

## **Action for Fair Production**

Meeting of the G7 Employment and Development Ministers

Ministerial Declaration

Berlin, 13 October 2015

We, the Ministers of Employment, Labour, Social Affairs, International Cooperation and Development of the G7, gathered in Berlin on 12 - 13 October to build on the commitment made at the G7 Summit in Elmau to fostering sustainable global supply chains and to agree on concrete actions for implementation and follow-up.

We believe that globalization should benefit people and support progress in sustainable development worldwide. Working conditions endangering the environment, occupational safety and health as well as fundamental principles and rights at work and other human rights are not acceptable. Unregulated and unsafe work environments are a cause for significant social and economic losses. An estimated 4 per cent of the world's GDP, or US\$ 2.8 trillion, is lost every year due to the costs of work-related accidents and diseases. Annually, 2.3 million men and women die from work-related accidents and diseases, according to the International Labour Organization (ILO).

Given these global challenges of an interdependent world, we must work together to overcome business as usual and take concrete action with the aim to increase transparency, improve the management of risks, including to worker health and safety, and strengthen access to remedy in global supply chains. In promoting responsible and sustainable supply chains in practice, we recognize the shared responsibility of all relevant stakeholders. We want to leverage the current efforts by governments, companies, employers' organizations, trade unions, consumers and other relevant stakeholders, and to enable everyone to play their part in this joint undertaking. To that end, we are engaging in dialogue and are seeking partnerships with businesses, trade unions, and non-governmental organizations.

We have strong, international partners - including the ILO, the World Bank, the Organization for Economic Cooperation and Development (OECD), the International Trade Centre (ITC), and the United Nations (UN) system as a whole - with which we will cooperate to turn our proposed measures into action. Through our activities at home and abroad, we will also contribute to the implementation of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals. We fully support the ongoing work of the G20 on development, focusing in particular on low income and developing countries, and on strengthening efforts on occupational safety and health. We will engage on ways to bring this agenda forward. Furthermore, we support efforts to set up effective National Action Plans, including for the implementation of the UN Guiding Principles on Business and Human Rights.

To enhance implementation of labour, social and environmental standards throughout global supply chains for sectors of particular concern, we commit to mobilize our joint resources and use our political leadership, and together will implement the following specific and concrete measures:

### **Promoting a level playing field for fair production: Due diligence with a particular focus on SMEs**

Drawing from experiences and best practices, with support of the relevant international organizations and social partners, and based on the UN Guiding Principles on Business and Human Rights, the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO MNE Declaration), we will help develop and promote a common understanding of due diligence and sustainable supply chain management in practice and encourage the implementation of due diligence procedures in supply chains

- of multinational enterprises (MNEs) acting or headquartered in our countries through proactive, collaborative action with relevant international organizations and social partners, including activities such as increasing transparency guidance, knowledge sharing, exchange of best practices, promotion of sector

specific initiatives and the voluntary adoption of internationally-recognized principles and standards referenced above;

- of small and medium-sized enterprises (SMEs) by acknowledging their specific challenges and by clarifying their main needs in this respect.

**Concrete steps:**

**We will help develop a common understanding of due diligence and responsible supply chain management for MNEs and SMEs in conjunction with the OECD, ILO and social partners. Therefore we agree to initiate a process including the following, concrete steps with a particular focus on support for SMEs:**

- **We will encourage an exchange of experiences on the interpretation and practical application of the operational principles for business enterprises as outlined in the UN Guiding Principles on Business and Human Rights, and in line with the OECD Guidelines for Multinational Enterprises and the ILO MNE Declaration.**
- **Drawing information from this exchange, we will strive for the development of a common understanding of due diligence together with social partners and also engage with the OECD and ILO.**
- **We will take into account the experiences gained throughout the implementation of National Action Plans, including pursuant to the UN Guiding Principles on Business and Human Rights, and other relevant experiences in our countries.**
- **Forming part of an active outreach, we will contribute our experiences to an exchange with governments and social partners on best practices and approaches to support due diligence application within the general discussion on “decent work in global supply chains” of the 105th Session of the International Labour Conference (ILC) in 2016.**

## Consumer information

We welcome initiatives to promote the establishment of tools which enable consumers, public procurers and businesses to access and compare information on labour, social and environmental standards systems used to promote more responsible value chains. Labels carrying such information should also be efficient and transparent. One example is the use of relevant apps, which are readily available in some countries. Verifiable information should also cover the whole life cycle of products and services.

We will support initiatives that are being developed by governmental or non-governmental groups. To this aim initiatives could make contributions towards:

- Making more transparent and verifiable the labour, social and environmental content provided by each information vehicles (e.g. labels, standard systems),
- Making more transparent the systematic approach (e.g. the control mechanism) applied by each information vehicle, and
- Identifying appropriate partners or supporting existing initiatives to implement these measures.

### Concrete steps:

- **Host a forum of relevant stakeholders from G7 countries to exchange best practices regarding social and environmental information vehicles (e.g. labels and standard systems). The forum will build on existing platforms while:**
  - **Analysing existing and planned initiatives and tools.**
  - **Promoting broader use of successful initiatives and tools in G7 and other interested countries.**
  - **Identifying potential joint actions of G7 countries to promote better consumer information on standard systems and labels.**

## Multistakeholder initiatives

Businesses, NGOs, governments and trade unions in our countries, by using multi-stakeholder initiatives, have the opportunity to strengthen the coordination of their actions to achieve better implementation of internationally recognized labour, social and environmental standards, principles and commitments throughout global supply

chains. These include relevant standards and principles of the UN, OECD, ILO, and in relevant environmental agreements. These coordinated stakeholder actions will draw from the good practices developed in the aftermath of the Rana Plaza tragedy (including the “Accord” and “Alliance”). We encourage and facilitate multi-stakeholder initiatives in our countries and in partner countries, including in the textile and ready-made garment sector. With these networks we will enable joint learning and sharing of experience, and promote agreement and implementation of joint voluntary commitments. We will facilitate cooperation between networks across G7 and other interested countries. We encourage businesses to set up due diligence plans or guides which could ease mutual recognition of responsible business standards throughout supply chains.

**Concrete steps:**

- **Encourage, cooperate with or develop multi-stakeholder initiatives or seek the creation of a G7-wide approach in the textile and ready-made garment sector with the aim of developing measures for convergence and better implementation of labour, social and environmental standards along the entire supply chain.**
- **Encourage business to set up and implement due diligence plans and guides.**
- **Ask the OECD to report on G7 activities on multi-stakeholder initiatives and to facilitate a network of these and other relevant initiatives as well as to develop a format for reporting and exchange of best practices.**
- **We will encourage learning among the existing initiatives, such as the German Textiles Partnership, the Commission Environmental Footprint pilot phase or the French initiative on harmonization of auditing criteria within the textile sector, the Italian Action Plan for Bangladesh, and initiatives in producing countries.**
- **France, Italy, the United Kingdom and Germany will actively support the EU’s engagement in strengthening responsible management of supply chain to improve workers’ conditions and stimulate investment, particularly in the garment sector, and further possible EU actions in this area.**

## **Support for developing countries**

Developing producer countries will benefit from policy advice and capacity development that they can use to gain from and strengthen participation in global value chains according to their own development strategies. We ask the World Bank Group to develop specific analyses and policy options for countries' capacity building and financing tools aimed at strengthening their capabilities to integrate internationally-recognized labour, social and environmental standards into their global value chain development strategies. Global platforms for information exchange and learning from key stakeholders are critical for scale-up and replication across sectors and countries. We ask the World Bank Group to coordinate with the ILO, G20 (including B20 and L20), and other relevant multilateral institutions, organizations and initiatives, including the OECD initiative for policy dialogue on Global Value Chains and the Social Protection Interagency Cooperation Board (SPIAC-B), in this work. We will make additional efforts to support these initiatives and improve the coordination of our development cooperation measures, taking into account the principles and relevant measures as outlined in the agreement of the Busan Partnership for Effective Development Cooperation.

### **Concrete steps:**

- **Better coordinate support among the G7 on:**
  - a. **sustainable textiles and garment production by sharing experience (e.g., from the Alliance and Accord in Bangladesh) and through the Better Work partnership programme between the ILO and the International Finance Corporation (IFC), other relevant international cooperation, other programmes implemented by the ILO and World Bank Group at the regional level, as well as with further and new programmes;**
  - b. **sustainable cotton production notably in Africa and Asia, by committing to integrate and support the implementation, wherever feasible, of one of the existing international sustainable standards in cotton production (“Cotton Made in Africa”; “Better Cotton Initiative”; “Fair Trade Cotton” and “Organic Cotton”) when starting new bilateral programmes or pilot projects on cotton in Africa or Asia.**

- **Request the ILO and World Bank to produce and disseminate analyses and policy options in support of partner countries in taking advantage of responsible global supply chains, and report in 2016.**
- **Working towards creation of an enabling environment for the development of SMEs and to support businesses operating in the informal economy to improve social and environmental conditions and increase incentives to transition to the formal sector.**

## **Vision Zero Fund**

With the aim of reducing and preventing the number of workplace related deaths, serious injuries and diseases in global supply chains, we will support the creation of a multi-donor Vision Zero Fund for appropriate action in producing countries by governments, business, social partners and NGOs.

Access to the Fund will be based on specific criteria: The Fund will target its support on the promotion of coordinated activities and stakeholder-owned commitments to apply principles of relevant ILO standards on occupational safety and health (OSH), including prevention measures, as well as ILO fundamental principles and rights at work, and to develop social dialogue alongside these standards and principles.

Activities will focus on sectors, countries and regions that are in particular need in this respect and where public and private stakeholders demonstrate their interest in working with the Fund through collective action. Activities will also include workers and enterprises in the informal economy.

The Fund should not lead to a two-tier system in which companies integrated in global supply chains would have better labour, social and environmental standards than those producing for domestic markets.

To strengthen both sustainable company-based practices and suitable public frameworks via the Fund, we will encourage globally-acting companies to make voluntary contributions; there will also be such contributions from within the group of G7 governments.

We will ensure ownership through the representation of principal stakeholders in the governance structure of the Fund.



The ILO will assume the lead role in the implementation of the Fund. The Fund will also add value to and coordinate with existing ILO occupational safety and health programmes, the ILO- IFC (International Finance Corporation) Better Work programme, as well as relevant initiatives of other organizations and institutions. It will make use of, and integrate, already-existing global responsible business tools. It will aim to reach out to the G20 and other relevant multilateral processes, including within the UN system.

**Concrete steps:**

**To set up the Vision Zero Fund as set out in the annex, we agree to take the following concrete steps:**

- **We will mobilize voluntary resources for the Vision Zero Fund and its first pilot activities to start operating in 2016.**
- **We will actively promote - among globally acting companies headquartered in our countries - the Vision Zero Fund's added value in terms of risk reduction, reputation, sustainable production and coordination synergies of collective action. On this ground, we seek to encourage support from companies in our countries to join the Vision Zero Fund and to provide a contribution to the Fund.**
- **To be piloted with a focus on the ready-made garment sectors of selected countries, we encourage governments of these countries, their social partners, local and international companies producing and sourcing in these countries, national and international development cooperation agencies as well as NGOs to join forces and take part in the formulation and implementation of coordinated and time-bound Vision Zero action plans facilitated by the ILO.**
- **To promote company-based practices including the development of occupational safety and health management systems, training of management and workers on health and safety procedures or the creation of company-based safety and health committees; and to improve public frameworks entailing capacity building for OSH regulatory frameworks and inspection institutions or the provision of know-how for the establishment of national work-related injury insurance schemes.**



## **Strengthening OECD National Contact Points through peer reviews, peer learning and outreach**

We recognize the importance of the OECD Guidelines for Multinational Enterprises and the role of National Contact Points (NCPs) in promoting responsible business conduct and implementing the Guidelines. We would like to give individuals, organizations and other stakeholders better access to remedy and strengthen non-judicial grievance mechanisms through the NCPs processes. In doing so, we will contribute to improving working conditions in global supply chains and to achieving compliance with social, environmental and human rights standards as covered by the OECD Guidelines for Multinational Enterprises. Therefore, we encourage governments adhering to the OECD Guidelines for Multinational Enterprises to conduct peer reviews and engage in peer learning on the functioning and performance of their NCPs, and we commit to lead by example. We have asked the OECD to facilitate these processes and to provide further guidance.

### **Concrete steps:**

**Committed to lead by example, we take the following concrete steps in the area of peer reviews and peer learning:**

- **In acknowledgement of the benefits of the streamlined and efficient OECD peer review procedures, NCPs in G7 countries will pro-actively support the existing OECD peer review process, through participation in peer review teams, and all G7 NCPs will endeavour to have completed peer review processes by 2018.**
- **With the aim to strengthen NCPs' functional equivalence and, in particular, the NCP non-judicial grievance mechanism as well as its promotion, our NCPs will participate in peer learning activities, including best practice sharing and knowledge exchanges organized by the OECD or other entities.**
- **We support an OECD outreach to governments not yet adhering to the OECD Guidelines for Multinational Enterprises, and will actively contribute through our expertise to these processes.**



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- Likewise, we support an OECD outreach to non-governmental stakeholders such as social partners so that they may better contribute to the OECD's responsible business conduct agenda, and we will provide our expertise to these processes.

# Technical Annex: Vision Zero Fund

## 1. Vision Zero Fund: The Approach

With the support of the G7, a multi-donor Vision Zero Fund (VZF) is created with the **aim of preventing work-related deaths, injuries and diseases** in sectors operating in or aspiring to join global supply chains.

### 1.1 Action Framework: Building Public/Private Partnerships for Collective Action

Contributing to the 2030 Agenda for **Sustainable Development Goal on decent work and inclusive growth**, the VZF provides a concrete instrument to support developing countries and businesses operating in those countries.

The Fund's approach is to **work towards structural improvements** in safety and health practices at the work place enabling sustainable production and growth.

Its main objective is to **increase collective public and private action** aimed at fostering and enhancing concrete prevention activities in businesses operating in low income countries. The Fund will facilitate and support joint engagement of national and international stakeholders in this regard.

A **pre-condition** for the Fund to operate in a country will be the joint public-private commitment of businesses, government, the social partners and other relevant stakeholders, documented by the presence or adoption of a tri-partite or multi-partite prevention action plan or similar document. The action-plan should specify the activity/activities envisaged and the time-frame for implementation.

#### *The VZF's comparative advantages*

Focused on mobilizing collective public and private action for implementing occupational safety and health standards in selected sectors of producing countries in global supply chains, **VZF** projects create a set of **comparative advantages** for the different stakeholders involved:

**for workers**, through engaging employees in occupational safety and health matters on the shop floor, preventing work-related diseases as well as accidents, and reducing income risks for employees and their families by instituting employment injury schemes;

**for local companies/suppliers**, through fostering a prevention culture in the company among management and workers, pooling risks among companies by joining employment injury schemes, winning new orders, investors and buyers by offering more reliable production standards and better compliance, increasing productivity by reducing costs (e.g. less absenteeism, better motivation of staff, less fluctuation);

**for international companies/buyers**, through minimising social and production risks in global supply chains, gaining a positive reputation vis-à-vis consumers, investors and shareholders by following responsible business conduct strategies, increasing the impact of private investments by their matching with public contributions, making big individual challenges manageable by facilitating cooperation with governments, creating synergies and reducing costs by mobilizing cooperation with other international stakeholders;

**for producing countries**, through strengthening their locational advantage in global supply chains in terms of reliability and production standards, improving access to international export markets by attracting investors and buyers, and stepping up country development by the built up of elementary public institutions such as inspections systems or employment injury schemes.

The **International Labour Office (ILO)** will act as administrator of the Fund and implement the Fund's projects. As an innovative pilot instrument to build public/private partnerships, nationally and internationally for sector-focused action in a number of pilot countries, the Fund will complement ILO's global OSH strategy, its social protection floors extension strategy, and the ILO-IFC Better Work Program.

The Vision Zero Fund will collaborate and seek the support of other relevant multilateral processes including within the UN system, intergovernmental regional bodies and the G20. It will also coordinate with relevant initiatives of other organizations and institutions and draw experience from pioneering initiatives like the Bangladesh Accord and the Alliance. It will further work to link its activities to regional development priorities and action plans.

## 1.2 Objectives: Strengthening Public Frameworks and Company-based Practices

The Fund aims to **strengthen capacity in both public and private spheres** in the area of occupational safety and health. The scope of activities supported by the Fund is:

- a. In the private sphere at the sector and company-level:

To achieve sustainable safe and healthy conditions and practices at sector and company level, possible **project focuses could include sourcing practices, working conditions, infrastructure and equipment procurement and maintenance, job skills training including safety and health, development of OSH management systems, implementation of standards and auditing assessment requirements, creation of company-based safety and health committees with worker participation and occupational health services.**

- b. Within the public sphere:

The Fund will support public sector activities in pursuit of safe and healthy working conditions, including development of public programmes that assist businesses in building their capacity to operate safe and healthy workplaces and development of worker skills related to safety and health. **Effective safety and health regulations and labour inspection institutions** are necessary to achieve the prevention of workplace accidents and work-related injuries and diseases. The Fund will also support the development of **Employment Injury Insurance schemes**, which are usually the most desirable mechanism to protect employees, prevent hazards and enable the pooling of risks among enterprises.

## 1.3 Focus: Selection of Pilot Countries and Target Sectors

Activities of the Fund will focus on sectors that are part of global supply chains and the countries in which they operate where there is an absence of needed capacity and its scope will include workers and businesses in the informal economy. The Fund will support systematic and comprehensive approaches at sector level and, where appropriate, at national level. **Within a sector, the Fund's activities would be comprehensive and work to improve all businesses' capacity to comply with social and environmental standards whether or not currently linked to global supply chains.**

The VZF will target a selected number of pilot countries and sectors.

**Criteria for country selection** include the following:

- Least Developed Country, other Low Income or Lower Middle Income Countries;
- Consultation with and expressed interest by the beneficiary government, national social partners and companies;

- Expressed commitment by all relevant stakeholders including the government and social partners to apply principles of relevant ILO standards on prevention, work place safety and ILO fundamental principles and rights at work, and to develop social dialogue in their implementation;
- Potential synergies with similar activities already in existence or planned and with existing capacity development measures and support framework.

**Criteria for sector selection** include:

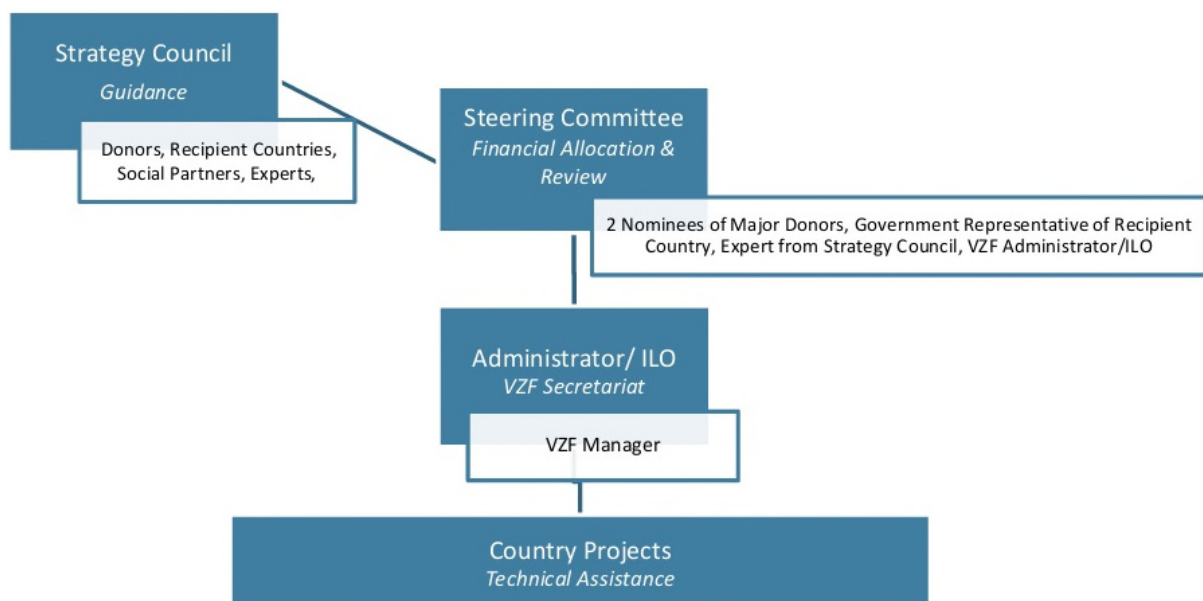
- Sectors forming part of employment-intensive value chains (e.g. textile/ready-made garment, footwear, electronics, agro-food processing);
- Sectors that are prone to decent work deficits in supply chains;
- Sectors supporting national and international companies' responsible business practices.

Activities with a regional scope (more than one country) may also be eligible if the countries covered correspond to the criteria for country/sector selection described above.

## 2. Governance

The Fund will be structured on the basis of a **transparent, cost-effective and flexible governance structure**. **Broad ownership** will be ensured through the representation of principal stakeholders and donors in the structure of the Fund. The governance structure of the VZF has (3) main components: the VZF Administrator (the International Labour Office), a Steering Committee (to the Administrator) and a Strategy Council.

Figure 1: VZF Governance



### 2.1 VZF Administrator/ Secretariat

The VZF Administrator will be the International Labour Office. The Administrator will establish a **VZF Secretariat to act as the focal point for all technical, operational, reporting and financial matters** relating to the VZF. The Secretariat will be supported by the full range of administrative and financial services of the ILO. The VZF Secretariat will be led by a VZF Manager who will be appointed by the ILO following consultation with the Steering Committee.

## 2.2 VZF Steering Committee

The VZF Steering Committee will consist of a maximum five members. Two seats will be taken by nominees of the major donors to the VZF. A third seat will be drawn from amongst the government members of potential recipient countries serving on the ILO Governing Body. A fourth seat shall be an independent expert drawn from the Strategy Council and nominated by the other members of the Steering Committee. A fifth seat will be held by the VZF Administrator.

The VZF Steering Committee and the VZF Administrator will **determine the significant decisions** for which consultation with the VZF Steering Committee will be required. In their advice, the VZF Steering Committee will take into consideration the guidance of the Strategy Council as well as recommendations made by beneficiaries.

## 2.3 VZF Strategy Council

The VZF Strategy Council provides **high-level strategic guidance** on matters related to achieving the VZF's framework of action and objectives. Its members will be drawn from:

- Major donors;
- Recipient countries;
- Research institutes with expertise in occupational safety and health;
- Employers' and workers' organizations;
- International organizations.

Members of the Strategy Council, are formally invited to join by the Steering Committee, will serve in a personal capacity and will play an active role as VZF ambassadors making the Fund's activities known to other stakeholders, the broader public and potential donors.

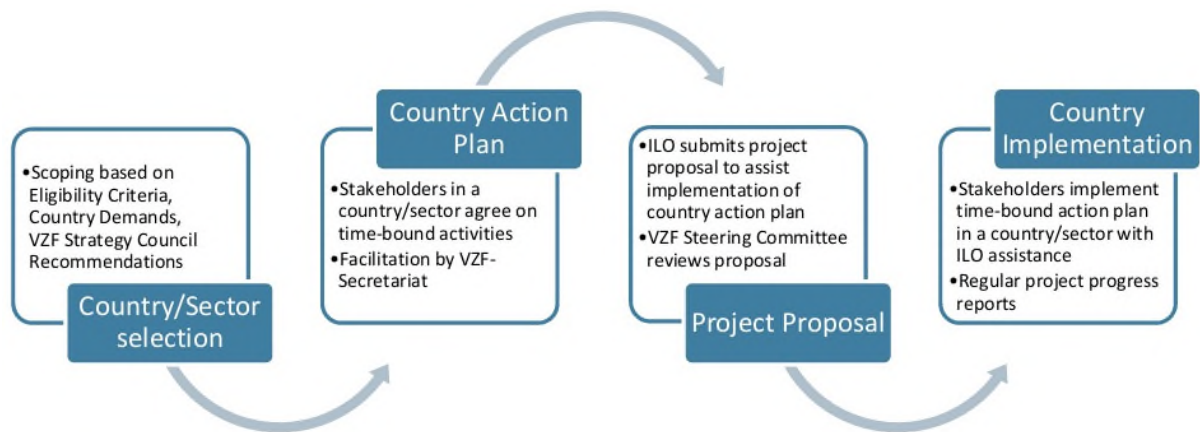
## 3. Implementation Modalities and Project Funding

The **International Labour Office will exclusively qualify as implementing agency** for projects funded by the VZF MDTF. The VZF receives contributions and the VZF Secretariat will be responsible for the development and implementation of projects. ILO technical units/Country Offices/Regional Offices may develop and submit project proposals either upon invitation by the VZF Secretariat or on their own initiative.

Subject to availability of funds, projects will be accepted by the Steering Committee based on the following criteria:

- Coherence with VZF action framework, objectives and focus criteria including a stated joint commitment by the government, the social partners and other, relevant stakeholders (companies, NGOs and others) to work on the implementation of the activity/action plan;
- Soundness in terms of activities, outputs/results, potential impact and cost-efficiency;
- Adherence to formal criteria for funding.

Figure 2: VZF Project Implementation



#### 4. Financial Mechanism: Multi Donor Trust Fund

The Fund will be based on the **matching of governments’ and private sectors’ contributions** lending its activities strong leverage and impact.

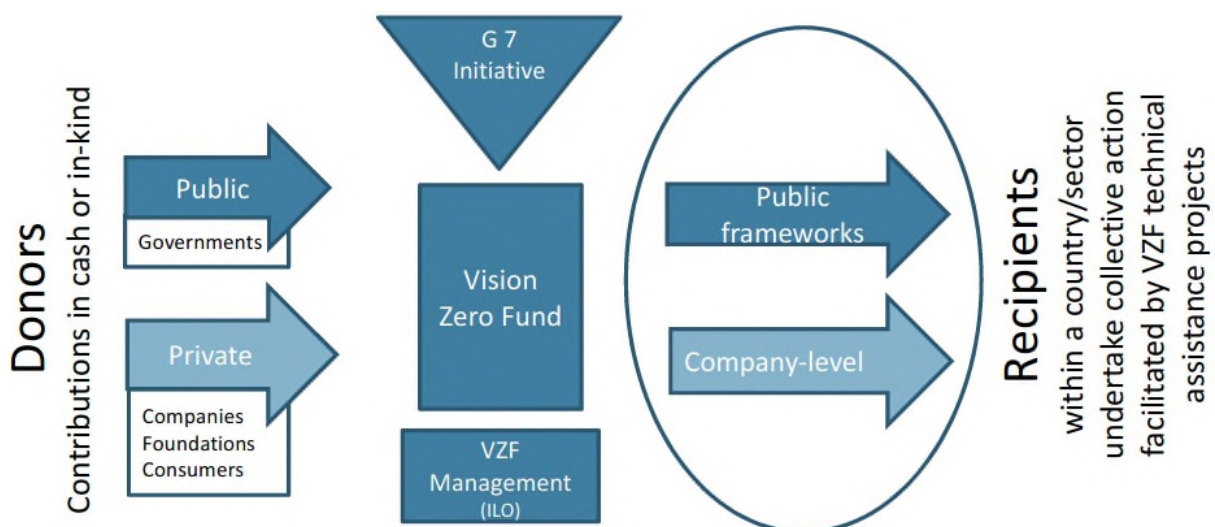
Contributions to the VZF MDTF may be accepted from governments of Sovereign States, intergovernmental or non-governmental organizations, and from private sources including companies, foundations and individuals.

Acceptance of funds from the private sector will be guided by criteria stipulated in the ILO guidelines on cooperation between the ILO and private sector which stipulate that all engagement with the private sector should be in conformity with ILO principles and values, and entered into with a view to advancing the Decent Work Agenda.

A donor “in-kind” contribution to a VZF funded activity can be accepted provided it is integrated into the relevant project implementation and meets the criteria set out above.

In support of the overarching aim of the VZF, and to ensure maximum flexibility and low administrative costs, a guiding principle for resource mobilization would be that donors are encouraged to contribute with multi-year pooled/non-earmarked resources.

Figure 3: VZF Financial Mechanism





## 5. Reporting

For each project approved for funding, the Secretariat will be required to provide regular **narrative reporting** as well as **financial reports** to the VZF Steering Committee. Following approval by the VZF Steering Committee, the VZF Secretariat will transmit all financial statements and narrative reports to donors and the Strategy Council.

## 6. Phasing and Sequencing

The Fund's activities will start in a limited number of countries/sectors and may grow in terms of numbers of countries depending on the resources available.