

PREAMBLE

THE PARTIES,

SHARING the view that this Agreement is being signed amidst an unprecedented combination of crises and challenges;

NOTING that:

- (a) it is imperative to take urgent action to tackle environmental challenges and crises, including those of climate change, biodiversity loss and pollution, as clearly indicated by the most recent scientific evidence, and which are further exacerbated by persistent levels of poverty, including extreme poverty, food insecurity and inequality;
- (b) the COVID-19 pandemic revealed in its wake multiple vulnerabilities in our societies, among which is concern about the resilience of supply chains, not least in national health systems;
- (c) geopolitical tensions have led to an increased overlap of economic relations and resilience, bringing about disruptions in international trade flows;
- (d) ensuring decent living standards becomes an even more difficult challenge as food supply chains are subject to disruptions and ecosystems are affected by the adverse effects of climate change; and
- (e) successive years of cascading challenges and crises have reversed gains in the 2030 Agenda and its Sustainable Development Goals;

UNDERLINING that against this backdrop, it is critical to ensure the operation of an open, transparent and rules-based international trade;

STRESSING the imperative of urgently accelerating our actions to achieve the Sustainable Development Goals, to tackle climate change, and to obtain the means to do so;

FIRMLY BELIEVING that this Agreement brings together two regions which offer critical contributions to address the aforementioned challenges;

HIGHLIGHTING that:

- (a) they share values that are called for in addressing the challenges posed by the current global context, such as:
 - (i) the recognition of the importance of inclusiveness in delivering solutions that work for all, especially workers, local and traditional communities, smallholding farmers, and in empowering women;
 - (ii) the embrace of multilateralism and the rejection of unnecessary barriers to trade;
 - (iii) the respect for international law; and
 - (iv) the protection and conservation of the environment;
- (b) they play pivotal roles in the structure of global supply chains across different sectors and technological levels, including in food production;
- (c) they are champions of sustainable development in its social, economic and environmental dimensions, which are integrated, indivisible, interdependent and mutually reinforcing, recognising the wide diversity of production systems, as there is not a one-size-fits-all development model;

- (d) they acknowledge that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development;
- (e) they recognise the importance of scaling up efforts to protect, conserve, sustainably use, and sustainably manage and restore all ecosystems, in line with their national capacities and circumstances, and that they also acknowledge the importance of increasing the mobilization of resources to support these efforts;
- (f) they also acknowledge the essential role of cooperation at multilateral level to effectively address common environmental and sustainable development challenges and commit to reinforcing cooperation on international trade and investment to avoid unnecessary disruptions and to achieve the Sustainable Development Goals, and that they further recall that the 2030 Agenda and the Sustainable Development Goals and targets, including the means of implementation, are universal, indivisible and interlinked; and
- (g) regarding climate change, in particular:
 - (i) they reaffirm, mindful of their leadership role, their steadfast commitments, in pursuit of the objective of the UNFCCC, to tackle climate change by strengthening the full and effective implementation of the Paris Agreement and achieving its purpose and long-term goals, including its temperature goal, its goal on increasing the ability to adapt to the adverse impacts of climate change and its goal of making financial flows consistent with the previous two, reflecting equity and the principle of common but differentiated responsibilities and respective capabilities, in light of different national circumstances; that they aim to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty; and that they also recognise that the impacts of climate change are being experienced worldwide, particularly by the poorest and the most vulnerable; and

- (ii) they recognise the fundamental priority of safeguarding food security and ending hunger, and the particular vulnerabilities of food production systems to the adverse impacts of climate change;

AGREEING that to address the crises and challenges mentioned above, a rules-based, non-discriminatory, fair, open, inclusive, equitable, and transparent multilateral trading system, with the WTO at its core, and in accordance with the objective of sustainable development, is indispensable;

RENEWING their commitment to ensure a level playing-field and fair competition by discouraging protectionism and market-distorting practices, to foster a favourable trade and investment environment for all;

REITERATING their commitment to fully respect WTO rules and to avoid unjustified or arbitrary discrimination or a disguised restriction on international trade;

CONCURRING that the aforementioned challenges usher in a new context for the formulation of public policies to build a better future;

RECALLING Article 18.1(5) of this Agreement, and RECOGNISING the differences in their levels of development, agreeing that this Annex embodies a cooperative approach based on common values and interests;

DETERMINED to work together so that their trade relationship enhances sustainable development;

RECALLING the importance of trade for raising standards of living and promoting job growth, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development;

SEEKING both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development;

UNDERLINING the need to account for the specific challenges of landlocked developing countries to ensure market access and benefits under this Agreement;

IN LIGHT of the aforementioned challenges,

AGREE on this Annex.

PART A

TRADE AND SUSTAINABLE DEVELOPMENT

A.1. General provisions

1. The Parties reaffirm the commitments adopted under Chapter 18. They are of the view that they are uniquely placed to lead by example in the integration of trade and sustainable development and that this should be pursued in a collaborative manner.
2. While recognising the right of each Party to determine its sustainable development policies and priorities, which should be consistent with each Party's commitments under the international agreements it is a party to, each Party shall strive to improve its relevant laws, regulations and policies so as to ensure high and effective levels of environmental and labour protection, in accordance with Article 18.2(2). This is in line with the overall objective expressed in Article 18.1 to implement this Agreement in a manner that contributes to sustainable development. In addition, the Parties recall their agreement in Article 18.2(3) that a Party should not weaken the levels of protection afforded in its environmental or labour laws and regulations with the intention of encouraging trade or investment. The Parties recall that, under Article 18.2(5), they agree that a Party shall not fail, through a sustained or recurring course of action or inaction, to effectively enforce its environmental or labour laws and regulations in order to encourage trade or investment. In this regard, the Parties acknowledge the importance of the provision of appropriate available means to perform such enforcement. Moreover, pursuant to Article 18.2(6), a Party shall not apply its environmental and labour laws and regulations in a manner that would constitute a disguised restriction on trade or an unjustifiable or arbitrary discrimination.

3. The Parties recall that, pursuant to Principle 11 of the Rio Declaration on Environment and Development adopted by the United Nations Conference on Environment and Development in 1992 (hereinafter referred to as "Rio Declaration on Environment and Development of 1992"), environmental standards, management objectives and priorities should reflect the environmental and developmental context to which they apply. Recalling Articles 18.1(1) and 18.1(5) of this Agreement, the Parties also recognise the differences in their levels of development and national circumstances, while pursuing the integration of sustainable development in the Parties' trade and investment relationship. They acknowledge that such differences include the challenges of landlocked developing countries.
4. The Parties acknowledge that sustainability measures affecting trade must be fully consistent with their obligations under the WTO Agreements. The Parties recall that, in accordance with the TBT Agreement, measures which amount to technical regulations restricting trade subject to that agreement should, *inter alia*, (i) be based on scientific and technical information; (ii) not be more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create; and (iii) be based on relevant international standards. The Parties also recall that sanitary and phytosanitary measures which are subject to the SPS Agreement should, in accordance with that agreement, *inter alia*, (i) be applied only to the extent necessary to protect human, animal or plant life or health; (ii) be based on scientific principles; (iii) be based on relevant international standards, guidelines or recommendations, except as otherwise provided for in the SPS Agreement; (iv) not be maintained without sufficient scientific evidence, except as otherwise provided for in the SPS Agreement; and (v) not be applied in a manner which would constitute a disguised restriction on international trade.

5. Pursuant to Article 22.6, the Parties highlight the key role of civil society organisations in the effective implementation of this Agreement, through the establishment of domestic advisory groups in accordance with each Party's domestic mechanisms and legislation, with a broad-based involvement of civil society actors.
6. The Parties share the understanding that promoting international trade in such a way as to contribute to the objective of sustainable development, as referred to in Article 18.1(3), entails actions under the following headings:
 - (a) multilateral regimes;
 - (b) bi-regional trade and investment relations;
 - (c) national and regional trade-related policies and measures; and
 - (d) women's economic empowerment.
7. Furthermore, the Parties agree that to ensure an effective implementation of their commitments under Chapter 18 of this Agreement and under this Annex, they will, on entry into force of this Agreement, engage in further discussions and put in place a series of actions and cooperation activities.

A.2. Multilateral regimes: collaborating to support multilateral rules for sustainable development

7. The Parties consider that this Agreement offers a privileged platform for consultation and cooperation on trade-related aspects of multilateral labour and environmental standards and objectives, as referred to in Articles 18.1(4)(a), 18.4(8), 18.5(5) and 18.6(3), in line with a cooperative approach, referred to in Article 18.1(5), that duly takes into account the Parties' different national realities, geographic constraints, capacities, needs and levels of development and which respects the Parties' national policies and priorities, referred to in Article 18.1(4)(c).
8. The Parties note the need to fully take into account the purpose, goals and principles enshrined in the Agenda 21 on Environment and Development, adopted at the UN Conference on Environment and Development, held in Rio de Janeiro, on 3 to 14 June 1992, and the Rio Declaration on Environment and Development of 1992, referred to in Article 18.1(2) of this Agreement. In addition, the Parties also reiterate the fundamental priority of safeguarding food security and ending hunger, and the particular vulnerabilities of food production systems to the adverse impacts of climate change, as highlighted in the Paris Agreement.
9. They recall that, pursuant to Principle 12 of the Rio Declaration on Environment and Development of 1992,

"trade policy measures for environmental purposes should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade. Unilateral actions to deal with environmental challenges outside the jurisdiction of the importing country should be avoided. Environmental measures addressing transboundary or global environmental problems should, as far as possible, be based on an international consensus".

10. They further recall that, pursuant to Principle 2 of the Rio Declaration on Environment and Development of 1992, States have, in accordance with the Charter of the United Nations, signed on 26 June 1945, in San Francisco, at the conclusion of the United Nations Conference on International Organization and the principles of international law, the sovereign right to exploit their own resources pursuant to their own environmental and developmental policies, and the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction.
11. In light of the foregoing, the Parties reaffirm their commitment to entrust the Subcommittee on trade and sustainable development, referred to in Article 18.14, (hereinafter referred to as “the TSD Subcommittee”) with the tasks of, among others, facilitating, discussing and monitoring the effective implementation of Chapter 18 and seeking to avoid trade obstacles in areas under its mandate, without prejudice to other mechanisms established under this Agreement. Consultation and cooperation in the TSD Subcommittee includes, but is not limited to, exchange of views on the implementation of the instruments and related processes listed below, as long as the Parties are parties to them:
 - (a) the 2030 Agenda and the Sustainable Development Goals;
 - (b) the UNFCCC and the Paris Agreement, established thereunder;
 - (c) the CBD, its Protocols, and the Kunming-Montreal Global Biodiversity Framework, adopted under the CBD in Montreal on 19 December 2022 (hereinafter referred to as "GBF");
 - (d) the Montreal Protocol on Substances That Deplete the Ozone Layer done at Montreal on 16 September 1987, and its Kigali Amendment done at Kigali on 15 October 2016;

- (e) the United Nations Convention to Combat Desertification done at Paris on 17 June 1994;
- (f) the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal done at Basel on 22 March 1989, the Rotterdam Convention on the prior informed consent procedure for certain hazardous chemicals and pesticides in international trade done at Rotterdam on 10 September 1998, the Stockholm Convention on persistent organic pollutants done at Stockholm on 22 May 2001, and the Minamata Convention on Mercury done at Kumamoto on 10 October 2013;
- (g) the Convention on Migratory Species done at Bonn on 23 June 1979;
- (h) the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- (i) the Ramsar Convention on Wetlands done at Ramsar on 2 February 1971;
- (j) the United Nations Declaration on the Rights of Indigenous Peoples adopted by the General Assembly on 13 September 2007; and
- (k) the ILO Conventions and Protocols.

12. With regard to the CBD, the Parties recognise the importance of the following elements to support its effective implementation:

- (a) the implementation of the three objectives of the CBD - conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources – in a balanced manner;

- (b) the implementation of the GBF;
 - (c) the implementation, revision or update, and communication of national biodiversity strategies and action plans, including national targets, in accordance with Article 6 of the CBD; and
 - (d) the provision of adequate means of implementation, including financial resources, access to and transfer of technology, technical and scientific cooperation, exchange of information and distribution of benefits from biotechnology, recognising the specific challenges faced by Signatory MERCOSUR States, in line with the provisions of the CBD.
13. In reiterating their full commitment to the UNFCCC and to effectively implementing the Paris Agreement, the Parties agree to undertake and enhance actions to support their objectives and goals, including by taking into account global stocktakes of the Paris Agreement, considering mitigation, adaptation and the means of implementation and support, and in light of equity and the best available science. The Parties recall and reiterate all their respective commitments under the climate multilateral regime, including, but not restricted to the following:
- (a) regarding nationally determined contributions (hereinafter referred to as “NDCs”) and mitigation: to prepare, communicate and maintain successive NDCs and pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions; that successive NDCs will represent a progression over time and reflect the highest possible ambition, reflecting equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances;

- (b) regarding adaptation: to engage in adaptation planning processes and the implementation of actions, including the development or enhancement of relevant plans, policies or contributions; and
 - (c) regarding finance flows and means of implementation: to take action aiming at making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development; to provide support to developing country parties to the Paris Agreement for the implementation of climate action, including financial resources, technology transfer and capacity building, in accordance with Articles 9, 10 and 11 of the Paris Agreement, recognising that enhanced support for developing country parties to the Paris Agreement will allow for higher ambition in their actions.
14. The Parties agree to actively cooperate, both in negotiations within the regime and in its implementation, towards fostering joint climate action.
15. Each Party reaffirms its relevant international commitments and shall implement measures, in accordance with its respective internal laws and regulations, to prevent further deforestation and enhance efforts to stabilize or increase forest cover from 2030. In this context, the Parties should not weaken the levels of protection afforded in their environmental law.
16. The Parties further acknowledge that their policies must take into account the social and economic challenges of developing countries and their contribution to global food security.
17. The Parties also stress the need for enhanced support and investment to achieve these objectives, including through financial resources, technology transfer, capacity-building, and other mechanisms foreseen in this Agreement.

18. The Parties will step up efforts to increase substantially the share of renewable energy in the global energy mix and enhance cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.
19. The Parties also agree to use the TSD Subcommittee to cooperate and exchange information regarding the implementation of the WTO Agreement on Fisheries Subsidies, adopted at the 12th WTO Ministerial Conference on 17 June 2022, once it has entered into force.
20. While recognising the privileged space for consultation and cooperation provided by the TSD Subcommittee, the Parties stress that this Agreement does not modify in any manner the nature or scope of the commitments adopted under the relevant international agreements referred to in Chapter 18 of this Agreement as well as the mechanisms for implementation agreed under those agreements. The design and functioning of those agreements, in particular the nature of the commitments adopted therein as well as the compliance mechanisms thereof, when existing, reflect balances achieved in the framework of those agreements which are not altered nor conditioned in any way by the references to these commitments in this Agreement.

A.3. Bi-regional trade and investment relations: harnessing this Agreement's potential
to spur true sustainable development that works for all

21. The Parties understand that integration of sustainable development in the Parties' trade and investment relationship, referred to in Article 18.1(1), must deliver, among others, tangible economic benefits for producers of goods and providers of services that incorporate sustainability in their activities, in particular the most vulnerable, including women, smallholder farmers, indigenous peoples and local communities.

22. The benefits referred to in paragraph 21 can be achieved through, among others, initiatives that encourage trade of products obtained or produced sustainably and in accordance with the Parties' law, and projects that foster interregional supply chains to promote the positive contribution of trade to a pathway towards low greenhouse gas emissions and climate-resilient development and to increase the ability to adapt to the adverse effects of climate change in a manner that does not threaten food production, as referred to in Article 18.6(2)(b).
23. The Parties are committed to the protection of labour rights and recognise the role of the ILO as the key multilateral organisation in this field.
24. Recalling Article 18.4(4) of this Agreement, each Party shall make continued and sustained efforts towards ratifying the fundamental ILO Conventions, Protocols and other relevant ILO Conventions to which it is not yet a party and that are classified as up-to-date by the ILO, while respecting the sovereign right of a Party to enter into additional international obligations. In accordance with Article 18.4(3) of this Agreement, each Party shall respect, promote and effectively implement the internationally recognised core labour standards, as defined in the fundamental ILO Conventions.
25. In implementation of these commitments, the Parties intend to place a specific focus on the eradication of child labour as well as on freedom of association and the effective recognition of the right to collective bargaining. The Parties understand that the commitment to the effective implementation entails that each Party adopts relevant laws and regulations, and exercises its jurisdiction and control by establishing a system for ensuring compliance with the requirements of the internationally recognised core labour standards, as defined in the fundamental ILO Conventions.

26. Furthermore, in line with the commitment to promote decent work in Article 18.4(8) of this Agreement and the ILO Declaration on Social Justice for a Fair Globalization, the Parties underline the principle of social dialogue, which is a guiding principle of the ILO, and understand that the ratification of fundamental and other relevant ILO Conventions should be carried out in a manner consistent with this principle.

Making this Agreement work for producers of sustainable goods

27. Recognising the fundamental role that millions of inhabitants of regions distant from urban centres, such as forests, natural grasslands, wetlands and other natural ecosystems play in achieving sustainable development, the Parties will collaborate in providing increased market access opportunities for products obtained sustainably and in accordance with the law of each Party, from smallholders, cooperatives, indigenous peoples and local communities and to develop mechanisms to support these populations in obtaining and maintaining sustainable sources of income, while respecting collective land rights of indigenous peoples and local communities, in accordance with the law and relevant international commitments of each Party.
28. The Parties agree to discuss specific measures and initiatives to attain this goal within the framework of the TSD Subcommittee or other body established under this Agreement, as appropriate. Among others, such measures and initiatives include identification of market access opportunities required to spur exports of products sustainably obtained or produced, and measures and initiatives to expedite and facilitate trade between the Parties.

Promoting sustainable interregional value chains for energy transition

29. Pursuant to Article 18.6(2)(b), the Parties shall seek to harness the significant potential for interregional partnerships in energy transition projects, given their many complementarities regarding the inputs, expertise and technologies required to develop solutions in areas such as sustainable mobility and other areas identified by the Parties.

30. In this sense, the Parties recognise that building interregional value chains that are responsible, sustainable, transparent, unimpeded and resilient is one of the key aspects to meeting the objectives related to achieving a fair and just energy transition that contributes to the social, economic and environmental development of both regions. Through an effective and balanced participation in these chains, both regions will be in a better position to preserve their competitiveness in the global market, maintain a high level of employment with the creation of quality jobs, reinforce their productive and innovation capacity, improve the existing industrial base and support their transformation.
31. With a view to creating jobs and fostering synergies between the levels of technological development and the natural resources existing in MERCOSUR and in the European Union, the Parties will collaborate in designing initiatives that boost sustainable and resilient interregional value chains. Such value chains should favour investment and industrial development in raw material-producing countries, with a view to increasing the value added locally and promoting job creation. Among others, the Parties will prioritize consideration of the joint development of sustainable interregional markets and value chains in strategic sectors consistent with each Party's relevant laws and regulations; such sectors may include:
- (a) responsible mining, beneficiation and transformation of metals and minerals which are critical for the energy transition;
 - (b) energy sources which play a crucial role in the energy transition, including liquified natural gas and renewable energy; this is most notably relevant for renewable and low-emission electricity generation as well as for those industrial sectors where greenhouse gas emissions reduction is challenging;
 - (c) sustainable mobility and associated value chains, including lithium-ion batteries, battery recycling as well as recharging infrastructure, electromobility and electric automobile industrial production;

- (d) sustainable biofuels, including ethanol and biodiesel, sustainable aviation fuel (SAF) and renewable fuels of non-biological origin;
- (e) hydrogen and its derivatives, to significantly contribute to the Sustainable Development Goals.

32. To attain the goals set out in paragraph 31, the Parties agree on the importance of implementing policy instruments to accelerate the development of capabilities, particularly in developing countries, to enable them to effectively participate in value chains focused on strategic manufacturing industries for the energy transition, which require large investments, state-of-the-art technology and a specialized workforce, as well as specific policies designed to promote inclusion of women. In this sense, taking into account the asymmetries between both regions, and without prejudice to the rights of the European Union, Signatory MERCOSUR States may adopt promotion measures aimed at the development and growth of strategic manufacturing industries for sustainable transition, in line with the 2030 Agenda and its Sustainable Development Goals. Such measures shall be consistent with this agreement and the WTO Agreements.

33. In addition, the Parties will collaborate regarding the aforementioned sectors including in the following aspects:

- (a) facilitation and promotion of investments that foster local addition of value in production chains in raw material-producing countries;
- (b) provision of technical and other support for projects that contribute to the creation of interregional value chains, development of technology and knowledge, enabling the building of capabilities in Signatory MERCOSUR States.

34. Finally, the Parties commit to collaborate in fostering interregional value chains in areas that offer an indirect contribution to the energy transition, such as the production of goods and services for healthcare, the development of the digital economy, including knowledge-based services, as well as sustainable food production.

A.4. National or regional trade-related policies and measures:

acknowledging the variety of effective approaches to attain sustainable development

35. The Parties reaffirm their respective commitments adopted under this Agreement and the relevant international regimes mentioned in Chapter 18 related to the conservation, protection and sustainable management of forests and other terrestrial ecosystems, and to sustainable land use in accordance with their respective laws and regulations. They also reaffirm their commitment to encourage trade in products from sustainably managed forests harvested in accordance with the law of the country of harvest, to combat illegal logging and related trade.
36. The Parties furthermore recognise the role of traditional and indigenous knowledge as well as the role of local actors as key protagonists in sustainable land use and protecting, conserving, and sustainably using forests and biodiversity. They recall the importance of supporting indigenous peoples and local communities in sustainably managing forests and acknowledge that policies aimed at curbing deforestation must take into account the social and economic challenges and rights of local communities in accordance with each Party's laws and regulations and its relevant international commitments.
37. The Parties are determined to reiterate and step up the efforts to end illicit threats to nature and the environment, including illegal logging and fire and illegal wildlife trade, illegal mining and other harmful activities such as illegal, unreported and unregulated (IUU) fishing and illegal traffic of waste which threaten the environment.

38. The Parties note the importance of strengthening the conservation, restoration, sustainable use and management of all types of ecosystems and enhancing the social, economic and environmental benefits of biodiversity for people, especially those in vulnerable situations and those most dependent on biodiversity, including through sustainable biodiversity-based activities, products and services that enhance biodiversity. The Parties will cooperate to promote sustainable consumption and production patterns, in order to progressively reduce negative impacts on biodiversity and increase positive impacts. They also express their resolve to take effective measures to ensure fair and equitable sharing of benefits arising out of the utilization of genetic resources and from digital sequence information on genetic resources, consistent with each Party's international commitments.
39. In order to harness the potential of trade for the benefit of ecosystems, the Parties will establish within a year of the entry into force of this Agreement a list of products from Signatory MERCOSUR States which contribute to the conservation, restoration, sustainable use and management of forests and vulnerable ecosystems. Products in this list, which shall be periodically reviewed every three years, should be granted preferential or additional market access, or other incentives by the European Union to promote their trade, such as technical assistance or capacity building.
40. Additionally, the Parties should put in place actions and measures to enhance trade in goods contributing to enhanced social conditions and environmentally sound practices, such as goods and services contributing to a resource-efficient, low-carbon economy, or goods that are the subject of sustainability assurance schemes and mechanisms. Such actions, to be periodically reviewed by the Parties every three years, may include measures to enhance market access, technical assistance, capacity building and trade facilitation, as appropriate.
41. The Parties' commitment to enhanced cooperation and understanding of their respective labour and environmental trade-related policies and measures, referred to in point (c) of Article 18.1(4), implies, among others, acknowledging that policies, measures and solutions to tackle the challenge of sustainable development may vary across countries and regions.

A.5. Trade and women's economic empowerment

42. The Parties recognise that inclusive trade policies contribute to advancing women's economic empowerment. The Parties acknowledge the important contribution by women to economic growth through their participation in economic activity, including international trade. Accordingly, the Parties intend to implement the provisions of this Agreement in a manner that promotes equal opportunities and treatment for women and men and that incorporates this perspective in trade and investment policies.
43. Each Party shall strive to ensure that its relevant law and policies provide for, and promote, equal rights, treatment and opportunities for women and men. Each Party shall strive to improve such law and policies, without prejudice to the right of each Party to establish its own scope and levels of protection for equal opportunities for women and men. Such law and policies shall be consistent with each Party's commitments to relevant international agreements, including the Convention on the Elimination of all Forms of Discrimination Against Women, adopted by the UN General Assembly on 18 December 1979, which each Party shall effectively implement.
44. The Parties acknowledge that changes in trade flows may have a differential effect on the employment opportunities and participation of men and women, on their income and their well-being. Taking into account the ILO Centenary Declaration for the Future of Work, adopted in Geneva on 21 June 2019, the Parties also acknowledge the importance of an equal sharing of responsibilities among family members and of investment in the care economy in order for women to take advantage of trade-related economic opportunities and entrepreneurial activities, especially women in vulnerable situations.

45. The Parties intend to work together to strengthen their cooperation on trade-related aspects of matters covered by this section. The cooperation activities shall aim to improve the capacity and conditions for women workers, businesswomen and entrepreneurs, including women's access to participation, leadership and education in fields in which they are underrepresented, as well as to make efforts to support sectorial policies that enable the insertion of women in dynamic and higher productivity sectors, including by promoting foreign direct investment flows that expand job opportunities for women in the labour market, especially in those sectors that are male-dominated. Such cooperation may cover, among others, exchange of information and best practices related to data collection that allows to identify, design, implement and review trade policies aimed at lifting obstacles faced by women in international trade.

PART B

COOPERATION

B.1. Contributing to the reduction of inequalities within and among countries

46. The Parties undertake to cooperate in guaranteeing that the gradual establishment of the MERCOSUR-EU free-trade area will contribute not only to increasing overall income and prosperity, but also to the reduction of inequalities, in line with Sustainable Development Goal 10. Concurrently, in the promotion of a transition to low-emission and climate resilient economies, the Parties recall their respective commitments to work towards a just transition and to provide and mobilise the necessary funds to this end.

B.2. Promoting the objectives of Chapter 18 on trade and sustainable development

47. In order to achieve the objectives of Chapter 18 of this Agreement, the Parties highlight the importance of interregional cooperation including in the following areas:
- (a) the implementation of multilateral commitments in the areas of climate change, biodiversity and the environment, and of ILO labour standards;
 - (b) support for the role of indigenous peoples and local communities in the promotion of sustainable development;
 - (c) improving traceability in value chains;
 - (d) unlocking the potential of a sustainable and inclusive bioeconomy, including biodiversity-based products and services that enhance biodiversity;
 - (e) the use of transparent, comparable, measurable, inclusive, science-based and context-specific criteria and methodologies to assess the sustainability of the bioeconomy throughout value chains;
 - (f) sustainable biofuels, including ethanol and biodiesel, sustainable aviation fuel (SAF) and renewable fuels of non-biological origin; and
 - (g) production and facilitation of trade of sustainably-produced goods and services, including low-carbon goods.

48. The Parties express support for scaling up finance from developed to developing countries, as well as from other sources, for protecting, conserving, sustainably using and restoring all ecosystems, according to domestic circumstances and policies. They also acknowledge the importance, for Signatory MERCOSUR States, of the European Union's support and appropriate means to support national policies and international commitments regarding climate change mitigation, adaptation, and its co-benefits, loss and damage objectives and to address biodiversity loss, forest conservation and restoration, in accordance with the laws and regulations as well as the applicable international commitments of each Signatory MERCOSUR State. They also acknowledge the importance of providing and mobilising the technical and financial support needed to enhance the adaptive capacity and resilience of food production and reduce the vulnerability of farmers and other vulnerable groups, especially small-scale farmers, women and youth, in relation to climate change.
49. Recalling the objective of Chapter 18 to enhance the integration of sustainable development in the Parties' trade and investment relationship, the Parties commit to supporting the review of existing financing instruments, to ensure an adequate financing for forest conservation, reforestation, restoration and the reduction of deforestation, and natural grassland conversion, and to work together to ensure these instruments are appropriately financed from domestic and international sources, where applicable, according to each Party's law. Additionally, the Parties support scaling up the mobilization of resources, including through results-based payments and other policy approaches, such as payment for ecosystem services.

50. The Parties emphasise that such cooperation should not only involve the public sector, but also businesses, academia and civil society, in line with their respective roles in promoting sustainable development.

B.3. Sustainability measures affecting trade

51. Recalling their commitments under the WTO Agreements, the Parties agree to have a cooperative approach to address challenges associated with meeting the requirements associated with a Party's sustainability measures affecting trade, taking into account the different levels of development, capacities, priorities and national circumstances and legislation, as well as the specific challenges of landlocked developing countries. Among the aforementioned challenges, the Parties recognise the need to facilitate the implementation of actions to support compliance with the sustainability measures of a Party affecting trade, so that exports can benefit fully from the market access opportunities provided for by this Agreement. They also point to the Protocol on Cooperation, annexed to the Partnership Agreement, as a tool to attain this purpose and agree that support for Signatory MERCOSUR States should include provision of financial resources, capacity building programs, technical assistance and other joint initiatives to promote sustainable supply chains.

52. The Parties recall the provisions of Chapter 5, in particular Article 5.5. The Parties shall seek to identify and adopt measures and implement initiatives to expedite and facilitate trade between them in relevant products, as appropriate, such as mutual recognition or equivalence agreements and increasing mutual knowledge and understanding of existing practices and schemes.
53. When implementing sustainability measures that affect trade, consistent with its law, a Party shall give full consideration to scientific or technical information submitted by the other Party and should take into account the actions taken by that Party to implement the commitments under this Annex.
54. Where a Party's law provides for verification of compliance of an imported product with the relevant law of another Party, the Parties acknowledge that the authorities of a Party are best placed to assess compliance with the law of that Party. Hence, when a Party assesses compliance with the law of another Party, the former Party shall use the information provided by the latter Party.
55. With regard to the implementation of sustainability measures affecting trade and the placement on the market related to the protection of wooded ecosystems, and where the European Union's law so allows:
- (a) the European Union recognises that this Agreement and actions taken to implement commitments thereunder shall be favourably considered, among other criteria, in the risk classification of countries;
 - (b) documentation, licenses, information and data from certification schemes and traceability and monitoring systems officially recognised, registered or identified by Signatory MERCOSUR States shall be used as a source by the relevant authorities in the European Union for the purpose of verifying compliance of products covered by such measures with traceability requirements placed on the European Union market;

- (c) in case of a divergence between the documentation, licenses, information and data from certification schemes and traceability and monitoring systems officially recognised, registered or identified by Signatory MERCOSUR States, and the information being used by the relevant authorities in the European Union, the latter shall, upon request, promptly consider information and clarifications provided by Signatory MERCOSUR States; and
- (d) recognising that, in the context of their due diligence obligations, European Union operators and traders may make use of traceability, certification or other third party verified schemes, the European Union shall, upon request from relevant authorities of Signatory MERCOSUR States, provide support for transparent and independent assessments of traceability, certification or third-party verification schemes and their alignment with requirements and good practices.

56. Nothing under this section shall be understood or interpreted as a derogation, modification or incorporation of new definitions regarding the protection of wooded ecosystems under a Party's law.

PART C

FINAL PROVISIONS

57. This Annex shall form an integral part of Chapter 18.

58. In accordance with Article 1.5(1), the European Union shall be responsible for the fulfilment of the commitments in this Annex.

59. In accordance with Article 1.5(2), save where otherwise provided in this Annex, each of the Signatory MERCOSUR States shall be responsible for the fulfilment of the commitments in this Annex.
60. In accordance with Article 18.15(4), parties to a dispute under Chapter 18 for any matter arising under this Annex shall be as set out in Article 21.3.
61. In accordance with Article 18.15(5), no Party shall have recourse to dispute settlement under Chapter 21 for any matter arising under this Annex.
62. The adoption and implementation of the provisions under this Annex shall not be construed as an acknowledgment that market requirements of a Party are consistent with WTO rules and principles, and is without prejudice to a Party's rights under the WTO Agreements.
