



Sustainable Global Supply Chains: G7 Leadership on UNGP Implementation

**Report by the Office of the UN High Commissioner for
Human Rights for the 2022 German Presidency of the G7**

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The UN Guiding Principles on Business and Human Rights

June 2021 marked the 10th anniversary of the UN Guiding Principles on Business and Human Rights (UNGPs). Their unanimous endorsement by the UN Human Rights Council was a landmark moment for efforts to promote corporate respect for human rights and sustainable business.

The UNGPs rest on three pillars that together create a framework for action:

Pillar 1: States must protect human rights from harm by third parties, including companies

Pillar 2: Companies should respect human rights, through a policy commitment, human rights due diligence and participation in access to remedy

Pillar 3: When people are harmed, States and companies have differentiated, but complementary roles, in providing access to effective remedy for those harmed

The UNGPs, as the authoritative framework for States and companies on business and human rights, is a key tool for actors working to prioritize respect for people and the environment.

List of Acronyms

ARP - Accountability and Remedy Project (OHCHR)

BHRRRC - Business and Human Rights Resource Centre

BMZ - German Federal Ministry for Economic Cooperation and Development

COP 26 - 2021 United Nations Climate Change Conference

E3F - Export Finance for Future Coalition

EBRD - European Bank for Reconstruction and Development

ECAs - Export Credit Agencies

EP4 - Equator Principles Four

ESG - Environmental, Social and Governance

FDI - Foreign Direct Investment

ICAT - Inter-Agency Coordination Group against Trafficking in Persons

IFC - International Finance Corporation

IIA - International Investment Agreement

ILO - International Labour Organization

ILO MNE Declaration - ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy

ISDS - Investor-State Dispute Settlement

OECD - Organization for Economic Cooperation and Development

OECD GL - OECD Guidelines for Multinational Enterprises

OHCHR - Office of the UN High Commissioner for Human Rights

NAP - National Action Plan on Business and Human Rights

NBA - National Baseline Assessment

NCP - National Contact Point for the OECD GL

SCGI - Sustainable Corporate Governance Initiative (EU)

SDGs - Sustainable Development Goals

SFDR - Sustainable Finance Disclosure Regulation (EU)

SFWG - Sustainable Finance Working Group (G20)

SMEs - Small and Medium-Sized Enterprises

SRSG - Special Representative of the UN Secretary-General for Business and Human Rights

UN - United Nations

UNCITRAL - United Nations Commission on International Trade Law

UNGPs - United Nations Guiding Principles on Business and Human Rights

UNSG - United Nations Secretary General

UNWG - United Nations Working Group on Business and Human Rights

VZF - Vision Zero Fund

Executive Summary

Executive Summary

In preparation for the 2022 German Presidency of the Group of Seven (G7), the German Federal Ministry for Economic Cooperation and Development (BMZ) requested that the Office of the United Nations High Commissioner for Human Rights (OHCHR) prepare a report focusing on the efforts of the G7 to promote sustainability, human rights and environmental protection in global supply chains. The *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) commissioned this Report on behalf of the BMZ.

There could not be a more important moment for the G7 and other key international actors to show leadership and accelerate efforts to advance implementation of the UN Guiding Principles on Business and Human Rights (UNGPs) in global supply chains. Achieving the interlinked global goals related to the climate emergency, sustainable development and recovery from the COVID-19 pandemic depends in large part on ensuring human rights are respected throughout global supply chains - and the UNGPs is a foundational tool for that undertaking.

The G7 member States have a unique opening to push for ambitious, comprehensive UNGP implementation to achieve that goal and create meaningful change for people across the globe.

There is unprecedented momentum behind reform efforts that will significantly shift how legal, regulatory and financial markets shape business practices in the future. This presents a critical opportunity for G7 leadership to push for a step change increase in policy coherence and to insist on alignment with international standards of responsible business conduct, including in regulatory reform aimed at ensuring responsible business conduct; in supporting measures to complement regulatory approaches; in development cooperation, assistance and finance; in private sector sustainable finance initiatives; and in investment and trade policy.

The G7 member States have already played an important leadership role by articulating the central goal of achieving genuinely sustainable supply chains. In the present confluence of global circumstances, they have a unique opening to push for ambitious, comprehensive UNGP implementation to achieve that goal and create meaningful change for people across the globe.

Global supply chains have brought important gains including steep declines in poverty where countries are integral to global supply chains. **However, there are growing concerns about adverse human rights impacts of global supply chains, international trade and globalization more generally.** This includes concerns about rising inequality within borders, the expansion of precarious and informal forms of work and the increasing vulnerabilities of workers, especially migrant workers. The energy transition, the COVID-19 pandemic and shrinking civic space pose particular risks for human rights in the context of supply chains. To successfully achieve sustainable supply chains, the broad scope of human rights at risk must be addressed.

The UNGPs' delineate differentiated roles and responsibilities of States and companies for human rights impacts - including those occurring in global supply chains. This normative clarity has created a common platform for action supported by all key stakeholders. Furthermore, it has resulted in unprecedented cooperation among institutions and other actors to work collectively to tackle even the toughest of human rights challenges. The UNGPs' third pillar on access to remedy is an important reminder that achieving sustainable and rights respecting global supply chains is ultimately about avoiding and addressing harm to people, and that any preventive efforts made by States and companies need to be underpinned by access to effective remedy when such efforts fail.

The increasingly rapid development of business and human rights legislation in many G7 countries and the EU is due to both:

- (i) the wide recognition of the authority of international standards on responsible business conduct, including the UNGPs and the OECD Guidelines on Multinational Enterprises (OECD GL); and
- (ii) a growing number of business voices, investors and other stakeholders seeking greater legal certainty, more level playing fields, increased leverage within value chains, and a chance to build better-integrated risk management.

But these hoped-for outcomes are dependent on legislative and regulatory alignment with international standards on responsible business conduct elaborated in the UNGPs and the OECD GL. The G7 can play an important role in welcoming and supporting further legislative developments on business and human rights as well as ensuring collectively that misalignment risks are addressed domestically, regionally and globally.

In addition to bespoke business and human rights legislation, the UNGPs expect States to implement rules and policies to create a conducive environment for human rights respect. This includes legislative and regulatory action across a number of areas domestically. So far, limited progress can be noted addressing human rights risks in global supply chains originating in the domestic context of G7 member States. The G7 member States can demonstrate leadership both by actively identifying the human rights challenges relating to global supply chains domestically and taking regulatory and legislative steps address those.

The continued lack of widespread, concrete progress on remedy - particularly in the context of mitigating and addressing human rights risks in global supply chains - calls into question the extent to which the UNGPs make a positive difference to the lives of people adversely affected by business practices and operations. **Accelerated action on remedy is needed now, and opportunities to do so abound.** The OHCHR's Accountability and Remedy Project reports contain recommendations for addressing specific obstacles and burdens that can fall unfairly on people affected by business-related human rights harms.

Even the most robust legal and regulatory provisions cannot create all necessary shifts in business practices globally to ensure sustainable supply chains. **Key components of the "smart mix of measures" are those supporting measures to help facilitate the changes envisioned by the UNGPs.** For example, diplomatic missions and representation abroad of G7 member States have the potential to play an important role in promoting and advancing implementation in global supply chains across the world. A well-trained diplomatic corps in business and human rights would also help build credibility at home and abroad regarding the G7 commitment to human rights.

G7 member States can also work collectively and individually to develop channels for small and medium sized enterprises (SMEs) to obtain guidance and support on any number of challenges they face in pursuing their responsibility to respect human rights. G7 member States can coordinate with other States and the EU to create a capacity-building facility for all stakeholders, as proposed in the UN Working Group on Business and Human Rights' "Roadmap for the Next Decade on Business and Human Rights", including companies on human rights due diligence. This could be a useful avenue for assisting SMEs.

The G7 can collectively and individually support the development of curricula and training for professionals on international responsible business standards and the practical implementation of those both at home and abroad.

G7 member States can also work with partner countries, for example through development assistance or other avenues, to encourage, support and facilitate the development of National Action Plans on Business and Human Rights (NAPs) that drive better human rights respect where G7 companies have important business relationships.

Government activities in development cooperation and assistance offers a wide range of opportunities to assist developing countries in their efforts to be part of sustainable global supply chains by supporting effective implementation of policies reflecting international responsible business standards. More individual and collective efforts in this direction would be a powerful lever for fostering sustainable supply chains.

Development finance institutions also present an opportunity to drive UNGPs implementation through their lending and other activities, through their design and operation of grievance mechanisms and through their engagement with other development agencies that may put in place supporting measures tailored to the needs of producing countries to help create more conducive conditions for UNGP implementation.

Overall integration of the UNGPs into development finance and international financial institutions remains low, including as a tool for managing risks to people in supply chains. G7 member States can support and catalyze better UNGP integration and harmonization of approaches across development finance institutions.

There are key opportunities for G7 member States to support alignment of sustainable finance initiatives for the private sector with the international standards on responsible business conduct. Reinforcing the important role to be played by the OECD regarding alignment of Environmental, Social and Governance (ESG) standards with responsible business conduct is an important place to start.

Additionally, in 2022 the Green Climate Fund will institute its own social and environmental criteria, and G7 member States as Board members of the Fund, can steer the development of that criteria to align to international standards on responsible business conduct. Additionally, the newly founded International Sustainability Standards Board presents an opportunity to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities aligned with international standards on responsible business conduct. But such alignment is not guaranteed. G7 member States can support policy work in this direction to help ensure such alignment.

Achieving sustainable supply chains will also require integration of international standards on responsible business conduct across investment and trade policy. In the context of ongoing investment policy reform efforts across global institutions, G7 member States can work individually and collectively to ensure that (1) States maintain adequate policy space for pursuing human rights obligations, while providing the necessary investor protection; that (2) reform efforts reflect international standards on responsible business conduct, to better protect investment value and to incentivize better investor behavior abroad; and that (3) reform efforts improve access to remedy for those harmed by foreign investors.

G7 member States also have an opportunity to foster responsible business conduct and a conducive environment for business respect for human rights by including advisory support on human rights risk management and responsible business conduct standards in the context of their negotiation advisory support to developing country partners through the Connex Support Unit and other initiatives. The UN Principles for Responsible Contracts offers a ready-made resource for this activity.

State efforts to harness trade policy to protect human rights have generally focused on labor issues. The G7 has also acknowledged the wider impact of trade policy on sustainable supply chains, in particular related to deforestation, environmental sustainability and gender. Yet, the G7 member States should more explicitly recognize the links between trade policy and protecting all human rights in global supply chains. As the G7 member States continue to prepare for WTO reform, explore collective approaches to trade policy and address issues such as forced labor, they should focus attention on integrating international standards for responsible business throughout trade policy.

For example, export credit agencies (ECAs), and export-import banks are key players involved in supporting parts of global supply chain operations. Yet, ECAs have not worked multilaterally, for example in the OECD Working Party on Export Credit (Export Credit Group), in recent years to update and align their standards either to the UNGPs or to high-level commitments made by their own governments. Improving human rights performance of ECAs is an important lever for fostering sustainable supply chains. As an obvious first step, governments should heighten the obligations of the Export Credit Group's Recommendation on Common Approaches regarding human rights and international standards on responsible business conduct.

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There is unprecedented momentum across the G7 and beyond to develop legal and regulatory frameworks on business and human rights; there are efforts worldwide to build common reporting standards for sustainable finance; and there are a number of ripe opportunities for meaningful investment and trade policy reform. At the same time, there are many untapped opportunities or areas where policy incoherence must be addressed to eliminate blockages to achieving progress towards more sustainable supply chains.

The G7 member States' leadership is needed now to foster better UNGP alignment and implementation in ways that will create meaningful change for people. The OHCHR stands ready to assist the G7 member States and other actors to collectively achieve the vision of the UNGPs.

Introduction

1. Introduction

1.1. Background

In preparation for the upcoming 2022 German Presidency of the Group of Seven (G7), the German Federal Ministry for Economic Cooperation and Development (BMZ) requested that the Office of the United Nations High Commissioner for Human Rights (OHCHR) prepare a report focusing on the efforts of the G7 to promote sustainability, human rights and environmental protection in global supply chains. The *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) commissioned this report on behalf of the BMZ.

The G7 is made up of seven countries: Canada, France, Germany, Italy, Japan, the United States, and the United Kingdom. The EU also participates as a non-enumerated member and takes part in all working sessions but does not assume the rotating presidency. The size of the member states' economies and their political influence allow the G7 to have a deep impact on the global agenda and shape the outcome of the discussions being held across multilateral organizations and other international institutions. The Group is ideally placed to devise coordinated policy efforts, to drive alignment in approaches and to demonstrate leadership on policy areas that affect all people in all States. The Group has had significant impact on global policy, for example, by responding to the 2008 financial crisis;¹ preparing the adoption of the 2030 Sustainable Development Goals;² enabling the conditions for the Paris Climate Agreement in 2016³ and leading the Metz Charter on Biodiversity.⁴

The G7 can be an important entry point for policy responses to global challenges such as ensuring responsible and sustainable global supply chains through better application of internationally recognized standards.

Human rights is one of the three pillars of the United Nations (UN). Within the UN, the OHCHR has a unique global mandate to promote and protect all human rights for all people. It has been recognized by the United Nations Secretary-General (UNSG) as the focal point within the United Nations system for advancing the business and human rights agenda. As such, the OHCHR has a specific role to support the implementation and dissemination of the UNGPs, as well as to provide guidance and advice on their interpretation to all stakeholders.⁵ The OHCHR also supports policy coherence in line with the UNGPs in global governance frameworks and works with business and stakeholders to support their practical implementation at the national and local levels.

1.2. Methodology

The analysis and recommendations provided in this report have been informed by the work of many actors with a broad range of perspectives, mandates, experience and expertise, including the UN Working Group on Business and Human Rights (UNWG). Time constraints limited the ability to conduct formal stakeholder consultations, but many informal meetings and consultations with key stakeholders were held, including with trade unions, civil society actors, business associations and multilateral organizations, notably the ILO and the OECD, as well as a range of experts from fields such as finance, international law, energy transition and international investment.

The report was prepared as celebrations were underway for the 10th anniversary of the UN Human Rights Council's endorsement of the UNGPs.⁶

Starting in 2020, the UNWG engaged in a comprehensive and inclusive process of research and consultation with all relevant stakeholders on the status of UNGP implementation globally. In June 2021, the UNWG presented a stocktaking report to the Human Rights Council on the achievements and gaps.⁷ Based on the findings of the stocktaking exercise, the UNWG in October 2021 launched “A Roadmap for the Next Decade of Business and Human Rights: Raising the Ambition - Increasing the Pace” (hereafter the Roadmap).⁸

The OHCHR welcomes the Roadmap and this report seeks to complement rather than duplicate the comprehensive efforts undertaken by the UNWG. It relies on, and refers to, findings of the UNWG’s stocktaking report in consideration of key trends and builds on the recommendations in the roadmap relevant to both the G7 and State implementation.

The present report focuses on identification of strategic entry points, implementing measures, trends, good practices and recommendations to help drive meaningful implementation of the UNGPs by the G7 through multilateral and domestic spheres in order to achieve broader cumulative impact on the enjoyment of human rights across global supply chains.

1.3. International alignment and complementary standards on responsible business conduct

The UNGPs, the OECD Guidelines on Multinational Enterprises (hereinafter “OECD GL”) and the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (hereinafter “ILO MNE Declaration”) are closely aligned and complementary, each bringing to bear special features relating to standards for responsible business conduct. While the present report focuses on the UNGPs, the OHCHR views these three sets of standards as mutually reinforcing and considers their complementarity as strengthening the normative value of the UNGPs.⁹

1.4. G7 commitments to sustainable supply chains and the UNGPs

The 2015 G7 Elmau Leaders' Summit Declaration was unequivocally supportive of the UNGPs. In it, the G7 stated that they “strongly support the UN Guiding Principles on Business and Human Rights and welcome the efforts to set up substantive National Action Plans [on Business and Human Rights].¹⁰ The Declaration went on to commit to specific actions in line with the UNGPs that related to all three pillars: the State Duty to Protect Human Rights, the Corporate Responsibility to Respect Human Rights and Access to Remedy.

Importantly for the purposes of this report, the Leaders' Declaration also explicitly recognized the differentiated roles but "joint responsibilities of governments and business to foster sustainable supply chains and encourage best practices". It made wide commitments regarding how the States could foster implementation of all three pillars of the UNGPs and detailed plans to enable companies large and small to carry out human rights due diligence.¹¹ It announced the G7 members States' support for multistakeholder initiatives and global initiatives like the Vision Zero Fund¹² to foster safer working conditions, and it expressed a commitment by G7 member States to "better coordinate bilateral development cooperation and support partner countries in taking advantage of responsible global supply chains to foster their sustainable economic development". Notably, the Declaration also contained measures on Access to Remedy.

"We strongly support the UN Guiding Principles on Business and Human Rights and welcome the efforts to set up substantive National Action Plans. In line with the UN Guiding Principles, we urge private sector implementation of human rights due diligence ..."

**Leaders' Declaration, G7 Summit
Elmau (Germany)**

In 2017, the G20 also made an explicit commitment to international standards including the UNGPs, the OECD GL and the ILO MNE Declaration specifically in the context of sustainable global supply chains.

The G7 commitment to promote responsible business conduct in global supply chains has been reinforced in subsequent years in G7 statements, including in the 2019 Social Ministers Communiqué,¹³ and the 2021 Trade Ministers' and Labor Ministers' Communiqué,¹⁴ as well as the 2021 Trade Ministers' Statement on Forced Labor.¹⁵

Also in 2021, all but one of the G7 countries signed on to the important COP26 Just Transition Declaration.¹⁶ This Declaration emphasized the need to protect human rights in the context of supply chains and the energy transition.

It follows that the G7 member States have repeatedly affirmed their commitment to the UNGPs and recognized them as a useful tool to foster sustainable global supply chains.

2.

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Global supply chains have brought important gains including steep declines in poverty where countries are integral to global supply chains¹⁷. A recent World Bank study estimates per capita income receives a bigger boost from integration into global supply chains as opposed to increases in standard trade.¹⁸

However, in recent years, there has been growing concern about global supply chains, international trade and globalization more generally. The concerns expressed relate to several themes - including human rights. The human rights concerns expressed about global supply chains include their relationship to rising inequality within borders and the exclusion of some from the gains,¹⁹ the expansion of precarious and informal forms of work²⁰ and the increasing vulnerabilities of workers as they find themselves far from their family or close social networks, across borders or isolated at sea.

The key message for the G7 member States remains that to successfully achieve sustainable supply chains, the broad scope of human rights at risk must be

Additionally, as global supply chains are created to feed the heightened need for ‘transition minerals’ to combat the climate emergency, academics and civil society, among others, have warned that human rights risks related to land, deforestation and indigenous peoples’ rights are at risk of accelerating.²¹ The COVID-19 pandemic has accelerated a deterioration in the enjoyment of several labor rights, including the right to collective bargaining, the right to a safe and healthy work environment, and the right to strike.²² Trade union representatives, people impacted by business activities and those working to defend their human rights are increasingly under physical and legal attack, thereby shrinking civic space.

To successfully achieve sustainable supply chains, the broad scope of human rights at risk within global supply chains must be addressed. As they can vary greatly given the temporal, geographic, economic and sectoral contexts, the next sections flag important contextual trends for G7 member States to identify key human rights risks that need urgent attention now.

2.1. Human rights risks related to the energy transition and supply chains

2.1.1. Loss of livelihoods and associated risks from disengagement in fossil fuels

The needed energy transition to achieve the Paris Climate Agreement poses specific risks to human rights. Those risks are linked in part to the expected reduction in the extraction, processing and use of fossil fuels; new or expanded mining for transition minerals needed to deliver the energy transition; and myriad shifts in supply chains as companies rethink their products, services, logistics and transport, sales and services in an effort to emit less carbon into the atmosphere

For example, independent studies have estimated a loss of around 9.5 million jobs in the fossil fuel industries between now and 2050, and organizations like the ILO have been raising the alarm about the expected massive disengagement from the fossil fuel industries and the need to manage this transition.²³ Disengagement from fossil fuels will not only have direct consequences for jobs - but also implies a host of social and environmental impacts.²⁴ Actively pursuing socially responsible disengagement that avoids, mitigates and remediates the consequential human rights impacts is essential for a successful energy transition.

2.1.2. Risks to life, livelihoods, physical displacement, indigenous peoples’ rights and the environment as the need for transition minerals intensifies

At the same time, “[e]nergy transitions are already the major driving force for total demand growth for some minerals.” Since 2015, the largest consumers of lithium are electric vehicles and battery storage - having surpassed consumer electronics. “Clean energy technologies are set to become the fastest-growing segment of demand for most minerals”, including copper rare earth elements, nickel, cobalt, lithium and platinum-group metals.²⁵

The race for transition minerals will pose the same risks that have been documented in the mining sector over the last decades. Environmental degradation, population displacement, abuses to indigenous peoples’ rights, destruction of sacred and cultural sites, water use and damage to water ways as well as forced and child labor.²⁶

A singular focus on achieving the energy transition can overshadow the need to protect people and planet

Demand for other raw materials, such as wood, for renewable energy production is also expected to grow rapidly.²⁷ Indeed, uncontrolled deforestation has already resulted from the push to offer balsa wood for wind turbines.²⁸

There are severe sustainability risks related to what is being touted as a “green” rush for more and new commodities.²⁹ Perhaps most importantly, a singular focus on achieving the energy transition can overshadow the need to protect people and planet even where mining projects will provide “transition minerals” and within so-called “green” supply chains to produce goods for the energy transition.

Indeed, no supply chain is sustainable unless people and planet are respected when obtaining primary materials and throughout production processes. This has also been noted in the US’ efforts to promote resilient supply chains - especially with regard to forced and child labor.³⁰ These severe human rights risks have been widely reported on in relation to “green” technologies.³¹

Failure to pursue sustainability goals and the respect for human rights even within “green” industries can be counterproductive - resulting in more emissions, more consumption of raw materials and more human rights abuses.

2.2. The defense of open civic space, trade unions and human rights defenders as a necessary condition for sustainable supply chains

Civil society, trade unions and more generally human rights defenders more generally play a key role as a voice for affected stakeholders and communities, as watchdogs and providers of early warnings of human rights risks and adverse impacts. These actors rely on the freedoms of expression, association and peaceful assembly, and the right to participate in public affairs, to be able to share ideas, form new ones, and join with others to claim their rights.³²

In the context of supply chains, the enjoyment of these rights is fundamental to implementing the UNGPs in very concrete ways. To conduct proper human rights due diligence, businesses must undertake “meaningful consultation with potentially affected groups and other relevant stakeholders” when gauging potential risk (UNGP 18); when tracking effectiveness of their responses (UNGP 20); in communicating how they address human rights risks with external stakeholders (UNGP 21), and in the design of effective remedial measures (UNGP 31). Moreover, companies look to stakeholders, including these groups, when they work to build and exercise leverage. The last decade of UNGPs implementation provides numerous documented instances where civil society, trade unions and human rights defenders have collaborated with companies and other stakeholders to try to get at root causes of human rights impacts in supply chains.³³

Recognizing the connections among free civic space and the work of civil society, trade unions and human rights defenders in the context of business activities is fundamental because it opens new pathways to protect and reinforce the rights of people at risk, and it helps identify additional allies in those efforts.

However, in recent years the space for civil society, trade unions and human rights defenders to play their essential role has been severely curtailed in many countries.³⁴ There was a documented increase of attacks against human rights defenders working on business-related human rights issues in 2020, with 604 recorded attacks, up from 572 attacks in 2019.³⁵ Thirty-six percent of all attacks reported relate to the extractive sectors and almost 10 percent relate to *renewable* energy projects. The number of attacks against human rights defenders is likely to be even higher as many cases are not reported globally. The situation is worsening by current trends of shrinking civic space, also in part due to the COVID-19 pandemic.

There is growing concern about the role of business in causing, contributing, or being directly linked to attacks against civil society, trade union representatives and human rights defenders, or in failing to act against such attacks. Questions are also being raised about the role of business in helping to prevent harms to human rights defenders and to protect civic space.³⁶

G7 member States have individually, and collectively in the context of the EU, taken steps to support human rights defenders and support civic space.³⁷ However, these efforts have so far not focused on these actors in the context of business and human rights or global supply chains specifically. Recognizing the connections among free civic space and the work of civil society, trade unions and human rights defenders in the context of business activities is fundamental because it opens new pathways to protect and reinforce the rights of people at risk, and it helps identify additional allies in those efforts.

For example, as the UN *Special Rapporteur on the situation of Human Rights Defenders* has recently suggested,³⁸ business and human rights legislation can reflect the need to protect human rights defenders. Multilateral development banks can also play a role to reinforce the importance of civic space and help safeguard civil society, trade unions and human rights defenders by more fully recognizing their integral role in environmental and social due diligence and access to remedy. New points of leverage can be identified if allies such as lenders, companies and industry associations are called on to help bolster the protection of both civic space and individuals at risk in the context of global supply chains.

Recommendation 1

The G7 member States should publicly acknowledge, recognize, articulate and address the full range of human rights risks in global supply chains, affecting both economic, social and cultural as well as civil and political rights, including those relevant to the energy transition and those related to safeguarding civic space and human rights defenders.

Actions to support this commitment should include:

- (a) Take steps to ensure that the broad range of human rights at risk in global supply chains is appropriately reflected in legal, regulatory and other policy measures.
- (b) Work collectively and individually in multilateral political fora and in legislative and regulatory contexts to bring adequate attention to the broad range of human rights risks in the context of global supply chains needing attention.

3.

Recognize the UNGP's three pillars as a foundational tool for sustainable supply chains

3. Recognize the UNGPs' three pillars as a foundational tool for sustainable supply chains

The UNGPs provide normative clarity about the differentiated roles and responsibilities of States and companies for human rights impacts - even those occurring in global supply chains. They apply to all companies, in all contexts and across their entire value chain regarding all internationally recognized human rights and provide an authoritative framework for companies to address human rights issues arising in their supply chains.³⁹ The UNGPs also provide a roadmap for State implementation across many policy areas considering how States can help prevent and address human rights abuses and enable access to remedy for harms occurring.

The energy transition and current efforts to build back better, including G7 initiatives in this direction, provide a unique opportunity to achieve sustainable global supply chains through building more resilience in the global economy, reshaping current practices in global supply chains and ensuring a just transition.

The UNGPs' normative clarity has created a common platform for action supported by all key stakeholders. This has resulted in unprecedented cooperation among institutions that shape business conduct.⁴⁰ This also helped build momentum within companies to work creatively and collectively with other actors, including States, to tackle even the toughest of human rights challenges.

Over the last decade the willingness of companies from G7 member States to collaborate, cooperate and work collectively with all kinds of actors - including States and other companies - on human rights issues has increased markedly. Numerous multi-stakeholder initiatives, industry initiatives and alliances have been formed specifically to build leverage to make meaningful change.⁴¹ The G7 member States themselves have initiated some important efforts along these lines such as Alliance 8.7 and the Vision Zero Fund.⁴² Individually, G7 member States have initiated targeted initiatives on supply chains and human rights. For example, the ILO project supported by Japan, "*More and Better Jobs through Socially Responsible Labour Practices in Asia*", has actively engaged with Japanese companies to promote decent work in Pakistan and Viet Nam.⁴³ Even more collaboration happens behind the scenes as companies work to influence business partners and clients towards better human rights outcomes. While much more needs to be done by many more companies, all of these are important and welcome developments and reflects the recognition in the UNGPs of the value of collective action solutions.

The UNGPs elaborate how State institutions play a part in fostering respect for human rights for example through public procurement, export credit agency support or other State assistance to business. They also set out how States should work to create a conducive environment for business respect for human rights. This implies taking action in this direction, for example through domestic measures, but also through development assistance and development finance institutions, and through leveraging foreign and trade ministries as well as embassies, among other measures.⁴⁴

Importantly, the UNGPs furthermore reiterates the duty of States to provide access to remedy as an integral part of the State Duty to Protect human rights.⁴⁵ This recognition of access to remedy as an equally important pillar is a reminder that achieving sustainable and rights respecting global supply chains is ultimately about avoiding and addressing harm to people, and that any preventive efforts made by States and companies need to be underpinned by access to effective remedy when such efforts fail.

In sum, the normative value of the UNGPs three pillars gives them the power to drive transformation on the scale required to foster sustainable global supply chains.

Recommendation 2

The G7 member States should confirm their political commitment to implement all three pillars of the UNGPs - the State Duty to Protect Human Rights, the Corporate Responsibility to Respect Human Rights and Access to Remedy - as a foundational tool for achieving sustainable supply chains.

4.

**Actively pursue a
“smart mix of measures”
– legal, regulatory and other measures
to implement the UNGPs and foster
sustainable supply chains**

4. Actively pursue a “smart mix of measures”: legal, regulatory and other measures to implement the UNGPs and foster sustainable supply chains

4.1. Reinforce and support relevant legal and regulatory developments and processes

Several business and human rights regulatory measures have been introduced in response to the growing demand from stakeholders for responsible business conduct. These measures have focused either on some form of mandatory human rights (and environmental) due diligence, reporting requirements or bans on the import of products linked to severe human rights abuses. For example, France and Germany both have some form of human rights due diligence legislation.⁴⁶ Outside the G7, other countries particularly in Europe have also put in place some forms of mandatory human rights and environmental due diligence.⁴⁷

At the regional level, the EU has begun embedding compliance with the UNGPs throughout its Sustainable Finance Strategy, including the Taxonomy for Sustainable Economic Activities⁴⁸, the Sustainable Finance Disclosure Regulation⁴⁹ and the upcoming Corporate Sustainability Reporting Directive.⁵⁰ The European Commission is also developing a proposal for a Directive that would include mandatory human rights and environmental due diligence as part of the Sustainable Corporate Governance Initiative (SCGI).⁵¹ The draft laws have been delayed and are now expected to be published in early 2022. The European Commission has furthermore proposed to integrate aspects of due diligence into the new Batteries Regulation and a draft Deforestation Regulation.⁵²

At the multilateral level, a UN intergovernmental working group continues negotiations aimed at developing an international legally binding instrument on human rights and transnational corporations and other business enterprises.⁵³ The latest draft text includes provisions for mandatory human rights due diligence and access to remedy amongst other issues. Preambular draft language recognizes “the contribution and complementary role” of the UNGPs.⁵⁴ Participation of G7 member States in the process has so far been limited. The OHCHR has consistently recommended that all States engage constructively in the process.

Several G7 States have also put in place rules on specific supply chain human rights issues such as bans on imports produced with forced labor.⁵⁵ Reporting requirements on a single human rights issue like modern slavery or conflict minerals in supply chains have also been put in place in a number of G7 States.⁵⁶

An important paradigm shift has occurred over the last few years. States, business and other stakeholders are increasingly supporting legislation to implement responsible business conduct standards.

Recommendation 3:

The G7 member States should commit to actively reinforcing and supporting current momentum to forge legal and regulatory approaches to business and human rights with a view to strengthening legal protection of human rights in global supply chains at national, regional and international levels.

4.2. Ensure bespoke mandatory measures on business and human rights are aligned with international standards

The rapid pace of legislation has been accelerated by a growing number of business voices, investors and other stakeholders that see value in greater legal certainty, more level playing fields, increased leverage within value chains, and a chance to build better-integrated risk management.⁵⁷ To achieve these positive outcomes, it is imperative that legislative and regulatory efforts are aligned to the international standards on responsible business conduct elaborated in the UNGPs and the OECD GL. Indeed, continued positive momentum will depend on increased uptake and alignment - as expressed in a joint statement from industry associations and responsible business initiatives in December 2021 welcoming mandatory rules and calling for their alignment with the UNGPs and the OECD GL.⁵⁸

To achieve a level playing field and other positive value from mandatory measures, it is imperative that such measures are aligned to international standards on responsible business conduct.

Misalignment occurs when legislative or regulatory measures fall short on how they reflect the key concepts and approaches of the UNGPs, serving up difficult choices for companies to either focus on compliance or focus on respecting rights - and increasing the costs and burdens for business when it comes to efforts to manage their supply chains without the promise that this effort will result in better outcomes for people.

Misalignment can take many forms, including by introducing differing definitions of human rights due diligence across jurisdictions. This undermines the level playing field that has so far been one of the main achievements of UNGPs and is a key driver to bringing business on board with legislative developments. Differing definitions of expectations including on human rights due diligence makes it challenging for companies to navigate diverse, potentially unclear standards with inconsistent and unpredictable enforcement. Moreover, differing requirements reduces the ability for companies to work collectively to build leverage where they have suppliers in common.

Misalignments can also result from legislation that directs firms to focus on human rights risks in a limited number of business relationships, such as their first-tier suppliers. In the case of global supply chains this is problematic because the most severe risks are often several layers away from lead companies.

Legislative approaches that push firms to focus on contractual requirements and certifications of compliance with their direct business relationships risks replacing meaningful human rights due diligence with tick-box exercises⁵⁹ and outsourcing the problem to business partners. This minimizes or eliminates the assessment of the lead company's possible contribution to human rights risks - such as through pricing structures.⁶⁰

While legislation focused on a limited range or on a single human rights issue can be an effective tool to combat specific human rights abuses in global supply chains, such legislation carries the risk of distorting human rights due diligence process set out in the UNGPs. The UNGPs require companies to undertake a pro-active process to identify their involvement with any potential human rights risks and impacts. This implies that a company's human rights due diligence process should be aimed at identifying, preventing and addressing any one or more internationally recognized human rights and core ILO standards they may be involved in.⁶¹ Instead, *ex ante* requirements of companies to focus on identifying specific human rights issues - irrespective of the real risks of a company's involvement - can distort the UNGPs' expectation that companies prioritize the most severe, widespread and irremediable impacts related to their activities and business relationships, whatever they may be for any given company.

The UNGPs require companies to undertake a pro-active process to identify their involvement with any potential human rights risks and impacts.

Rules that ban imports based on specific human rights issues can also be effective - in particular for situations where building and exercising leverage carries little promise. However, import bans may also risk misalignment if they have the effect of incentivizing companies to de-risk by instituting “

The UNGPs require that companies consider the human rights impacts of disengaging.

cut and run” policies with suppliers in countries that are seen to be risky for human rights abuses. The UNGPs require that companies consider the human rights impacts of disengaging. This aspect of the UNGPs was built on decades of experience that demonstrated leaving business relationships, for

example because of finding child labor, could have dramatic consequences for those people most at risk.⁶² Import bans may also be counterproductive in development terms if they disincentivize investment and trade with countries who need it the most. Import or other bans should therefore be employed with caution and accompanied by other policies aimed at safeguarding against unintended consequences.

Finally, while legal liability and administrative enforcement and oversight may be part of the regulatory frameworks, there is a risk of uneven levels of enforcement across jurisdictions or that enforcement will not reflect the State's complementary roles in prevention and in access to remedy.⁶³

The UNGPs set out the potential complementarity between administrative enforcement and civil liability in meeting the State duty to protect. They stress both the State's preventative role in enforcing laws that require businesses to respect human rights (UNGP 1 and 3) and the need for the State to ensure appropriate access to remedy where harm has occurred, including through judicial proceedings (UNGP 25 and 26). This complementarity is also emphasized in OHCHR's ARP II guidance and in a 2021 OHCHR paper developed jointly with the organization Shift.⁶⁴

The legislative and regulatory developments on business and human rights are to be welcomed, and the increased momentum towards including mandatory measures in the “smart mix” of efforts to implement the UNGPs is an important step forward. But these developments are not without risk.

The G7 can play an important role in identifying misalignment risks and recalibrating or further clarifying requirements to mitigate those risks. It is essential that rules reflect the transformative value of the UNGP's three pillars, so that they help companies gain legal clarity, promote a level playing field and at the same time drive meaningful change geared to foster sustainable supply chains.

Recommendation 4

The G7 member States should commit to putting in place bespoke business and human rights legislation and enforcement measures that are aligned to the three pillars of the UNGPs and the OECD GL and to addressing misalignments when identified.

The actions to implement this commitment should include:

- (a) Forge a high-level commitment, in coordination with the OECD, to work collaboratively, including with stakeholders, to identify misalignment risks that may result from business and human rights legislation and enforcement and work to correct those when identified.
- (b) Carry out periodic reviews of domestic legislation to track whether the intended results are being achieved and to monitor any unintended consequences for human rights.
- (c) Active cooperation amongst G7 member States and more broadly to seek to harmonize approaches on mandatory measures for UNGP implementation and their enforcement.
- (d) Work collectively or individually to produce online or in-person training for companies, offer resource desks or help lines, as well as written guidance to ensure companies and administrators align their interpretations of rules to international standards. Hold periodic dialogues with companies and other stakeholders to evaluate the successes and failures of legislative efforts and identify constructive ways forward.
- (e) Active participation in relevant regional or multilateral efforts for legislative and regulatory reform on business and human rights with the aim of ensuring the value of the three pillars is reflected and to seek to enhance alignment with international standards.

4.3. Harness a wide range of legislative and regulatory tools to address global supply chain human rights risks in domestic contexts

The momentum behind bespoke business and human rights legislation is welcome and should be reinforced by the G7 member States domestically, regionally and internationally. Yet, those legislative changes alone do not satisfy the State Duty to Protect Human Rights, even in the context of mandatory measures.

The UNGPs emphasize that the State should take steps to protect people against human rights abuses by enterprises owned or controlled by the State or that receive substantial support and services from the State, including by requiring these entities to undertake human rights due diligence where appropriate.⁶⁵ Where there is a close nexus between the State and the owned or controlled business enterprise States have the greatest means to ensure that respect for human rights is implemented.

The State Duty to Protect also describes how State institutions that impact business behavior play a part in creating the *conducive environment for business respect for human rights*.⁶⁶ State implementation of the UNGPs therefore requires broad policy coherence throughout the State's departments and agencies in a "smart mix" of regulatory and non-regulatory measures at

international, national and sub-national levels. This implies taking legislative and regulatory action across a number of areas on issues that may shape company behavior, including but not limited to, the ratification of international treaties. Domestically, laws and regulations on non-discrimination, indigenous peoples' protection, laws and regulations on land ownership and use, environmental protection, labor standards and rules related to forming labor unions, anti-corruption, tax, consumer protection and competition law all can be part and parcel of creating a conducive environment for business respect for human rights domestically.

The UNGPs also expect States to take further steps domestically, for example to strengthen labor administration and inspection, to set up or bolster support for national human rights institutions, and to put in place rules on public procurement where the State engages in purely commercial transactions or when public procurement relates to the privatization of services impacting human rights such as water and sanitation, electricity, transport infrastructure and the like.

So far, efforts among the G7 member States to implement the UNGPs has had a strong focus towards human rights risks outside the territory or jurisdiction of the State. Very little progress can be noted addressing human rights risks in the supply chains in the domestic context of G7 member States, including for example

Very little progress can be noted addressing human rights risks in the supply chains in the domestic context of G7 member States.

making due diligence requirements in public procurement rules, or improving safeguards for freedom of association, or minimum labor standards for new forms of work such as last-mile delivery drivers.⁶⁷ The G7 is home to many businesses that are part of global supply chains, and no country is immune to human rights challenges in these contexts. The G7 member States can demonstrate leadership both by actively identifying the human rights challenges relating to global supply chains domestically and taking regulatory and legislative steps to address those.

Recommendation 5

The G7 member States should lead by example and commit to addressing supply chain human rights risks present in their own territory or subject to their jurisdiction by identifying priority issues and pursuing legal and regulatory reform and creating policy tools across relevant topic areas.

To implement this commitment, the G7 member States should at a minimum:

- (a) Undertake an assessment of the adequacy of their domestic legislative and regulatory regimes to manage business and human rights challenges domestically. This exercise should identify priority areas for progress based on where abuses are more severe, widespread and irremediable. The assessment should consider a wide range of legal and regulatory areas as well as consider public procurement and other relevant State activities that may contribute to safeguarding human rights against the challenges identified.
- (b) Share assessment results with G7 member States to share good practice ideas and encourage knowledge exchange.
- (c) Report to the G7 on progress made in legal and regulatory spaces domestically to address domestic business and human rights challenges relating to supply chains.

4.4. Accelerate accountability and remedy for supply chains

Access to Remedy is one of the three core pillars of the UNGPs. States, as part of their Duty to Protect against business-related human rights abuses, must take appropriate steps to ensure that people who are impacted have access to effective remedy. This could be through judicial, administrative, legislative or other appropriate means. Companies also have responsibilities (under their Responsibility to Respect human rights articulated in Pillar II of the UNGPs) to provide for or cooperate in remediation through legitimate processes when they identify that they have caused or contributed to adverse human rights impacts.

Access to Remedy is integral to UNGP implementation because even with robust preventative and mitigating measures employed through human rights due diligence, harms may still occur.⁶⁸

In the context of supply chains, challenges to remedy are exacerbated by the cross-border nature of business operations and relationships. This has been documented in OHCHR's Accountability and Remedy Project (ARP), which has been carried out over seven years with extensive research and global consultations.⁶⁹ Its 2016 report noted that *"many domestic legal regimes focus primarily on within-territory business activities and impacts, but the realities of global supply chains [and other cross-border factors such as communications] are placing new demands on domestic legal regimes and those responsible for enforcing them."*⁷⁰

In the context of supply chains, challenges to remedy are exacerbated by the cross-border nature of business operations and relationships.

To enhance business accountability and access to remedy for victims of business-related human rights harms in global supply chains (or other cross-border contexts) in line with the UNGPs, the OHCHR guidance provides that State actors should

- i. improve the responsiveness of their own domestic legal systems to the realities of cross-border business activities and relationships;
- ii. work cooperatively to create realistic and readily identifiable remedy pathways for affected people;
- iii. proactively address gaps in coverage of regulatory regimes and legal protection; and
- iv. build remedy ecosystems – internationally, regionally and spanning territorial boundaries where needed – that empower affected people by offering choice, opportunity and appropriate support.

So far G7 member State commitments to improve access to remedies has been quite limited in focus. In the 2015 Leaders' Communiqué, the G7 member States made express commitment to "strengthening mechanisms for providing access to remedies including the National Contact Points (NCPs) for the OECD Guidelines for Multinational Enterprises."⁷¹ That commitment was reaffirmed in 2019.

Most recently, in 2021, G7 member States reiterated their commitment to "upholding human rights and international labour standards"⁷² and the UNGPs⁷³ in global supply chains. In response to concerns for the growing use of forced labor, G7 countries committed to provide victims with "protection and access to appropriate and effective remedies".⁷⁴

Some G7 member States have taken action. For example, The US takes steps to support victims of human trafficking by offering immigration status for two years (renewable) for the period of either investigation or during the process of any civil action filed by the victim. Work permits and eligibility for other federal benefits and services are also provided. The US-Mexico-Canada trade agreement (USMCA) also includes a Specific Rapid Response Labor Mechanism between the United States and Mexico. This dispute settlement mechanism provides for expedited enforcement of workers' free association and collective bargaining rights at the facility level.⁷⁵

Despite some important progress, Access to Remedy is still widely acknowledged to be the most poorly implemented Pillar of the UNGPs. The UN Working Group on Business and Human rights has identified it as such in their recent stocktaking report,⁷⁶ as has the OHCHR.⁷⁷

Accelerated action is needed now, and opportunities to do so abound. The OHCHR's ARP reports contain recommendations for addressing specific obstacles and burdens that can fall unfairly on people affected by business-related human rights harms, for instance through adjustments to the distribution of burdens of proof, improving access to information, and various initiatives aimed at reducing the financial costs of private law claims. To enhance the effectiveness of courts in cross-border cases, States can take steps to improve a number of institutional and practical means for liaising and coordinating with counterparts in other States.⁷⁸

Enhanced arrangements for coordination and liaison between courts and other public bodies that regulate respect for human rights (like labor, consumer, and environmental agencies) can be of great value. In cases where severe human rights abuses are alleged, involving actors and harms in multiple jurisdictions, close cooperation between relevant State agencies and their counterparts internationally with respect to the detection, investigation, prosecution and enforcement is almost always essential.⁷⁹

The G7 member States can play an important role by fostering international cooperation amongst themselves and with other States, perhaps also through multilateral organizations to facilitate legal assistance, cross-border investigations,⁸⁰ exchanges of information and enforcement of judgements abroad. In addition, the G7 member States can work to strengthen law enforcement institutions through overseas development assistance to improve global access to remedy for the human rights impacts of supply chains.

G7 leadership is needed for all human rights abuses in the context of supply chains, where the complexity of business relationships and cross-border dynamics continue to make remedy impossible for so many victims.

Indeed, the G7 member States have already shown leadership in this direction for example through its support of the Inter-Agency Coordination Group against Trafficking in Persons (ICAT)⁸¹ for example. But G7 leadership is needed for all human rights abuses in the context of supply chains, where the complexity of business relationships and cross-border dynamics continue to make remedy impossible for so many victims.

Recommendation 6

The G7 member States should commit to accelerating actions domestically and in regional and multilateral fora to better ensure access to remedy for all human rights abuses arising in the context of global supply chains. G7 member States should consult the OHCHR's Accountability and Remedy Project guidance for this undertaking.

The actions to implement this commitment should include:

- (a) Improve the responsiveness of their own domestic legal systems to the realities of cross-border business activities and relationships. This should include undertaking a review of the coverage and effectiveness of domestic law regimes with a view to developing policies and legal reforms that respond more effectively to the challenges arising for victims, not only workers, in the context of complex global supply chains.
- (b) Task institutions involved in overseas development assistance with prioritizing improvements to access to remedy for the human rights impacts of global supply chains.
- (c) In collaboration with other multilateral fora, develop channels to facilitate cross-border legal and technical assistance, investigation and information exchange between enforcement agencies and/or judicial bodies regarding human rights abuses in global supply chains with the aim of improving access to remedy for victims.
- (d) Take steps to improve the ability of enforcement agencies to communicate and work with other domestic bodies regulating respect by businesses of human rights, including agencies responsible for the regulation of labor, consumer and environmental standards and agencies responsible for the enforcement of laws relating to bribery and corruption.

4.5. Ambitiously pursue supporting measures to complement mandatory measures

Even the most robust legal and regulatory provisions cannot create all necessary shifts in business practices globally to ensure sustainable supply chains. Key components of the “smart mix” are those supporting measures to help facilitate the changes envisioned by the UNGPs. Below this paper describes a number of key opportunities for G7 member States to more ambitiously pursue supporting measures to complement mandatory approaches.

Recommendation 7

G7 member States should commit to using their broad powers across domestic policy areas to implement more ambitious supporting measures to complement and make more effective mandatory approaches.

4.5.1. Seize opportunities connected to bilateral diplomatic missions, missions to regional and international organizations, and other forms of representation abroad

Diplomatic missions and representation abroad of G7 member States have the potential to play an important role in promoting and advancing implementation in global supply chains across the world. The UK, for example, sent a representative of the foreign ministry to Colombia in 2015 to discuss human rights risk management with UK-based companies interested in entering the extractives sector there. Whereas this example may have been an ad hoc event, this type of approach could be part of a mandated program of work with investors as they venture abroad.

Anecdotal evidence collected for this report points to a lack of awareness among the diplomatic corps and representation abroad of G7 countries regarding key business and human rights issues - and a lack of ability to work with companies to help them identify and manage human rights risks.

The lack of involvement in questions of business and human rights - especially regarding supply chains - is a missed opportunity, and it can create risks for companies where they rely on their government representatives to offer insights on business and human rights risks in foreign markets, which they are unable to deliver.

G7 member States can create a mandate and a policy framework around which diplomatic missions and representation abroad can engage on business and human rights. These representatives abroad can be a value add for home companies, for example by offering general advice to companies on business and human rights risks in any given geography, helping companies appropriately manage challenges encountered locally, and serving as a channel for activating dialogue within other governmental ministries that represent opportunities for collaboration around specific risks encountered. They can also support local civil society, national human rights institutions and other stakeholders or engage with national governments to support UNGPs compliant policy initiatives.

A well-trained diplomatic corps in business and human rights would also help build credibility at home and abroad regarding the G7 commitment to human rights.

Recommendation 7.1

G7 member States should create a mandate and institute training for their diplomatic missions, missions to regional and international organizations and other forms of representation abroad on international standards for responsible business conduct including the UNGPs and the OECD GL.

4.5.2. Offer more robust, targeted State assistance to small and medium-sized enterprises to facilitate compliance with international standards

Whereas current legislation on human rights due diligence so far applies mainly to large companies, the efforts of small and medium-sized enterprises (SMEs) to pursue their responsibility to respect human rights merit investment of time and resources by G7 member States. Given the lack of resources SMEs may have to carry out extensive human rights due diligence exercises - and the recognition of the UNGPs that their due diligence processes will be proportional to their size - G7 member States can usefully step in.

One easy win in this direction would be for the G7 to collaborate on funding independent research bodies to periodically produce quality reports identifying human rights risks across regions and geographies. Whereas this would not be a substitute for human rights due diligence, it would raise the awareness of SMEs to an immediate set of questions as they contemplate entering new markets. Access to existing commercial services for this may be out of reach of most SMEs. The free services provided by governments regarding the human rights issues in any given geography are generally ill-suited for use by companies to use in early scoping of business and human rights risks.

In terms of broader assistance to SMEs, G7 member States can work collectively and individually to develop channels for SMEs to obtain guidance and support on any number of challenges they face in pursuing their responsibility to respect human rights. One idea in this direction is for the G7 member

States to coordinate with other States and the EU to create of a capacity-building facility for all stakeholders, as proposed in the UNWG's Roadmap report,⁸² including companies on human rights due diligence. This could be a useful avenue for assisting SMEs.

Recommendation 7.2

The G7 member States should accelerate robust, targeted State assistance to support small and medium-sized enterprises to facilitate compliance with international standards.

Implementing actions should include:

- (a) Actively consider the creation of a capacity-building facility as proposed in the UNWG's Roadmap report.
- (b) Activate smaller, more immediate, steps to assist with implementation of their responsibility to respect human rights such as support on risk mapping.

4.5.3. Actively support curricula to teach international standards on responsible business at professional schools, including business and law schools

While business and human rights training is increasingly integrated into business and law schools,⁸³ it is still extremely rare even in G7 countries. Moreover, courses geared towards helping legal and business professionals operationalize the UNGPs are practically non-existent. As companies work to respond to increasing demands from investors and regulatory to demonstrate their performance on environment, social and governance (ESG), there is an opportunity to support professional training in this direction.

Traditionally trained lawyers may have difficulty recognizing the extended scope of responsibilities laid out in the UNGPs and the emphasis on actively uncovering risks to aim for continuous improvement. Business professionals may also be unaware of how their activities will impact people.

The G7 can collectively and individually support the development of curricula and training for professionals on international responsible business standards and the practical implementation of those both at home and abroad. The work that has been done by the International Bar Association, the Japan Federation of Bar Associations, the American Bar Association and the Law Society of England and Wales, for example, provide a useful starting place.⁸⁴ In addition, practitioner materials from other industry associations may also be helpful.

Recommendation 7.3

The G7 member States should support professional training and the development and deployment of curricula on international standards for business and human rights, human rights due diligence and compliance at professional schools, including business and law schools.

4.5.4. Use National Action Plans on Business and Human Rights to help pursue a “smart mix” of measures at home, abroad and in transnational contexts

National Action Plans on Business and Human Rights (NAP) are a visible, concrete and transparent way of demonstrating the State’s commitment to implementing the UNGPs. With the exception of Canada, all G7 member States have a NAP and refer to human rights challenges in the context of supply chains in some way.⁸⁵ More thorough integration of global supply chain issues would be a productive use of NAPs in G7 countries.

A good practice for NAPs processes begins with a national baseline assessment. Such an assessment can be designed to focus on identifying existing or potential supporting measures and remediation approaches to foster sustainable supply chains at home and abroad.

The low uptake on completing NAPs is a potential opportunity for G7 member States to work with partner countries to encourage, support and facilitate a NAP process that identifies synergistic policies to drive better human rights respect.

As supporting and remedial measures may require the involvement of many parts of government - from the diplomatic service to development agencies and development finance institutions, it is useful that a NAP process have inter-ministerial involvement. Steps for improving access to remedy should also be included in the development of NAPs. Some G7 NAPs have been led by inter-ministerial bodies to aid them in the drafting process.⁸⁶ Japan’s NAP, for example, was developed by an inter-ministerial committee,⁸⁷ which importantly will also oversee monitoring and reporting on the NAP.⁸⁸

An example of particular relevance for issues relating to global supply chains is Japan’s collaboration with the ILO on key human rights risks such as decent work at home and abroad, the protection of the rights of foreign workers, and the ratification of remaining ILO core conventions.⁸⁹ Involving an organization like the ILO, with specific technical skills and global reach, can help provide insights related to eventual human rights risks associated with global supply chains both domestically and internationally. Japan and Germany also used the opportunity of the NAP to conduct national surveys on company uptake of the UNGPs to guide and gauge their further implementation steps.⁹⁰

Since the release of the first NAPs in 2013, only 28 states have developed and released their own NAPs, with two more having included chapters on BHR in their wider NAPs on human rights.⁹¹ The low uptake on completing NAPs is a potential opportunity for G7 member States to work with partner countries, for example through development assistance or other avenues, to encourage, support and facilitate a NAP process that reflects the needs of the partner country to create a conducive environment for respect for human rights and identifies synergistic policies to drive better human rights respect where G7 companies have important business relationships.

Recommendation 7.4

The G7 member States should lead by example by ensuring their own NAPs address legislative, regulatory and other measures needed to foster sustainable global supply chains domestically, abroad and in transnational contexts, including access to remedy. G7 member States should also assist partner countries with NAPs to address human rights risks arising in global supply chains.

Actions to implement this commitment should include:

- (a) Develop updated NAPs in G7 member States where those are not in place or are not current and address supply chain risks.
- (b) Conduct periodic reviews of the NAP to ensure it address human rights challenges in global supply chains, including access to remedy in the supply chain context and domestic business and human rights challenges.
- (c) Provide technical and financial support to partner countries to support NAP development that reflect the needs of the partner country to create a conducive environment for respect for human rights. Assistance from international organizations may be helpful in facilitating this work.

5.

Drive better UNGP implementation across relevant policy areas

5. Drive better UNGP implementation across relevant policy areas

Due to the length restrictions and time constraints in producing this Report, only a sub-set of key policy areas for driving UNGP implementation will be explored. A number of policy areas such as anti-bribery and corruption, industrial relations, taxation, consumer protection and corporate governance will not be addressed despite their potential relevance for helping foster sustainable supply chains.

5.1. Harness the full potential of development cooperation and assistance and development finance to support implementation of the UNGPs

There is increasing recognition of the interlinkages between achieving the SDGs and implementing the UNGPs in global supply chains. Indeed, the most important contribution companies can make to the SDGs is through implementing the UNGPs throughout their global value chains.⁹² This brings the role for development agencies into the forefront of measures to promote more effective implementation of international responsible business conduct standards.

Whereas there are signs that development agencies in some G7 member States consider the UNGPs in their policies and programs, this has not been a large focus on development agency work over the last decade in any G7 State. Given the positive impacts that fostering sustainable supply chains could have in developing countries, it would appear to be a useful focus also for development agencies.

The UN Development Programme, for example, has markedly stepped up its work on the UNGPs over the last several years in recognition of the potential for bolstering development outcomes through more responsible business conduct.

Ministries and agencies that deal with overseas development are potentially very well placed to support sustainable supply chains abroad. The staff abroad can rely on ongoing relationships with government representatives and civil society, and they are equipped with knowledge of the local context and experience working on root causes of poverty or other relevant issues. Their knowledge of the local context could be a source of guidance for companies moving into new markets. They can also be productive conduits through which to facilitate State participation in multistakeholder initiatives to promote and address responsible business conduct issues abroad.

Staff from overseas development agencies have knowledge of the local context that could be a source of guidance for companies moving into new markets.

Furthermore, in coordination with recipient countries, development assistance can be channeled to build better capacity of local regulators and administrators. Human rights abuses in global supply chains are more widespread and more severe in areas of weak or poor governance. There is therefore a growing recognition of the link between creating an enabling environment for investment and better human rights and social performance of the host State.

Companies and investors are increasingly calling for better regulation of global supply chains⁹³ because they recognize that weak and poor governance are a challenge to their own human rights commitments and business success. States are also beginning to make the connection between attracting investment and providing better human rights protections.⁹⁴

Indeed, the G7 member States have already taken steps in this direction by launching the Vision Zero Fund, for example, which seeks to foster involvement of development agencies, companies and local institutions in efforts to strengthen the worldwide enabling environment for safe and healthy working conditions.⁹⁵

Development cooperation and assistance efforts can also build the capacity of local companies to implement responsible business standards.

Development cooperation and assistance efforts can also build the capacity of local companies to implement responsible business standards. This is already being done to some extent. French and German development agencies collaborate on a program to improve working conditions in the textile industry in Bangladesh.⁹⁶ Similarly, the French development agency is providing funding to Turkish companies to improve gender equality at work.⁹⁷ Efforts to share knowledge and technical assistance between development partners could be expanded significantly.

Willing suppliers may not have the capacity to engage in standard raising practices or finance the external capacity needed to support them to meet expectations relating to making supply chains more sustainable. In some cases, the financial arrangements under a buyer's business model can be part of the problem, reducing the opportunities for raising standards.⁹⁸ Another part of the problem may be the lack of contact between lead firms and suppliers upstream, which means there is little visibility as to what a raise in standards means in practice.

In addition, lack of access to financial institutions, loans and insurance with affordable interest rates for small and medium-sized businesses still pose important obstacles to progress for many producers.⁹⁹ Development finance institutions can take action to improve access to financial and insurance products for producers working to enhance social sustainability standards. Funding suppliers' improvement of working conditions, linking suppliers with financial tools to make the improvements and promoting better standards through capacity building are all promising measures for improving respect for rights.

In addition, lack of access to financial institutions, loans and insurance with affordable interest rates for small and medium-sized businesses still pose important obstacles to progress for many producers.

To better identify how development assistance is being deployed to improve human rights respect in global supply chains, States could devise methods to disaggregate their development assistance data to offer useful measurements to help decision makers better direct funds towards priority areas. Disaggregated data could be usefully uploaded to the Clearinghouse for Financing Development Data.¹⁰⁰

Government activities in development cooperation and assistance offers a wide range of opportunities to assist developing countries in their efforts to be part of sustainable global supply chains by supporting effective implementation of policies reflecting international responsible business standards. More individual and collective efforts in this direction would be a powerful lever for fostering sustainable supply chains.

Recommendation 8

The G7 member States should harness the full potential of their respective development cooperation and assistance agencies to better implement the UNGPs abroad and foster sustainable supply chains.

Actions in this direction should include:

- (a) Provide a mandate to development cooperation and assistance agencies to work on implementing the UNGPs three pillars.
- (b) Require development agency policies to institute human rights and environmental due diligence criteria to show leadership and build legitimacy for work abroad on responsible business conduct.
- (c) Direct development finance towards specific initiatives contributing to building the capacity of small and medium-sized producers and helping to create and reinforce better practices.
- (d) Work collectively in the context of multilateral organizations like the OECD to improve the measurement of development assistance supporting sustainable supply chain efforts to improve effectiveness.

5.2. Harness the full potential of development finance institutions by better aligning standards that govern lending and other activities to the UNGPs across the G7 and globally

Development finance institutions have an opportunity to drive UNGPs implementation through their lending and other activities, through their design and operation of grievance mechanisms and through their engagement with other development agencies that may put in place supporting measures tailored to the needs of producing countries to help create more conducive conditions for UNGP implementation.¹⁰¹

Some development finance institutions have taken innovative steps to enhance human rights due diligence in supply chains in recent years.¹⁰² Examples reported in a recent OHCHR study include the Dutch development bank FMO, which assesses decent working conditions beyond the company being financed to look at the rights of contractors and workers in the supply chain. According to the FMO, looking into supply chain risks allows “the most salient issues” to be identified for management and mitigation.¹⁰³

In addition, the UNGPs and OECD GL have been at least in part integrated in the 2018 OECD DAC Blended Finance Principles for Unlocking Commercial Finance and the 2021 OECD-UNDP Impact Standards for Financing Sustainable Development - a framework that aims to assist donors, development finance institutions (DFIs) and their private sector partners seeking to optimize their positive contribution to the sustainable development goals (SDGs) and promote impact integrity.

In the context of multilateral lenders, the European Investment Bank, the European Bank for Reconstruction and Development, the International Finance Corporation and the InterAmerican Development Bank refer to human rights due diligence in their operational policies. The World Bank and the African Development Bank, among others, refer to human rights in their broader policy statements.¹⁰⁴

Further, in 2019 the International Finance Corporation (IFC), CDC Group Plc, the European Bank for Reconstruction and Development (EBRD) and the-then UK Department for International Development (DFID) published a good practice note for *Managing Risks Associated with Modern Slavery*.¹⁰⁵

While these developments can provide a foundation for strengthening human rights safeguards, overall integration of the UNGPs into development finance and international financial institutions remains low, including as a tool for managing risks to people in supply chains.¹⁰⁶ For example, the agenda and resulting declaration of the 2020 Finance in Common Summit - the first global summit of all public development banks - aimed at strengthening partnerships between and among institutions and reinforcing their commitments “in support of common actions for climate change and sustainable development”¹⁰⁷ failed to include alignment with the UNGPs.¹⁰⁸

Overall integration of the UNGPs into development finance and international financial institutions remains low, including as a tool for managing risks to people in supply chains

This appears to be a missed opportunity to drive positive change in global supply chains because even “green” projects or “social” projects that aim to bring positive benefits can involve supply chains where severe human rights abuses take place, including forced labor.¹⁰⁹ All ‘sustainable, green and social’ financing should include provisions to prevent and mitigate human rights risks in supply chains connected to the project. An example of this approach is the European Union’s Sustainable Finance Taxonomy Regulation which requires any finance labelled “sustainable” to be underpinned by safeguards, meaning compliance with the UNGPs and the OECD GL.¹¹⁰

Germany has recently launched a consultation to ensure that international environmental and social standards, including the UNGPs, are upheld in all International Climate Initiative (IKI) projects. Previously, IKI required its projects to comply with the Environmental and Social Safeguards of the Green Climate Fund.¹¹¹

In recent years, the OHCHR has actively followed the social and environmental performance criteria of multilateral and domestic development finance institutions. This has included regularly making recommendations on how these institutions can better integrate the UNGPs and the OECD GL to achieve better development outcomes, including more sustainable supply chains.

Across development finance institutions, commitments to human rights normative standards do not appear to be aligned with evolving international standards

A 2019 draft benchmarking study report from OHCHR, which looks at alignment between social and environmental safeguards and the UNGPs, contains a number of relevant findings for this discussion. Specifically in relation to sustainable supply chains, the study points out that across development finance institutions, commitments to human rights normative standards do not appear to be aligned with evolving international

standards. Indeed, one of the biggest gaps, according to the initial study, is the limited scope of due diligence around clients that fail to address the client’s business relationships (such as suppliers) where there may be adverse human rights impacts that are directly linked to the client’s products, goods, services operations.¹¹²

The study also describes how existing safeguards link client responsibility only to those situations where they exercise control over their business relationships, which is in direct contrast to the standard set out in the UNGPs.¹¹³ The UNGPs envision that business relationships become active avenues of influence to improve human rights.

Other issues described as underdeveloped include stakeholder engagement processes across all financing instruments (not only investment projects); policies and detailed procedures to identify, prevent and address the risk of reprisals against stakeholders or those bringing grievances; access to remedy for those harmed in the process of DFI projects and responsible exit or disengagement (to guard against harmful incentives to “cut and run”).¹¹⁴ The forthcoming final report will provide a useful set of concrete recommendations for where improvement in standards is necessary to align with the UNGPs and OECD GL.

Recommendation 9

The G7 member States should make an explicit commitment to drive better integration of international standards on responsible business conduct in the work of bi-lateral and multilateral development finance institutions and support harmonization of those standards globally.

Actions to implement this commitment should include:

- (a) Lead by example by committing to ensuring alignment of their own development finance activities with the UNGPs to improve the sustainability of supply chains.
- (b) Put in place an action plan to ensure alignment of domestic development finance institutions with international standards on responsible business conduct and periodically report to G7 members on progress. Alignment work to ensure development finance reflects international standards of responsible business conduct should address, at a minimum:
 - i. improving the application of environmental and social standards to client business partners in their value chain;
 - ii. improving stakeholder engagement processes; policies and detailed procedures to identify, prevent and address the risk of reprisals against stakeholders or those bringing grievances;
 - iii. improving access to remedy for those harmed in the process of DFI projects and responsible exit or disengagement (to guard against harmful incentives to “cut and run”); all of which have been found to be underdeveloped in existing standards.
- (c) Advocate individually and collectively in relevant multilateral settings for development finance standards to be harmonized globally to international standards on responsible business conduct.
- (d) Engage individually and collectively with ongoing reviews of multilateral development finance standards reform to seek to ensure alignment with international standards on responsible business conduct, including on the above-mentioned themes.
- (e) Put in place a coordinating body for the G7 member States to seek support of other States for the pursuit of alignment of standards and harmonization globally amongst development finance institutions.

5.3. Ensure sustainable, “green” and climate finance initiatives for the private sector are aligned with the UNGPs

International standards of responsible business conduct (the OECD Guidelines, UNGPs, ILO MNE Declaration) have an important role to play in the context of sustainable finance. They unify many existing, government-backed standards in areas of human rights, labor, and the related areas of environmental protection and combatting bribery. They also provide authoritative and widely accepted understanding of the types of environmental, social and governance impacts and risks associated with business activities, including how businesses and financial service providers should identify, prevent and address these impacts in the context of their own operations and business relationships, including in their supply chains.

The scope of international standards of responsible business conduct and Environmental, Social and Governance (ESG) criteria are highly interlinked as both relate to understanding and quantifying the impact of business activities on environmental and social issues. However, international frameworks of responsible business conduct pertain primarily to impacts on the environment and society, irrespective of their financial materiality.

Aligning ESG metrics and ratings with these key international frameworks is the most promising way to ensure that ESG fosters sustainability in global supply chains.

ESG data and metrics are useful information for investors (and other stakeholders) to assess companies’ respect for human rights, labor rights and other sustainability aspects, including in their supply chains. However, the discrepancies in methodologies adopted by ESG rating providers - including how determinations are made on core issues like dynamic materiality - can create challenges for investors and stakeholders to meaningfully assess a firms’ performance with consistency, comparability and transparency. Widely different objectives and outputs across major ESG metric and rating providers can also create confusion among stakeholders as to what constitutes a high-ESG rated company, and subsequently what constitutes meaningful respect for human rights.

The UNGPs and OECD GL can play an important role in promoting consistency, comparability and quality in corporate disclosures on ESG issues.

The UNGPs and the OECD GL have also already been embedded in a number of key regulations and guidance on sustainable finance - notably at EU level. For example, the EU Sustainable Finance Disclosure Regulation (SFDR) sets out how financial market participants and financial advisors must integrate ESG risks and opportunities in their processes. Similarly, the EU Taxonomy provides companies, investors and policymakers with appropriate definitions under which

economic activities can be considered environmentally sustainable and mandates compliance with the OECD GL and UNGPs as part of its minimum social safeguards.

These broadly aligned and mutually reinforcing responsible business conduct standards can thus serve as an important reference point for driving harmonization and convergence with respect to ESG data and metrics. They can play an important role in promoting consistency, comparability and quality in corporate disclosures on ESG issues. They are also fundamental for situating the market’ s evolving and dynamic understandings of the materiality of ESG risks within longer time horizons, which is necessary to support long-term value creation and market resilience.

Aligning ESG metrics and ratings with these key international frameworks is the most promising way to ensure that ESG fosters sustainability in global supply chains and sustainable development, by ensuring that they provide investors and other stakeholders with accurate information on business respect for human rights, including in their supply chains and avoid risks of green and SDG-washing.

To address this issue, G20 Finance Ministers and Central Bank Governors mandated the G20 Sustainable Finance Working Group (SFWG) to develop a G20 Sustainable Finance Roadmap (“ G20 roadmap”) “to help focus the attention of the G20, international organizations and other stakeholders to key priorities of the sustainable finance agenda and form consensus on key actions to be taken.” ¹¹⁶

The G20 roadmap assigns the OECD the tasks of (among others):

- Development of an alignment assessment framework for Responsible Business Conduct due diligence for lending and institutional investment activities;
- Development of an alignment assessment of metrics and ratings related to OECD standards, including the Guidelines for Multinational Enterprises that incorporates the UNGPs;
- Development of an ESG-baseline on non-financial reporting methodology and standards based on OECD standards;
- Empirical work on testing ESG metrics materiality and develop indicators on effective due diligence and ESG materiality; and
- Development of an assessment to overcome compatibility challenges of ESG to SDGs. ¹¹⁵

There are key opportunities now for G7 member States to support alignment of sustainable finance with the international standards on responsible business conduct. An important place to start is reinforcing the important role to be played by the OECD regarding alignment of ESG standards with responsible business conduct. Additionally, in 2022 the Green Climate Fund will institute its own social and environmental criteria,¹¹⁷ and G7 member States as Board members of the Fund,¹¹⁸ can steer the development of that criteria to align to international standards on responsible business conduct. Additionally, the newly founded International Sustainability Standards Board¹¹⁹ (ISSB) presents an opportunity to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies’ sustainability-related risks and opportunities aligned with international standards on responsible business conduct, but this alignment is far from guaranteed. G7 support for such alignment is key.

Recommendation 10

The G7 should commit to actively support alignment of ESG reporting requirements, ESG ratings and metrics as well as other criteria for sustainable finance – including climate and green finance - with global standards of responsible business conduct, including the UNGPs and OECD GL.

Actions to implement this commitment should include:

- (a) Reaffirm G7 member States' support for the G20 Sustainable Finance Roadmap.
- (b) Support an acceleration of the work within the OECD to ensure that the findings can be usefully integrated into the G20 Roadmap.
- (c) Actively seek opportunities to support the integration of international responsible business conduct standards into the work of the ISSB in developing a baseline of high-quality sustainability disclosure standards, which would provide further clarifications with respect to materiality perceptions.
- (d) As members of the Board of the Green Climate Fund, work collectively to ensure that the development of environmental and social standards, now ongoing, is fully aligned to international standards including the UNGPs, the OECD GL and ILO MNE Declaration.

5.4. Actively pursue integration of responsible business standards in investment and trade policy

Achieving sustainable supply chains will require integration of international standards on responsible business conduct across investment and trade policy. This section addresses two key policy areas where work to integrate the UNGPs is underdeveloped. The first is policy on foreign direct investment.

Recognizing the interlinkages and relationships between investment policy and sustainable supply chains will help identify important levers for change. This Report addresses reform efforts on International Investment Agreements (IIAs) and negotiation advice on investment contracts. But many other linkages exist,¹²⁰ for example, State-supported investment promotion activities also hold potential for better fostering sustainable supply chains.¹²¹

The second issue addressed below is trade policy and human rights risks in supply chains. About 70 percent of international trade is connected to the global supply chains of multinational enterprises whereby services, raw materials, parts, and components cross borders often numerous times before being incorporated into a final product and shipped to consumers all over the world.¹²²

So far, State efforts to harness trade policy making relative to human rights have generally focused on labor issues. For example, some G7 member States have used trade negotiations or the Generalised Scheme of Preferences, for example, to encourage and support better adherence and implementation of

G7 member States should more explicitly recognize the links between trade policy and protecting all human rights

international standards, in particular in labor law.¹²³ The 2021 G7 Trade Ministers' Communiqué, and the accompanying Trade Ministers' Statement on Forced Labour also address how trade policy can be used to eradicate forced labor, and name the UNGPs, OECD GL and ILO MNE Declaration as relevant tools. The USMCA described above also addresses labor rights.¹²⁴

The G7 has also acknowledged the wider impact of trade policy on sustainable supply chains, in particular related to deforestation, environmental sustainability and gender.¹²⁵ Yet the G7 member States should more explicitly recognize the links between trade policy and protecting all human rights in global supply chains.

This paper addresses one area of trade – the work of export credit agencies - where the G7 member States can collectively work for meaningful change. As the G7 member States continue to prepare for WTO reform, explore collective approaches to trade policy and address issues such as forced labor, they should focus attention on integrating international standards for responsible business throughout trade policy as a key step to addressing all human rights risks in global supply chains.

Recommendation 11

The G7 member States should commit to implementing international standards on responsible business conduct, including the three pillars of the UNGPs, across investment and trade policy to improve policy coherence and more effectively foster sustainable supply chains.

5.4.1. Drive UNGPs implementation in international investment policy reform

International investment is an important policy area for fostering sustainable global supply chains. As there are several reform efforts underway now, G7 member States have an opportunity to lead progress.

Foreign direct investment (FDI) projects may be part of global supply chains in any number of ways. For example, an FDI project may be responsible for obtaining needed raw materials for global supply chains; FDI projects may create the energy or the physical and technological infrastructure that helps global supply chains function; or FDI may be behind the transportation moves goods around in various phases of production. Investment policy contained in international investment agreements (IIAs) or in investment contracts signed by host governments and foreign investors govern the rules for these projects and impacts how they are regulated.

As there are several reform efforts underway now regarding international investment, G7 member States have an opportunity to lead progress.

Over the last decade, IIAs and investor-state dispute settlement (ISDS) have continued to gather negative attention for three issues relevant for this present discussion. First, they have been criticized as straining States' ability to regulate foreign investment projects in pursuit of human rights and other global goals. Indeed, UNGP 9 addresses the need for States to maintain adequate domestic policy space to meet their human rights obligations when pursuing investment treaties and contracts.¹²⁶

Second, IIAs and ISDS have been called into question because they generally have not reflected the expectation that investors comply with international standards on responsible business conduct, nor do they reflect that respecting people and the planet are key for protecting the value of investment projects¹²⁷ - a correlation that is becoming increasingly clear.¹²⁸

Third, IIAs and ISDS have been criticized because they are seen to ensure the protection of foreign investors through special processes to remedy alleged harms - yet they fail to ensure access to remedy for people who are instead harmed by the foreign investor. At the same time, as documented in the OHCHR's Accountability and Remedy Project guidance, obstacles to access to remedy may be exacerbated because of the cross-border nature of foreign investment.¹²⁹

So widespread is the criticism of IIAs and ISDS that institutional proposals for reform abound. The UNWG has also weighed in on how to create “human rights compatible” investment agreements.¹³⁰ Meanwhile, UNCITRAL Working Group III is addressing a number of avenues for ISDS reform including an arbitrator code of conduct and the creation of a permanent multilateral investment court;¹³¹ and the OECD has initiated a multilateral and multi-stakeholder set of conversations to address investment treaty reform.¹³²

A number of issues are driving the proposals for reform, but for this present discussion, reform efforts are an opportunity for G7 member States to bridge governance gaps that result from the design and enforcement of international investment agreement (IIAs).

Irrespective of reform designs for existing and future investment agreements, focus on ensuring States maintain adequate policy space for pursuing human rights obligations, while providing the necessary investor protection, will be key to ensuring that international investment agreements do not stand in the way of appropriate legislation directly relevant to sustainability in global supply chains.

Second, reform efforts should reflect international standards on responsible business conduct, to better protect investment value and to incentivize better investor behavior abroad.

Third, reform efforts should improve access to remedy for those harmed by foreign investors. The design of rules for foreign direct investment should address head-on the obstacles limiting access to remedy when a foreign investor adversely impacts people. This may be through any number of design innovations.

The OHCHR's ARP guidance offers extensive guidance that can be relevant to reform efforts for this context. For example, States can agree to cooperate in investigations and share information regarding allegations of human rights abuses involving foreign investors. Other ideas could involve restrictions on investor protection where investors refuse to participate in legitimate processes to remedy alleged harms perpetrated.

Reform efforts are an opportunity for G7 member States to bridge governance gaps that result from the design and enforcement of international investment agreements.

Recommendation 11.1

The G7 member States should support investment treaty and dispute resolution reform efforts in domestic, regional and multilateral contexts with a view to (1) bolstering the need for States to maintain adequate domestic policy space for meeting human rights obligations; (2) ensuring that international standards on responsible business conduct are meaningfully reflected; and to (3) improving access to remedy for people harmed in host States by foreign investors.

5.4.2. Drive implementation of relevant features of international standards on responsible business through technical assistance for investment contract negotiation

In addition to investment treaties, international investment contracts are also part of the legal structures that govern foreign direct investment, including those projects necessary to obtain raw materials, transport them, transform them and power global supply chains. Investment contracts can be a fruitful avenue for integration of international standards on responsible business conduct and for fostering a conducive environment for business respect for human rights.

As part of the process to develop the UNGPs, extensive research and consultations with investors, companies, State representatives and experts were undertaken to develop a subsidiary set of principles - the *UN Principles for Responsible Contracts, Integrating the Management of Human Rights Risks into State-Investor Contract Negotiations*,¹³³ which aim to support integration of the UNGPs in the negotiation of investment contracts between foreign investors and States. These Principles were presented to the UN Human Rights Council as an addendum to the UNGPs.

The 10 principles are meant to be a negotiator's guide for State-investor contract negotiations underpinning major foreign investment projects. The guidance for negotiators addresses potential human rights risks, offers the parties guidance for how to ensure those risks are managed and addresses remedy for when harms do occur. The issues addressed in the guidance include, among others, project operating standards, project monitoring and compliance, grievance mechanisms for harm to third parties and transparency.

G7 member States support enhanced advisory support to developing country partners when negotiating complex commercial contracts through the Connex Support Unit and through other initiatives in which they are involved outside the G7 context.¹³⁴ There is a key opportunity now to enhance those services and foster responsible business conduct and a conducive environment for business respect for human rights by including advisory support on how human rights risk management and responsible business conduct standards, including access to remedy, can be integrated into commercial investment contracts. The UN Principles for Responsible Contracts offers a ready-made resource for this activity.

The UN Principles for Responsible Contracts, aim to support integration of the UNGPs in the negotiation of investment contracts between foreign investors and States

Recommendation 11.2

To foster foreign direct investment projects that respect human rights, the G7 member States, through the Connex Support Unit and other technical assistance for investment contract negotiation, should enhance its advisory support to include guidance on how to reflect international standards on responsible business conduct in investment contracts. The G7 should consult the *UN Principles for Responsible Contracts: Integrating the Management of Human Rights Risks into State-Investor Contract Negotiations* to guide this activity.

5.4.3. Drive better integration of international standards on responsible business conduct in the OECD Common Approaches for export credit agencies

Export credit agencies (ECAs), and export-import banks are often government supported agencies with a mission to bolster domestic exports. They work with foreign buyers to support exporter's entry into global supply chains.¹³⁵ They also stand behind banks and development finance institutions in major projects that might be for energy, infrastructure or technology. ECAs are therefore key players involved in supporting parts of global supply chain operations.

The UNGPs point to the importance for States to “set out clearly their expectation that all business enterprises domiciled in their territory and/or jurisdiction respect human rights throughout their operations.”¹³⁶ They then point to state owned or controlled by the State as an example of where States “should take additional steps to protect against human rights abuses” – including in the context of export credit agencies. The policy rationale is clear. To avoid policy incoherence, State controlled or owned entities should put in place policies to protect human rights from harms resulting from business’ activities. One part of this would include setting out policies reflecting the expectation that businesses act in line with international business standards when benefitting from State support. Some NAPs on business and human rights including from G7 countries such as Germany, France and Japan have included some ECA reform requirements.¹³⁷

G7 member State ECAs, along with others in the OECD, belong to the OECD Working Party on Export Credit (the Export Credit Group). This multilateral grouping of ECAs aims to help create and maintain a level playing field for ECA work. It is an obvious forum for raising and harmonizing standards on export credits, indeed, the Export Credit Group maintains a collection of policies relating to good governance issues such as anti-bribery, sustainable sovereign debt levels, and environmental and social due diligence.

Since 2016, the OECD Export Credit Group’s Recommendation on Common Approaches has had an explicit statement (however high level) on human rights due diligence. It includes screening for all covered applications for severe human rights risks, and where screening identifies a high likelihood of such risks, it asks ECAs to further assess them, including potentially through human rights due diligence.¹³⁸

Yet, ECAs have not worked multilaterally in recent years to update and align their standards either to the UNGPs or to high-level commitments made by their own governments such as the Paris Agreement or the Sustainable Development Goals¹³⁹ - or even to align with mandatory human rights due diligence measures, nor to their financial sector peers vis-à-vis the Equator Principles. Even regionally, rules for ECAs have not aligned to sustainability rules. For example, European ECAs are not legally required to comply with the EU Taxonomy.¹⁴⁰

Some ECAs, including some in the G7, see the lack of multilateral progress on human rights and other sustainability topics as problematic. Eager to help clients with better human rights risk management and sensing the appetite in the market for projects that reflect good environmental, social and governance practices, some ECAs have decided to become members of the Equator Principles Association. Equator Principles Four (EP4) includes a commitment by all members to implement the UNGPs and carry out human rights due diligence.¹⁴¹ EP4 also indicates that members recognize their responsibilities to human rights outside the scope of EP-covered financial products. This is a welcome evolution, but it points to a widening gap in the Export Credit Group’s Recommendation on Common Approaches.

ECAs are also charging ahead, forming their own collective efforts to harmonize sustainability standards outside the context of the OECD. In April 2021 a group of seven governments (including France, Germany and the UK) launched the “Export Finance for Future (E3F) Coalition” on climate resilient projects. While this is not a human rights initiative explicitly, it demonstrates a new multilateral initiative model to harmonize sustainability standards for ECAs that may be necessary to achieve progress outside the context of the OECD. According to some observers, this is a “strong signal to the industry that a subset of the OECD participants is breaking away on the topic of sustainability and dealing with the climate emergency.”¹⁴²

ECAs have not worked multilaterally in recent years to update and align their standards to the UNGPs or mandatory human rights due diligence measures

This lack of progress multilaterally, and specifically within the OECD, means that ECAs moving to implement the UNGPs are taking action largely independently. For example, within the G7, Export Development Canada (EDC) put its first human rights policy in place in 2019 and it is operationalizing that policy to further its alignment with the UNGPs.¹⁴³ Other ECAs have also made noteworthy progress.¹⁴⁴ However, the reference point for common standards among OECD ECAs, the OECD Common Approaches, appears to have been surpassed by initiatives like EP4 regarding UNGPs implementation.

Updating the Common Approaches would have further knock-on effects beyond just lending standards. For example, ECAs engage bi-laterally and regularly sign commercially oriented partnership agreements to foster growth by standardizing documentation, to share business contact information and to streamline common standards in transacting.¹⁴⁵ Whereas those partnerships have not to-date been used to foster sustainable supply chains, for example through knowledge sharing on UNGP implementation, they could be - especially if the UNGPs were integrated more fully into the Common Approaches. Some ECAs that have moved ahead on human rights issues in recent years have exceptional experience and expertise to share. In fact, there are already examples of non-OECD ECAs requesting information and knowledge on social standards and broader ESG topics of leading ECAs. In the context of common deals, these partnership agreements could help ECAs work together to combine forces for greater leverage, sharing of information and shared capacity building. They could also help customers access better local expertise, for example, for human rights impact assessments. In general, these agreements, which are typically commercially focused, could also be vehicles for better human rights performance.

Improving human rights performance of ECAs is an important lever for fostering sustainable supply chains. As markets expand to more emerging markets, ECAs with appropriate human rights standards and expertise could be key drivers for improved human rights standards in supply chains in at least two ways. First, ECAs could help clients identify synergies across government, for example in trade services and aid to help them manage human rights risks. Second, ECAs could also lend their experience on human rights and environmental due diligence to tool up foreign trade services. In other words, ECAs could be leveraged to build internal government capacity relative to global supply chains. As an obvious first step to realizing these opportunities, governments must heighten the obligations of the Common Approaches regarding human rights and international standards on responsible business conduct.

The G7 could play an important role in bridging these important standards gap collectively by supporting improvements to the OECD standards for ECAs to help ECAs in OECD countries stay abreast of sustainability topics, including alignment with the UNGPs.

Recommendation 11.3

The G7 member States should demonstrate leadership in the context of the OECD Export Credit Group by supporting multilateral rules to better implement international standards of responsible business conduct across ECA products and services. G7 member States should lead by example by working individually and collectively to better reflect international responsible business standards within their own ECAs, even in the absence of multilateral rules.

6.

Conclusion

6. Conclusion

The stakes are high now. Achieving global goals related to the climate emergency, the Sustainable Development Goals and recovery from the COVID-19 pandemic depends in large part on ensuring human rights are respected throughout global supply chains - and the UNGPs is a foundational tool for that undertaking.

There is unprecedented momentum across the G7 and beyond to develop legal and regulatory frameworks on business and human rights; there are efforts worldwide to build common reporting standards for sustainable finance; and there are a number of ripe opportunities for meaningful investment and trade policy reform. At the same time there are many untapped opportunities or areas where policy incoherence must be addressed to eliminate blockages to achieving progress towards more sustainable supply chains.

The G7 member States' leadership is needed now to foster better UNGP alignment and implementation in ways that will create meaningful change for people.

The G7 member States' leadership is needed now to foster better UNGP alignment and implementation in ways that will create meaningful change for people. The OHCHR stands ready to assist the G7 member States and other actors to collectively achieve the vision of the UNGPs.

Annex

Recommendations

Annex:

Recommendations

Recommendation 1

The G7 member States should publicly acknowledge, recognize, articulate and address the full range of human rights risks in global supply chains, affecting both economic, social and cultural as well as civil and political rights, including those relevant to the energy transition and those related to safeguarding civic space and human rights defenders.

Implementing actions should include:

- (a) Take steps to ensure that the broad range of human rights at risk in global supply chains is appropriately reflected in legal, regulatory and other policy measures.
- (b) Work collectively and individually in multilateral political fora and in legislative and regulatory contexts to bring adequate attention to the broad range of human rights risks in the context of global supply chains needing attention.

Recommendation 2

The G7 member States should confirm their political commitment to implement all three pillars of the UNGPs - the State Duty to Protect Human Rights, the Corporate Responsibility to Respect Human Rights and Access to Remedy - as a foundational tool for achieving sustainable supply chains.

Recommendation 3

The G7 member States should commit to actively reinforcing and supporting current momentum to forge legal and regulatory approaches to business and human rights with a view to strengthening legal protection of human rights in global supply chains at national, regional and international levels.

Recommendation 4

The G7 member States should commit to putting in place bespoke business and human rights legislation and enforcement measures that are aligned to the three pillars of the UNGPs and the OECD GL and to addressing misalignments when identified.

Implementing actions should include:

- (a) Forge a high-level commitment, in coordination with the OECD, to work collaboratively, including with stakeholders, to identify misalignment risks that may result from business and human rights legislation and enforcement and work to correct those when identified.
- (b) Carry out periodic reviews of domestic legislation to track whether the intended results are being achieved and to monitor any unintended consequences for human rights.
- (c) Activate cooperation amongst G7 member States and more broadly to seek to harmonize approaches on mandatory measures for UNGP implementation and their enforcement.
- (d) Work collectively or individually to produce online or in-person training for companies, offer resource desks or help lines, as well as written guidance to ensure companies and administrators align their interpretations of rules to international standards. Hold periodic dialogues with companies and other stakeholders to evaluate the successes and failures of legislative efforts and identify constructive ways forward.
- (e) Participate constructively in relevant regional or multilateral efforts for legislative and regulatory reform on business and human rights with the aim of ensuring the value of the three pillars is reflected and to seek to enhance alignment with international standards.

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Recommendation 5

The G7 member States should lead by example and commit to addressing supply chain human rights risks present in their own territory or subject to their jurisdiction by identifying priority issues and pursuing legal and regulatory reform and creating policy tools across relevant topic areas.

Implementing actions should include:

- (a) Undertake an assessment of the adequacy of their domestic legislative and regulatory regimes to manage business and human rights challenges domestically. This exercise should identify priority areas for progress based on where abuses are more severe, widespread and irremediable. The assessment should consider a wide range of legal and regulatory areas as well as consider public procurement and other relevant State activities that may contribute to safeguarding human rights against the challenges identified.
- (b) Share assessment results with G7 member States to share good practice ideas and encourage knowledge exchange.
- (c) Report to the G7 on progress made in legal and regulatory spaces domestically to address domestic business and human rights challenges relating to supply chains.

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Recommendation 6

The G7 member States should commit to accelerating actions domestically and in regional and multilateral fora to better ensure access to remedy for all human rights abuses arising in the context of global supply chains.

Implementing actions should include:

- (a) Improve the responsiveness of their own domestic legal systems to the realities of cross-border business activities and relationships. This should include undertaking a review of the coverage and effectiveness of domestic law regimes with a view to developing policies and legal reforms that respond more effectively to the challenges arising for victims, not only workers, in the context of complex global supply chains.
- (b) Task institutions involved in overseas development assistance with prioritizing improvements to access to remedy for the human rights impacts of global supply chains.
- (c) In collaboration with other multilateral fora, develop channels to facilitate cross-border legal and technical assistance, investigation and information exchange between enforcement agencies and/or judicial bodies regarding human rights abuses in global supply chains with the aim of improving access to remedy for victims.
- (d) Take steps to improve the ability of enforcement agencies to communicate and work with other domestic bodies regulating respect by businesses of human rights, including agencies responsible for the regulation of labor, consumer and environmental standards and agencies responsible for the enforcement of laws relating to bribery and corruption.

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Recommendation 7

G7 member States should commit to using their broad powers across domestic policy areas to implement more ambitious supporting measures to complement and make more effective mandatory approaches.

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Recommendation 7.1

G7 member States should create a mandate and institute training for their diplomatic personnel, missions to regional and international organizations and other forms of representation abroad on international standards for responsible business conduct including the UNGPs and the OECD GL.

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Recommendation 7.2

The G7 member States should accelerate robust, targeted State assistance to support small and medium-sized enterprises to facilitate compliance with international standards.

Implementing actions should include:

- (a) Actively consider the creation of a capacity-building facility as proposed in the UNWG's Roadmap report.
- (b) Activate smaller, more immediate, steps to assist with implementation of their responsibility to respect human rights such as support on risk mapping.

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Recommendation 7.3

The G7 member States should support professional training and the development and deployment of curricula on international standards for business and human rights, human rights due diligence and compliance at professional schools, including business and law schools.

Recommendation 7.4

G7 member States should lead by example by ensuring their NAPs or business and human rights policies address legislative, regulatory and other measures needed to foster sustainable global supply chains domestically, abroad and in transnational contexts, including access to remedy. G7 member States should also assist partner countries with NAPs to address human rights risks arising in global supply chains.

Implementing actions should include:

- (a) Develop updated NAPs in G7 member States where those are not in place or are not current that and address supply chain risks.
 - (b) Conduct periodic reviews of the NAP to ensure it address human rights challenges in global supply chains, including access to remedy in the supply chain context and domestic business and human rights challenges.
 - (c) Provide technical and financial support to partner countries to support NAP development that reflect the needs of the partner country to create a conducive environment for respect for human rights. Assistance from international organizations may be helpful in facilitating this work.
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Recommendation 8

The G7 member States should commit to harness the full potential of their respective development cooperation and assistance agencies to better implement the UNGPs abroad and foster sustainable supply chains.

Implementing actions should include:

- (a) Provide a mandate to development cooperation and assistance agencies to work on implementing the UNGPs three pillars.
 - (b) Require development agency policies to institute human rights and environmental due diligence criteria to show leadership and build legitimacy for work abroad on responsible business conduct.
 - (c) Direct development finance towards specific initiatives contributing to building the capacity of small and medium-sized producers and helping to create and reinforce better practices.
 - (d) Work collectively in the context of multilateral organizations like the OECD to improve the measurement of development assistance supporting sustainable supply chain efforts to improve effectiveness.
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Recommendation 9

The G7 member States should make an explicit commitment to drive better integration of international standards on responsible business conduct in the work of bi-lateral and multilateral development finance institutions and support harmonization of those standards globally.

Implementing actions should include:

- (a) Lead by example by committing to ensuring alignment of their own development finance activities with the UNGPs to improve the sustainability of supply chains.
- (b) Put in place an action plan to ensure alignment of domestic development finance institutions with international standards on responsible business conduct and periodically report to G7 members on progress. Alignment work to ensure development finance reflects international standards of responsible business conduct should address, at a minimum:
 - i. improving the application of environmental and social standards to client business partners in their value chain;
 - ii. improving stakeholder engagement processes; policies and detailed procedures to identify, prevent and address the risk of reprisals against stakeholders or those bringing grievances;
 - iii. improving access to remedy for those harmed in the process of DFI projects and responsible exit or disengagement (to guard against harmful incentives to “cut and run”); all of which have been found to be underdeveloped in existing standards.
- (c) Advocate individually and collectively in relevant multilateral settings for development finance standards to be harmonized globally to international standards on responsible business conduct.
- (d) Engage individually and collectively with ongoing reviews of multilateral development finance standards reform to seek to ensure alignment with international standards on responsible business conduct, including on the above-mentioned themes.
- (e) Put in place a coordinating body for the G7 member States to seek support of other States for the pursuit of alignment of standards and harmonization globally amongst development finance institutions.

Recommendation 10

The G7 member States should commit to actively support alignment of ESG reporting requirements, ESG ratings and metrics as well as other criteria for sustainable finance – including climate and green finance - with global standards of responsible business conduct, including the UNGPs and OECD GL.

Implementing actions should include:

- (a) Reaffirm G7 member States' support for the G20 Sustainable Finance Roadmap.
- (b) Support an acceleration of the work within the OECD to ensure that the findings can be usefully integrated into the G20 Roadmap.
- (c) Actively seek opportunities to support the integration of international responsible business conduct standards into the work of the ISSB in developing a baseline of high-quality sustainability disclosure standards, which would provide further clarifications with respect to materiality perceptions.
- (d) As members of the Board of the Green Climate Fund, work collectively to ensure that the development of environmental and social standards, now ongoing, is fully aligned to international standards including the UNGPs, the OECD GL and ILO MNE Declaration.

Recommendation 11

The G7 member States should commit to implementing international standards on responsible business conduct, including the three pillars of the UNGPs, across investment and trade policy to improve policy coherence and more effectively foster sustainable supply chains.

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Recommendation 11.1

The G7 member States should support investment treaty and dispute resolution reform efforts in domestic, regional and multilateral contexts with a view to

- (1) bolstering the need for States to maintain adequate domestic policy space for meeting human rights obligations;
 - (2) ensuring that international standards on responsible business conduct are meaningfully reflected; and to
 - (3) improving access to remedy for people harmed in host States by foreign investors.
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Recommendation 11.2

To foster foreign direct investment projects that respect human rights, the G7 member States, through the Connex Support Unit and other technical assistance for investment contract negotiation, should enhance its advisory support to include guidance on how to reflect international standards on responsible business conduct in investment contracts. The G7 should consult the *UN Principles for Responsible Contracts: Integrating the Management of Human Rights Risks into State-Investor Contract Negotiations* to guide this activity.

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Recommendation 11.3

The G7 member States should demonstrate leadership in the context of the OECD Export Credit Group by supporting multilateral rules to better implement international standards of responsible business conduct across ECA products and services. The G7 member States should lead by example by working individually and collectively to better reflect international responsible business standards within their own ECAs, even in the absence of multilateral rules.

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- ⁷⁰ UN Doc. A/HRC/32/19, at <https://undocs.org/A/HRC/32/19> at paragraph 5.

- ⁷¹ G7, "Leaders' Declaration G7 Summit" (June 2015), at https://sustainabledevelopment.un.org/content/documents/7320LEADERS%20STATEMENT_FINAL_CLEAN.pdf
- ⁷² G7, "Trade Ministers' Statement on Forced Labour" at <https://www.gov.uk/government/news/g7-trade-ministers-statement-on-forced-labour-annex-a>.
- ⁷³ G7, "Trade Ministers' Communiqué," at <https://www.g7uk.org/g7-trade-ministers-communique/>.
- ⁷⁴ G7, "Trade Ministers' Statement on Forced Labour", at <https://www.g7uk.org/g7-trade-ministers-statement-on-forced-labour/>.
- ⁷⁵ <https://ustr.gov/issue-areas/enforcement/dispute-settlement-proceedings/fta-dispute-settlement/usmca/chapter-31-annex-facility-specific-rapid-response-labour-mechanism>.
- ⁷⁶ UN Working Group on Business and Human Rights, "The Guiding Principles on Business and Human Rights: guidance on ensuring respect for human rights defenders", UN Doc. A/HRC/47/39/Add.2, at <https://undocs.org/A/HRC/47/39/Add.2>.
- ⁷⁷ UN Doc. A/HRC/32/19/Add, para 8, at <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G16/093/78/PDF/G1609378.pdf?OpenElement>.
- ⁷⁸ For guidance on how to do so, States can refer to OHCHR's Accountability and Remedy Project, in <https://www.ohchr.org/EN/Issues/Business/Pages/OHCHRaccountabilityandremedyproject.aspx>: "The Accountability and Remedy Project (ARP) aims to strengthen implementation of the "Access to Remedy" pillar of the UNGPs. Since its official launch in 2014, three substantive phases have been completed, with each phase focusing on one of the three different categories of grievance mechanisms referred to in that pillar. The reports of each of these phases recommend practical actions for enhancing the effectiveness of the respective mechanism based upon good practice lessons observed during the ARP work."
- ⁷⁹ UN Doc. A/HRC/32/19, Annex, at page 15.
- ⁸⁰ See OHCHR, "International operational-level cooperation with respect to criminal investigation: a short study of the work of Joint Investigation Teams ("JITs") in the European Union," at https://www.ohchr.org/Documents/Issues/Business/DomesticLawRemedies/Project6_a_study_JIs_in_EU.pdf.
- ⁸¹ See G7, "G7 Social Communiqué" (2019), para. 25, at <https://www.elysee.fr/admin/upload/default/0001/05/a014c309854467aff0880b1fd3a20d25bc707dd2.pdf>
- ⁸² UN Working Group on Business and Human Rights, "UNGPs 10+ A Roadmap for the Next Decade of Business and Human Rights" (2021), pages 22 – 25, at <https://www.ohchr.org/Documents/Issues/Business/WG/ungps10plusroadmap.pdf>.
- ⁸³ See Business and Human Rights Signature Project at NYU Stern, at <https://www.stern.nyu.edu/portal-partners/student-engagement/experiential-learning-programs/live-courses-projects/stern-signature-projects>; Oxford University Business and Human Rights, at <https://www.law.ox.ac.uk/business-and-human-rights>; Essex Business and Human Rights, at <https://www.essex.ac.uk/centres-and-institutes/human-rights/research-and-practice/essex-business-and-human-rights>; and University of Bergen - Business and Human Rights, at <https://www.uib.no/en/business-and-human-rights>.
- ⁸⁴ See for example the International Bar Association, at <https://www.ibanet.org/MediaHandler?id=d6306c84-e2f8-4c82-a86f-93940d6736c4>; Japan Federation of Bar Associations, at <https://www.business-humanrights.org/en/latest-news/japan-bar-association-publishes-guidance-for-human-rights-due-diligence/>; the American Bar Association, at https://www.americanbar.org/groups/human_rights/business-human-rights-initiative/key-business-and-human-rights-documents/; and the Law Society of England and Wales, at <https://www.lawsociety.org.uk/en/topics/blogs/business-and-human-rights>.
- See Good Business - Implementing the UN Guiding Principles on Business and Human Rights, HM Government (United Kingdom) (2016), pages 3 – 4 and 14 - 15, at <https://globalnaps.org/wp-content/uploads/2017/11/uk-2016.pdf>; See Responsible Business Conduct - First National Action Plan for the United States of America (2016), especially pages 10 - 11, 15, 18 and 20, at <https://globalnaps.org/wp-content/uploads/2017/10/NAP-USA.pdf>; See National Action Plan for the Implementation of the United Nations Guiding Principles on Business and Human Rights (France) (2017), pages 16, 33 and 38, at <https://globalnaps.org/wp-content/uploads/2017/11/france-nap-english.pdf>; See National Action Plan - Implementation of the UN Guiding Principles on Business and Human Rights 2016-2020 (Germany), pages 8, 10, 19-21 and 25, at <https://globalnaps.org/wp-content/uploads/2018/04/germany-national-action-plan-business-and-human-rights.pdf>; See Italian National Action Plan on Business and Human Rights 2016-2021, pages 5, 10, 17 and 19, at https://globalnaps.org/wp-content/uploads/2017/11/italy_revised-nap_2016-2021.pdf. See National Action Plan on Business and Human Rights (2020-2025) (Japan), pages 3, 5-6, 23-24, at <https://globalnaps.org/wp-content/uploads/2021/05/japanese-bhr-nap-english.pdf>.

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- ⁸⁸ See Japan National Action Plan, at <https://globalnaps.org/country/japan/>.
- ⁸⁹ ILO, "Stakeholders of Japan's National Action Plan on Business and Human Rights issued Joint Comments following dialogue facilitated by the ILO", at https://www.ilo.org/tokyo/information/pr/WCMS_760389/lang-en/index.htm.
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- ⁹¹ See <https://globalnaps.org/>.
- ⁹² See UNWG (2017), "The business and human rights dimension of sustainable development: Embedding "Protect, Respect and Remedy in SDGs implementation", at https://www.ohchr.org/Documents/Issues/Business/Session18/InfoNoteWGBHR_SDGRecommendations.pdf.
- ⁹³ See generally Business and Human Rights Resource Centre portal at <https://www.business-humanrights.org/en/latest-news/list-of-large-businesses-associations-investors-with-public-statements-endorsements-in-support-of-mandatory-due-diligence-regulation/>; for specific statements see "Investor Statement in Support of Mandated Human Rights and Environmental Due Diligence in the European Union", 7 October 2021 at <https://investorsforhumanrights.org/sites/default/files/attachments/2021-10/Investor%20Statement%20mHREDD%20FINAL%206%20October%202021.pdf>; see also "Support for meaningful and safe stakeholder engagement as a central aspect of the EU framework on mandatory human rights and environmental due diligence" at https://media.business-humanrights.org/media/documents/Business_Statement_Engagement_MHREDD_finalv3_1011.pdf. See also "Ensuring harmonisation and consistency across due diligence frameworks", at <https://www.amfori.org/sites/default/files/Statement%20harmonisation%20of%20due%20diligence%20frameworks.pdf>.
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¹⁰⁰ <https://smartdatafinance.org/>.

¹⁰¹ See OHCHR, "Benchmarking Study of Development Finance Institutions," pages 12 – 13, at https://www.ohchr.org/Documents/Issues/Development/DFI/OHCHR_Benchmarking%20Study_HRDD.pdf. See also OECD, "Promoting and Enabling Responsible Business Conduct Through Development Co-Operation Efforts," at <https://mneguidelines.oecd.org/Promoting-and-enabling-RBC-through-development-cooperation.pdf>.

¹⁰² OHCHR, "Benchmarking Study of Development Finance Institutions," pages 12 – 13, at https://www.ohchr.org/Documents/Issues/Development/DFI/OHCHR_Benchmarking%20Study_HRDD.pdf.

¹⁰³ FMO, "Human Rights Progress Report" (2017-2018), at <https://www.fmo.nl/l/library/download/urn:uuid:3cd20162-8ce3-4d33-ab8c-249811d357ac/fmo+human+rights+progress+report.pdf>.

¹⁰⁴ See European Investment Bank, "Statement of environmental and social principles and standards" (2009). European Bank for Reconstruction and Development, "Environmental and social policy" (2019). International Finance Corporation, "Sustainability policy" (2012). See World Bank Environmental and Social Framework (2020), and African Development Bank Group, Integrated Safeguards System: Policy Statement and Integrated Safeguards (2013).

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¹⁰⁶ OHCHR & Heinrich Böll Foundation, "The Other Infrastructure Gap: Sustainability, Human Rights and Environmental Perspectives", at https://www.ohchr.org/documents/Publications/TheOtherInfrastructureGap_FullLength.pdf.

¹⁰⁷ See Finance in Common Summit, at <https://financeincommon.org/2021-summit>.

¹⁰⁸ See letter from Anita Ramasastry (UN Working Group on Business and Human Rights) to Rémy Rioux (CEO of the Agence Française de Développement) (October 2020), at https://www.ohchr.org/Documents/Issues/Business/20201006_WG_BHR_Submission.pdf.

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¹¹⁰ EU, Sustainable Finance Taxonomy (Regulation (EU) 2020/852), at Art. 3 (c) and Art. 18, at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN>: "1. The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights."

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¹¹² See OHCHR, "Draft Benchmarking Study of Development Finance Institutions," page 22, at https://www.ohchr.org/Documents/Issues/Development/DFI/OHCHR_Benchmarking%20Study_HRDD.pdf. An updated OHCHR benchmarking report is forthcoming.

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¹¹⁴ See note 113.

¹¹⁵ See note 116.

¹¹⁶ G20, "G20 Sustainable Finance Roadmap," at https://g20sfwg.org/wp-content/uploads/2022/01/RoadMap_Final14_12.pdf.

¹¹⁷ See Green Climate Fund, Safeguards, at <https://www.greenclimate.fund/projects/safeguards/ess>.

¹¹⁸ See Green Climate Fund, Board, at <https://www.greenclimate.fund/boardroom/selection>.

¹¹⁹ International Financial Reporting Standards Foundation, "IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements" (November 2021), at <https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/>.

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¹²¹ See for example, OECD Mapping of Investment Promotion Agencies in OECD Countries at <https://www.oecd.org/investment/Mapping-of-Investment-Promotion-Agencies-in-OECD-Countries.pdf> for a discussion of the role of such agencies in promoting responsible business conduct.

¹²² See OECD, "Building more resilient and sustainable global value chains through responsible business conduct", page 4, at <https://mneguidelines.oecd.org/Building-more-resilient-and-sustainable-global-value-chains-through-responsible-business-conduct.pdf>.

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¹²⁶ UNGP 9.

¹²⁷ See for example, Cotula, Lorenzo. *Rethinking Investment Treaties to Advance Human Rights*. International Institute for Environment and Development, 2016, at <http://www.jstor.org/stable/resrep02612>; see also Megan Wells Sheffer, *Bilateral Investment Treaties: A Friend or Foe to Human Rights*, 39 *Denv. J. Int'l L. & Pol'y* 483 (2011).

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¹²⁹ UN Doc. A/HRC/32/9, page 10, at <https://undocs.org/A/HRC/32/19>.

¹³⁰ UN Doc A/76/238 July 2021, at <https://www.bilaterals.org/?human-rights-compatible>.

¹³¹ See: Uncitral Working Group III at https://uncitral.un.org/en/working_groups/3/investor-state.

¹³² See webpage on the future of investment treaties at: <https://www.oecd.org/investment/investment-policy/investment-treaties.htm>.

¹³³ See UN Principles for Responsible Contracts: Integrating the Management of Human Rights Risks into State-Investor Contract Negotiations, at https://www.ohchr.org/Documents/Publications/Principles_ResponsibleContracts_HR_PUB_15_1_EN.pdf.

¹³⁴ See Connex Support Unit at <https://www.connex-unit.org/en/>; see also Negotiation Support Portal for Host Governments, at <https://negotiationsupport.org/about>.

¹³⁵ See OECD, Export Credits, at <https://www.oecd.org/trade/topics/export-credits/>.

¹³⁶ UNGP 2.

¹³⁷ See German Federal Government, National Action Plan Implementation of the UN Guiding Principles on Business and Human Rights 2016-2020, page 17, at <https://globalnaps.org/wp-content/uploads/2018/04/germany-national-action-plan-business-and-human-rights.pdf>; Republic of France, "French National Action Plan for the Implementation of the UN Guiding Principles on Business and Human Rights," page 30, at <https://globalnaps.org/wp-content/uploads/2017/11/france-nap-english.pdf>; and see Japan, "Japan National Action Plan on Business and Human Rights (2020-2025)", page 20, at <https://globalnaps.org/wp-content/uploads/2021/05/japanese-bhr-nap-english.pdf>.

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¹⁴⁵ For example, Bpifrance has recently signed two Memoranda of Understanding, one with Abu Dhabi Global Market, and the second one with Monsha'at, the Saudi SME bank. See Bpifrance, "Summer 2021: Two partnerships signed with foreign institutions" at <https://www.bpifrance.com/news-insights/summer-2021-two-partnerships-signed-with-foreign-institutions>. These partnerships do not now address sustainable supply chain issues. However, they could be a vehicle to boost cooperation for sustainable exports and supply chains, especially if these issues are integrated into the OECD Common Approaches.

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