



TRENDS IN RESPONSIBLE BUSINESS CONDUCT

HEARING EUROPEAN PARLIAMENT

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CONDUCT



OECD Grievance Mechanism on Responsible Business Conduct





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THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES



OECD Guidelines for Multinational Enterprises

- Multilateral Agreement on Corporate Responsibility
- Binding legal obligation to set up National Contact Point
- Globally active complaints mechanism
- Recommendations to Multinational Enterprises operating in or from adhering countries (not legally binding)
- ‘Firm expectation’ of company behaviour (morally binding)
- Beyond “CSR” / Corporate Social Responsibility





Responsible Business is good business

- Cost and risk reduction
- Reputation and brand image
- Retention and motivation of workforce: improving productivity and reducing labour disputes
- Stakeholder engagement
- Reduction of interruptions
- Cost savings via energy efficiency





Empirical evidence that RBC practices lead to better financial performance is growing



See, [OECD Business and Finance Outlook 2017](#), section 2.9:

- An OECD panel regression study with over 6 500 observations [...] “overwhelming finding is: social score (a measure of company's capacity to generate trust and loyalty with workforce, customers and society) has a highly-significant positive effect on companies’ return on equity and return on assets.”
- 2016 study covering 8 500 French enterprises noted a 13% difference in economic performance between enterprises that implemented RBC and those that did not*
- A Harvard Business School study tracking performance of companies, found that “high sustainability” companies outperformed “low sustainability” companies (measured by stock performance) **

* Benhamou and Diaye, 2016

** Eccles, 2015



Areas covered by the Guidelines

Disclosure

Human Rights

Employment and Industrial Relations

Environment

Bribery, bribe solicitations, extortion

Consumer interests

Science and technology

Competition

Taxation



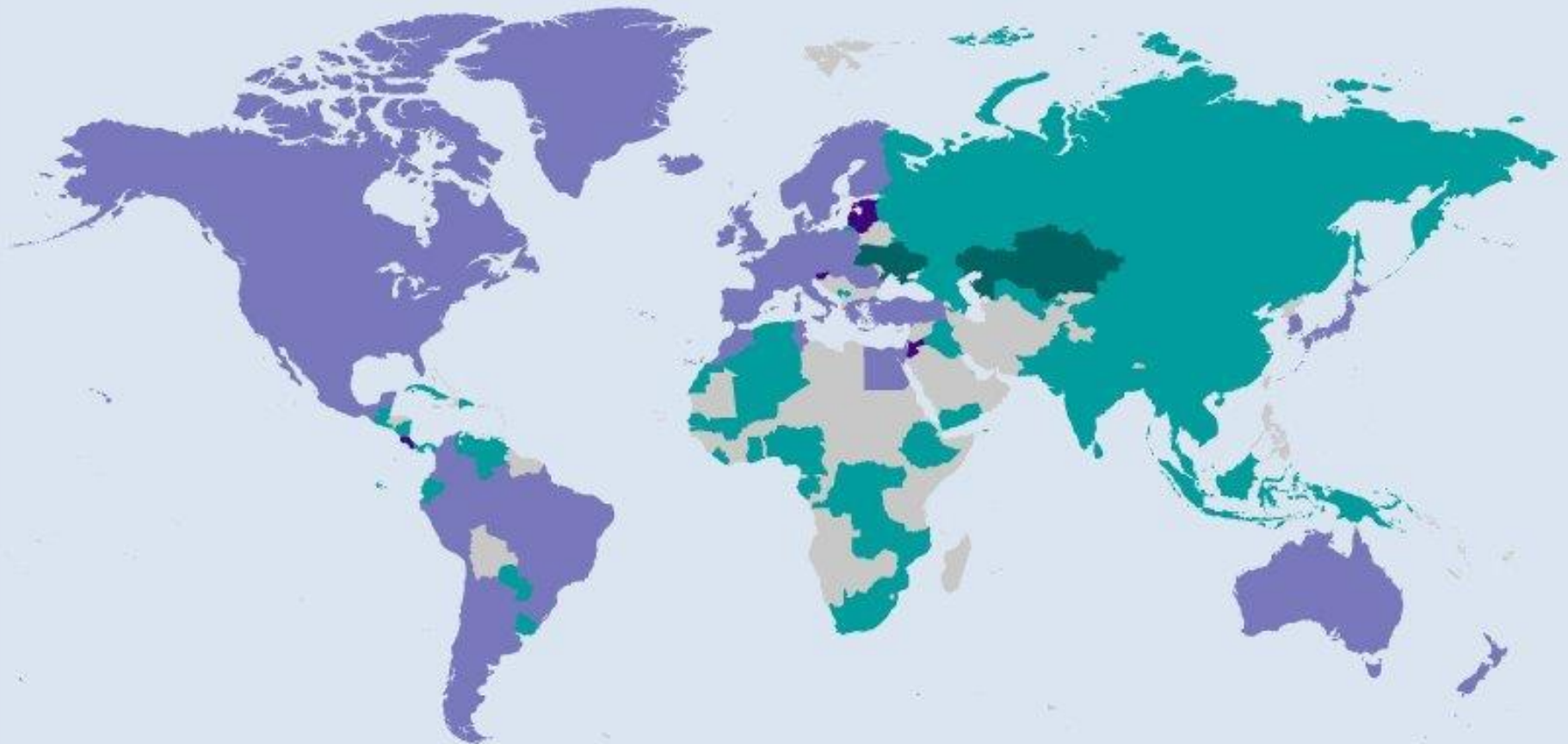


NATIONAL CONTACT POINTS FOR RESPONSIBLE BUSINESS



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



SPECIFIC INSTANCE PROCESS

PHASE 1

3 months*

INITIAL ASSESSMENT

Analyse if the issues raised merit further examination.

YES

To Phase 2

NO

PHASE 2

6-12 months*

GOOD OFFICES

- Consult with the parties.
- Where relevant, seek advice from relevant stakeholders and consult NCPs in other countries concerned.
- Where relevant, offer and facilitate access to consensual and non-adversarial mechanisms (such as conciliation or mediation) to help resolve the issues.

To Phase 3

PHASE 3

3 months*

CONCLUSION

Issue statement or report if:

- Agreement is reached. [Report]
- Party is unwilling to participate in the procedures. [Statement]
- No agreement is reached. [Statement]
- Specific instance does not merit further examination. [Statement]

RECOMMENDATIONS!

*Indicative timeframe







High Level Political Commitments

G7 Heads of State 2015:

“We 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.”



High Level Political Commitments (3)

- OECD Ministerial (MCM 2017)

“We commit to having fully functioning and adequately resourced [National Contact Points](#), and to undertake a peer learning, capacity building exercise or a peer review by 2021, with the aim of having all countries peer reviewed by 2023.”



Impacts NCP System 2011 - 2016

- Approx. 50% accepted cases led to agreement between parties
- Approx. 37% accepted cases: policy changes company
- Impacts such as
 - Ending child labor
 - Health & safety improved
 - Compensation Indigenous People
 - No oil exploration in World Heritage Site
 - Improved dialogue with trade unions
 - Better Human Rights Due Diligence, etc.



NCPs: Emerging Trend: Teeth

Government Consequences

- ECA, Economic Diplomacy
- Canada Model – China Gold Case



Responsible Investors

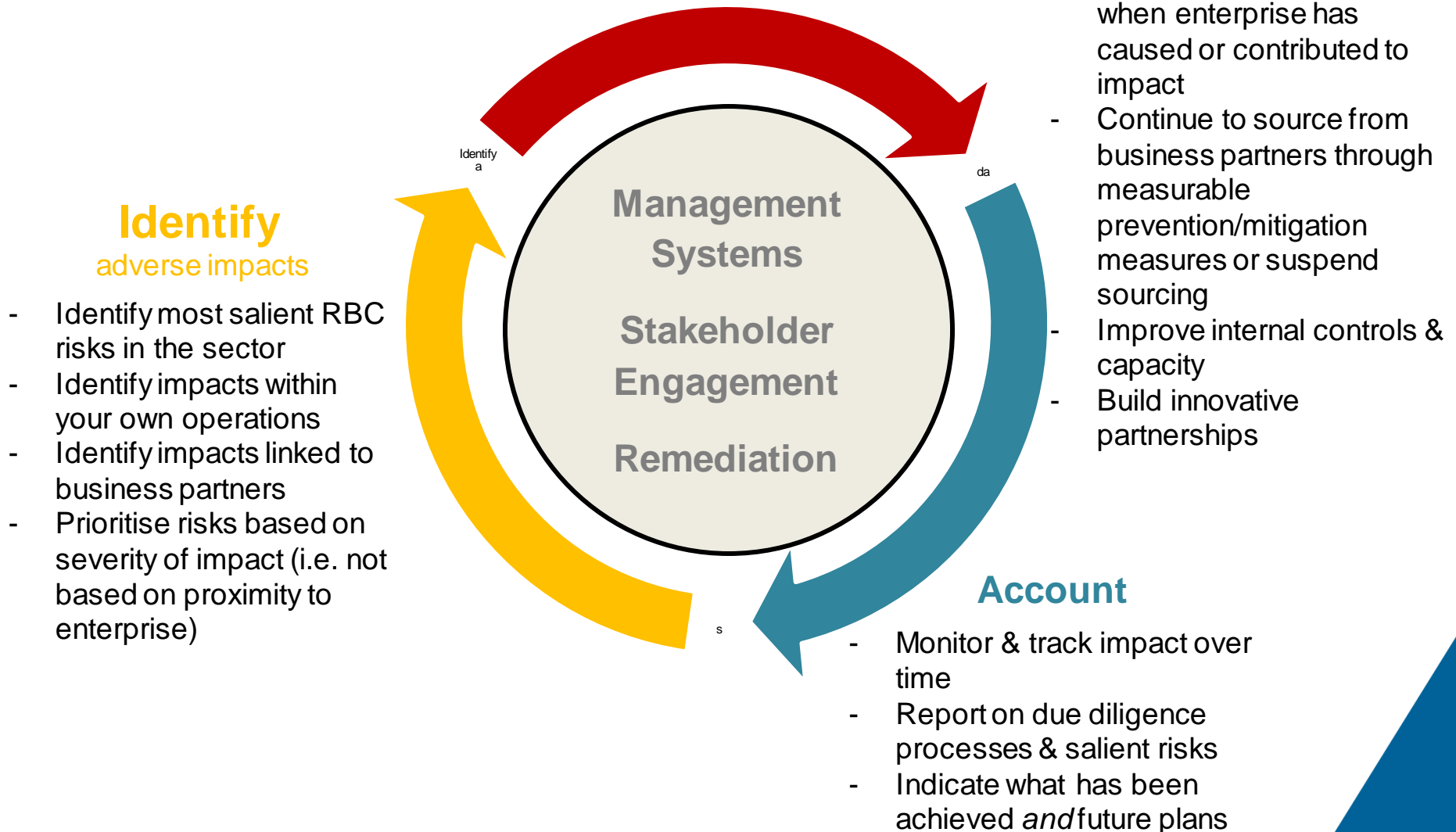
- Vedanta, Soco, Daewoo, Mylan
- AFL CIO Shareholder Resolution
- Workers Capital





Core due diligence components

Prevent & Mitigate adverse impacts





Due Diligence and Supply Chain Responsibility

- ✓ High benchmark, but also protection against unreasonable expectations!
- ✓ Not 'one layer deep'
- ✓ No 'zero tolerance' requirement
- ✓ Nature & extent of DD: size, context, severity impact
- ✓ Prioritising is acceptable
- ✓ Leverage
- ✓ Responses: disengagement at last resort
- ✓ No shift of responsibility!



OECD Sector Guidance on Due Diligence

Highlights

- 5 practical **sector-specific guidance** on risk-based due diligence
- Development of a **general due diligence guidance** relevant to all sectors in progress

Implementation



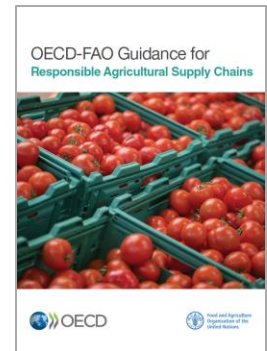
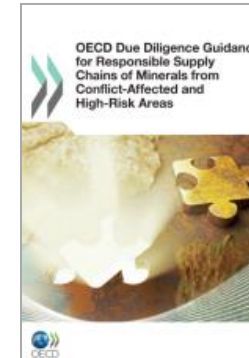
Drive policy alignment with OECD Guidance



Boost industry **capacity** to meet due diligence standards



Research to drive better practices





OECD - Due Diligence and Legal Developments

- ✓ France: Due Diligence Law
- ✓ Germany NAP: <50% companies with > 500 employees have human rights due diligence by 2020? -> examination legislative measures
- ✓ California: Transparency in the Supply Chain Act
- ✓ United Kingdom: Modern Slavery Act
- ✓ Netherlands: Due Diligence Law Child Labor
- ✓ Netherlands: Sectoral Due Diligence Agreements
- ✓ EU Non Financial Disclosure Directive
- ✓ EU Conflictminerals Legislation based on OECD GL



Further information

<http://mneguidelines.oecd.org>

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