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DRAFT ANNOTATED AGENDA

Roundtable on Corporate Responsibility

"Supply Chains and The OECD Guidelines for Multinational Enterprises"

19 June 2002, 11h00-17h30
New Building, Room 2
OECD Headquarters, 2 rue André-Pascal

Chapter II of the Guidelines states that "enterprises should… encourage where practicable, business partners, including suppliers and sub-contractors, to apply principles of corporate conduct compatible with the Guidelines". (See Annex for commentary on this recommendation made by the OECD Committee on International Investment and Multinational Enterprises.)

Participants are invited to consider the concrete steps that companies can take to implement this recommendation.

11h00 Welcome address – Deputy Secretary-General Hecklinger

11h20 Session I. Business Conduct in the Supply Chain

This session looks at how various actors view corporate responsibility within the supply chain and at the allocation of responsibility between companies and governments.

- *Issues by sector of activity*. Sectors include manufacturing, primary production and services and each sub-sector faces distinctive business situations. For example, within retail distribution services, there are mass retailers with thousands of products, but also more focused companies distributing narrower (sometimes brand-based) product lines. Do the Guidelines provide a reasonable basis for promoting appropriate business conduct *vis-à-vis* the supply chain across the entire range of sectors for which it is an issue?

- *Responsibility by type of business relationship within the supply chain.* Types of business relations include arms length contracting and stable partnerships involving varying degrees of co-ordination of business decisions. Furthermore, in some cases, supply chains are deep – that is, they contain many layers. Is it reasonable to expect companies to observe the Guidelines recommendation when their supply relations occur through arms length relations? Is it appropriate to apply the Guidelines – which is part of the OECD Declaration on International Investment – to business transactions that involve only international trade?

- *Corporate responsibility versus government responsibility*. What are the appropriate roles for companies and for governments? Are companies being asked to assume responsibilities that rightfully belong to governments in some areas of supply chain management? What can reasonably be expected of companies that have production sites in regions with ineffective regulatory and legal frameworks?

12h30 Session II. Management and Control Issues for Multinational Enterprises

This session explores the range of tools that companies may use to influence economic, social and environmental impacts of their supply chain management decisions. It also considers the distinctive strengths and weaknesses of the various tools, the direct costs of using them and the allocation of costs among actors in the supply chain (suppliers, multinational enterprises and customers). It also notes that this an area where there has been significant progress in accumulating managerial expertise and in developing standards and that there is, potentially, a role of the OECD Guidelines in encouraging these developments.

- *Management and control systems*. Examples of management tools include monitoring of production sites by company employees, inventory control and capacity management, information systems for tracing products through the supply chain, whistle-blowing facilities, design of supplier contracts, threats of punitive action, programmes for corrective action and supplier training.

- *External audits.* Strengths and weaknesses of external audits as a control tool. Costs of external audits. Experiences with audit standards.

- *Reporting and disclosure.* Experiences with reporting standards. Outlook for further development of standards. Issues of transparency and business confidentiality.

15h00 Session III. Impact of corporate responsibility initiatives for the supply chain

This session examines the impact of responsible supply chain management for the people and companies involved in or influenced by supply chain operations. It seeks to shed light on the broader benefits (and possibly costs) for the countries where suppliers are based, especially developing countries. It also aims to provide insights on the potential contributions of the Guidelines in enhancing benefits and reducing costs.

- *People*. Do these initiatives result in better working conditions, improved environmental performance, and higher quality products?

- *Companies*. Do these programmes enhance or diminish productivity and efficiency within the supply chain? Do they help companies protect their reputation, image and brands? Do these initiatives provide benefits to supplier companies (e.g. in terms of better conformity with global management practices and smoother fit with world markets)?

- *Developing countries*. Are these initiatives a hidden form of protectionism? For countries with institutions (law, regulation, protection of rights, etc) that enhance the effectiveness of these programmes, are they a source of competitive advantage? Is the creation of export processing zones a helpful or harmful policy in this respect? Do these programmes help to strengthen the regulatory capacity of developing countries by enhancing management expertise (e.g. ability to comply with domestic law and regulation)?

16h30 Session IV. Next Steps – Enhancing the Implementation of the OECD Guidelines

Is further consideration of this issue by Guidelines institutions warranted? This might address institutional features of the Guidelines that influence their relevance for supply chain issues (for example, is implementation a problem in non-adhering countries?). Alternatively, it could look at specific corporate responsibility issues (for example, environmental management and the supply chain) or particular tools (for example, external auditing and auditing standards).

17h15 Summing up

Annex

Guidelines Recommendation on Supply Chain Management and Associated Commentary

Chapter II of the Guidelines states that "enterprises should… encourage where practicable, business partners, including suppliers and sub-contractors, to apply principles of corporate conduct compatible with the Guidelines".

From Commentary on Chapter II (General Policies) of the Guidelines

1. Encouraging, where practicable, compatible principles of corporate responsibility among business partners serves to combine a re-affirmation of the standards and principles embodied in the *Guidelines* with an acknowledgement of their importance to suppliers, contractors, subcontractors, licensees and other entities with which MNEs enjoy a working relationship. It is recognised that there are practical limitations to the ability of enterprises to influence the conduct of their business partners. The extent of these limitations depends on sectoral, enterprise and product characteristics such as the number of suppliers or other business partners, the structure and complexity of the supply chain and the market position of the enterprise *vis-à-vis* its suppliers or other business partners. The influence enterprises may have on their suppliers or business partners is normally restricted to the category of products or services they are sourcing, rather than to the full range of activities of suppliers or business partners. Thus, the scope for influencing business partners and the supply chain is greater in some instances than in others. Established or direct business relationships are the major object of this recommendation rather than all individual or *ad hoc* contracts or transactions that are based solely on open market operations or client relationships. In cases where direct influence of business partners is not possible, the objective could be met by means of dissemination of general policy statements of the enterprise or membership in business federations that encourage business partners to apply principles of corporate conduct compatible with the Guidelines.