

Responsible Business Conduct and the OECD Guidelines for Multinational Enterprises





How does OECD lead on Responsible Business Conduct?

1. A comprehensive international instrument on responsible business conduct endorsed by governments– **the OECD Guidelines for Multinational Enterprises**
2. **National Contact Points:** The only international RBC instrument incorporating an implementation mechanism
3. **Sector specific guidance:** The leading standard setter for due diligence guidance (extractive, textile, agriculture, financial sectors)
4. A unique **convening power** and outreach capacity (Global Forum on Responsible Business Conduct, Investment Policy Reviews, Outreach through sector projects or bilateral)



The OECD Guidelines for Multinational Enterprises (MNE Guidelines)

- ✓ Recommendations from governments to business on what is expected in terms of **responsible business conduct (RBC)**
- ✓ Adhered to by 46 governments representing the majority of global investment flows and commerce
- ✓ Aligned with major international instruments on business conduct (UN Guiding Principles on Business & Human Rights, core ILO conventions, major environmental conventions)
- ✓ Broader than human rights issues: cover all areas of corporate responsibility (labour, human rights, environment, consumers, corruption, taxation, etc.)
- ✓ 2011 update was major breakthrough: incorporates expectation that companies prevent adverse impacts through direct and indirect operations- extends global reach of the Guidelines
- ✓ **RBC** goes beyond **Corporate Social Responsibility**- it is about incorporating due diligence into companies' risk management to avoid causing adverse impacts to others

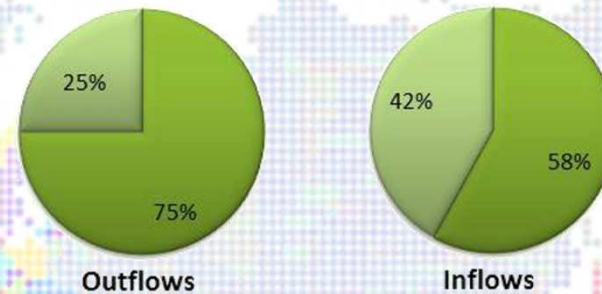




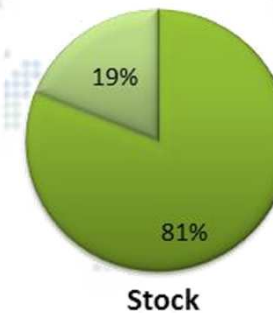
Application of the Guidelines

- Argentina (1997)
- Australia (1976)
- Austria (1976)
- Belgium (1976)
- Brazil (1997)
- Canada (1976)
- Chile (1997)
- Colombia (2011)
- Costa Rica (2013)
- Czech Republic (1995)
- Denmark (1976)
- Egypt (2007)
- Estonia (2001)
- Finland (1976)
- France (1976)
- Germany (1976)
- Greece (1976)
- Hungary (1994)
- Iceland (1976)
- Ireland (1976)
- Israel (2002)
- Italy (1976)
- Japan (1976)
- Jordan (2013)
- Korea (1996)
- Latvia (2004)
- Lithuania (2001)
- Luxembourg (1976)
- Mexico (1994)
- Morocco (2009)
- Netherlands (1976)
- New Zealand (1976)
- Norway (1976)
- Peru (2008)
- Poland (1996)
- Portugal (1976)
- Romania (2005)
- Slovak Republic (2000)**
- Slovenia (2002)
- Spain (1976)
- Sweden (1976)
- Switzerland (1976)
- Tunisia (2012)
- Turkey (1981)
- United Kingdom (1976)
- United States (1976)
- Ukraine (2016)
- European Union (observer)

ADHERING COUNTRIES SHARE
OF GLOBAL FDI FLOWS
2010-2015



ADHERING COUNTRIES SHARE
OF GLOBAL FDI STOCK
2014





Global policy agenda

We are seeing increased attention to Responsible Business Conduct (RBC) in global agendas and specifically, increased expectations on companies to address environmental, human rights, labour and integrity risks in their supply chains. There is a growing expectations that businesses carry out **due diligence** to manage risks in their operations.

International standards



Global agendas



Legislation



Trade agreements

International investment agreements increasingly include language on sustainable development or responsible business conduct.



The National Contact Points

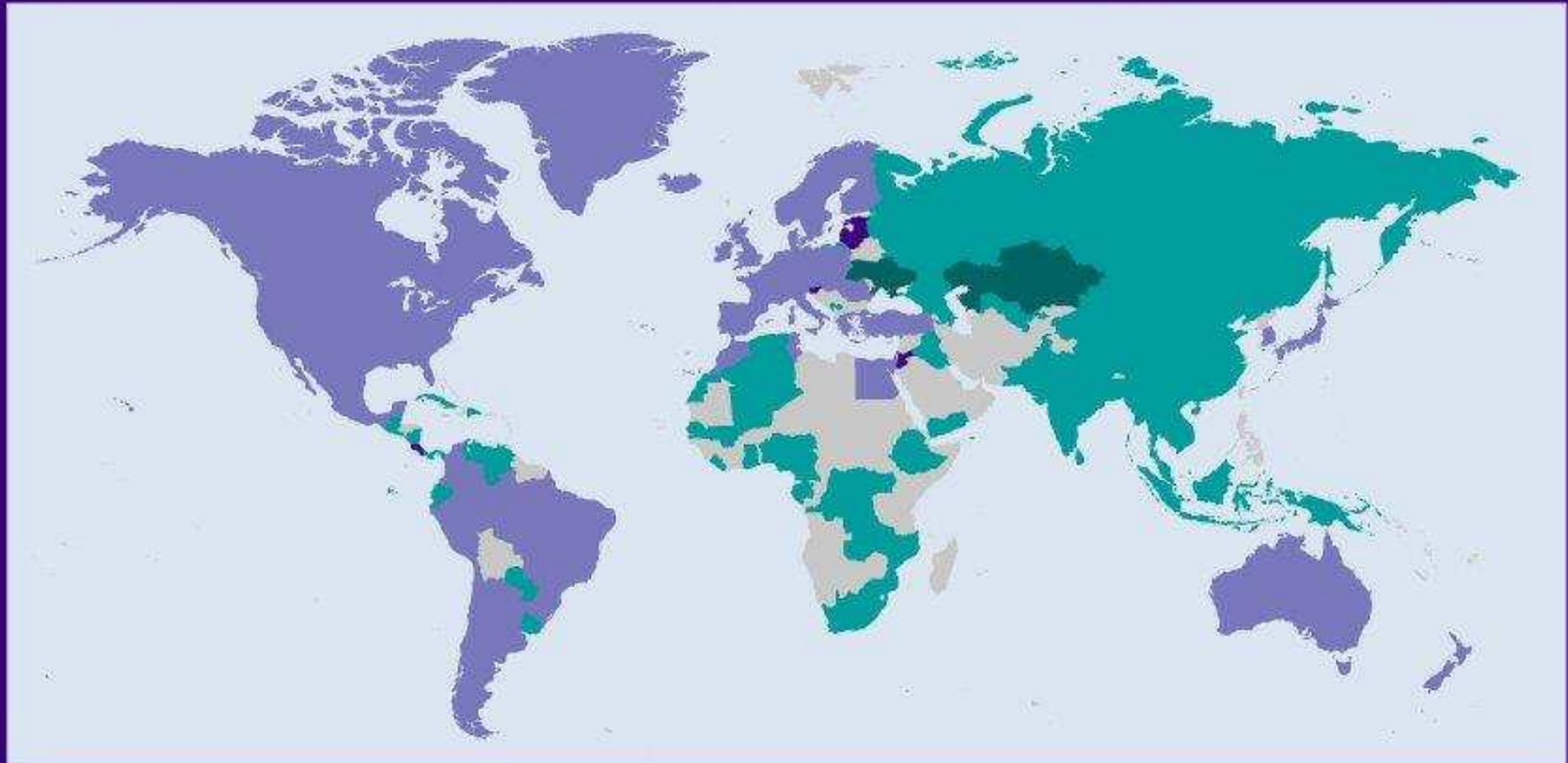
- **Promote** the Guidelines: dissemination and capacity building on RBC
- Identify areas where **guidance to companies** is needed
- Provide **access to remediation** for victims of adverse impacts of business operations- the only system of this kind, a key mechanism to strengthen business accountability
- Help **clarify the expectations of the Guidelines** (financial sector, sports events, world heritage areas, supply chains, export credit agencies)





A Global Grievance Mechanism for Corporate Responsibility

Coverage of the OECD Guidelines for Multinational Enterprises and their National Contact Point system

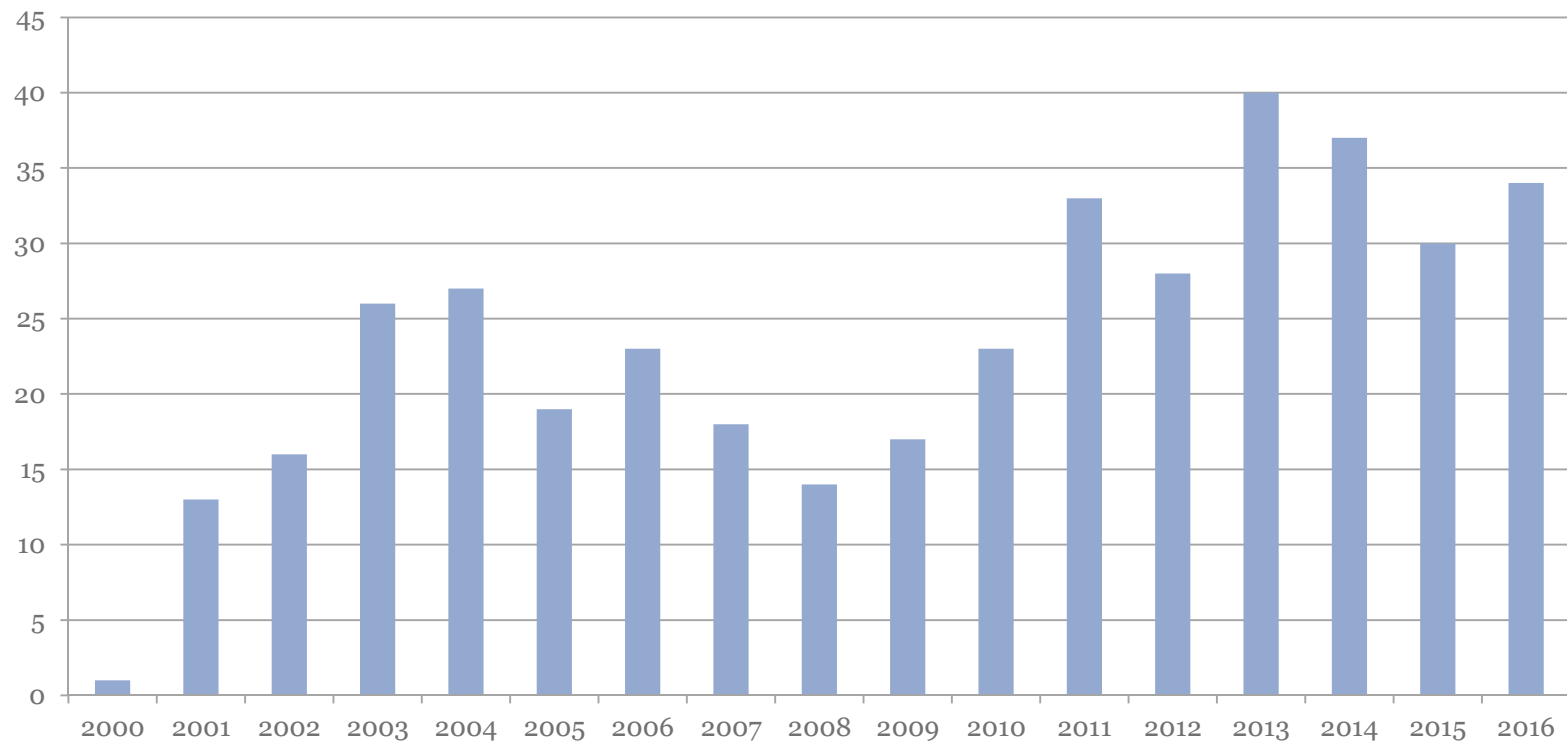


To date over 360 cases have been handled by National Contact Points (NCP), addressing impacts from business operations in over 100 countries and territories.

- Both Adherents to the OECD Guidelines for Multinational Enterprises and host countries of business operations in NCP cases (i.e. countries where the impact arose)
- Adherents to the OECD Guidelines for Multinational Enterprises
- Countries in the process of adhering to the OECD Guidelines for Multinational Enterprises
- Host countries of business operations in NCP cases



Over 400 specific instances with filed NCPs since 2000





OECD Grievance Mechanism on Responsible Business Conduct



Implementing the Guidelines

SECTORS

 OECD Due Diligence
Guidance for Responsible
Supply Chains of Minerals
from Conflict-Affected
and High-Risk Areas
SECOND EDITION



OECD-FAO Guidance for
Responsible Agricultural Supply Chains



RESPONSIBLE BUSINESS CONDUCT
OECD DUE DILIGENCE GUIDANCE FOR
MEANINGFUL STAKEHOLDER ENGAGEMENT
IN THE EXTRACTIVE SECTOR



OECD Due Diligence Guidance for
Responsible **Minerals** Supply Chains
(2011)

OECD Due Diligence Guidance for
Meaningful Stakeholder Engagement
in the **Extractive** Sector (2016)

OECD-FAO Guidance for Responsible
Agricultural Supply Chains (2016)

OECD Due Diligence Guidance for
Responsible Supply Chains in the
Garment & Footwear Sector (2017)

Responsible Business Conduct in the
Financial Sector (2017)



What makes it OECD sector projects unique?



Extractive sector



Mineral supply chains



Agricultural supply chains



Garment supply chains



Financial sector

- ✓ Demand driven
- ✓ Backed by 46 governments
- ✓ Developed through multi-stakeholder approach representing industry leaders and other stakeholders
- ✓ Whole of value-chain approach





OECD Guidelines for Multinational Enterprises – Due Diligence



Risk-based due diligence is main tool to identify, prevent or mitigate risk

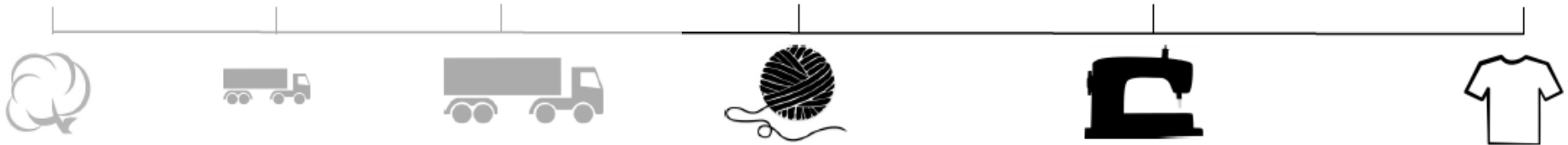
“Enterprises should:

- *Carry out **risk-based due diligence** , (...), to identify, prevent and mitigate actual and potential adverse impacts (...), and account for how these impacts are addressed.*
- ***Avoid causing or contributing to adverse impacts** on matters covered by the Guidelines, through their own activities, **and address such impacts when they occur.***
- ***Seek to prevent or mitigate an adverse impact** where they have not contributed to that impact, **when the impact is nevertheless directly linked to their operations, products or services by a business relationship.**”*



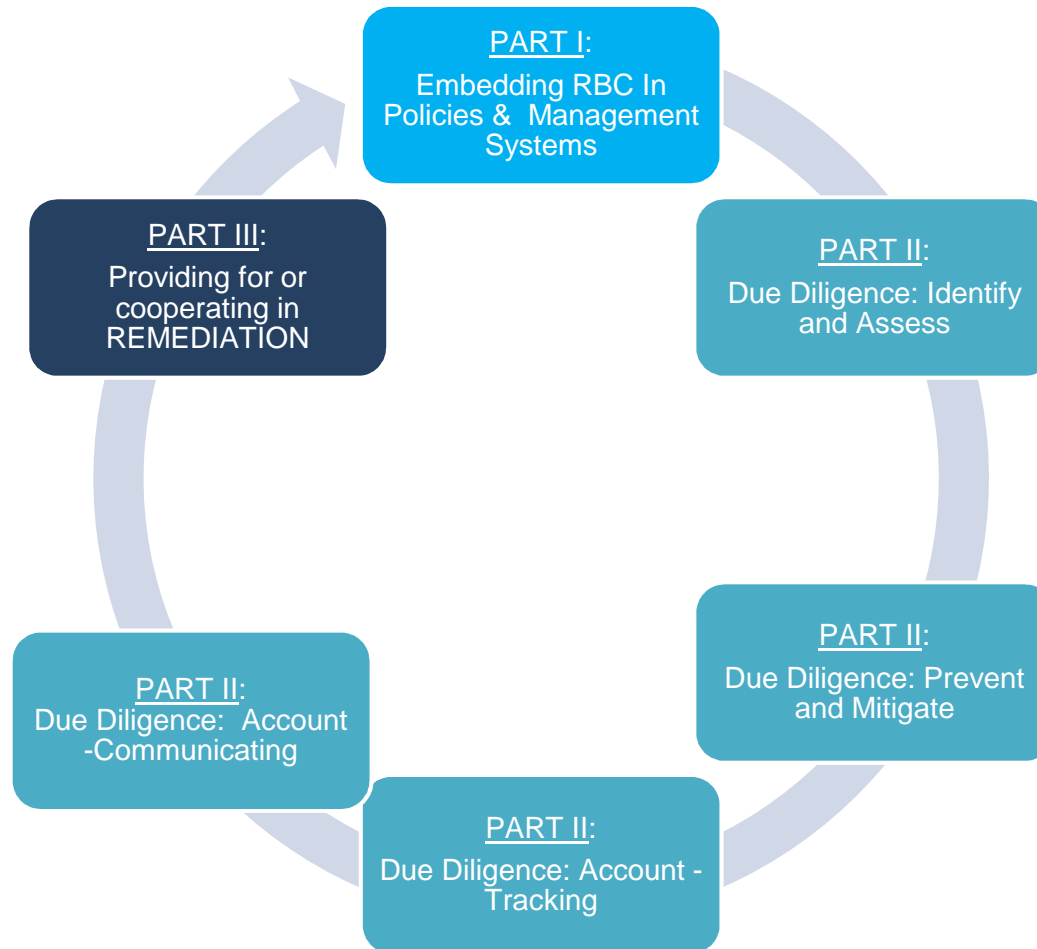
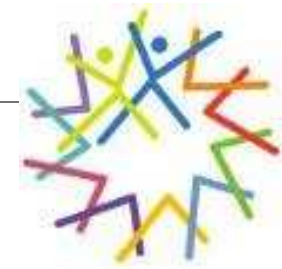
Who is due diligence relevant for?

- ✓ **All companies** in the supply chain.
- ✓ Also relevant for **collaborative initiatives** seeking to help companies carry out due diligence.
- ✓ Due diligence applied to a company's **own operations** and **across business relationships**.





Components of Due Diligence for Responsible Business Conduct





Due diligence is...

- ✓ **Systematic** – involves ongoing proactive and reactive processes with a focus on progressive improvement.
- ✓ **Risk-based** – efforts should be proportional to the risk, meaning that the potential and actual severity of impacts are the driving force to scale-up down due diligence.
- ✓ **Flexible** – How a company carries out due diligence, for example, the nature and extent of its due diligence, will depend on its circumstances (e.g. size, leverage, etc.).
- ✓ **Complementary** – due diligence should not be duplicative but complementary across business relationships.





Thank you/ Merci!

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