



OECD Report to G7 Leaders on Responsible Business Conduct



G7

This note describes work undertaken by the OECD to support the implementation of the 2015 G7 Leaders' Declaration in the area of responsible business conduct. The relevant extract of the Declaration is annexed.¹ The note covers four areas of action mentioned in the Leaders' statement: 1. Outreach on responsible business conduct (RBC) standards to other countries; 2. Development of guidance for supply chain due diligence; 3. Monitoring of multistakeholder initiatives; and 4. Strengthening National Contact Points.

Highlights include:

- **Increased engagement with G20 countries**, in particular China and India, as well as countries in South East Asia to promote RBC in line with the OECD Guidelines for Multinational Enterprises.
- Adoption of **due diligence guidance to enable responsible supply chains** in the agricultural sector, and stakeholder engagement in the extractive sector; progress in developing due diligence guidance for responsible supply chains in the garment and footwear sector as well as a general due diligence guidance for all sectors.
- Progress in the development of a **network of expertise and a framework for analysis of multistakeholder initiatives (MSIs)**, including through the development of criteria, indicators and data sources to assess the integrity of MSIs
- **Improvements in the system of National Contact Points (NCPs)** through an Action Plan including peer reviews, peer learning and tools developments, resulting in upgrades of NCPs structures, better procedures to facilitate access to remedy, and enhanced capacity within NCPs to support implementation of the Guidelines.

1. Engagement with other countries to promote international RBC standards

"We will strive for better application of internationally recognized labour, social and environmental standards, principles and commitments (in particular UN, OECD, ILO and applicable environmental agreements) in global supply chains. We will engage with other countries, for example within the G20, to that end." - Leaders' Declaration G7 Summit, Schloss Elmau, 7-8 June 2015

Promoting dialogue and deepening engagement on RBC with countries that do not adhere to the OECD Guidelines for Multinational Enterprises ((hereafter 'the Guidelines') has been one of the top priorities of OECD work since the Guidelines were updated in 2011. Co-operation is maintained with a number of key countries, either through regional, country, or sector programmes. The Global Forum on Responsible Business Conduct, which was established in 2013 with the purpose to provide a platform for engagement among all stakeholders, has been a useful vehicle for advancing the global conversation on current and emerging issues on RBC. Other avenues for dialogue are the sector-specific forums and roundtables (e.g. on responsible minerals supply chains).

The OECD has undertaken several outreach efforts, including in G20 countries, in 2015 and 2016. Co-operation with China deepened in a number of topics including RBC on the occasion of the 20th

¹ Leaders' Declaration G7 Summit, 7–8 June 2015, https://www.g7germany.de/Content/DE/_Anlagen/G8_G20/2015-06-08-g7-abschluss-eng.pdf?__blob=publicationFile&v=5

anniversary of its relationship with the OECD. In July 2015, on the occasion of the 20th anniversary of co-operation, the OECD and China signed a comprehensive Memorandum of Understanding and programme of work for 2015-2016, setting out the strategic vision and activities in a number of topics, including RBC. The OECD works closely with Ministry of Commerce (MOFCOM) Department of International Trade & Economic Affairs and continues to build strong working relationship with Chinese industry partners such as the China Chamber of Commerce Metals, Minerals & Chemicals Importers and Exporters (CCCIMC), a key interlocutor to promote responsible mineral supply chains, and the China National Apparel and Textile Council (CNTAC). Activities in 2015 and 2016 included several workshops and exchanges of experience, as well as the creation of an informal contact group to share information and coordinate RBC initiatives.

A concrete output of cooperation with China has been the development in 2015 by the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCIMC) of the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains, which are aligned with the OECD's recommendations on this topic.

Work in Southeast Asia has been strengthened through regional and country-specific events and a systematic integration of RBC issues in investment policy reviews. In 2016, the investment policy reviews of Lao, Viet Nam and Cambodia will include a specific chapter on RBC, and workshops on RBC have been held in the countries.

Cooperation with India was materialised through two roundtables held in Delhi in November 2015 to discuss practical solutions to issues in the Indian section of the global garment and footwear and gold supply chains.

A Memorandum of Understanding to be signed in 2016 with UNECLAC provides specifically for cooperation on RBC and will facilitate the promotion of RBC standards and dissemination of due diligence guidance in the region.

2. Guidance on Supply Chain Due Diligence

“To enhance supply chain transparency and accountability, we encourage enterprises active or headquartered in our countries to implement due diligence procedures regarding their supply chains, e.g. voluntary due diligence plans or guides. We welcome international efforts, including private sector input, to promulgate industry-wide due diligence standards in the textile and ready-made garment sector. To promote safe and sustainable supply chains, we will increase our support to help SMEs develop a common understanding of due diligence and responsible supply chain management.” - Leaders’ Declaration G7 Summit, Schloss Elmau, 7-8 June 2015

The OECD is the leading international organisation in the development of supply chain due diligence guidance for companies. The first one to be adopted was the 2011 Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. A recent report on its implementation has shown commitment and political leadership from many countries to support implementation of the Guidance, for example, through regulation, and by engaging with domestic networks and industry, hosting awareness-raising and training events, publicising and distributing resources, translating the Guidance and engaging in outreach with non-Adherent countries that play important roles in global mineral supply chains, such as the United Arab Emirates and China. The Guidance is now referenced in domestic regulations on mineral supply chain due diligence in the United States and in several countries in central Africa, and an EU Regulation aligned with the Guidance is currently being prepared.

End 2015, the OECD adopted a range of guidances to promote responsible supply chains, and several others are scheduled for adoption in 2016.

The OECD-FAO Guidance for Responsible Agricultural Supply Chains: With the support of a multi-stakeholder advisory group, the OECD and the Food and Agriculture Organization of the United Nations (FAO) have developed the *OECD-FAO Guidance for Responsible Agricultural Supply Chains* to help enterprises observe internationally agreed RBC standards along agricultural supply chains and undertake due diligence. The Guidance was adopted by OECD and FAO in early 2016, and is being incorporated into an OECD Council Recommendation. It is being implemented jointly with FAO through various activities, including capacity-building trainings and a pilot project to allow interested enterprises to road-test it. It targets all enterprises operating along agricultural supply chains, including domestic and foreign, private and public, small, medium and large-scale enterprises. It covers agricultural upstream and downstream sectors and addresses the following areas of risk arising along agricultural supply chains: human rights; labour rights; health and safety; food security and nutrition; tenure rights over and access to natural resources; animal welfare; environmental protection and sustainable use of natural resources; governance; and technology and innovation.

Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractives Sector: This Guidance, adopted end 2015, provides a framework for identifying and managing risks with regard to stakeholder engagement activities to ensure they play a role in avoiding and addressing adverse impacts as defined in the OECD Guidelines. The guide also includes an assessment framework for industry to evaluate their stakeholder engagement performance and targeted guidance for specific stakeholder groups such as indigenous peoples, women, workers and artisanal and small scale miners. Practical strategies are provided for common challenges.

Responsible garment and footwear supply chains: The OECD is currently developing *Guidance for Responsible Supply Chains in the Garment & Footwear Sector*, with the support of a multi-stakeholder advisory group. Following a public consultation, a new draft will be issued for discussion; the Guidance is scheduled to be adopted before end 2016.

Responsible business conduct in the financial sector: The OECD is currently doing work on RBC in the financial sector to elaborate good practices for RBC in (i) investment (asset ownership and management), (ii) asset & project finance, and (iii) corporate finance. A report on *OECD Guidelines for Multinational Enterprises: Institutional Investment and Due Diligence* will be issued in 2016.

A general guidance on risk-based due diligence for responsible business conduct: While due diligence is crucial for companies to demonstrate that they are behaving responsibly, the OECD Guidelines do not include detailed language on how due diligence should be carried out in practice. The OECD is developing general guidance on risk-based due diligence for RBC, which will provide practical guidance for enterprises to implement due diligence for RBC across industry sectors and across possible areas of adverse impacts covered by the OECD Guidelines. This due diligence guidance will align with international instruments on RBC and provide practical recommendations for businesses of various sizes, across geographies and sectors. As such, the guidance will provide a common approach to due diligence to mainstream due diligence processes across business operations as well as a common reference point on due diligence for business subject to domestic obligations and international expectations. The figure below outlines the core components of due diligence that will be addressed in the guidance.

Core due diligence components



3. Multi-Stakeholder Initiatives

“We will strengthen multi-stakeholder initiatives in our countries and in partner countries, including in the textile and ready-made garment sector, building upon good practices learned from the Rana Plaza aftermath.” - Leaders’ Declaration G7 Summit, Schloss Elmau, 7-8 June 2015

The OECD is starting to build a network of expertise and a framework for analysis of multistakeholder initiatives (MSIs) MSIs, including through the development of criteria, indicators and data sources to assess the integrity of MSIs, drawing upon the OECD’s unique convening power and using existing platforms, such as the Global Forum on Responsible Business Conduct.

A large number of MSIs have emerged in the past two decades to help business identify and avoid adverse environmental, labour and human rights impacts in global supply chains. The 2016 Global Forum on Responsible Business Conduct will include a session on MSIs, which will include experts and participants from national and international MSIs to reflect on their experiences to date, and draw broad lessons that could help strengthen collaborative engagement on responsible business conduct in the future. This session will also explore how countries can strengthen MSIs and how MSIs can measure their effectiveness and impact.

The implementation programmes to promote OECD work on due diligence in the various sectors are examples of multi-stakeholder collaborations. One of the most active implementation programmes in place since 2011 is the work on responsible minerals supply chains, with its multi-stakeholder steering group and Forum. The implementation programme for the OECD Due Diligence Guidance

for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas brings together representatives of over 500 governments, international organisations, companies, industry associations, civil society and experts to promote effective and coordinated responses to implement the OECD Minerals Guidance and constructively address supply chain challenges. As a result, the Forum has helped foster new collaborations to advance responsible mineral sourcing, for example on issues such as integrating the informal mining sector into the formal minerals supply chain (as noted above) and proactively preventing and mitigating complex human rights risks, such as child labour in the mineral supply chain. In addition, the Forum has, over the years, seen increasingly broad and positive engagement from key markets, like China and India.

OECD sector projects on implementation of RBC in global supply chains have demonstrated that industry and multi-stakeholder collaboration is often one of the best ways to address complex and systemic challenges that lead to human rights, labour, environmental and other adverse impacts covered by the OECD Guidelines.

The multi-stakeholder approach is an integral part of OECD's sector work on RBC. For example, the development of the different sector guidance have all benefited from multi-stakeholder input to build consensus on how to best address the RBC challenges in specific global supply chains. This involvement of a broad range of stakeholders is critical to ensure buy-in and forge a shared vision, which in turn enables constructive problem-solving over the long-term and avoids misalignment of expectations among different stakeholder groups.

4. National Contact Points

“We also commit to strengthening mechanisms for providing access to remedies including the National Contact Points (NCPs) for the OECD Guidelines for Multinational Enterprises. In order to do so, the G7 will encourage the OECD to promote peer reviews and peer learning on the functioning and performance of NCPs. We will ensure that our own NCPs are effective and lead by example.” - Leaders’ Declaration G7 Summit, Schloss Elmau, 7-8 June 2015

The Guidelines are part of the Declaration on International Investment and Multinational Enterprises, adopted in 1976. They are a leading international instrument for responsible business conduct (RBC), covering all areas of business responsibility, including human rights, labour and employment relations, environment, anti-bribery etc. As of today, 46 countries have adhered to the Declaration, and have thus committed to promote the effective implementation of the Guidelines.² They provide an inter-governmental platform for ensuring that responsible business conduct (RBC) is a core aspect of business operations for multinational enterprises operating in or from adhering countries. The Guidelines promote the positive contribution enterprises can make to sustainable and inclusive growth, a key element for meeting the Sustainable Development Goals, including poverty reduction and environmental sustainability.

All governments adhering to the Declaration on International Investment and Multinational Enterprises are required to set up a National Contact Point (NCP) to further the effectiveness of the Guidelines. Key functions of the NCPs are to promote the Guidelines and to contribute to the resolution of issues relating to the implementation of the Guidelines in specific instances, or, in other words, to act as grievance mechanisms for cases of alleged non-observance of the Guidelines by an enterprise. It is particularly the NCP system, and the “specific instance facility” that distinguishes the Guidelines from other international RBC instruments.

² Adherents are the 34 OECD Member countries and 12 non-OECD Members (Argentina, Brazil, Colombia, Costa Rica, Egypt, Jordan, Latvia, Lithuania, Morocco, Peru, Romania and Tunisia).

Since 2000, NCPs have addressed numerous issues covered by the OECD Guidelines, and also other international instruments to which the Guidelines refer, including the UN Guiding Principles on Business and Human Rights, core conventions of the International Labour Organisation, and key international environmental agreements. Between 2000 and 2015, more than 360 specific instances have been submitted by NGOs, trade unions, individuals and others, relating to impacts from operations by multinationals and their business relations in 100 countries. Specific instances have covered all chapters of the Guidelines, with the majority focusing on the employment and industrial relations, general policies, human rights (since 2011) and environment chapters. Around 33% of specific instances arose from operations in the manufacturing sector; 17% in the mining and quarrying sector, and 12% in the financial sector. In 2015, the OECD undertook an analysis taking stock of 15 years of NCP activity looking at key achievements and needs for improvement. The analysis showed the unique role of NCPs in providing access to remedy to stakeholders wishing to raise issues related to operations of companies operating in or from adherent countries.

- Since 2000, NCPs have addressed numerous issues addressed by the OECD Guidelines, and indirectly, also other international instruments to which the Guidelines refer or embedded in the latter, including the UN guiding principles on business and human rights, core conventions of the International Labour Organisation, and key international environmental agreements.
- Between 2000 and 2015, more than 360 specific instances have been filed with NCPs, relating to impacts occurring in over 100 countries and territories. Specific instances have covered all chapters of the Guidelines with the majority focusing on the employment and industrial relations, general policies, human rights (since 2011) and environment chapters.
- The report also showed the key role that *some NCPs play in the development of broader responsible business conduct policy*: including the development of National Action Plans (NAPs) on Responsible Business Conduct and National Action Plans on Business and Human Rights.
- Viewed as a whole, the NCPs have taken important steps in promoting the Guidelines as a useful tool for businesses, governments, unions, NGOs and other interested parties.
- The report showed that *lack of financial resources remains a key challenge for a number of NCPs*: Few NCPs have staff solely devoted to the responsibilities of the NCP and some do not have any dedicated staff. In most NCPs, members of staff are also responsible for other portfolios. It also showed that *there is room for greater involvement of NCPs in developing and promoting sector projects to enable responsible supply chains*

The OECD has been active in providing support to NCPs, disseminating good practice and addressing gaps and shortcomings. End 2015, it adopted an Action Plan to Strengthen National Contact Points in response to the call from G7 leaders and OECD Ministers. The Action Plan sets out concrete ways to assist countries in setting-up strong and well-functioning National Contact Points. The Action Plan presents three different tracks of activities over the period January 2016 – December 2018.

Track one: Peer reviews and Capacity Building: A peer review allows an NCP to identify its strengths as well as areas for improvement. The peer review is conducted by representatives of 2 to 4 different NCPs who assess the NCP under review and provide recommendations. A methodology and a template for NCP peer reviews were agreed by the Working Party on Responsible Business Conduct in 2015.

The peer review of the Belgian NCP was conducted in 2015, and at least 12 additional peer reviews will be carried out in 2016-18. By end 2018, the NCPs of all G7 members will have been per

reviewed.³ As of January 2016, nine NCPs committed to a timing slot over the 2016-18 period for their peer review and three NCPs (Brazil, France and the United States) committed to a peer review but have not yet confirmed the timing. Among the G7 countries, Italy is the first one that will be reviewed in this period. The peer reviews for the period 2016-2018 are scheduled as follows:

2016		2017		2018	
Jan – June	July – Dec	Jan – June	July – Dec	Jan – June	July – Dec
	Italy	Chile	Argentina	Austria	Australia
	Switzerland	Germany	Canada		United Kingdom

For the remaining NCPs, a capacity building exercise was proposed. Capacity building activities are intended to assist NCPs in meeting the core criteria and improving their internal processes before being reviewed by peers. The framework for capacity building exercises will be developed by the Secretariat in 2016.

Track two: Building coherence: The Action Plan notes that coherence between NCPs can be built through peer learning sessions for sharing experience between NCPs and providing an opportunity for NCPs to learn from experts. Peer learning sessions can take place at the NCP meetings at the OECD as well as at regional events organised locally by NCPs. In addition, NCPs will receive training on the sector projects under the proactive agenda (which include due diligence guidances in various sectors as highlighted above).

Track three: Building and improving tools: The OECD database of specific instances provides a record of all cases that have been reported by NCPs to date. This database aims to assist NCPs in handling specific instances by referring to similar cases handled by other NCPs. Other potential tools for NCPs in the action plan include a set of power-point templates, a manual for officials that are new to the NCP role, a compendium of good practice, quarterly newsletters and a series of webinars.

Preliminary results of this enhanced support by the OECD through the implementation of the Action Plan include:

- Changes to NCP structures to strengthen their capacity and meet increasing demands for transparency; upgrades of NCP websites to increase the NCP visibility and to better promote and implement the Guidelines (e.g., through better websites and dissemination materials);
- commitments by some adherent governments to revitalise their NCP and endow it with additional resources;
- commitments to improve internal procedures to handle specific instances following recommendations in peer reviews.

³ The peer review of the Japanese NCP was conducted in 2012.

Annex: Leaders' Declaration G7 Summit, 7-8 June 2015

Extract: Responsible Supply Chains

*Unsafe and poor working conditions lead to significant social and economic losses and are linked to environmental damage. Given our prominent share in the globalization process, G7 countries have an important role to play in promoting labour rights, decent working conditions and environmental protection in global supply chains. **We will strive for better application of internationally recognized labour, social and environmental standards, principles and commitments (in particular UN, OECD, ILO and applicable environmental agreements) in global supply chains. We will engage with other countries, for example within the G20, to that end.***

We strongly support the UN Guiding Principles on Business and Human Rights and welcome the efforts to set up substantive National Action Plans. In line with the UN Guiding Principles, we urge private sector implementation of human rights due diligence. We will take action to promote better working conditions by increasing transparency, promoting identification and prevention of risks and strengthening complaint mechanisms. We recognize the joint responsibility of governments and business to foster sustainable supply chains and encourage best practices.

To enhance supply chain transparency and accountability, we encourage enterprises active or headquartered in our countries to implement due diligence procedures regarding their supply chains, e.g. voluntary due diligence plans or guides. We welcome international efforts, including private sector input, to promulgate industry-wide due diligence standards in the textile and ready-made garment sector. To promote safe and sustainable supply chains, we will increase our support to help SMEs develop a common understanding of due diligence and responsible supply chain management.

*We welcome initiatives to promote the establishment of appropriate, impartial tools to help consumers and public procurers in our countries compare information on the validity and credibility of social and environmental product labels. One example is the use of relevant apps, which are already available in some countries. Moreover, **we will strengthen multi-stakeholder initiatives in our countries and in partner countries, including in the textile and ready-made garment sector, building upon good practices learned from the Rana Plaza aftermath. We will continue supporting relevant global initiatives.** Furthermore, we will better coordinate our bilateral development cooperation and support partner countries in taking advantage of responsible global supply chains to foster their sustainable economic development.*

We support a "Vision Zero Fund" to be established in cooperation with the International Labour Organization (ILO). The Fund will also add value to existing ILO projects with its aim of preventing and reducing workplace-related deaths and serious injuries by strengthening public frameworks and establishing sustainable business practices. Access to the Fund will be conditional: the Fund will support those recipients that commit themselves to prevention measures and the implementation of labour, social, environmental and safety standards. We agree to follow up on the matter and look forward to the Fund reaching out to the G20.

We also commit to strengthening mechanisms for providing access to remedies including the National Contact Points (NCPs) for the OECD Guidelines for Multinational Enterprises. In order to do so, the G7 will encourage the OECD to promote peer reviews and peer learning on the functioning and performance of NCPs. We will ensure that our own NCPs are effective and lead by example.

We welcome the closing of the funding gap in the Rana Plaza Donor Trust Fund for compensating the victims of the tragic accident in 2013.