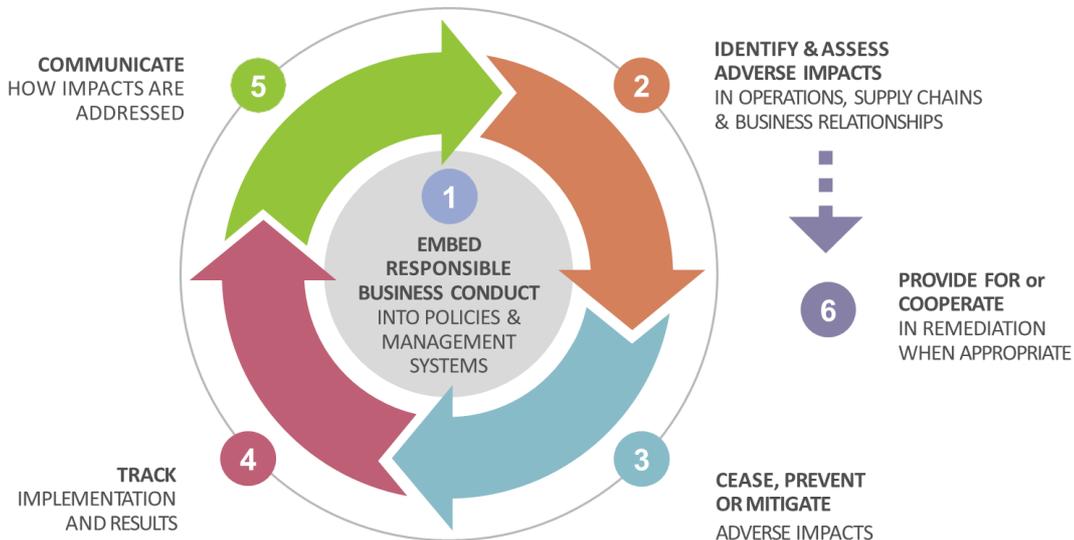


Figure 1: The Due diligence process

(Source: adapted from OECD Due Diligence Guidance for RBC)

¹⁴ See

https://www.bgbl.de/xaver/bgbl/start.xav?startbk=Bundesanzeiger_BGBl&jumpTo=bgbl121s2959.pdf#_bgbl_%2F%2F*%5B%40attr_id%3D%27bgbl121s2959.pdf%27%5D_1629451951682.

These steps of the due diligence process require implementation of the following actions:

1. Embed responsible business conduct into the enterprise's policies, management systems and business relationships, and assign board-level responsibilities for them. This also includes to develop and install grievance mechanisms that should be accessible to workers and stakeholders, and open to receive both alerts about impending risks or complaints about actual harms.
2. Identify and assess human rights and environmental risks and adverse impacts associated with the enterprise's operations, products or services and, where necessary, prioritise the most significant risks for action, based on severity and likelihood. This includes to map the value chain, including the names and locations of own operations, business partners, suppliers and producers. This information should also be made publicly available to business partners and consumers.
3. Avoid, cease, prevent or mitigate any adverse impacts identified by ranking and prioritising them according to severity, urgency, scope and scale. Prioritise for action any activities that are causing or contributing to adverse impacts.
4. Monitor the implementation and effectiveness of their due diligence activities, including of their business and supplier relationships, to identify, prevent, mitigate and remediate impacts.
5. Disclose, account for, and address any identified risks or harms, and disclose how adverse impacts are addressed, and publish reports on the due diligence activities, findings, outcomes and impacts.
6. Remediate actual adverse impacts which a business has caused or contribute to, for instance through legal proceedings, non-judicial grievance mechanisms, or engagement with victims through community level mechanisms.
7. Consult workers and their organisations, communities and other stakeholders throughout the implementation of these steps regarding the due diligence process and potential risks and harms.

These steps are inter-related, dynamic, iterative and most effective when used as an integrated framework. Human rights and environmental due diligence is defined by key characteristics which help to ensure that expectations are reasonable and workable for companies. They make clear, for example, that due diligence is preventative, risk-based, dynamic, does not shift responsibilities, appropriate to an enterprises circumstances, informed by engagement with stakeholders, and involves on-going communication.

The following considerations and associated risks to be avoided can help companies set up inclusive and effective due diligence systems that incorporate the above described steps. These considerations can equally guide any public support given to companies in helping them meet the requirements of proposed human rights and environmental due diligence legislation.

2.3.1. Embedding

International standards and most guidance documents on due diligence stress the importance of embedding the due diligence system in core business policies, strategies and systems of the company. However, available research indicates that relatively few companies do that. Individual company due diligence programmes typically take the form of externally applied contractual clauses that oblige business partners and suppliers to comply with certain standards, enforced through social audits. Such outwardly focused, unidirectional due diligence approaches should be reframed to include the way a final product or service is designed, developed, produced, financed, marketed, delivered and disposed of. Embedding also means that due diligence should not only concern corporate procurement and sourcing functions but top management and company strategy and objectives. By locating itself in a complex adaptive system, a company can better analyse all its relationships, linkages and interactions for human rights, environmental and governance risks on an on-going basis.

Associated risk:

- Instead of embedding due diligence systems into corporate strategies, lead companies may transfer, for instance through cascading contractual clauses, the primary duty for due diligence to producers/suppliers that would have to absorb additional responsibilities and costs without adjustment to other terms and conditions. This could

increase the burden already borne by producers and suppliers and may even undermine their ability to maintain or improve human rights and environmental standards.

2.3.2. Identifying and monitoring

In the vast majority of cases, existing due diligence systems consist of compliance standards and audits and only extend to direct suppliers. Audits occur annually at best. In order to meet the standards of due diligence such systems will need to develop the capacity to collect data on social and environmental risks from the entire value chain on an on-going basis using a combination of assessment tools, digital data sources, workers and their organisations, local partners and stakeholders.

Associated risks:

- Lead companies may simply rely on current or updated due diligence tools (including self-assessments, social audits and certifications, carbon accounting and life cycle sustainability assessments). Given the limited impact of these tools to date, this may meet the letter but not the spirit of the law. These tools are not standardised, transparent or comparable;
- Producers/suppliers in remote areas face additional challenges in identifying, preventing and remediating human rights and environmental risks. These challenges may be compounded by poverty and weak governance systems. Child labour, for example, may be a function of low household income, a lack of school access and/or cultural factors. Similarly, human trafficking and forced labour is often related to a lack of employment opportunities and/or conflict situations.

2.3.3. Risk prevention and remedies

Social and environmental risks and harms are very seldom the result of a single actor or factor. They are usually the result of multiple factors and require multiple actors working together to identify, prevent, mitigate or remedy risks and harms. The necessary trust, cooperation and coordination is extremely rare in value chains however, and responsibility for remediation tends to fall on the immediate producer/supplier. Worse, there is seldom any discussion of the enabling mechanisms (technology, training, finance) required to effectively remediate the risk or harm. For human rights and environmental due diligence to be effective, a collaborative approach will be required to identify, prevent, mitigate and remediate risks and harms. In addition, the focus should go beyond non-compliance to identify areas of improvement in sourcing, procurement and production practices that would prevent risk and harms.

Associated risks:

- If administrative or civil liabilities are too great, the risk calculus may result in lead companies avoiding high risk countries, or disengaging rather than mitigating or remediating risks;
- Remedies may not address root causes that require a longer-term engagement (as is often the case with child and forced labour);
- The focus on environmental and social risks may divert attention away from the economic factors that are often at the root of those risks. Asymmetrical bargaining power in value chains may result in unrealistic pricing that leaves producers unable to earn a living household income or suppliers incapable of paying living wages. These economic factors may also leave them unable to invest in improved management of health, safety and the environment.
- Human rights and environmental harms that could result from value chain strategies such as aggressive pricing, short lead times and lengthy payment terms may not be addressed because of the cost implications. This has been well documented in numerous studies on the unintended consequences of certain purchasing practices. Regulators have tried to prevent these harms through legislation such as the [EU Directive 2019/633](#) on unfair trading practices in the agricultural and food value chain.

2.3.4. Transparency and traceability

Lead companies rarely know all the moving parts in their global value chain, and seldom trace their product from raw material to recycling. This visibility and mapping will have to improve as companies gear up to meet the requirements of human rights and environmental due diligence.

It will require 'systems thinking' to identify all the relationships, linkages and interactions in their business activity. Companies might not be able to collect that information alone, and will therefore need to develop new partnerships and systems involving inputs from industry associations, multi-stakeholder initiatives, digital data sources, workers and their organisations, local partners and civil society. It is important to note that full value chain traceability is not a requirement of international recommendations on risk-based due diligence, which expect companies to prioritise their most significant risks and suppliers by severity and likelihood and demonstrate measurable progress over time. It is also not an obligation under the Commission proposal for a Corporate Sustainability Due Diligence Directive. By contrast, Commission proposal for a Deforestation Regulation, as well as the proposed Sustainable Products Initiative come with information requirements for in-scope companies that they will hardly be able to fulfil without the ability to trace their products up to their point of source.

Associated risk:

- The lack of trust and price pressures in transactional value chains will continue to incentivise suppliers to sub-contract activities to less compliant entities with correspondingly lower costs. This is often not disclosed to the lead company.

2.3.5. Grievances

The UNGPs have listed criteria for an effective operational-level grievance mechanism. It should be legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on engagement and dialogue. In countries or areas of weak governance, high inequality or social conflict it may be difficult for workers and communities to access effective grievance mechanisms, however. Companies will need to counter these inequalities by partnering with workers organisations and civil society organisations to enhance access and efficacy. The OECD-FAO Guidance also stresses the importance of cooperation with indigenous people, and shows companies how to integrate Free, Prior and Informed Consent (FPIC) when addressing land rights.

Associated risk:

- Any lack of trust between buyer and supplier, and supplier and workers, serves to disincentivise disclosure of grievances for fear of negative consequences. Workers fear reprisals from management and suppliers fear that buyers will drop them from value chains if they have serious cases.

2.3.6. Meaningful stakeholder engagement and social dialogue

This is a crosscutting theme that plays an important role at virtually every stage of the due diligence process, from identifying risks and remedies through to grievance handling, transparency and accountability. Given the large number of in-scope companies that may seek to engage with worker and community organisations, and civil society, companies should consider coordinating consultation and engagement through their sectoral associations or multi-stakeholder initiatives where appropriate. Needless to say this does not replace consultation and engagement in the industrial relations sphere.

Associated risk:

- The threat of administrative sanctions and possible legal action in the emerging human rights and environmental due diligence framework may dissuade lead companies from disclosing or discussing severe human rights and environmental risks or harms with internal and external stakeholders.

2.3.7. Reporting and accountability

This is a critical component of human rights and environmental due diligence since there can be no responsibility without accountability. It is also one where legislation is required to clarify the reporting frameworks and metrics to ensure that specific, meaningful and comparable data is being presented.

Associated risk:

- Without a recognised taxonomy, methodology and metrics, company reporting is likely to be confusing and counter-productive.

3. Value chain Actors and their Role in the Due Diligence Process

While due diligence legislation only mandates in-scope companies to conduct due diligence, all actors in the value chain have a responsibility to collect and share ongoing information on risks and impacts, and to communicate on how they are being addressed. All these actors have a role in ensuring that the due diligence process is carried out in inclusive and effective ways that meet the expectations of human rights and environmental due diligence.

The key challenge for lead firms (defined in 3.1(b)) and other companies gearing up for human rights and environmental due diligence is to find practical and meaningful ways to identify and manage human rights and environmental risks in long, complex and multi-layered value chains. They cannot do that alone. The value chains are made up of interconnected and interdependent actors and no one actor can identify, prevent or remedy the risks independently. This realisation signals the urgent need for greater collaboration and trust between value chain actors. Regulators, companies, trade unions and other stakeholders have grappled with this for years and new human rights and environmental due diligence legislation will raise the performance expectations for companies while adding additional accountability.

A mandatory due diligence duty can also bring order to an otherwise disorganised and piecemeal process, among others by promoting more partnership and collaboration between value chain actors. This would enable a shift of focus from compliance based on sanctions to value chain sustainability based on collaboration and a bottom-up approach in a system where everyone is entrusted with respecting human rights and the environment and is expected to share information on risks and impacts with other actors in the chain. Social and environmental sustainability is not a zero sum game and can work if value chain actors co-create positive sum outcomes. In this section, we examine how the responsibility for human rights and environmental due diligence can and should play out for all actors along global value chains by describing who the relevant actors are and what role they have in the due diligence process.

3.1. The Value chain System

Implementing human rights and environmental due diligence in global value chains involves the combined effort of various actors at multiple levels in both the private and public sectors. Their relations along the value chain, the rules that govern their relations, and the support functions that help them to carry out effective due diligence and mitigate adverse impacts can be understood as a complex adaptive and relational system that is illustrated in figure 2 below. We will describe in more detail in section 2 how this system can be supported in catalysing systemic change towards responsible business conduct and value chain sustainability.

The actor groups, and their functions in the value chain system can be conceptualised as follows¹⁵:

a) Regulators and Administrators

This refers to the rule-setting activities of the EU - and the international frameworks that they incorporate (UN/OECD/ILO) - as well as to EU Member States implementing these rules. There are also government agencies in producer countries that oversee and support the activities of companies in their respective jurisdiction. Moreover, horizontal due diligence rules that govern relations among value chain actors can be substantiated by product-specific requirements, for instance on the responsible sourcing of minerals,¹⁶ or on minimising the risk of deforestation.¹⁷ Reinforcement of due diligence rules happens also through the EU's trade policy tools such as the Trade and Sustainable Development (TSD) chapters in EU trade agreements or the GSP+ scheme that links unilateral trade preferences to the respect for core labour standards,

¹⁵ In the context of this guidance document, when referring to actors along the value chain, it should be understood to include all actors from both public and private sectors as well as members and organisations of civil society that take part in the making of and benefit from the end-product of the said value chain. The actors referred to thus range from regulators and companies, to workers, their representatives, and international organisations and NGOs. All play a crucial role in mitigating harms and implement due diligence.

¹⁶ The Responsible Minerals Regulation (EU) 2017/821 covering tin, tantalum, tungsten and gold from, conflict-affected regions, and the proposal for a Regulation concerning batteries and waste batteries (COM(2020) 798/3) covering four minerals used for electric vehicle and industrial batteries (cobalt, lithium, graphite and nickel).

¹⁷ The EU legislative initiative on deforestation-free value chains (COM(2021) 706 final) covering beef, palm oil, soya, coffee, cocoa, wood and some derived products from these like leather and furniture.

b) **Lead companies**

Lead companies can be brands, retailers, manufacturers or assemblers of final products. They place purchase orders that set value chains in motion. They specify price, quality and delivery criteria for suppliers, and also set company standards for social and environmental conduct that suppliers are required to meet. Lead firms are the actors that bear the legal obligation to conduct human rights and environmental due diligence, but they have to rely on cooperation and engagement with relevant actors and stakeholders along their value chains. Some lead companies have very extensive value chains that may exceed 100,000 suppliers, with varying degrees of engagement and a certain amount of churn each year. This poses challenges in terms of visibility over the entire chain and collection of data on supplier performance. Under the proposed EU human rights and environmental due diligence legislation, these (European) companies are required to set up systems to conduct due diligence along their own operations and value chains as described in section 2.3 above. In doing so, they may work together with other companies in industry coalitions or multi-stakeholder initiatives to collectively develop tools and procedures for implementing their human rights and environmental due diligence obligations.

c) **Supplier companies:**

These may be affiliates of lead companies, joint ventures or independent entities that provide raw or intermediate materials, or perform processing, manufacturing or final assembly tasks for goods delivered to companies operating in the EU. These suppliers can be divided into direct suppliers, those closest to the buyer and providing finished or almost finished product, intermediate goods suppliers providing inputs to the finished product suppliers, and raw material producers at the beginning of the chain. The chain structure varies from product to product and the suppliers at each link or step in the process are often located in different countries, giving most value chains a global dimension. In addition to the vertical relationships between buyers and suppliers in the global chain, suppliers at every link may have horizontal business relationships that may need to be included into the due diligence process too. Suppliers may also be lead companies in their domestic or other markets, with their own value chain. Most of the suppliers in global Value chains are MSMEs, and at the raw material stage they may be smallholder farmers or artisanal miners who might not have a registered legal entity. Some value chains include the informal sector and homeworkers as well. It is important to note that these small producers and suppliers, and their producer organisations, represent some of the most vulnerable groups in society, often operating in locations with high rates of poverty, inequality and insecurity, and are thus most exposed to adverse human rights or environmental impacts. They thus require particular attention and support to contribute in meaningful ways to the due diligence process.

d) **Operating eco-system**

Each country in a global value chain has an eco-system that consists of business associations, farmer cooperatives, multi-stakeholder initiatives, education, research and training institutions, NGOs, employer organisations and trade unions. Their activities provide voice, representation and services that make the value chain system more effective and responsive, especially to the needs of the most vulnerable groups located upstream whose livelihoods depend on fair and inclusive relations with downstream value chain actors. As such, they represent a form of network governance and accountability in global value chains.

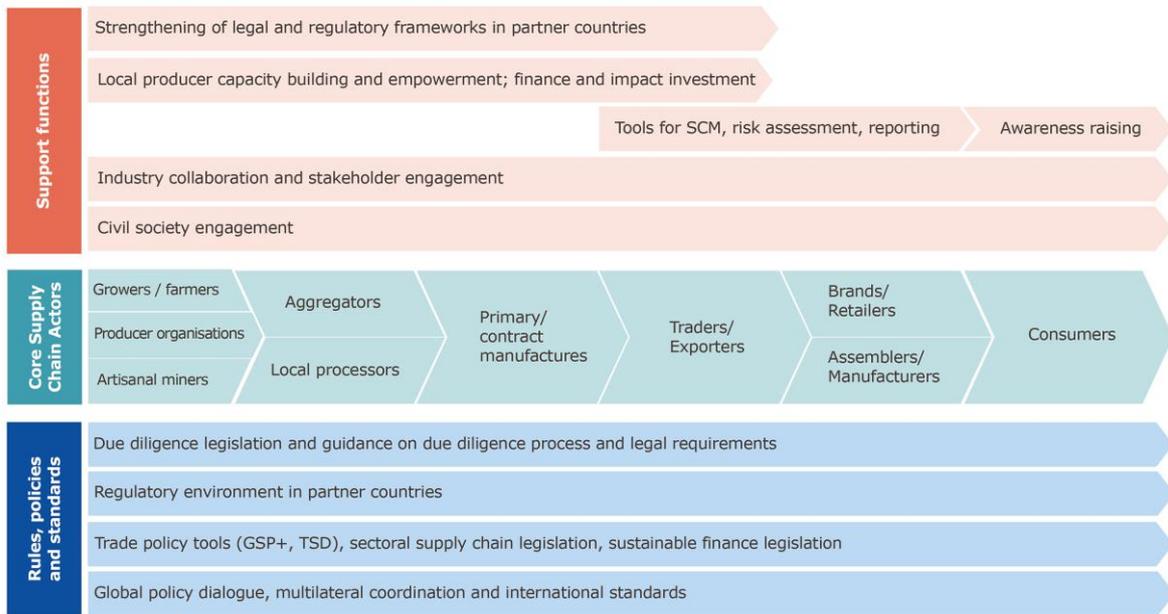


Figure 2: The Value chain System: Core value chain transactions, support functions, and rules

3.2. Roles of Relevant Actors along the Value chain

This section focuses on the roles that each of the aforementioned value chain actors have in the due diligence process. Accompanying measures to due diligence legislation should focus on supporting them in the performance of these roles with a view to ensuring that they contribute to an inclusive and effective value chain system.

3.2.1. What role should governments play?

Policy-makers and administrators in each country along the value chain have a duty to set and enforce standards for business, regulate markets and ensure a level playing field for all market actors. They also have an important support function of providing financial and non-financial assistance to the various actors in the business ecosystem and those who may be impacted by those business activities. This support function of home- and host-country governments is particularly crucial in an era of human rights and environmental due diligence and existing support mechanisms will have to be updated to take account of the human rights and environmental due diligence obligations of companies in global value chains. Possible measures include:

- (a) **Regulatory and administrative reforms** to resolve structural or systemic issues in the labour market, legal system and politics that contribute to human rights and environmental risks and negatively influence the country risk rating;
- (b) **Ratification** of globally accepted labour, human rights and environmental standards and adoption of appropriate regulations for implementation and enforcement;
- (c) **Setting** harmonised metrics, targets and indicators/benchmarks for social and environmental performance in different sectors
- (d) **Information** - on value chains, country or thematic risks, trade and investment flows etc.
- (e) **Funding** instruments to address root causes of environmental and social harms; access to financial support and capacity building programmes in producing countries; harnessing ODA and other SDG-related partnerships
- (f) **Policy** coherence across thematic areas eg. trade, investment, sustainability, development cooperation etc
- (g) **Support** to MSMEs

- (h) **Incentives** to encourage and reward higher social and environmental performance by lead companies, suppliers and producers - for instance through environmentally and socially responsible public procurement, as well as tax and duty benefits that create a level playing field and strengthen uptake;
- (i) **Training** of managers, workers, trade unions, social auditors, environmental assessors, CSOs and partner governments to deliver better social and environmental performance;
- (j) **Technology** to improve and measure social and environmental performance;
- (k) **Research** and advisory services that enable social and environmental sustainability, including in the areas of climate-smart agriculture, circular economy and carbon neutral production, distribution and consumption;
- (l) **Convening**, strengthening and evaluating sectoral and multi-stakeholder initiatives to improve performance against human rights and environmental benchmarks;
- (m) **Sector guidance** on practical implementation of risk-based HREDD
- (n) **Infrastructure** for sustainable farming, mining, processing and manufacturing (including reliable energy, water supply, waste management, transport); and
- (o) **De-carbonisation** of the value chains by providing access to renewable energy sources and less polluting forms of transport.

3.2.2. What should lead companies do?

Besides the actions that lead companies can take to conduct due diligence in effective and inclusive ways - as described in Section 2.3 above - they have an important role to play in strengthening their engagement with other value chain actors, in particular upstream suppliers and producers, to support improved social and environmental performance. Possible actions include:

a) **Align standards**

Lead companies not only set the terms and conditions of supply contracts or purchase orders (price, quality, delivery date), they also set requirements regarding human and labour rights and environmental protection. These rules are often set out in a corporate code of conduct attached to purchase agreements with supplier compliance verified through social audits and certifications. Unfortunately, there is no standardised or harmonised system regulating the content and auditing of corporate codes of conduct. Even corporate codes of conduct that draw on UN, ILO, OECD and EU standards often adapt them in ways that differ materially from the original standard and subsequent jurisprudence. This results in an inconsistent array of standards that suppliers must meet.

It is quite common when entering a supplier factory to see scores of buyer codes of conduct posted on the wall, each with its own definitions and specifications. Lead companies and their associations should therefore align their social and environmental standards with international guidelines or those issued by the competent national authority. Such alignment should be accompanied by efforts to achieve convergence among private voluntary standards initiatives and compatibility of social audit formats. This would significantly reduce the cost of due diligence for both lead firms and suppliers, for instance through the use of harmonised codes of conduct or the sharing of audit information. Finally, producers or suppliers, and their associations, should be included as partners in the alignment of standards and development of tools.

b) **Standardise metrics and data collection**

These differences are compounded by the fact that there is a lack of professional and technical standards for defining metrics and then collecting and interpreting data on human and labour rights or environmental performance. As a result company assessments of supplier performance - and claims of their own performance - may be idiosyncratic, hard to verify and difficult to compare and rank.

Lead companies and their associations must work with their partners - including producers and suppliers - to standardise the definition, collection, verification and publication of data. Performance measurement tools should be open source with transparent results available for consultation by regulators, buyers, suppliers, consumers, workers, trade unions and CSOs. This will reduce duplicate and inconsistent auditing, assessment and certification and allow for comparison and ranking.

c) Update and harmonise codes and audit programmes

Voluntary corporate social responsibility implemented through codes of conduct and social audits evolved in the late-1990's and predates the development of the UNGPs and its concept of due diligence as promoted by the OECD MNE Guidelines. It has also been rather ineffectual in improving sustainability outcomes in social, environmental and economic terms. In fact, the insufficient impact of voluntary corporate social responsibility programmes is one of the reasons why legislators have decided to adopt due diligence legislation. Downstream companies will have to update their codes of conduct and verification practices in line with human rights and environmental due diligence standards. At the same time, increased efforts are required to harmonise Codes of Conduct across lead firms in a given sector, and to pool audit results in order to reduce compliance costs for upstream suppliers. Lead firms will also have to shift from a top-down, adversarial system to a collaborative one in which all value chain actors contribute to the identification of risks and the prevention or remediation of harms.

d) Close the gap between commitments and actions

Lead companies tend to shift financial and production risk down the value chain, and this applies to social and environmental risks as well. Suppliers, however, often find it challenging to meet the human rights and environmental due diligence expectations of lead firms, while current compliance programmes leave no scope for identifying and meeting the practical needs of suppliers. The result is a significant gap between commitments and action that should be filled by explicit agreements between lead companies and suppliers regarding the standards to be achieved, the implementation actions to be taken, the metrics to be used in measuring performance, the reporting mechanisms and the support required (capacity building, technology, finance). Without this level of clarity, lead companies are making assumptions about the willingness and ability of suppliers to perform that often fail to meet the requirements of human rights and environmental due diligence. Instead, they will have to make explicit agreements that clearly specify the implementation actions and the resources required (training, technology, finance etc.).

e) Pool resources

Lead companies currently reserve the right to audit suppliers using their own or third party auditors. These audits are generally charged to the suppliers who must also bear the cost of corrective actions or remedies in the event of any social or environmental harm. In addition, suppliers or producers may face financial or other penalties for non-compliance. This system of uncoordinated, adversarial and duplicative audits and remedies is expensive, onerous and relatively ineffective. It should be replaced by collective efforts of lead companies and suppliers to address the root causes of social and environmental non-compliance, preferably on a proactive basis, using more appropriate tools such as needs assessments, interviews, surveys and data analytics. There is ample data available from the millions of audits that have already been conducted that could be used to identify the most common non-compliance issues in each market or product category.

Companies and their associations should collaborate with suppliers and producers to conduct root cause analyses to uncover the priority issues that they could then address collectively and in partnership with civil society, development partners and government agencies. They should also pool risk mapping/scoping; supplier assessments and trainings; grievance mechanisms or other complaints handling; and remedial actions.

f) Reward performance

One of the disincentives limiting producer/supplier investment in improving human rights and environmental performance is the reward structure. Improved performance is often not rewarded by a price increase or preferences given by lead firms in the allocation of their orders.

Creating a fair, progressive and transparent system of linkage between social and environmental performance and order allocation could drive a race to the top and increase the positive impact of human rights and environmental due diligence. Alternatively, adopting measures to prevent unfair competition from less compliant suppliers and producers would send a strong signal that future business is conditional on improved performance.

g) Purchasing practices

These are often a root cause of social and environmental harms in that the asymmetries in market power allow buyers to impose terms and conditions that suppliers struggle to meet without compromising social or environmental standards. The collateral effects and externalities

often feature in the risk identification process of lead companies but are incorrectly attributed to supplier/producer negligence.

Rigorous root cause analysis of social and environmental harms would reveal the impact of sourcing practices and lead companies should assume their share of the responsibility for preventing those results. Lead companies should also consider investing in the technology, systems and expertise of producers and suppliers in order to generate new social, human and natural capital. There is undoubtedly significant value that could be unlocked in value chains if lead companies invested in increasing shared value rather than cutting costs.

h) **Investment in suppliers**

Lead companies should consider investing (or incentivizing investment by co-investing) in sustainable production technologies, systems, and capacities of upstream producers and suppliers to generate new social, human and environmental capital. There is significant value that could be unlocked in value chains if lead companies invested in increasing shared value and in supporting upgrading linked to human rights and environmental due diligence beyond controlling compliance.

i) **Timely communication and consultation**

Suppliers and producers report that a key factor in meeting the performance expectations of lead companies is time. If they are informed about the expectations of lead companies, and consulted on the best methods of meeting them, suppliers/producers are able to make the necessary adjustments. This intangible, but vital, factor should form part of any human rights and environmental due diligence system.

3.2.3. What is the role of Industry Coalitions and Multi-stakeholder Initiatives?

Voluntary associations (both mono- and multi-stakeholder) that help members address the challenges of responsible value chain management have a key role to play in achieving the objectives of human rights and environmental due diligence. These organisations are generally industry or commodity-specific and promote standards relevant to their participants. They can be broadly divided into learning and sharing platforms (that generally do not assess member performance), monitoring, accreditation or benchmarking initiatives, and private certification bodies. They tend to specialise in either social or environmental/climate change standards and may focus on one or more sub-standard or issue within their field (e.g. responsible recruitment; child labour; CO₂). They also vary in geographical coverage and value chain scope.

Their governance systems may consist of business representatives only, business-only plus a civil society advisory committee, or business and civil society. Very few have government or trade union participation, and suppliers/producers or supplier country stakeholders are generally not represented either.

The logic of these initiatives is that social and environmental responsibility is pre-competitive and the challenges so substantial that they can best be met through collective action using pooled resources. Most provide training and capacity building resources to their members and some audit, evaluate and/or certify performance in different ways, although the results of those processes are generally not transparent.

With regard to human rights and environmental due diligence, different types of initiatives could, depending on their scope and core activities, play leading roles in the following areas:

- (a) **Harmonisation** of standards and metrics;
- (b) **Professionalisation** of auditing, certification and other social and environmental assessment activities;
- (c) **Open source systems** for auditing and assessment, sharing of data, equivalency of results and avoidance of duplication;
- (d) **Automated systems** of due diligence data collection and processing that can be scaled at affordable cost;
- (e) **Capacity building**, especially on human rights and environmental due diligence management systems, remedies and reporting;
- (f) **Strengthen standards and systems for responsible sourcing** to avoid practices that undermine supplier and producer performance against human rights and environmental

targets and to ensure that standards are aligned with international due diligence standards; and

- (g) **Coordination, cooperation and facilitation of alliances** between industry and multi-stakeholder associations, government, trade unions and other stakeholder groups.

3.2.4. The role of suppliers, producers and their associations

This includes companies and individuals, and their associations - engaged at any stage of the value chain - from raw materials to finished product. Associations at this level include sectoral industry bodies, exporters associations, and farmer coops/unions. They have a role in the following areas:

(a) Compliance costs

Suppliers often have to fully absorb or integrate the social and environmental requirements of regulators and buyers at their own expense. These additional expectations and costs have generally not been reflected in higher unit prices or other forms of compensation (e.g. additional orders), and call for new forms of market-based support such as trade and investment finance linked to social and environmental sustainability criteria. This unequal burden for managing and remediating social and environmental risks may increase with mandatory due diligence and must be addressed through accompanying measures.

(b) Capacity Building

Upstream suppliers have often struggled to meet existing and new social and environmental expectations due to a lack of capacity, knowledge, technology or finance, and in some cases, due to growing demands of downstream companies. Other constraints include business climate, culture and religion, local regulations, competitive pressures and time. These constraints and needs should be identified and addressed, preferably collectively, in order to enable improved performance against human rights and environmental benchmarks and international due diligence standards. In this regard human rights and environmental due diligence presents an opportunity for producers and suppliers to become more proactive and to ensure that the expectations and engagement of downstream companies are reasonable and responsible. By taking control of their social and environmental future, producers, suppliers and their organisations could better plan, budget and manage their programmes.

(c) Implementation Plans

Buyer codes of conduct and other standards are mostly general statements that lack implementation guidelines. Suppliers may not have the knowledge or expertise to translate those expectations into practical actions. This results in a gap between commitments and actions that undermines the impact of many social and environmental sustainability programs. Suppliers, producers and their associations must engage with lead companies to ensure that each human right, labour and environmental standard has a clearly defined and agreed action for implementation, a metric for measurement and reporting, and the means for achievement that are consistent with legal due diligence requirements and international due diligence standards.

(d) Sourcing Practices

The transactional nature of many value chain relationships, and the lack of trust, undermines supplier cooperation with existing sustainability schemes. Supplier/producer associations must engage with their counterparts higher up the value chain to address sourcing practices that serve as disincentives to improvement and upgrading in social and environmental standards.

(e) Shared Resources

Unlike lead companies, producers and suppliers have generally not treated social and environmental issues as pre-competitive and have not pooled resources or engaged in collective efforts to raise human rights and environmental standards and performance. It is not feasible or efficient for each enterprise to acquire the skills required to fully meet human rights and environmental performance and reporting obligations. These are resources and services that should be offered by producer and supplier associations or initiatives. There are some notable examples, particularly amongst farmer coops and unions, but more needs to be done, especially with respect to the structural and systemic issues that cannot be overcome by any company acting alone. This will not only require cooperation amongst producers or suppliers but also with

government agencies, development partners, universities, trade unions and civil society organisations.

(f) **Institutional Support**

Many suppliers/producers work in markets with weak governance and institutional infrastructure and do not enjoy the institutional support necessary to develop world-class capacity on social and environmental issues. This is a constraint that must be taken into account by producers/suppliers and European development partners.

3.2.5. What is the role of workers and their organisations?

Workers and trade unions in farming, mining, processing and manufacturing have been largely excluded from the processes of making and implementing social and environmental standards, remediating non-compliance and auditing, monitoring and certifying performance. Notable exceptions include the global framework agreements (GFAs) that some unions have been able to negotiate with major multinational companies, the ACT initiative on living wages and the Bangladesh Accord on Fire and Building Safety. This is likely to change, as human rights and environmental due diligence will require stronger engagement by companies, at particular points in the process, with workers and their organisations in the following fields:

- (a) **Awareness** and participation by all involved in production processes in order to achieve the necessary improvements; particularly to facilitate workers' engagement in Step 2 risk-scoping and site-level assessments, the Step 3 determination of prevention and mitigation plans (including corrective action plans), and Step 4 verification and monitoring.
- (b) **Grievance mechanisms** that workers and their organisations can access;
- (c) **Judicial and non-judicial remedies** that workers and their organisations can access to lodge complaints (and possibly legal action) in the EU with respect to social and environmental harms flowing from business activity;
- (d) **Stakeholder consultation**, including with workers' organisations. Relevant stakeholders will differ depending on the enterprise and its activities, and the step in the due diligence process.

International and national trade union bodies should provide:

- (a) **Capacity building** to affiliates on how to participate in the due diligence processes;
- (b) **Research and information** to equip worker's and their organisations with the knowledge to engage risk identification and mitigation;
- (c) **Guidance documents**, policy materials and tools to enable meaningful interaction with other value chain actors; and
- (d) **Advisory services** to support worker's and their organisations participating in human rights and environmental due diligence processes.
- (e) **Negotiation of agreements** at a global level between MNEs and global unions to support the mechanisms for affiliates and their members to use.

3.2.6 What is the role of civil society

Civil society organisations, including non-governmental and community organisations, academic and research institutions, faith-based organisations, human rights defenders and the media play an important role in global value chains by giving voice and support to stakeholders whose rights and interests are affected. They may contribute through adversarial and collaborative activities in the following ways:

- a) Awareness raising around business activities that affect society and the environment and issues that may be material to business. These activities may contribute to risk identification, prevention and mitigation, and to the remediation of adverse impacts.
- b) Grievance mechanisms – civil society organisations give voice to individual and collective grievances and may channel them into company or official mechanisms.

- c) Judicial and non-judicial remedies – civil society organisations may provide assistance to rights holders in accessing remedies.
- d) Capacity building for producers, workers and their communities. This is one of the core activities of civil society groups.
- e) Research and guidance services provide information and knowledge to all value chain actors.
- f) Transparency – civil society organisations play an important role in investigating, documenting, monitoring and disclosing information about value chain actors and their impacts on society and the environment.
- g) Policy formulation – civil society organisations play a major role in agenda setting, policy formulation, implementation, monitoring and evaluation.

4. Designing and Implementing Effective and Inclusive Accompanying Support Measures

A value chain is only as strong as its weakest link, and this applies to sustainability as much as to resilience or quality. As a polycentric complex adaptive system, no one actor has the authority or resources to make the value chain sustainable. The achievement of social and environmental sustainability in value chains will involve actions by lead companies, suppliers, producers, regulators and stakeholders along the chain. Similarly, each step in the due diligence process, from the identification of risks to action to prevent, mitigate or remediate those risks requires input from multiple actors. Many of the actors will need training, tools, technology or financial support to play their roles effectively. Most importantly, they will need to see the welfare effects and value creation flowing from their investment in human rights and environmental due diligence. If the value added is not fairly distributed throughout the system, market actors will choose to act in their self-interest rather than in the mutual or social interest of the group. This economic dimension of value chain sustainability must not be overlooked.

This is why accompanying measures for the effective and inclusive implementation of due diligence are as important as the underlying legislation itself. Only a smart mix of mandatory rules, voluntary actions and accompanying measures can ensure that human rights and environmental due diligence brings about the system-level change towards sustainable global value chains that is necessary to improve working conditions, livelihoods and the environment in our developing partner countries.

In this smart mix of measures, it is the role of accompanying measures to provide the guidance and support needed to incentivize and facilitate long-term engagement of EU companies with local producers and suppliers in developing countries, and to build the capacity of producers and suppliers to adopt production practices that are more socially, environmentally and economically sustainable.

4.1. Theory of Change of Accompanying Support Measures to due diligence legislation

Existing national value chain acts and proposed EU legislation oblige in-scope companies to conduct due diligence on their operations and suppliers. But even the most well-drafted legislation cannot ensure that companies carry out this obligation in ways that lead to measurable and lasting improvements in their sustainability performance and the wellbeing of stakeholders along their value chain. To meet this expectation, due diligence legislation has to be accompanied by measures to enable and empower all actors along global value chains fulfil their above described roles in the due diligence process in an effective and inclusive manner.

The question remains how this can be achieved. Most commentators agree that effective uptake and implementation of a human rights and environmental due diligence obligation is not only a function of the potential sanctions for non-compliance but also of the legitimacy and positive impacts of compliance - including welfare effects from the value created and its distribution. The most effective laws are those that bring order to an unregulated field and enable people to coordinate while avoiding negative side-effects.

Bearing these factors in mind, the challenge for the legislator is to:

- Ensure that due diligence legislation is perceived as **legitimate** by both companies and rights-holders;
- Signal its ability to leverage **changing attitudes and expectations** towards human rights and environmental risk in value chains; and
- **Maximise coordination** and welfare effects.

Accompanying measures to a due diligence obligations for companies can help achieve these objectives of **legitimacy, signalling and coordination**, thereby reinforcing the effective uptake and implementation of the legislation. Exemplary actions for achieving this include:

- Disseminate information and communicate the expectations of EU regulators, companies and consumers, and construct a narrative that promotes the business case for human rights and environmental due diligence;
- Strengthen the capacity of regulators and value chain actors to meet the new performance expectations in practice;
- Provide the tools and guidance to enable and operationalize improved performance;
- Promote mechanisms that result in greater transparency, responsibility and accountability on the part of value chain actors;
- Support the development of enabling laws, social norms, organisations, infrastructure and market mechanisms that underpin improved social and environmental sustainability;
- Mobilise finance for investments by companies into sustainable production practices.

4.2. How can Accompanying Measures Catalyse Systemic Change?

As explained in section 3 above, the actors in a value chain system include investors, lead companies, producers and suppliers, employers organisations, workers and their organisations local and national authorities, development partners, civil society organisations, human right defenders and consumers. They form relationships to achieve their goals and objectives and constitute a market-led, self-organising socio-technical system with multiple actors pursuing multiple objectives at multiple levels.

By viewing the **value chain as a complex adaptive and relational system**, we highlight the ways in which the individual system components constantly interact and adapt. We move beyond a focus on static, isolated actors towards one of dynamic relationships. This allows us to understand the first and second order effects of those interactions and is an essential enhancement to value chain analysis. The human rights and environmental issues that due diligence legislation seeks to address do not occur in isolation and they cannot be mitigated, prevented or remediated in isolation. If accompanying measures are to have the desired impact, they must be designed in full cognisance of the interactions at play in this polycentric system.

Conceptualisations of the value chain as a linear and rational arrangement overlook the asymmetrical and sometimes dysfunctional relations between value chain actors. These relationships often result in a highly unequal distribution of value and costs, with the latter often borne disproportionately by upstream producers and suppliers, or externalised onto society and nature. For instance, the identification of human rights and environmental risks in global value chains has generally been a unilateral, top-down activity conducted by lead companies. This has often resulted in superficial or partial definitions of risk that ignored the context, multiple contributing factors and causes. The subsequent remediation thus often failed to address the root cause of an impact, and in turn contributed to mounting social, economic and environmental costs of these unresolved issues. This top-down approach must be replaced by a system of cooperation and co-creation in which producers, suppliers and local stakeholders participate in the mapping of actual and potential impacts, and jointly elaborate remedial actions with the required resources and budget specified and secured.

In complex adaptive systems, no single actor or component has the authority or resources to make the system change. We can, however, design accompanying support interventions that help translate the shift to due diligence into positive change in the behaviour of all affected actors by changing the system dynamics in the relations between value chain actors. This can be achieved by raising awareness, building new capacity, providing better tools and guidance, supporting transparency and accountability and financing investments with high social returns

that enable large numbers of value chain actors to adapt to the requirements and implications of human rights and environmental due diligence.

The positive impacts of due diligence on those affected by adverse social and environmental outcomes will not flow automatically from the adoption of the law, but will require well-designed accompanying measures targeting producers, suppliers, workers and their organisations, government agencies and civil society. This will enable them to play an active role in the identification, prevention and mitigation of risks, and where appropriate, remediation of risks and harms, thus translating legal expectations into practical actions. This empowerment approach requires two-way stakeholder engagement and trust: Stakeholder engagement allows actors to reinforce the efforts of each actor through collaboration and joint action. Trust is important because it enables collaboration especially where transparency and leverage are hard to achieve. There is unfortunately no social contract governing the actions of value chain actors, and trust takes time to be built. Accompanying measures will have to promote an understanding by all actors of their mutual interdependence, and a commitment to co-creating a socially and environmentally sustainable value chain system.

4.3. Design Characteristics of Systemic Accompanying Support Interventions

The following considerations should guide the design of accompanying measures capable of achieving system-level change:

- (a) **Plan and facilitate change** - accompanying measures cannot achieve lasting change as such. They can only facilitate change, albeit in a planned manner, by identifying, coordinating, empowering and capacitating those agents that bring about the change.
- (b) **Shared vision and partnership** - accompanying measures must promote and cultivate a shared vision amongst all value chain actors of a value chain that is socially and environmentally sustainable. This vision must be sufficiently desirable and tangible to engender change on the part of value chain actors and result in new forms of partnership in the identification, prevention and remediation of risks or harms.
- (c) **Agency** - accompanying measures must empower and support value chain actors to act and overcome structural constraints. Under-represented and marginalised groups should be empowered to achieve their full potential as independent agents and as partners in collaborative efforts to achieve ethical and sustainable value chains.
- (d) **Means of change** - accompanying measures must support the development or acquisition of the means required to make the adoption of new practices and behaviour feasible and realistic. Those means include knowledge and expertise, tools and techniques, finance and investment in upgrading production and distribution methods, including direct investment in suppliers and development of new financial products that enable producers and suppliers to introduce and scale up more sustainable practices. Ideally, these means of change are mobilised through co-investment of lead firms into the capacity of their suppliers.
- (e) **Information sharing** - all system actors should have equal access to the information necessary to make the right decisions and take necessary action.
- (f) **Inclusivity** - accompanying measures should enable greater participation, on a more equal basis, of all actors in both the governance and operation of value chains. Risk identification and mitigation has to include bottom-up processes to draw on the knowledge and lived experience of those potentially affected by the human rights and environmental impacts of companies' value chains. In this regard, specific attention should be paid to potentially disadvantaged groups such as youth, women, indigenous peoples or disabled workers. Respecting the rights of stakeholders means actively involving them in companies' due diligence and sustainability efforts.
- (g) **Leverage learning** - accompanying measures should promote processes of reflection and learning that could bring about paradigm shifts and system change. This could take many forms, including the sharing of knowledge and expertise amongst value chain actors, human capital development, support for process and product upgrading, and institutional support to MSMEs that can ultimately also help value chain operators become more productive and competitive.
- (h) **Collective or large-scale impact** - isolated action and impact is not enough to effect system change, so accompanying measures should be designed to achieve adaptation by a

large number of actors in the same timeframe. This involves a focus on qualitatively changing the relationships, linkages and interactions between system actors. Newly introduced due diligence legislation is a good example of an intervention that requires simultaneous adaptation by all system actors. These adaptations will not necessarily be positive, however, so accompanying measures must promote pro-social and pro-environmental change. This can be achieved through information and guidance, practical tools, international dialogue and coordination, collective action and stakeholder engagement, capacity building, impact investment and access to finance, supportive regulatory environments and ecosystems, transparency, accountability, advocacy and consumer awareness

- (i) **Substantive and procedural requirements** - human rights and environmental due diligence imposes both substantive and procedural obligations on companies and accompanying measures should target the capacitation of value chain actors in each one of the categories of support (awareness, capacity building, tools, guidance, transparency, accountability, and finance).
- (j) **Feedback loops** - well-targeted accompanying measures can strengthen positive feedback loops - and weaken negative ones - by supporting specific adaptive behaviour. An example of a positive feedback loop in the context of due diligence would be increased economic returns for improved sustainability performance. This could be supported by:
 - Facilitation of inclusive processes for collective action; collaboration and co-investment among value chain actors.
 - Research and case studies that illustrate the benefits of investment in sustainability and how it affects competitiveness, productivity and value chain upgrading;
 - Better metrics and data collection (such as ESG data) that enable improved management, reporting and verification of sustainability performance;
 - Capacity building to strengthen management of the economic, social and environmental components of sustainability;
 - Provision of tools and guidance on how to reward and extract the economic gains from improved performance against sustainability criteria;
 - Support to organisations and processes that increase transparency and accountability for sustainability performance or non-performance;
 - Financial products tied to sustainability criteria that rewards improved performance.
- (k) **Addressing the root cause:** The economic dimension of sustainability is often overlooked, and yet it is key. If value chain actors cannot realise a living income, or pay living wages, the potential for a positive change in behaviour and practices is undermined. This lack of economic progress could even increase recourse to child labour, deforestation and other destructive practices as vulnerable producers struggle to survive. Accompanying measures must be developed to support fair and reasonable returns on investment for all value chain actors.

The adoption of due diligence legislation is an exogenous event to which value chain actors will adapt in positive or negative ways. Accompanying measures provide a mechanism for enhancing and enabling the positive collective and concurrent adaptations capable of effecting system-level change. They can also prevent unintended consequences by using systems thinking to analyse the dynamic relationships, interactions and linkages between value chain actors and the probable effects of any intervention.

4.4. Typology of Possible Accompanying Support Measures

The possibilities for accompanying due diligence legislation with support measures are as diverse as the actors that shape global value chains, and the actions they can take to help improve corporate practices at each stage of the due diligence process.

The following typology of accompanying measures represents an attempt to structure the large variety of possible support actions into categories that reflect a particular step in the due diligence process or target a particular group of value chain actors. These are not rigid categories and will not all apply to every value chain actor or context. They are illustrated in Figure 3 with examples from EU development and international cooperation actions. A more complete list of ongoing EU actions accompanying relevant EU legislation on global value chain sustainability is included in Annex 2:

<p>Information and guidance on due diligence process and legal requirements</p> <ul style="list-style-type: none"> • Guidance on Due Diligence for EU businesses to address the risk of forced labour (DG TRADE) • Due Diligence Ready! Portal (DG GROW) 	<p>Practical tools for supply chain management, risk assessment & reporting</p> <ul style="list-style-type: none"> • Decent work, transparency and traceability in garment and footwear sectors • ITC Trade and Market Intelligence Tools • World Benchmarking Alliance 	<p>Global policy dialogue, internat'l coordination and research</p> <ul style="list-style-type: none"> • Global action to end Child Labour / Alliance 8.7 • OECD work on RBC in garment and minerals sector • Policy dialogue with international organisations, at level of G7, G20 etc. 	<p>Industry collaboration and stakeholder engagement</p> <ul style="list-style-type: none"> • European Partnership for Responsible Minerals • Cocoa Talks • Public-Private Dialogue in producer countries
<p>Producer/Supplier Capacity Building and Empowerment</p> <ul style="list-style-type: none"> • Better Work Programme • EU-ACP Development Minerals Programme • SWITCH to green / circular regional programmes 	<p>Impact investment and supply chain finance</p> <ul style="list-style-type: none"> • EFSD+ Investment Windows "MSME Financing for Inclusive and Green Growth and Jobs" and "Sustainable Agriculture, Biodiversity and Forests" 	<p>Regulatory environment and support ecosystem in partner countries</p> <ul style="list-style-type: none"> • Trade for Decent Work prg. • CLEAR Cotton – eliminating child and forced labour • EITI / G7 CONNEX • BHR in Asia / RBC in LA (FPI) 	<p>Transparency, advocacy and consumer awareness raising</p> <ul style="list-style-type: none"> • Call for Proposals: Increasing Knowledge, Awareness, Transparency and Traceability for Responsible Value Chains in the Cotton and Garment Sectors • Development Cooperation and Awareness Raising (DEAR) Programme

Figure 3: Accompanying support categories, and examples from EU development cooperation

1) Information and guidance on due diligence process and legal requirements

Installing due diligence in value chains will require that lead firms and all suppliers understand the practical implications of the law, and how to translate its requirements into concrete action. The legal text will therefore have to be accompanied by horizontal, as well as issue- and sector-specific guidance to support the rollout of human rights and environmental due diligence in global value chains. Moreover, delegated or implementing acts may be used by the legislator to interpret or render more concretely certain provisions of the legislation.

2) Practical tools for value chain management, risk assessment & reporting

All value chain actors involved in the due diligence process will need tools to manage the identification, prevention/mitigation, remediation and reporting of risks and harms. They have to be adapted to an actor's stage in the value chain and should not only target lead firms. Producer and supplier input will be vital here to ensure that the tools are practical and effective in the real-world conditions found along the value chain. It is important that these tools are made accessible and understandable to upstream producers like smallholder farmers, artisanal miners, informal workers or other high-risk groups. These groups must be encouraged to participate in the assessment of risks and the choice and implementation of mitigating actions through bottom-up, participatory processes that ensure the appropriate sharing of responsibilities and burdens. This will help prevent the unintended consequence of increasing the unilateral performance expectations placed on producers and suppliers. To avoid duplication and fragmentation these tools should be open source, and developed in close collaboration with existing voluntary standards schemes and industry coalitions.

3) Global policy dialogue, international coordination, and research

With the adoption of due diligence legislation, Europe is taking the lead on enhancing sustainability in global value chains. But the standards that EU companies will have to adhere to will ultimately have to be respected by all companies worldwide. Promoting the broader uptake of high environmental and social standards, and ensuring an international level playing field for companies is the purpose of actions in this category of accompanying support. It includes, for instance, the promotion of global standards on responsible business conduct set by the OECD, the UN Working Group on Business and Human Rights and the ILO, working with international commodity bodies, or supporting global actions to address most salient human and labour rights violations.

4) Collective action, and stakeholder engagement

This category includes actions that encourage and facilitate meaningful engagement of lead companies with stakeholders along their value chain - and vice versa - in collective action to develop and implement effective risk assessment and mitigation frameworks and solutions for inclusive value chain management. Collective action and stakeholder engagement are a

crosscutting theme that should underpin all actions aimed at enhancing responsible business conduct. It includes building effective dialogue for multi-stakeholder cooperation across sectors, and in the context of agriculture, in key globally traded commodity sectors. Examples include commodity or sector roundtables that bring together all the stakeholders to develop protocols to enhance social and environmental sustainability. Some of these have matured into fully-fledged multi-stakeholder initiatives (such as the FAO's World Banana Forum, the Responsible Tropical Fruit Supply chain Initiative, Better Cotton Initiative or the Roundtable on Sustainable Palm Oil). Other examples include the Accord on Fire and Building Safety in Bangladesh and the textile sustainability pact and alliance initiated in the Netherlands and Germany, respectively. In all cases, it is important that these initiatives incentivize co-investment and partnership in the different stages in the HREDD process, such as capacity building, prevention, treatment of underlying causes, monitoring, remediation, and impact assessment.

5) Producer/Supplier Capacity Building and Empowerment

While local MSMEs are traditionally a focus of the EU's private sector development support, more targeted actions are needed to promote sustainable, circular and inclusive production practices and business models, and empower local producers to take an active role in the due diligence process. This includes capacitating local suppliers and producers to implement and manage the social and environmental requirements of regulators and lead companies, to engage in social dialogue and stakeholder consultations, or to participate in the identification and remediation of adverse impacts. But it also includes addressing the root causes of such adverse impacts through training and education, promotion of living wages and incomes and the improvement of market access conditions. Small producer organizations will also need financial support, technology and training to implement the requirements of human rights and environmental due diligence.

6) Impact investment and value chain finance

This category is about providing local producers with access to the means to invest in more sustainable and circular production methods and technologies. If producers and suppliers are required to invest in improving their human rights, environmental, and governance performance, they will need access to working capital and financial services that are often out of reach. Improved sustainability performance should be recognised and valued in financing terms so that suppliers can reap the economic rewards of their investment.

7) Regulatory environment and support ecosystems in partner countries

Partner country governments have a key role to play in promoting a smart mix of measures to enforce, facilitate, guide or incentivise continuous improvement in social and environmental performance of companies. This starts with the ratification of key international conventions and commitments on human rights, labour standards and the environment, and continues with the impartial enforcement of these standards to ensure that no company takes a competitive advantage from low or weakly enforced human rights and environmental standards in a country. It also includes the provision, as applicable and needed, of incentives for responsible investment, in particular for MSMEs operating in value chains which are strategic for sustainable development and integration into global markets (such as advised, inter alia, in the FAO-CCSI Guide on Incentives for Responsible Investment in Agriculture and Food Systems).

8) Transparency, advocacy and consumer awareness raising

There is no responsibility without transparency and accountability, and both are enhanced by consumer engagement. This component will have to be driven by public, private and civil society actors at the level of the EU and its Member States to raise awareness among consumers about sustainability issues, and hold companies to account for their business conduct worldwide. It can also include public action to reward corporate sustainability through social public procurement, or an improved regulatory framework for sustainable finance and non-financial reporting.

There is also a need to support bottom-up communication and advocacy to enable producers and suppliers to contribute to international forums, policy processes and conscious consumption. This information and representation on behalf of producers and suppliers is all the more important to recognise their efforts and correct the market failures that have resulted in unequal and unsustainable distribution of value along the value chain.

5. Conclusions and Recommendations for the Programming of Accompanying Measures

The recourse to due diligence in legislation dealing with responsible business and sustainable value chains is a potential game changer. It could have the effect of a positive “exogenous shock” to the complex system of global production networks, precipitating a large-scale adaptation that will alter the relationships between value chain actors in substantive and material ways and drive more equitable and effective sustainable business conduct.

Human rights and environmental due diligence provisions will be most effective if they are adopted and adhered to by actors throughout the system. Many of those actors will need support and accompaniment to enable their meaningful participation in the system, however. The following conclusions shall guide the choice of intervention areas, instruments and targeted actors in the programming of accompanying support measures to proposed due diligence legislation.

- Value chain actors will need accompanying measures to achieve the performance expectations of human rights and environmental due diligence. Those measures will have to respond in particular to the **challenges faced by MSMEs**, smallholder farmers, artisanal miners and producers/suppliers operating in areas of informality and weak governance.
- The mandatory due diligence requirements are more rigorous and exacting than those pursued by most **voluntary standards initiatives** and place stronger emphasis on key due diligence principles and steps. As such, new legislation will require an upgrading and strengthening of the systems utilised by value chain actors for the identification, prevention, mitigation and remediation of social and environmental risks.
- Accompanying measures must allow value chain actors to share responsibility for making the system socially, environmentally and economically sustainable. Each performance requirement flowing from mHREDD has to be accompanied by **explicit agreement on the implementation activities** and responsibilities required to meet it, and the technology, training and finance necessary for its implementation. Simply assuming that value chain partners can meet the requirements of human rights and environmental due diligence will not satisfy the letter or the spirit of the law.
- The **economic dimension of sustainability** must be recognised and addressed. Certain social and environmental risks have their roots causes in poverty and will be difficult to remedy without economic development and the achievement of living incomes / wages. Poverty will also complicate the participation and contribution of certain value chain actors to the due diligence process. Producer organisations will only invest in green technologies if such investments are rewarded by the market or shared by downstream operators. Accompanying measures can support the identification and awareness building around the business case for practicing HREDD.
- For human rights and environmental due diligence to be effective, the plethora of different social and environmental standards, metrics, benchmarks and data collection methods needs to be consolidated. Accompanying measures should therefore aim to achieve **convergence, harmonisation and professionalisation of private standard schemes**, metrics, monitoring and assessment systems, as well as accounting and reporting formats to ensure credible, reliable, actionable and comparable performance data. At the same time, alignment with international RBC and BHR standards and principles must be driven forward.
- **Pre-competitive tools and initiatives** required for companies to implement due diligence requirements in practical and effective ways should be available in the public domain. This should include, among others, risk analysis tools, sharing of audit data, operation of independent grievance mechanisms, as well as collection of data on salient risks by geographical location, sector and operator. Databases containing information on standards, metrics, measurement systems and company performance outcomes should be available in the public domain.
- The sheer scale of the challenges facing companies adapting to due diligence requirements also calls for **technological solutions**. The mapping of value chains, tracing of material flows and the on-going identification of social and environmental risks demands scalable and affordable digital solutions of data collection, risk analysis, or surveillance. Accompanying measures should support innovation and markets for new digital services.

- **Multi-stakeholder initiatives**, industry coalitions, cooperatives, unions and other associations that pool resources and increase trust, cooperation and coordination will have an enhanced role to play in the era of mandatory human rights and environmental due diligence. They will need to facilitate, convene and coordinate actions between value chain actors, including co-investment and co-creation initiatives.
- **Stakeholder engagement and facilitation of bottom up partnership approaches** is another area where facilitation and coordination will be necessary to avoid duplication and to move from onerous consultation processes to collective action.
- Accompanying measures will need to provide technical support to review and **address structural and systemic issues** that undermine or prevent progress on social and environmental standards. These range from weak governance and legal systems in partner countries to economic imbalances and dysfunctional labour markets.
- There is a need and opportunity for **investment in the infrastructure**, systems, processes and human capital required to make human rights and environmental due diligence effective. Accompanying measures should support and incentivise the development of markets for such investments.
- **Smallholder farmers, agricultural cooperatives, artisanal miners and MSMEs** will all need support to play their part in making human rights and environmental due diligence effective. If household incomes and wages do not support the basic needs of producers and workers, they will not be able to maintain their current levels of social and environmental sustainability, let alone raise them. This support may take the form of investment, grants, low interest loans, capacity building, long-term contracts, and commercial incentives for improved sustainability performance.

The achievement of ethical and sustainable value chains will require collaboration and coordination between interdependent value chain actors. Accompanying measures must support the development of coalitions, alliances and partnerships capable of operationalizing that mutual responsibility. Trust is a vital and necessary component and will need to be fostered through accompanying measures that support cooperation, partnership and new forms of governance that rebalance the asymmetries in many value chains.

EU and national proposals for value chain due diligence laws normalise the concept of human rights and environmental due diligence, and in-scope companies have a window now in which to build and implement their policies, systems, tools and techniques to meet the expectations of due diligence legislation. The points above provide a list of action items for all value chain actors to follow in operationalising human rights and environmental due diligence, but these should not be seen as isolated actions. Rather, they form part of a systemic approach to developing more ethical and sustainable value chains anchored in responsible business conduct supported by accompanying measures from the EU and its Member States, combined with technical assistance from UN specialised agencies and other development partners.

ANNEXES

Annex 1: Glossary of Due Diligence Terms

Accompanying measures: measures that provide the guidance and support needed to incentivize and facilitate long-term engagement of EU companies with local producers and suppliers in developing countries, and to build the capacity of producers and suppliers to adopt production practices that are more socially, environmentally and economically sustainable.

Child labour: Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development.

Circularity: The circularity of a production process refers to the ability of this process to retain the value of products, materials and resources in the economy for as long as possible and to minimize, to the extent possible, the generation of waste along all the steps of the value chain.¹⁸

Conflict-affected and high-risk areas (CAHRAs): According to the OECD due diligence guidance (see also OECD due diligence guidelines) CAHRAs are characterized “by the presence of armed conflict, widespread violence or other risks of harm to people”. “High-risk areas are those where there is a high risk of conflict or of widespread or serious abuses as defined in paragraph 1 of annex II of the guidance.” The definition of a CAHRA in the EU regulation is coherent with the one provided by the OECD DDG.

Corporate Sustainability Due Diligence Directive: Proposal by the European Commission adopted on 23 February 2022 that aims to foster sustainable and responsible corporate behavior throughout global value chains, requiring companies to identify and, where necessary, prevent, end or mitigate adverse impacts of their activities on human rights and on the environment. National administrative authorities appointed by Member States will be responsible for supervising these new rules and may impose fines in case of non-compliance. In addition, victims will have the opportunity to take legal action for damages that could have been avoided with appropriate due diligence measures. Finally, large EU companies would need to have a plan to ensure that their business strategy is compatible with limiting global warming to 1.5 °C in line with the Paris Agreement.

Corporate Sustainability Reporting Directive; Proposal adopted on 21 April 2021 by the European Commission based on a review of the Non-Financial reporting Directive (NFRD) that sets common European reporting rules (based on future European Sustainability Reporting Standards to be adopted as delegated acts) that will increase transparency, enabling companies to report sustainability information in a consistent and comparable manner. The proposed directive would apply to some 49 000 European companies (all LLCs except micro), compared to approximately 11 000 that are subject to the previous NFR framework.

Corrective action plan: A corrective action plan is a step-by-step plan of action designed to address problems in a value chain, most often used in audits. It should include concrete responsibilities and actions in prevention, mitigation and remediation, within a set time frame.

Deforestation regulation: Proposal for a EU Regulation to guarantee that products that EU citizens buy, use and consume on the EU market do not contribute to global deforestation and forest degradation. Commodities in the scope of the regulation include soy, beef, palm oil, wood, cocoa and coffee, and some of their derived products like leather, and furniture. The proposed Regulation sets mandatory due diligence rules for companies, which want to place these commodities on the EU market. The Commission would use a benchmarking system to assess countries and their level of risk of deforestation and forest degradation..

Disclosure: According to the OECD, “enterprises should ensure that timely and accurate information is disclosed on all material matters regarding their activities, structure, financial situation, performance, ownership and governance. This information should be disclosed for the enterprise as a whole, and, where appropriate, along business lines or geographic areas. Disclosure policies of enterprises should be tailored to the nature, size and location of the enterprise, with due regard taken of costs, business confidentiality and other competitive concerns”.

¹⁸ European Commission, Closing the loop – An EU action plan for the Circular Economy (COM(2015) 614 final).

Disengagement: the action or process of withdrawing engagement (e.g. production) from a sector or country and/ or moving the value chain to another sector or country.

Diversification: Diversification refers to the expansion of an existing enterprise into another activity. Diversification may be related (expanding into similar product lines) or unrelated, where products are very different from each other (Glossary of Industrial Organisation Economics and Competition Law, 1993).¹⁰

Dodd-Frank act section 1502: Legislation that requires Securities and Exchange Commission (SEC) reporting companies (as per sections 13[a] or 15[d] of the exchange act) in the US to identify and report whether 'conflict minerals' from DRC and its 9 surrounding countries are present in their value chains.

Due diligence (risk-based): Risk-based due diligence can be defined as an on-going, proactive, and adaptive process to identify, prevent, mitigate and account for how enterprises address actual and potential impacts in their own operations, value chain and business relationships, as recommended in the UNGPs, OECD RBC standards and ILO conventions. The due diligence process starts with embedding due diligence in company policies and management systems. Then the due diligence approach requests that impacts be identified on an ongoing basis and very importantly once they are identified that efforts be made to cease, prevent or mitigate them. In addition to identifying and responding to impacts, enterprises are expected to track implementation and results to ensure that it is effective and make changes as necessary and lastly to communicate on how impacts are addressed. Lastly, the process includes a step on remediation of impacts that a business has caused or contribute to..

Embedding: incorporating the due diligence system in core business strategies and systems of the company. Contrary to this is when lead companies transfer, for instance through cascading contractual clauses, the primary duty for due diligence to producers/suppliers that will have to absorb additional responsibilities and costs without adjustment to other terms and conditions.

EU Conflict Minerals regulation: EU Regulation 2017/821 that specifies that importers of tin, tantalum, tungsten and gold from conflict-affected and high-risk areas must use the five-step OECD framework to conduct due diligence on their value chains.

European Green Deal: the European Green Deal is a set of policy initiatives by the European Commission with the overarching aim of making Europe climate neutral in 2050

Ex-post checks: Under the EU regulation, EU country competent authorities will carry out ex-post checks to ensure importers of minerals or metals comply with the regulation. The Commission has provided clear guidance to EU country competent authorities on how such ex-post checks should be carried out. Competent authorities will examine how the companies have complied with the regulation.

Externalities: Refers to situations when the effect of production or consumption of goods and services imposes costs (negative externalities) or benefits (positive externalities) on others, which are not reflected in the prices charged for the goods and services being provided (Glossary of Industrial Organisation Economics and Competition Law, 1993).¹⁰ See also *environmental externalities*.

Globalization: the process by which businesses or other organizations develop international influence or start operating on an international scale.

Grievances: Grievances are formal and serious concerns and allegations brought forward by any interested party (affected parties or whistle-blowers) who alleges damage or voices a concern or dissatisfaction as a result of the company or its suppliers' activities and impacts along the value chain. The grievance involves the expectation that a response or a corrective action will be carried out by the company. Grievance procedures outline the steps that whistle-blowers can take to make a report (and the tools available to do so, such as dedicated hotlines, etc.), and how those reports must be acted upon by designated staff.

Grievance and whistle-blowing mechanisms: The interrelated processes that support the implementation of a grievance procedure, such as receiving, investigating and responding to a grievance or complaint. See also whistleblower.

ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy: The ILO's MNE Declaration provides guidance on how enterprises can contribute

through their worldwide operations to the realisation of decent work. It was developed, adopted and supported by governments as well as employers' and workers' organizations.

Level playing field: a state in which conditions in a competition or situation are fair for everyone.

Leverage learning: process of reflection and learning that could bring about paradigm shifts and system change.

Local community: is often a complex and not easily visible social structure defined as the smallest spontaneously generated human society in Western European civilization. It comes into being to join together people with manifold needs, who enter accordingly into a complex mutual relationship.

Loi relative au devoir de vigilance : The French mandatory due diligence law covers the operations of a company (above a threshold size) and its suppliers and carries liability for harms that could have been prevented through due diligence. It also provides remedies in the form of compensation to groups impacted by the harm.

Management system. A management system is a regime for achieving the commitments made in a policy. It typically comprises the policy, procedures, resources, roles, responsibilities, reporting obligations and methods, data management, and infrastructure necessary for fulfilling the policy.

Mandatory Disclosure Law: laws that require disclosure of specific efforts to manage specific risks and may involve sanctions for non-compliance but do not include remedies for victims.

Mandatory human rights and environmental due diligence (human rights and environmental due diligence): legislation which makes it mandatory for EU companies to perform human rights and environmental due diligence to improve livelihoods, working conditions, respect for human rights and the environment in developing countries. Legislation is still under discussion at EU level.

Mitigation. Mitigation applies when there is a risk of creating or perpetuating harm through your business activities. These activities include contributing to serious abuses, direct and indirect support to non-state armed groups or public or private security forces, or inadequate, inaccurate and fraudulent chains of custody and/or traceability. Through a risk management plan with suppliers and stakeholders, you can source from those areas and suppliers while minimizing any negative impact stemming from the risks. Risk mitigation is done once risks are identified or when they materialize and the process aims at reducing their negative impact. When an adverse impact materializes, remediation should also take place.

Multinational Enterprise (MNE): a MNE is an enterprise producing goods or delivering services in more than one country. A multinational enterprise has its management headquarters in one (or rarely more than one) country, the home country, while also operating in other countries, the host countries.

National Contact Points (NCPs): NCPs are offices set up by governments that have adhered to the OECD Guidelines for Multinational Enterprises (see also OECD Guidelines for Multinational Guidelines). NCPs have two main objectives: (i) promote the Guidelines and handle enquiries this means that NCPs organise and participate in events related to RBC to raise awareness of the Guidelines. They also respond to questions about the Guidelines. (ii) Provide a grievance mechanism to resolve cases (known as "specific instances") relating to non-observance of the recommendations of the Guidelines.

Natural resource: 1. Any portion of the natural environment, such as air, water, soil, botanical and zoological resources, and minerals (FAO, 1997b). A subdivision is often made into *renewable* and *non-renewable* natural resources.¹ 2. Natural resources are natural assets (raw materials) occurring in nature that can be used for economic production or consumption (Glossary of Environment Statistics, 1997).¹⁰

Non-renewable energy: An energy resource that is not replaced or is replaced only very slowly by natural processes. Primary examples of non-renewable energy resources are the *fossil fuels*--oil, natural gas, and coal. Fossil fuels are continually produced by the decay of plant and animal matter, but the rate of their production is extremely slow, very much slower than the rate at which we use them.²⁰ See also *renewable energy*.

Non-renewable resources: Resources that may eventually be replaced by natural processes (such as coal, oil and fossil water), but these occur over long periods of geologic time rather than within the time frame of current civilization, and their consumption necessarily involves their depletion (FAO, 1997b).¹ see also *renewable resources, natural resource*

OECD due diligence guidance for responsible value chains of minerals from conflict-affected and high-risk areas: A due diligence framework that was developed to enable companies to identify and manage conflict mineral risks in their value chains. It consists of the following 5-step framework. (1) Establish strong company management systems. (2) Identify and assess risks in the value chain. (3) Design and implement a strategy to respond to identified risks. (4) Carry out an independent third-party audit of the refiner's due diligence practices. (5) Report annually on value chain due diligence. The OECD DDG has separate supplements for the 3Ts (tin, tantalum and tungsten) and gold. The OECD recommends SMEs to adapt the OECD DDG in accordance with their own size and risk profile.

OECD Guidelines for Multinational Guidelines: The OECD Guidelines are a set of recommendations for responsible business conduct covering all areas of business responsibility including disclosure, human rights, employment and industrial relations, environment, anti-corruption, competition and taxation. The OECD Guidelines are broad in scope and make reference to relevant provisions of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy as well as the Rio Declaration. They are also aligned with the UN Guiding Principles for Business and Human Rights

OECD-FAO Guidance for Responsible Agricultural Value chains: The leading agricultural enterprise risk, due diligence and development framework, aligned with the OECD Guidelines. The OECD-FAO Guidance features a tailored 5-step framework to risk and development in the agricultural sector, considering sector actors and risks (cooperatives, farmers, undeclared work, food security, land tenure, etc.) focused on responsible sourcing in low and middle income contexts.

Recycling: Reusing materials and objects in original or changed forms rather than discarding them as wastes.

Reforestation: Artificial or natural re-establishment of forest in an area that was previously under forest cover (Glossary of Environment Statistics, 1997).¹⁰

Renewable energy: Energy produced and/or derived from sources infinitely renovated (hydro, solar, wind) or generated by combustible renewables (sustainably produced biomass); usually expressed in energy units and, in the case of fuels, based on net calorific values.⁹

Renewable resources: Resources that can potentially last indefinitely (provided stocks are not overexploited) without reducing the available supply because it is replaced through natural processes (either because it recycles quite rapidly, such as water, or because it is alive and can propagate itself or be propagated, such as organisms and ecosystems) (FAO, 1997b).¹ See also *non-renewable resources, natural resources*.

Risks and risk assessment: Risks refer to the potentially adverse impacts a company's operation could have through its business practices, its relationships with suppliers and its relationships with other entities in the value chain. Through its due diligence process, a company identifies the potential risks of being linked directly or indirectly (for example through your value chain) to irresponsible business conduct. A company carries out a risk assessment by looking into the factual circumstances of its business activity and assessing the level of risk by evaluating these circumstances in relation to compliance with national and international laws and standards.

Small and medium-scale enterprises: In the EU, "the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50 million, and/or an annual balance sheet total not exceeding €43 million". In a developing country context, other definitions apply with often lower employee and turnover thresholds.

Standard of conduct: Due diligence as a standard of conduct can be seen as applying to the direct human rights and environmental impacts of a company that it causes through its own operations.

Supply chain mapping software: Supply chain mapping software helps companies to understand, communicate and gather data from their value chain, usually through an online platform. These tools enable companies to centrally collate value chain information, and then analyses and process the information in an efficient manner. This software can also help companies ensure the data they have collected from suppliers are aligned with any necessary legislation or guidelines with which they are required or aiming to comply/conform.

Sustainability:¹⁹ in the context of garment and footwear value chains means that all activities, throughout a product's life cycle, take into account their environmental, health, human rights and socioeconomic impacts, and their continuous improvement.²⁰

Sustainable Products Initiative: Commission proposal for a sustainable product policy legislative initiative, to make products fit for a climate-neutral, resource-efficient and circular economy, reduce waste and ensure that the performance of front-runners in sustainability progressively becomes the norm. The core of this initiative should be an expansion of the existing Eco-design Directive 2009/125/EC to a wide range of product.

Sustainable development: Development that meets the [human] needs of the present without compromising the ability of future generations to meet their own needs.

Third-party audit: A third-party audit in the context of the OECD due diligence Guidance is a process by which an independent third party verifies compliance with the 5 steps of the due diligence process. The auditor examines the activities, processes and systems used by a company to conduct value chain due diligence. According to the EU regulation on conflict minerals (article 6), the auditor shall assess the conformity with the regulation of importers' management systems, risk management and disclosure of information. The auditor shall make recommendations to the auditee on how to improve their due diligence practices. Importers can be exempt from carrying out third-party audits if they can provide evidence, which demonstrates that their smelters and refiners comply with the EU regulation. This evidence shall include third-party audit reports.

Tier 1 suppliers: suppliers closest to the EU buying company and providing finished or almost finished products. The tier structure varies from product to product and the suppliers at each tier are often located in different countries.

Tier 2 suppliers: suppliers providing intermediate goods to the EU buying company. The tier structure varies from product to product and the suppliers at each tier are often located in different countries.

Tier 3 suppliers: suppliers providing raw materials to the EU buying company. The tier structure varies from product to product and the suppliers at each tier are often located in different countries.

Traceability is understood as "the ability to trace the history, application or location of an object" in a value chain. In this context, it is defined as the ability to "identify and trace the history, application, location and distribution of products, parts and materials to ensure the reliability of sustainability claims in the areas of human rights, labour (including health and safety), the environment and anti-corruption";²¹ and "the process by which enterprises track materials and products and the conditions in which they were produced through the value chain".²²

¹⁹ "Sustainability" refers to the ability of an activity to support "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". This implies that the activity also takes into account the needs of "People, Planet, Prosperity, Peace and Partnership", as outlined in the United Nations Sustainable Development Goals (see A/RES/70/1).

²⁰ UNECE, Accelerating action for a sustainable and circular garment and footwear industry: which role for transparency and traceability of value chains? Policy paper (2020).

²¹ United Nations Global Compact Office, *A Guide to Traceability A Practical Approach to Advance Sustainability in Global Supply Chains* (New York, 2014). Available at: https://d306pr3pise04h.cloudfront.net/docs/issues_doc%2Fsupply_chain%2FTraceability%2FGuide_to_Traceability.pdf.

²² Organisation for Economic Co-operation and Development (OECD), *Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector* (Paris, 2018). Available at: <http://dx.doi.org/10.1787/9789264290587-en>.

Transparency relates directly to relevant information being made available for all elements of the value chain in a harmonized way, which allows for common understanding, accessibility, clarity and comparison.²³

United Nations Guiding Principles on Business and Human Rights (UNGPs): the UNGPs are a global, non-legally binding standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity.

Upstream value chain operators: Upstream value chain operators include those responsible for all activities related to the organization's suppliers: those parties that source raw material inputs to send to the manufacturer

Value chain: The network of retailers, distributors, transporters, storage facilities and suppliers that participate in the sale, delivery and production of a particular product. It forms part of a complex adaptive system of regulators, business and civil society organisations.

Voluntary standard scheme: a standard scheme established generally by a private-sector body and that is available for use by any person or organization, private or government but that is not, in general, legally enforceable.

Wet Zorgplicht Kinderarbeid: Dutch national law that stipulates that every corporation that sells products or services to Dutch end users has to perform 'due diligence' to prevent its products and/ or services were produced with the help of child labour.

Whistle-blower: Any collaborator, contractor, customer and/or third party that raises complaints and/or grievances related to the activities and impacts of the company or its contractors.

²³ European Commission, *A Background Analysis on Transparency and Traceability in the Garment Value Chain* (2017)

Annex 2: Accompanying measures to proposed EU legislation on due diligence and value chain sustainability
(ongoing actions, MFF 2014-2020)

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Releated EU instruments
INFORMATION AND GUIDANCE ON DUE DILIGENCE PROCESS AND LEGAL REQUIREMENTS									
Due Diligence Ready! Portal (DG GROW)	This online portal contains in 7 languages information, tools and training materials to guide especially small and medium sized EU company in conducting due diligence on their minerals and metals value chain in compliance with regulatory requirements, including Responsible Mining Regulation. The objectives of the portal are to help companies (i) learn about the benefits companies can gain from performing due diligence on their value chains; (ii) understand, assess and mitigate risks and impacts in their value chains; and (iii) understand and implement the OECD due diligence guidance for responsible value chains of minerals from conflict-affected and high-risk areas.	Online portal	EU SMEs	Minerals	global	Contractor	-		RMR, CS3D
Guidance on Due Diligence for EU businesses to address the risk of forced labour in their operations and value chains (DG TRADE / EEAS)	In light of the growing level of public attention to the issue of forced labour and its potential implications for the activities of EU companies, the Commission and EEAS have prepared guidance to assist EU companies to carry out effective due diligence in order to identify, mitigate and prevent the risk of forced labour in their operations and value chains. The Guidance, which was announced in the 2020 Trade Policy Review Communication, exclusively relies on existing international standards on due diligence, and does not create new obligations for companies.	Guidance document	EU companies	Horizontal	global	-	-	2021 -	CS3D
Toolkit on Business and Human Rights (DG INTPA, EEAS)	Practical guidance to colleagues in EU Delegations on how to implement the policy framework on Business and Human Rights through existing development cooperation modalities. Toolkit is designed for internal use. It could also be made available to EU Member States agencies.	Guidance document	EU Delegations and MS agencies	Horizontal	Global	Danish Institute for Human Rights	-	Published in 2021	CS3D

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
OECD E-learning Academy on Responsible Business Conduct (EEAS)	The OECD E-learning Academy on RBC provides companies and interested stakeholders with a unique opportunity to advance their knowledge on responsible business conduct (RBC) and OECD risk-based due diligence.	Grant	Lead firms, suppliers, stakeholders	Horizontal	Global	OECD RBC Centre	Instrument contributing to Stability and Peace (IcSP)	2020-2022	CS3D
Better Work Academy	Aimed at brands and other actors committed to driving change and transforming behaviour in the apparel industry, the Better Work Academy provides training and advisory services building capacity to implement the better Work Programme's tried-and-tested methodologies across the value chain.	Grant	Companies and actors along garment value chain	Textiles	Global	ILO	Indirectly supported through EU co-financing of BW Prg.		CS3D, Textiles Strategy
ITC SME Academy	Offers courses on standards and sustainability: <ul style="list-style-type: none"> – The Role of Standards in Sustainable SCs – Competitiveness Through Enterprise Sustainability – Becoming a Climate Resilient SME – Meeting Standards in the Agrifood Sector – Introduction to Standards and Sustainability 	Online courses	Trade Advisors Policy Makers Companies	Horizontal	Global	ITC	Different donors (including EU)	Ongoing	CS3D
PRACTICAL TOOLS FOR VALUE CHAIN MANAGEMENT, RISK ASSESSMENT AND REPORTING									

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
ITC Trade and Market Information (TMI) tools (DG INTPA)	<p>ITC's TMI tools include:</p> <ul style="list-style-type: none"> – Sustainability Map: “One stop shop” acting as a global public repository of neutral and trusted information about businesses’ sustainability credentials – Trade Map: presents international trade statistics with useful indicators on current trade performance. – Market Access Map: web application to analyse market access conditions applied by more than 200 countries. – Export Potential Map: innovative tool to identify products, markets and suppliers with (untapped) export potential. – RoO Facilitator: Online portal designed to help MSMEs understand applicable rules of origin to their product. – Market Price Information: Tool to track recent market price information from multiple sources and geographical areas. – Procurement Map: Contains more than 250,000 active public tenders and contract awards from 180 countries updated daily. – Investment Map: tool combining statistics on FDI, int. trade, market access conditions. 	Grant	SMEs (exporters, importers), brands, private standard schemes, TISIs,	Horizontal	Global	ITC	EUR 5 Mio. (CPGC)	2019 - 2022	CS3D
Enhancing decent work, transparency and traceability for sustainable value chains in the garment and footwear industry (DG INTPA)	<p>Component 1 aims at developing a global standard for traceability in the garment sector through setting up a multi-stakeholder policy platform, developing policy recommendations traceability standards and implementation guidelines.</p> <p>Component 2 consists of the creation of a social and sustainability audits database by operating an open source database with voluntarily shared results of the social and sustainability audits of companies, and ensuring the compatibility of audit formats through Common Assessment Framework developed by over 200 textile operators of the Social & Labor Convergence Program.</p>	TA grant	Global brands and local companies in garment and footwear value chain	Textiles	Global	UNECE-UN/CEFACT (comp. 1); ITC (comp. 2)	EUR 4.2 Mio. (GPGC)	2019-2022	CS3D, Textiles Strategy

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
Hidden Homeworkers – Improving Transparency and Traceability to Improve Working Conditions of Homeworkers in Apparel and Footwear Chains (DG INTPA)	<p>Grant contract awarded as part of the Call for Proposal “Increasing Knowledge, Awareness, Transparency and Traceability for Responsible VCs in the Cotton and Garment Sectors”</p> <p>The project aims to work collaboratively with brands and multi-stakeholder initiatives to map value chains down to the homemaker level. It helps brands introduce simple systems that document homeworkers’ contribution and wages, and develop action plans that drive transparency, best practices and improve working conditions.</p>	Action grant (CfP)	Home-workers	Textiles	India, Nepal, Pakistan	TRAIDCRAFT Exchange	EUR 1 Mio. (76% of project costs)	April 2019 - March 2023	CS3D, Textiles Strategy

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
<p>Towards Mutual Buyer-Supplier Collaboration: Supplier Capacity & Better Buying Platform (DG INTPA)</p>	<p>Grant contract awarded as part of the Call for Proposal “Increasing Knowledge, Awareness, Transparency and Traceability for Responsible VCs in the Cotton and Garment Sectors”</p> <p>The project aims to develop an online tool (Supplier Capacity Platform) that incentivizes value chain transparency and visibility and improves buyer-supplier dialog and workflows. By targeting 3-5 European clothing brands and retailers and 50 suppliers in Bangladesh, the action seeks to improve transparency and traceability through the value chain, enhance business due diligence efforts and promote responsible production; and strengthen multi-stakeholder collaboration to promote responsible sourcing and production.</p>	Action grant (CfP)	Local garment factories	Textiles	Bangladesh	Social Accountability International	EUR 0,625 Mio. (50% of project costs)	March 2019 – Feb. 2022	CS3D, Textiles Strategy

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
EU REDD+ Facility Programme to combat deforestation in the context of climate change (DG INTPA)	<p>The Facility was established in 2010 to support developing countries in improving land-use governance as part of their efforts to slow, halt and reverse deforestation. It also supports the overall EU effort to reduce its contribution to deforestation in developing countries. The Facility focuses on countries that are engaged in REDD+, an international mechanism that incentivises developing countries to reduce greenhouse gas emissions from their forest and land-use sectors.</p> <p>The Facility cooperates with the TRASE (Transparency of Sustainable Economies) initiative, which makes use of a mass of untapped production, trade and customs data for a set of agricultural commodities.</p>	TA	Partner country gov.; companies along agricultural value chains (esp. cocoa, palm oil)	Agriculture, Forestry	Côte d'Ivoire, Cameroon, Congo, DRC, Colombia, Ecuador, Indonesia, Vietnam, and Laos	European Forest Institute (EFI)	EUR 6 Mio.	2018 - 2023	CS3D, EU Sustainable Cocoa Initiative; Deforestation Regulation
World Benchmarking Alliance (WBA) (DG INTPA)	WBA is a multi-stakeholder platform having as its core mission the promotion of dialogue and action around the role of business in achieving the SDGs. Its main result will be the creation of a widely accepted methodology and benchmarking framework that can be used for comparing companies' performance and impact towards the achievement of the SDGs. By 2023, the WBA will assess the progress of 2,000 companies across seven major areas of transformation required to achieve the SDGs: Social, Digital, Food and Agriculture, Urban, Decarbonisation and Energy, Circular, Financial.	Co-financing grant	EU/internat. policy-makers and private sector	Horizontal	Global	Dutch Ministry of Foreign Affairs	EUR 1 Mio. (GPGC)	2020 - 2022	CS3D
Align project - Aligning accounting approaches for nature (DG ENV)	The project assists the EU's efforts to support businesses and other stakeholders in developing standardised natural capital accounting practices, including a standardised approach to biodiversity measurement. The project includes the drafting of recommendations for a standard on biodiversity measurement and valuation, and related guidance applicable to site-based and value chain companies, as well as the finance sector.	Services contract	EU companies and their value chains	Horizontal - biodiversity	Global	WCMC Europe, the Capitals Coalition, Arcadis, ICF and UNEP-WCMC		2021 - 2024	CS3D
GLOBAL POLICY DIALOGUE, INTERNATIONAL COORDINATION AND RESEARCH									

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
Global action to end Child Labour (DG INTPA)	The proposed Action will consolidate and structure the EU commitments to eradicate child labour. It will support activities to address knowledge gaps, build global evidence and reinforce advocacy in international fora and business networks through root causes analysis, data sharing and technical expertise. Another related objective is to contribute to global initiatives and partnerships such as the Alliance 8.7.	Grants	Key actors at all levels engaged in eradicating child labour	Horizontal	Global	Specialised IOs, CSOs, ILO	EUR 10 Mio. (Global Challenges-Prosperity)	2022-?	CS3D
SWITCH to Green Facility (DG INTPA)	Support efforts to contribute to the green economy transition across the broader EU international cooperation portfolio, notably through quality support to new actions in relevant sectors. It generally supports the SWITCH initiatives.	TA	Government, CSOs, private sector operators, international bodies	Horizontal	Global	Adelphi Consult GmbH	EUR 7.7 Mio. (includes funds for Water Facility since 2020)	2015 - 2022	CEAP; CS3D
OECD Responsible Minerals Programme (EEAS)	Support of the OECD's work on responsible minerals incl. research, organisation of annual Forum on Responsible Mineral Value chains, minerals alignment assessment etc.	Grants	EU, policy-makers, actors along minerals value chain	Minerals	Global	OECD RBC Centre	EUR 3 Mio. (75% of total programme cost) (IcSP)	2020 - 2023	RMR, CS3D
OECD Garment Value chain work (DG TRADE)	Partial funding of OECD's work on RBC in the garment sector, incl. work to convene stake-holders, capacity building in the garment & footwear sector, incl. annual Forum on Due Diligence in the garment & footwear sector, roundtable for policy makers and manufacturers network; garment sector alignment assessments, country engagement and research.	Grants	EU, policy-makers, actors along garment & footwear value chain	Textiles	Global	OECD RBC Centre	EUR 0,8 Mio.	2020 - 2022	CS3D, Textiles Strategy
INDUSTRY COLLABORATION AND STAKEHOLDER ENGAGEMENT									

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
Cocoa Talks (DG INTPA, DG TRADE)	Under the Sustainable Cocoa Initiative, DG TRADE and DG INTPA are jointly organising thematic roundtables that look into various aspects of the sustainability of the cocoa value chain, including living income for farmers, sustainability standards, traceability in respect to child labour and deforestation, regulation with the focus on due diligence, sustainable production of cocoa and its support through development cooperation. These multi-stakeholder discussions serve guide the way forward in the EU's collaboration with cocoa producing countries, the private sector and CSOs on improving sustainability of the cocoa value chain.	Multi-stakeholder dialogue	Cocoa value chain actors (industry, traders, farmers, NGOs, Member States and partner countries)	Agriculture – cocoa	Ghana, Cote d'Ivoire, Cameroon			Sept. 2020 - Nov. 2021	CS3D, Sustainable Cocoa Initiative, Deforestation Regulation
European Partnership for Responsible Minerals (EPRM) (DG INTPA)	The EPRM is a multi-stakeholder partnership between governments, private sector value chain actors and CSOs with the objective to increase the proportion of responsibly produced minerals from conflict-affected and high-risk areas (CAHRAs) and to support socially responsible extraction of minerals that contributes to local development. The partnership accompanies implementation of the EU Conflict Minerals Regulation in that it enable more mines to comply with the standards required under the OECD Due Diligence Guidance.	Co-financing grant	EU and local companies along minerals value chain	Minerals	Global (CAHRAs)	Netherland Enterprise Agency (RVO)	EUR 7 Mio.	2018 - 2024	RMR; CS3D; Action Plan on Critical Raw Materials
PRODUCER/SUPPLIER CAPACITY BUILDING AND EMPOWERMENT									
SWITCH to Circular Economy Value Chains (DG INTPA)	The initiative promotes the adoption of circular economy practices in selected value chains, green and decent job creation, and the green economy transition. It targets private sector operators, notably Micro, Small and Medium Enterprises (MSMEs) and local financial institutions. Expected Outcome 1: Improved business environment for the uptake of circular economy approaches in targeted countries; Expected Outcome 2: Improved circularity amongst private operators of selected value chains.	TA, Grants	MSMEs, Local FIs	Horizontal	Global	UNIDO	EUR 19mIn	2020-2025	CEAP; CS3D

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
SWITCH Africa Phases I and II (DG INTPA)	The overall objective of the programme is to contribute to poverty reduction in Africa in the context of sustainable development through support to private sector-led inclusive green growth which fosters transformation towards a green economy. The programme supports: (i) the establishment of policies, incentive structures, and instruments for green business development; and (ii) private sector initiatives promoting SCP practices. Phase II is in line with Phase I but has three complementary components (policy support, green business development through grants to private sector initiatives, networking facility).	TA, Grants	MSMEs	Horizontal	Burkina Faso, Ethiopia, Ghana, Kenya, Mauritius, South Africa, Uganda	UNEP	EUR 23.5mln	2014-2022	CEAP, CS3D
SWITCH Asia (DG INTPA)	The overall objective of the SWITCH Asia programme is to promote sustainable growth, to contribute to poverty reduction and to foster climate change mitigation while decoupling economic growth from environmental degradation. Incorporates a grant scheme for SCP, an SCP Facility and a regional policy advocacy component.	TA, Grants	MSMEs, Government (different levels)	Horizontal	Asia		EUR 32.8 Mio (new EUR 20 Mio. planned under AAP21)	2019 - 2026	CEAP; CS3D
AL-INVEST Verde (EU-Latin America Alliance for Sustainable Growth and Jobs) (DG INTPA)	The programme supports the transition towards a low-carbon, resource-efficient and a more circular economy in Latin America, while helping countries adopt sustainable consumption patterns. <i>Component 1:</i> Grant scheme (CfP) for private sector intermediaries/SMEs innovative actions aiming at more sustainable economic practices, built through alliances between LAC and EU companies. <i>Component 2:</i> Policy advocacy for effective implementation of core environmental and labour standards in line with commitments enshrined in the Trade and Sustainable Development chapters of trade agreements <i>Component 3:</i> Support to more efficient and user-friendly Intellectual Property protection and enforcement systems.	Action grants (through CfPs) and TA	EU and LA SMEs; business intermediaries, research institutes, public authorities, local public bodies	Horizontal	Latin America	<i>Component 1:</i> Consortium of EU-LAC business intermediaries <i>Component 2:</i> EU MSs agencies <i>Component 3:</i> EUIPO	EUR 33 Mio. (Component 1: EUR 25 Mio.; Component 2: EUR 6 Mio; Component 3: EUR 2 Mio [DCI (2014-2020 RIP)])	2020-2026	CS3D; Deforestation Regulation
EU-ACP Development Minerals Programme (DG INTPA)	The programme provides capacity-building support to the artisanal and small-scale private sector, associations / chambers, public institutions and social stakeholders that operate in the low-value minerals and material sector.	TA grant	Artisanal, small-scale miners	Minerals	ACP countries	UNDP	EUR 12 Mio. (phase 1) EUR 10 Mio. (phase 2)	2014 -2019 (phase 1) 2020 - 2025 (phase 2)	RMR; Action Plan on Critical Raw Materials

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
Better Work programme (DG INTPA)	<p>The programme brings together all levels of the garment industry to improve working conditions and respect of labour rights for workers, and boost the competitiveness of apparel businesses.</p> <p>Currently, the programme is active in 1.700 factories employing more than 2,4 million workers in nine countries. As a result of their participation with Better Work, factories have steadily improved compliance with ILO core labour standards and national legislation covering compensation, contracts, occupational safety and health and working time.</p> <p>Better Work also collaborates with governments to improve labour laws, and is advising unions on workers' rights and participation.</p>	TA grant (ind. mgnt)	Local garment industry, global brands, governments, unions	Textiles	Bangladesh, Cambodia, Egypt, Ethiopia, Haiti, Indonesia, Jordan, Nicaragua, Vietnam <i>As of 2021:</i> Sri Lanka, Pakistan, Madagascar	ILO, IFC	EUR 14,8 Mio.	2019 - 2022	CS3D, Textiles Strategy
Vision Zero Fund (DG INTPA, DG EMPL)	<p>VZF is an initiative of the G7, endorsed by the G20. Donors include the European Commission, France, Germany, and the US.</p> <p>The multi-donor Vision Zero Fund (VZF) works to reduce the number of work-related fatalities and accidents and occupational diseases in selected developing countries, in sectors that link to GSCs (garment, agriculture - coffee, ginger cotton, and construction), as well as adequately compensating victims and their families in case of such accidents. The VZF brings together governments, employers' and workers' organizations, companies, and other stakeholders to jointly advance towards the vision of achieving zero severe and fatal work-related accidents, injuries and diseases in global value chains.</p>	TA grant	governments, social partners, companies	Textiles, agriculture	Ethiopia, Lao PDR, Madagascar, Myanmar, Colombia, Honduras Mexico, Vietnam	ILO (GIZ)	EUR 3 Mio. (ILO); EUR 0,5 Mio. (GIZ ext. monitoring) EUR 2,3 Mio. by DG EMPL	2017-2021 (EMPL to continue funding till 2022 and potentially beyond)	CS3D, Textiles Strategy
Ethical Fashion initiative (EFI) (DG INTPA)	<p>The EFI promotes the creation of decent jobs and sustainable development of micro-enterprises in the handicraft sector through responsible and ethical management of specific value chains linked to the fashion industry, lifestyle and interior design sectors in Burkina Faso and Mali. The overall theory of change is for the project to support the emergence of sustainable communities of artisans organized within recognized social businesses and empower them to access international textile value chains while supporting the development of end products made in Africa for export.</p>	TA grant	Local micro-enterprises in handicraft sector	Textiles	Burkina Faso, Mali	ITC	EUR 10 Mio.	2017-2021	CS3D

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Releated EU instruments
Market Access Upgrade (MARKUP) Programme (DG INTPA)	Supports efforts in the development of value chains and exports in agro-industrial crops (coffee, tea and cacao) and horticulture, supporting participation in regional and global value chains. Interventions cover quality assurance and certification, value addition, trade facilitation, enhancement of SME export competitiveness and business development services.	TA grant	Companies along coffee, tea and cocoa value chain	Agriculture	East African Community (Burundi, Rwanda, Tanzania, Kenya, South Sudan, Uganda)	GIZ, ITC, UNIDO, Solidaridad	EUR 35 Mio.	2018-2022	CS3D
Support to Rural Entrepreneurship, Investment and Trade in Papua New Guinea (DG INTPA)	The action supports the sustainable and inclusive economic development of rural areas through a combination of two integrated outcomes: (1) Increasing the economic returns and opportunities from cocoa, vanilla and fishery through improved value chain development. (2) Strengthening and improving the efficiency of value chain enablers including the business environment and supporting sustainable, climate proof transport and energy infrastructure development.	TA grant	Local actors along cocoa, vanilla and fishery value chains	Agriculture	Papua New Guinea	FAO, UNDP, ILO, ITU, UNCDF	EUR 85 Mio ?	2019-2024	CS3D
A4A Eswatini: Promoting growth through competitive alliances (DG INTPA)	The overall objective of the action is to improve livelihoods of smallholder farmers and workers in Eswatini by creating better jobs and growth. The implementation applies the ITC's "Alliance for Action" (A4A) approach that involves building up alliances that bind value chain actors in collectively upgrading MSMEs, value-chains and support services in an environmentally and socially responsible manner, including value addition, public private dialogue and strong anchoring in markets.	TA	MSMEs, Smallholder farmers Arts and crafts producers Trade and Investment Support institutions (TISI)	Agriculture, Arts, Crafts	Eswatini	ITC	EUR 5 Mio	2020-2024	CS3D

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
ACP: Strengthening Productive Capabilities and Value Chain Alliances (DG INTPA)	<p>With major focus on the development of agriculture and agri-business value chains, the Programme is designed to achieve two key outcomes: (1) adopting and implementing business-friendly, inclusive and responsible national policies and legal frameworks, and (2) strengthening productive, processing, promoting and marketing capabilities and value chains.</p> <p>The aim is to address the main local issues around the social, environment, economic aspects while improving the transparency and the traceability of their value chains.</p>	TA	Smallholder farmers, MSMEs; Support Institutions, Policymakers	Agriculture Coffee, Cotton, Cocoa, Kasava, Coconuts	ACP countries	ITC	EUR 17.23 (11th EDF) The total budget is 34.7 million EUR and is distributed across three Agencies: ITC World Bank Group and UNIDO	2018 - 2023	CS3D
Alliances for Coconut Industry Development in the Caribbean (I and II) (DG INTPA)	<p>Facilitates alliances among actors at every step of the coconut value chain. Revival of the industry will increase food availability and incomes of small-scale farmers through improved competitiveness of the coconut sector.</p> <p>Phase I of the Development of the Coconut Industry for the Caribbean project has catalyzed investment and ramped up productive and commercial capacity amongst beneficiaries. It has improved value capture and productive and governance capacities.</p> <p>Phase II aims to replicate the successful partnerships model across the Caribbean region and scale up impact through the Alliances for Action model by adopting an inclusive and participatory approach</p>	TA	Smallholder farmers, MSMEs; Support Institutions, Policymakers	Agriculture Coconuts	Antigua and Barbuda, Barbados, Belize, Dominica, Dominican Republic, Grenada (Phase II), Guyana, Jamaica, St. Lucia, St. Vincent and Grenadines, Suriname, Trinidad and Tobago	ITC; ACP-Cariforum	USD 3.9 Mio (Phase I) USD 6.7 Mio (Phase II)	2015 - 2018 2019 - 2023	CS3D

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
Strengthening the Agriculture and Agri-food Value Chain and Improving trade policy in Iraq (SAAVI) (DG INTPA)	SAAVI contributes to inclusive economic growth and job creation, particularly for youth, by improving Iraq's agriculture competitiveness and supporting trade development. The project forms part of the overall EU special measure for supporting employment creation and improving economic governance in Iraq.	TA	Agri-MSMEs; Farmers groups and producers organization; Trade support institutions; industry associations	Agriculture Horticulture Poultry	Iraq	ITC	USD 22 Mio.	2021 - 2025	CS3D
ARISE+ Laos (DG INTPA)	ARISE+ promotes inclusive economic growth, climate change resilience, mitigating vulnerability and job creation in the Lao People's Democratic Republic. The project gears towards improving the country's overall business environment and increasing its participation in global value chains in two sectors: wood processing and coffee. Capacity building on organic coffee and certification.	TA	MSMEs, TISIs	Agriculture Coffee, Wood	Laos	ITC	USD 5.45 Mio	2018 - 2022	CS3D
Bhutan (Honey, Chilli and Mushrooms) (DG INTPA)	The action focuses on two value chains, horticulture and textile handicrafts, as well as cross-cutting trade policy issues. It aims at enhancing capacity in formulation and implementation of trade and investment policy and regulations; promote increased export of high value horticulture products (incl. organic), high-value handicraft textile products, ginger/turmeric and mushrooms.	TA	TISIs, MSMEs (producers and exporters)	Garment Textile Horticulture	Bhutan	ITC	EUR 4.9 Mio.	2018 - 2022	CS3D
Growth for rural advancement and sustainable progress, Pakistan (GRASP) (DG INTPA)	GRASP is designed to reduce poverty in Pakistan by strengthening small-scale agri-businesses in the Balochistan and Sindh provinces. It helps small and medium-sized enterprises in horticulture and livestock become more competitive by making improvements at all levels of the value chain, incl. promotion of climate-smart agriculture, improving dissemination of market information through digital tool and improving access to financing. There will be a special focus on improving sustainability by enabling firms to acquire the appropriate technology.	TA	TISIs, MSMEs (producers and exporters)	Horticulture Livestock	Pakistan	ITC	USD 53.5 Mio	2019 - 2024	CS3D
REGULATORY ENVIRONMENT AND SUPPORT ECOSYSTEM IN PARTNER COUNTRIES									

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
BHR in Asia: Enabling Sustainable Economic Growth through the Protect, Respect and Remedy Framework (FPI)	Support the implementation of the UNGPs in close partnership with Asian governments, business, and civil society, through dialogue, training, research, small grant provision and awareness raising activities.	TA grant	Governments, local businesses, CSOs	Horizontal	India, Indonesia, Malaysia, Myanmar, Sri Lanka, Thailand	UNDP	EUR 5,5 Mio. (Partnership Instrument, AAP 2019)	01/01/2020-31/12/2023	CS3D
RBC in Asia	The programme aims to help companies and governments improve respect for human and labour rights and environmental standards across global value chains and take action to create an enabling environment for responsible business conduct. The programme is carried out in partnership with Japan, an OECD member and the only country under the Programme that has adhered to the OECD MNE Guidelines and has set up a National Contact Point for RBC.	Grant (indirect mgn't)	Partner country governments, companies	Horizontal	China, Myanmar, Philippines, Thailand, Vietnam and Japan	OECD, ILO	EUR 9 Mio, of which EUR 4,95 Mio. for OECD; and EUR 4,05 Mio. for ILO. (Partnership Instrument, AAP 2016)	15/12/2017-14/06/2021	CS3D
RBC in Latin America and Caribbean (FPI)	Reinforcing cooperation between the EU and LAC governments and businesses on RBC.	TA grant	Partner country governments, companies	Horizontal	Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru	OECD, ILO, UNOHCHR	EUR 9,5 Mio. of which EUR 3,264,380 for OECD; EUR 6,235,620 for ILO/OHCHR. (Partnership Instrument, AAP 2017)	01/01/2019-31/12/2022 (mid-term)	CS3D

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
Trade for Decent Work (DG TRADE, DG INTPA)	<p>Promote the application of ILO Fundamental Conventions under the framework of EU GSP+. Support the Government in consolidating its compliance with reporting obligations and replying to the issues raised by the Committee of the Experts on the Application of Conventions and Recommendations concerning the application of ILO Fundamental Conventions.</p> <p>Promote the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration)</p> <p>Focus on specific sector per country: mining in Madagascar, fish processing and tourism in Cabo Verde, cocoa and forestry in Côte d'Ivoire, cocoa in Ghana, mining sector in Mozambique.</p>	TA grant (indirect mgnt)	Government s and social partners	Horizontal, (specific sector selected at country level)	Bangladesh, Mongolia, Myanmar, Pakistan, Philippines Viet Nam, Madagascar, Cabo Verde, Côte d'Ivoire, Ghana, Mozambique, ad hoc activities in Ecuador and Peru	ILO	EUR 7,5 Mio.	2019 -2022	CS3D; GSP+
Socioux+	<p>Technical assistance facility that aims at expanding and improving access to better employment opportunities and inclusive Social Protection systems in Partner Countries. It works on making employment and social protection policies, strategies and systems more inclusive, effective and sustainable.</p> <p>The expected results include:</p> <ol style="list-style-type: none"> 1. Institutional capacities of employment, labour and Social Protection institutions are strengthened and reinforced 2. Enhanced public capacities for improving access to employment and Social Protection is expanded to poor and vulnerable groups 3. Awareness and knowledge on Social Protection and decent work is increased 	TA (Indirect mgnt)	Partner country public admin. in area of employment and social protection	horizontal	global	Expertise France in partnership with FIAPP, ENABEL and Service Public Fédéral Sécurité Sociale	EUR 11 Mio. (total budget EUR 12,5 Mio)	July 2020 – June 2024	CS3D
Partnership for Action on Green Economy (PAGE) Phases I and II (DG INTPA)	The Partnership for Action on Green Economy (PAGE) is a coordinated response from five UN agencies (ILO, UNEP, UNIDO, UNITAR and UNDP) to the outcome of the United Nations Conference on Sustainable Development (Rio+20). PAGE delivers support on the basis of beneficiary countries' demand and demonstrated commitment to develop enabling policy and institutional frameworks on the inclusive green economy.	Grants	National governments	Horizontal - green economy	Africa, Asia, Latin America	UNDP, UNEP, ILO, UNIDO, UNITAR	EUR 17 Mio.	2016-2023	CEAP, CS3D

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Releated EU instruments
Extractive Industries Transparency Initiative (EITI) (DG INTPA)	<p>The EITI is the global standard to promote the open and accountable management of oil, gas and mineral resources. The standard requires the disclosure of information along the extractive industry value chain from the point of extraction, to how revenues make their way through the government, and how they benefit the public. By doing so, the EITI seeks to strengthen public and corporate governance, promote understanding of natural resource management, and provide the data to inform reforms for greater transparency and accountability in the extractives sector. In each of the 55 implementing countries, the EITI is supported by a coalition of government, companies, and civil society.</p> <p>The EU support covers technical assistance missions (about 20 missions/year) by the EITI Secretariat to those EITI countries that are either considering implementation or are already implementing the revised 2019 EITI Standard requirements.</p>	Co-financing grant (Contrib. agreement to IO)	Governments of currently 55 EITI implementing countries	Textiles, minerals, handicraft	Global (EITI implementing countries)	EITI Secretariat based in Oslo	EUR 2,25 Mio. (GPGC)	Since 2016	RMR
Extractives Global Programmatic Support (EGPS) (DG INTPA)	The EGPS is a World Bank administered Multi Donor Trust Fund that seeks to build extractives sectors in developing countries that drive inclusive, sustainable growth and development and ultimately, poverty reduction. The Trust Fund assists resource-dependent developing countries to implement a range of reforms that build a robust, transparent extractive industries sector.	Co-financing grant	Governments of resource-dependent developing countries	Minerals	Global (resource-dependent developing countries)	World Bank	EUR 5 + 2,5 Mio. to WB SDTF	Since 2016	RMR
G7 CONNEX Initiative (DG INTPA)	CONNEX provides assistance to governments of developing and transitional countries in negotiating or renegotiating large-scale, complex investment contracts in the resource sector and beyond through provision of international and regional external expertise.	Co-financing grant (Contrib. agreement to MS agency)	Partner country govern'ts	Minerals	Global (currently 16 count's)	GIZ	???	Since 2020 (Prg. running since 2014)	RMR

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
CLEAR Cotton - Eliminating child labour and forced labour in the cotton, textile and garment value chains: an integrated approach (DG INTPA)	The project contributes to a sustainable cotton, textile and garment value chain that is free of child labour and forced labour by: (i) Strengthening policy, legal and regulatory frameworks to combat child labour and forced labour in the cotton, textile and garment sector; and (ii) supporting local governments, public services providers, and other relevant stakeholders to take effective action to stop child labour and forced labour in target cotton growing districts and communities and garment/textiles factories.	TA grant	Partner country govern'ts, CSOs	Textiles	Burkina Faso, Mali, Pakistan, Peru	ILO, FAO (with sub-granting to CSOs)	EUR 7,5 Mio.	2018-2022	CS3D, Textiles Strategy
Multi-country special measure to support the EU sustainable cocoa initiative (DG INTPA)	Building on the initiative by the governments of Côte d'Ivoire and Ghana to ensure a minimum price for cocoa on the world market, the overall objective is to achieve sustainable cocoa production that provides a 'living income' for farmers, contributes to national public revenues and end environmental degradation, including deforestation, as well as labour rights abuses including gender inequality and child labour in Côte d'Ivoire, Ghana and Cameroon. The programme will work with the public sector to strengthen the institutional, legal and regulatory frameworks for sustainable cocoa production, and with the private sector to empower cocoa value chain actors – including farmers and farmers' cooperatives – to improve agricultural practices and comply with sustainability standards.	TA grant	Partner country governments and local producers	Agriculture – cocoa	Côte d'Ivoire, Ghana and Cameroon		EUR 25 Mio. (of which EUR 8 Mio. for BS; and EUR 17 Mio. for project modality)	2021 - 2024	CS3D, Deforestation Regulation

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
Sustainable Value chainValue chains to Build Back Better – SSCBBB (DG EMPL)	<p>The action aims to generate and share knowledge about the impact of COVID-19 on five value chains, including in five countries and further tiers to help key stakeholders seize new paths and opportunities to advance decent work and build fairer, more resilient and sustainable global value chains.</p> <p>The action comprises three closely inter-related modules:</p> <ol style="list-style-type: none"> 1. Analysis and research on selected value chains, including in five countries and further tiers of the value chains, and the impact of COVID-19; 2. Tools, policy advice and training; and 3. Support to national, sectoral, regional and global constituents and stakeholders along the five value chains in taking action to advance decent work in the value chains as part of their response to the COVID-19 crisis. 	TA grant	Partner country govern'ts,, employers' and workers' organizations	Various (coffee, textiles, rubber gloves, electronics fisheries)	Colombia, Madagascar, Malaysia, Namibia, Vietnam	ILO	EUR 1,5 Mio. (EU Prg. for Employment and Social Innovation - EaSI)	Jan. 2021 – March 2023	CS3D
TRANSPARENCY, ADVOCACY AND CONSUMER AWARENESS RAISING									
Increasing Knowledge, Awareness, Transparency and Traceability for Responsible Value Chains in the Cotton and Garment Sectors (DG INTPA)	<p>Call for proposals as part of the action “Promoting responsible value chains in the garment sector with a focus on Decent Work and Transparency/Traceability” resulting in the award of 6 grants (see separate entries) with the aim to improve working conditions, promote labour and environmental standards, reduce labour rights abuses in the cotton, and garment sector value chains.</p> <p>The specific objectives of the call are (i) to improve knowledge, awareness and advocacy on social and environmental conditions to promote responsible production and consumption; and (ii) to enhance and up-scaling voluntary transparency and traceability schemes through existing multi-stakeholder initiatives to support sustainable and responsible production.</p>	Action grants (CfP)	Stakeholders in cotton and garment sector	Textiles	Global		EUR 6,26 Mio. (GPGC)	2019-2023	CS3D; Textiles Strategy

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Related EU instruments
SMART TaG - Sustainability, More Consumer Awareness, Responsibility and Transparency in the Textile and Garment Sectors (DG INTPA)	Grant contract awarded as part of the Call for Proposal “Increasing Knowledge, Awareness, Transparency and Traceability for Responsible VCs in the Cotton and Garment Sectors” The project aims to improve the working conditions of garment workers, promote working and environmental standards and reduce violations of workers' rights in the textile and clothing industry, and raise awareness of consumers in Europe on sustainable consumption and production conditions in Myanmar.	Action grant (CfP)	Local businesses, EU consumers	Textiles	Myanmar	Sequa	EUR 1,35 Mio. (80% of project costs)	May 2019 - April 2022	CS3D, Textiles Strategy
Bottom UP! Promoting a sustainable cotton & garment value chain from Ethiopian cotton to European consumers (DG INTPA)	Grant contract awarded as part of the Call for Proposal “Increasing Knowledge, Awareness, Transparency and Traceability for Responsible VCs in the Cotton and Garment Sectors” The project seeks to generate business growth, improve working conditions, promote labour and environmental standards, and responsible purchasing practices in the cotton and textiles industry in Ethiopia and Europe.	Action grant (CfP)	Local businesses, EU consumers	Textiles	Ethiopia	Stichting Solidaridad Nederland	1,5 Mio. (78% of project costs)	2019 – 2022	CS3D, Textiles Strategy
Filling the gap: Achieving living wages through improved transparency (DG INTPA)	Grant contract awarded as part of the Call for Proposal “Increasing Knowledge, Awareness, Transparency and Traceability for Responsible VCs in the Cotton and Garment Sectors”	Action grant (CfP)	Garment workers, consumers	Textiles	China, India, Indonesia	Clean Clothes Campaign	EUR 1,23 Mio (80% of project costs)	April 2019 - March 2022	CS3D, Textiles Strategy
Decent leather. Labour standards for workers in the leather-based garment, footwear and accessories value chain (DG INTPA)	Grant contract awarded as part of the Call for Proposal “Increasing Knowledge, Awareness, Transparency and Traceability for Responsible VCs in the Cotton and Garment Sectors”. The project aims to improve working conditions and to reduce labour rights abuses, focusing on leather product production hubs in South Asia. It works to secure increased commitment from companies to fulfil their human rights due diligence obligations and governments to put in place safeguards and regulation to improve adherence to international labour standards.	Action grant (CfP)	Garment workers, consumers	Textiles	India, Pakistan, Bangladesh	SOMO, ARISA, BLF, Cividep India, INKOTA, Suedwind, NOW Communities	EUR 0,55 Mio (54% of project costs)	April 2020 – March 2023	CS3D, Textiles Strategy

Action (lead service)	Description / objective	Type of EU support	Target groups	Sector	Region	Implementing partners	Budget (instrument)	Timeline	Releated EU instruments
Development Cooperation and Awareness Raising (DEAR) Programme (DG INTPA)	The objective of the programme is to inform and actively engage EU citizens in promoting sustainable development and addressing global challenges such as climate change and inequalities at local and global level.	Grants	EU and local CSOs	horizontal	global	EU CSOs		2021-2027	CS3D