



Summary Note

OECD Southeast Asia Ministerial Forum 2022

Side Event: Roundtable on Operationalising Responsible Business Conduct for Resilient and Sustainable Supply Chains

19 October 2022 | 9:00-10:30 CET | Paris, France | Virtual event

Background

Responsible business conduct (RBC) can provide an avenue to make global value chains (GVCs) more resilient and sustainable, ensure that the gains from globalisation are more fairly distributed, and foster trust in global markets.

Trade and investment have long been powerful drivers of growth and development, create millions of jobs, and has resulted in numerous benefits such as poverty reduction, productivity growth and technology diffusion.¹ However, better integration into GVCs also equals higher risk exposure in case of GVC disruptions. While GVCs have proved instrumental in ensuring the continuity of production and access to essential goods and services in the recent crises such as the COVID-19 pandemic and the war in Ukraine, these crises have also exposed vulnerabilities of GVCs which can result in severe adverse impacts not only to the economy, but also to people, the environment, and societies.² Recent years have also seen intensifying demands for RBC in global markets to minimise adverse impacts on people and the planet associated with business operations and supply chains, which in turn helps building resilience and sustainability along global supply chains.

Southeast Asia is one of the most dynamic regions in the world in terms of trade and investment the largest recipient of foreign direct investment (FDI) in the emerging markets, and an attractive and resilient investment destination. Southeast Asia's share of global FDI rose from 11.9 percent in 2019 to 13.7 percent in 2020, despite the Covid-19 pandemic.³ With the coming into force of the Regional Comprehensive Economic Partnership (RCEP), Southeast Asia expects to further boost and leverage investment in GVCs in the region to create opportunities for businesses, including small and medium-sized enterprises (SMEs).

At the same time, Southeast Asian countries have been embedding RBC considerations at the core of national and regional level initiatives to make supply chains more resilient and sustainable. RBC principles and standards are enshrined in the ASEAN Comprehensive Recovery Framework, the APEC Putrajaya Vision 2040,⁴ as well as set out in the multi-year G20 Roadmap⁵ of the G20 Indonesia Presidency. The European Union, one of the major trade partners of Southeast Asia, continues its efforts in promoting RBC in global supply chains through trade agreements, regulations and other instruments.⁶ Japan launched its new [Guidelines on Respecting Human Rights in Responsible Supply Chains](#) in September 2022 to support companies in implementing due diligence along global supply chains.

Promoting and enabling RBC is of central interest to stakeholders wishing to attract and keep quality investment and ensure that business activity contributes to broader value creation and sustainable development. RBC is crucial to achieving the dual objectives of (i) mitigating the risks of GVC disruptions, while (ii) minimising the environmental, social and governance impacts of any disruptions that occur. RBC set out an expectation that all businesses – regardless of their legal status, size, ownership structure or sector – avoid and address negative impacts of their operations, while contributing to sustainable development where they operate.

The [OECD Guidelines for Multinational Enterprises](#) are the most comprehensive international standard on RBC. They are aligned with the International Labour Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the United Nations Guiding Principles on Business and Human Rights.⁷ The Guidelines and related [due diligence guidance](#) focus on helping operationalise RBC and clarify private sector contributions to the Sustainable Development Goals.

A key element of RBC – risk-based due diligence – is a process through which businesses identify, prevent and mitigate their actual and potential adverse impacts and account for how those impacts are addressed. Addressing pre-existing risks, imbalances and environmental and social vulnerabilities is essential to strengthen supply chain resilience. Business practices can also minimise or aggravate GVC disruptions and the social and environmental impacts of GVCs depending on their responses.⁸ By implementing due diligence in line with OECD standards, investors and businesses can systematically manage risks, build trust in their actions and decision-making both before and after shocks have occurred, demonstrate good faith in the global market and their contributions to sustainable development.

Objectives of the Roundtable

As part of the [OECD-Southeast Asia Ministerial Forum 2022](#), the OECD Centre for Responsible Business Conduct organised the side event Roundtable on Operationalising Responsible Business Conduct for Resilient and Sustainable Supply Chains, as part of the [project](#) on promoting and enabling RBC in Southeast Asia supported by the Government of Japan.

The Roundtable focused on how implementing international standards on RBC and risk-based due diligence can attract quality investment and accelerate building resilient supply chains, bringing together representatives from businesses, key industry associations, investors, foreign chambers of commerce as well as policymakers and RBC experts active in Southeast Asia.

Agenda

OECD-Southeast Asia Ministerial Forum's Side Event Operationalising RBC for Resilient and Sustainable Supply Chains	
Ha Noi time <i>Paris time</i>	Wednesday 19 October 2022
14:00 – 14:10 09:00 – 09:10	Welcome address Ms. Froukje Boele, Head of Public Policy and Regional Programmes, Centre for Responsible Business Conduct, OECD
14:10 – 14:20 09:10 – 09:20	Opening remarks Mr. Nguyen Quang Vinh, Vice Executive Chairman, Vietnam Chamber of Commerce and Industry (VCCI), Viet Nam
14:20 – 15:10 09:20 – 10:10	Roundtable discussion Moderated by Ms. Froukje Boele, Head of Public Policy and Regional Programmes, Centre for Responsible Business Conduct, OECD The Roundtable will address two main points: <ol style="list-style-type: none"> 1. Impact of regulatory and policy developments on RBC, including due diligence requirements, for businesses in Southeast Asia 2. Identifying good business practices across the region: lessons learned from supply chain disruptions and new initiatives Speakers: <ul style="list-style-type: none"> • Mr. Chihiro Tsukada, Deputy Director for Business and Human Rights Policy, Ministry of Economy, Trade and Industry, Japan • Mr. Rob Nicholls, General Manager of Programs and Projects, Musim Mas, Indonesia

	<ul style="list-style-type: none"> • Dr. Netithorn Mao Praditsarn, Executive Assistant to Group CEO; Senior Vice President, Global Partnership for Sustainability and Communications, Charoen Pokphand Group (C.P. Group), Thailand • Ms. Emiko Nagasawa, Co-Director, SDGs Promotion Bureau, KEIDANREN (Japan Business Federation) • Mr. Pham Hoang Hai, Head of Partnership Department, Vietnam Business Council for Sustainable Development, VCCI
15:10 – 15:25 10:10 – 10:25	Discussion and Q&A
15:25 – 15:30 10:25 – 10:30	Wrap-up and closing

Participants

The Roundtable received more than 120 registrations and brought together about 60 attendees from business (including investors, SMEs, leading industry associations), governments, civil society organisations, workers representatives, media and academia active in Southeast Asia.

Key Takeaways

Key takeaways, including proposed next steps, of this Roundtable will be reflected into activities to be implemented or developed by the OECD Centre for Responsible Business Conduct under its work programme in Southeast Asia.

- The OECD-Southeast Asia Ministerial Forum on 17-18 October in Viet Nam brought a spotlight on the topic of “Connecting Regions: Partnerships for Resilient and Sustainable Supply Chains”
- Global crises and uncertainties created a momentum to reconsider approaches to the impacts of businesses on people, planet and society and to building more resilient and sustainable global value chains.
- In this context, internationally recognised standards on RBC, including the OECD Guidelines for Multinational Enterprises and related due diligence guidance, are instrumental in promoting a common understanding of the expectation among all stakeholders and across the supply chains on how to act responsibly.
- Policymakers and businesses are intensifying interests and efforts in operationalising RBC to attract and keep quality investment, build resilient supply chains and ensure that business activities contribute to broader value creation and sustainable development.
- One of key drivers for the increasing RBC uptake by business in the region is the rise of government policies and regulations in the countries where they operate and have business relationships with, including for example laws and regulations on due diligence and responsible business conduct adopted or in development in export markets.
- Businesses are increasingly seeing the effective implementation of risk-based due diligence as a comparative advantage. In Southeast Asia, the private sector has been taking initiatives to enable a responsible business environment and expressed demand on guidance for operationalising due diligence at scale, while taking into account RBC risks are often interlinked with each other (e.g. corruption and labour rights, deforestation and human rights).
- At the national level, efforts have been made on multiple fronts. Thailand was the first country to adopt a National Action Plan on Business and Human Rights (NAP) in 2019. Indonesia, the Philippines, Malaysia, and Viet Nam are discussing the development of their NAP. Japan also launched its NAP in 2020 and recently released the new Guidelines on Respecting Human Rights

in Responsible Supply Chains, reflecting the strong needs from multiple stakeholders on clear guidance that sets out the Japanese government's expectations on respecting human rights in business operations and supply chains.

- Ongoing iteration and calibration of policies and processes are critical for business to ensure these remain fit-for-purpose, to respond to policy/regulatory developments, investor requirements, consumer demands, etc., and importantly to address adverse impacts in their supply chains as they emerge and evolve.
- Taking proactive actions rather than reacting to prevent and address adverse impacts on people and the planet creates corporate values, and publicly communicating these actions and results/effectiveness against key performance indicator enables business to build greater transparency, which can in turn strengthen trust in their decision-making and demonstrate good faith.
- Certifications for sustainability practices are market mechanisms with significant leverage that can help catalyse RBC and provide a structure for collaboration, engagement and support to company's due diligence processes. As such, collective actions to foster cross-recognition and alignment of existing sustainability initiatives, including industry standards, certification programmes and policy guidance are needed.
- Building buy-ins from senior management and amongst relevant departments/units is fundamental to operationalise RBC and due diligence in a company, and communicating their commitment and responsibility sends a clear signal across the company and its subsidiaries, as well as to suppliers and business partners.
- Raising awareness and boosting capacity amongst not only businesses and investors across the supply chains, but also public sectors, business associations, civil society, workers is essential, while providing further clarity on how different policies and standards are aligned with and complement each other and promoting policy coherence at all levels of government.
- Meaningful stakeholder engagement is key to the effective implementation of RBC and due diligence, and continued efforts and dialogues (i.e. not a one-off endeavour) are crucial in this regard, for example, by ensuring accessible, equitable and effective grievance mechanisms, by promoting interactive and inclusive approaches in public and corporate policy development and implementation process, etc.

Proposed next steps

- Further collective actions should be taken to promote coherence, alignment and harmonisation around public policies, regulations, international and industry standards so as to provide clarity for business and not to confuse markets.
- Promoting collaboration amongst policymakers, business, civil society, trade unions, international organisations and other stakeholders is pivotal to accelerate the uptake of RBC at scale in global value chains and addressing systemic issues with a view to achieving Sustainable Development Goals, global climate agenda and other ambitious shared objectives.

Resources

- OECD (2011), OECD Guidelines for Multinational Enterprises, OECD Publishing, <https://www.oecd.org/daf/inv/mne/48004323.pdf>
- OECD (2018), OECD Due Diligence Guidance for Responsible Business Conduct, <http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

- OECD (2021), Building more resilient and sustainable global value chains through responsible business conduct, <https://mneguidelines.oecd.org/rbc-and-trade.htm> available in English, Japanese and Vietnamese
- OECD e-learning Academy on Responsible Business Conduct, <https://mneguidelines.oecd.org/oecd-e-learning-academy-on-responsible-business-conduct.htm>
- OECD (2021), Fostering Economic Resilience in a World of Open and Integrated Markets. Risks, Vulnerabilities and Areas for Policy Action. Report Prepared for the 2021 UK Presidency of the G7, <https://www.oecd.org/newsroom/OECD-G7-Report-Fostering-Economic-Resilience-in-a-World-of-Open-and-Integrated-Markets.pdf>
- OECD (2020), OECD Policy Responses to Coronavirus (COVID-19). COVID-19 and responsible business conduct, www.oecd.org/coronavirus/policy-responses/covid-19-and-responsible-business-conduct-02150b06/#endnotea0z54
- OECD (2022), Policy Responses to Coronavirus (COVID-19). International trade during the COVID-19 pandemic: Big shifts and uncertainty, <https://www.oecd.org/coronavirus/policy-responses/international-trade-during-the-covid-19-pandemic-big-shifts-and-uncertainty-d1131663/>

Notes

¹ OECD (2020), Returns to intangible capital in global value chains, https://www.oecd-ilibrary.org/trade/returns-to-intangible-capital-in-global-value-chains_4cd06f19-en

² OECD (2021), Building more resilient and sustainable global value chains through responsible business conduct, <https://mneguidelines.oecd.org/rbc-and-trade.htm>

³ ASEAN (2021), ASEAN Investment Report 2020-2021, <https://investasean.asean.org/files/upload/ASEAN%20Investment%20Report%202020-2021.pdf>

⁴ ASEAN Secretariat (2020), ASEAN Comprehensive Recovery Framework and its Implementation Plan, <https://asean.org/asean-comprehensive-recovery-framework-and-its-implementation-plan/> and APEC Secretariat (2020), APEC Putrajaya Vision 2040, https://www.apec.org/Meeting-Papers/Leaders-Declarations/2020/2020_aelm/Annex-A

⁵ G20 (2021), G20 Sustainable Finance Roadmap, <https://g20sfwg.org/wp-content/uploads/2021/10/G20-Sustainable-Finance-Roadmap.pdf>

⁶ These include, but not limited to, the EU Green Deal, Strategy for Cooperation in the Indo-Pacific, new trade strategy 'An Open, Sustainable and Assertive Trade Policy', Action Plan on Human Rights and Democracy 2020-2024; integration of sustainability expectations in trade agreements (e.g. with Viet Nam in 2020); Sustainable Corporate Governance Initiative, updates of Non-Financial Reporting Directive and Sustainable Finance Disclosure Regulation, Regulation on Responsible Mineral Supply Chains; and elaboration of practical instruments (e.g. 2021 guidance on due diligence for EU businesses to address risk of forced labour)

⁷ ILO, OECD, OHCHR, EU (2019), Responsible business: Key messages from international instruments <https://mneguidelines.oecd.org/Brochure-responsible-business-key-messages-from-international-instruments.pdf>

⁸ OECD (2021), Building more resilient and sustainable global value chains through responsible business conduct.