



Global Forum on International Investment

PROMOTING RESPONSIBLE BUSINESS CONDUCT

International standards, due diligence and grievance mechanisms

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Global value chains have become a dominant feature of world trade and investment, encompassing developing, emerging, and developed economies. The process of producing goods is increasingly fragmented and carried out wherever the necessary skills and materials are available at a competitive cost and quality. This has led to societal benefits, but also to challenges in balancing economic growth and social and environmental sustainability. In many countries, policy and legal frameworks to ensure social and environmental protection have not kept pace with the expansion and complexity of cross-border supply chains and have not been able to adequately address the adverse impacts these have generated.

A few compelling figures show the urgent need to address this imbalance. The ILO estimates that almost 21 million people are victims of forced labour; other estimates present almost double that number.¹ An estimated 168 million children are trapped in child labour, accounting for 11% of overall child population, with more than half working in hazardous conditions.² While these numbers cannot solely be attributed to the rise of supply chains, their complexity – and the resulting lack of visibility - in many cases lead to illegal subcontracting and an increase in almost all human rights and labour risks, including child labour, forced labour, harassment and violence, and unsafe working conditions.³

Addressing the challenges associated with global supply chains is a primary duty of governments; they should provide an enabling framework to allow countries to fully benefit from greater integration, while at the same time ensure respect for stakeholder rights and public good. However, achieving meaningful outcomes to meet this responsibility also requires that governments address governance gaps with regard to global business operations that allow human and environmental tragedies to occur and create an uneven playing field between responsible and irresponsible businesses.

¹ ILO (2016), Forced labour, modern slavery and human trafficking website; <http://www.ilo.org/global/topics/forced-labour/lang-en/index.htm>; Walk Free Foundation (2014) Tackling modern slavery in supply chains; <http://business.walkfreefoundation.org/>

² ILO (2015), World Report on Child Labour 2015: Paving the way to decent work for young people, http://www.ilo.org/ipec/Informationresources/WCMS_358969/lang-en/index.htm; Global Slavery Index (2016), Global Slavery Index Global Findings, <http://www.globalslaveryindex.org/findings/>

³ Walk Free Foundation (2016) Harnessing the power of business to end modern slavery <http://walkfreefoundation.org-assets.s3-ap-southeast-2.amazonaws.com/content/uploads/2016/12/01213809/Harnessing-the-power-of-business-to-end-modern-slavery-20161130.pdf>; Ethical Corporation (2014) Modern slavery and the role of business www.ethicalcorp.com/supply-chains/modern-slavery-and-role-business.

A global standard on Responsible Business Conduct

The OECD Guidelines for Multinational Enterprises (OECD Guidelines) are a set of recommendations on responsible business conduct addressed by governments to business operating in or from adhering countries. They are supported by the representatives of business, worker organisations and non-governmental organisations. The OECD Guidelines are a part of the 1976 *OECD Declaration on International Investment and Multinational Enterprises*, a policy commitment by adhering governments to provide an open and transparent environment for international investment and to encourage the positive contribution business can make to economic and social progress. The OECD Guidelines clarify adhering government expectations on responsible business conduct and aid business to ensure their operations are in harmony with government policies.

Promoting access to grievance mechanisms

The active way in which the OECD Guidelines are implemented distinguishes them from other international corporate responsibility instruments. 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.

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.

Promoting responsible global supply chains through due diligence

Today, there is a growing recognition that to achieve sustainable and inclusive growth, there is a need for responsible business practices through the entire supply chain. The OECD Guidelines embed the expectation that enterprises carry out due diligence to avoid causing or contributing to adverse impacts through their own activities and address such impacts when they occur. Enterprises are also expected to seek to prevent or mitigate adverse impacts directly linked to their operations, products or services by a business relationship.

The OECD is the leading international organisation in the development of supply chain due diligence guidance for companies. The OECD convenes governments, business, civil society and trade unions to set common expectations across stakeholders on due diligence in specific sectors. The OECD then promotes the implementation of such guidance through multi-stakeholder implementation platforms. Through these platforms, the OECD:

- Promotes the alignment of domestic standards on responsible business conduct with negotiated OECD standards in an effort to create a level playing field across countries.
- Seeks to boost industry capacity to implement OECD Guidance, including due diligence guidance by facilitating peer learning through technical workshops, roundtables and pilot-projects.
- Carries-out research to narrow knowledge gaps and promote effective approaches to due diligence.

OECD Due Diligence Guidance

OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector

OECD-FAO Guidance for Responsible Agricultural Supply Chains

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

Promoting a level-playing field for investment

Promoting uniformity and clarity around obligations and expectations for businesses operating globally is important for establishing a level playing field and easing burdens for business when it comes to promoting sustainable supply chains. Promoting dialogue and engagement on RBC with countries that do not adhere to the OECD 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.

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OECD Global Forum on International Investment

Paris, 6 March 2017 - The 2017 Global Forum will contribute to the broader policy debate about how to address the backlash against globalisation from an international investment perspective. Debates will address options for reforming the international investment policy regime across three dimensions: openness, responsibility and inclusiveness.

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