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Due Diligence for Responsible Business Conduct

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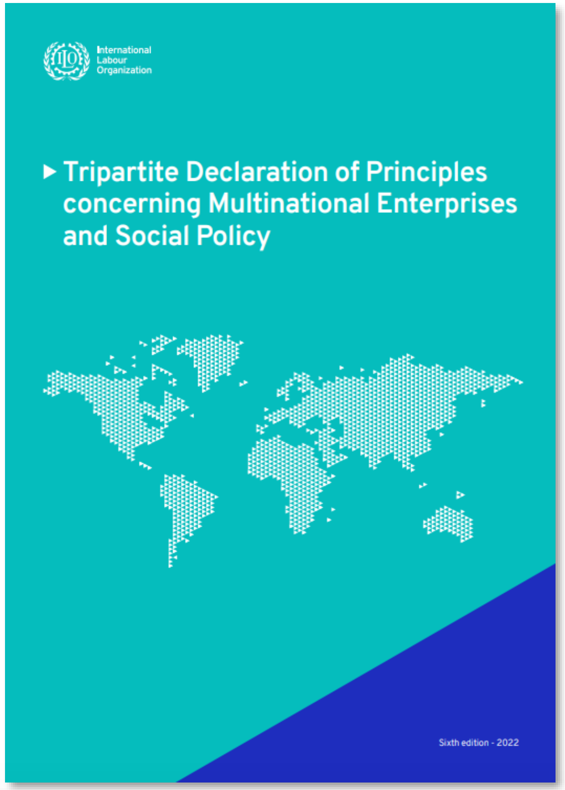
HR PSOR

Outline

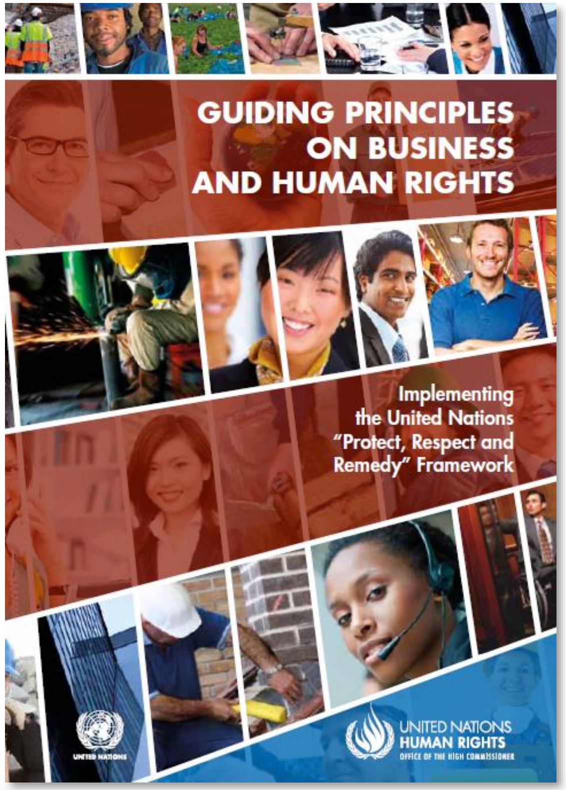
- International standards on responsible business conduct
- Risk-based due diligence
- Practical resources available to support implementation of responsible business conduct

International standards on RBC

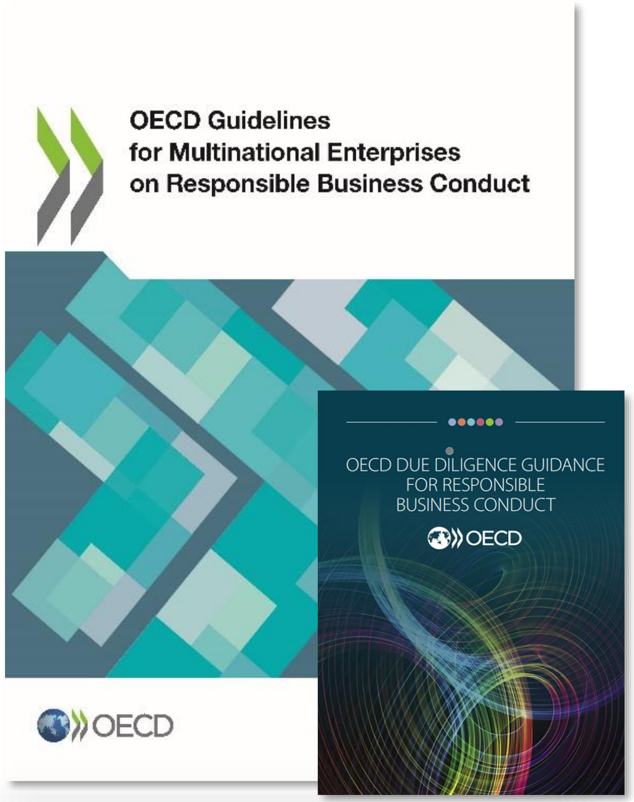
Key international instruments on RBC



ILO MNE Declaration



UN Guiding Principles on Business and Human Rights

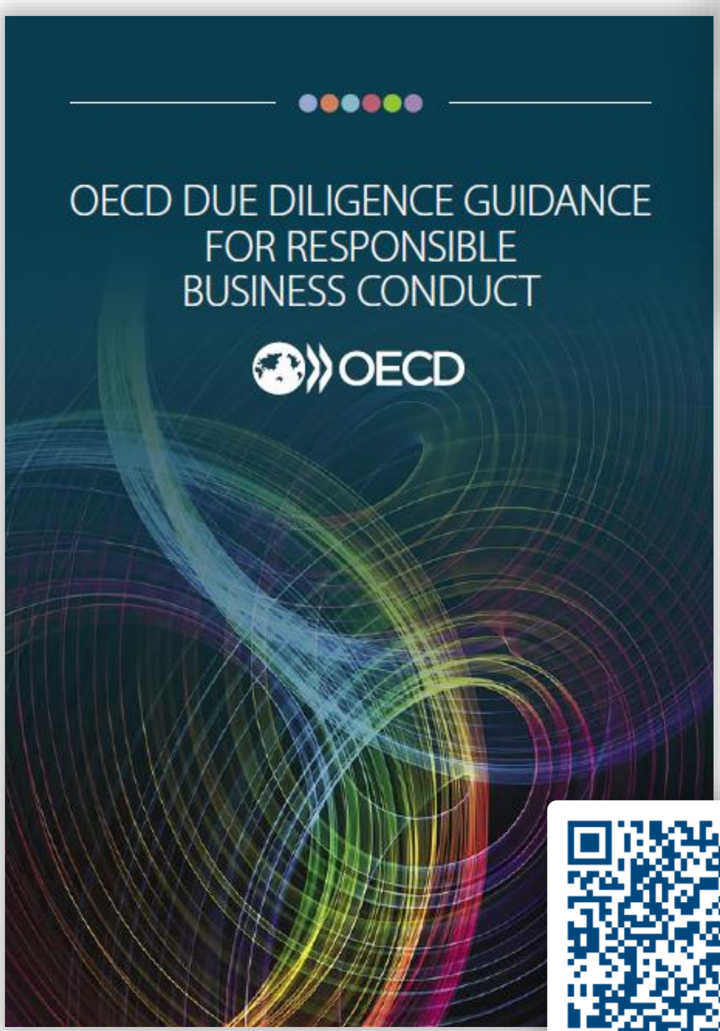


OECD MNE Guidelines on RBC

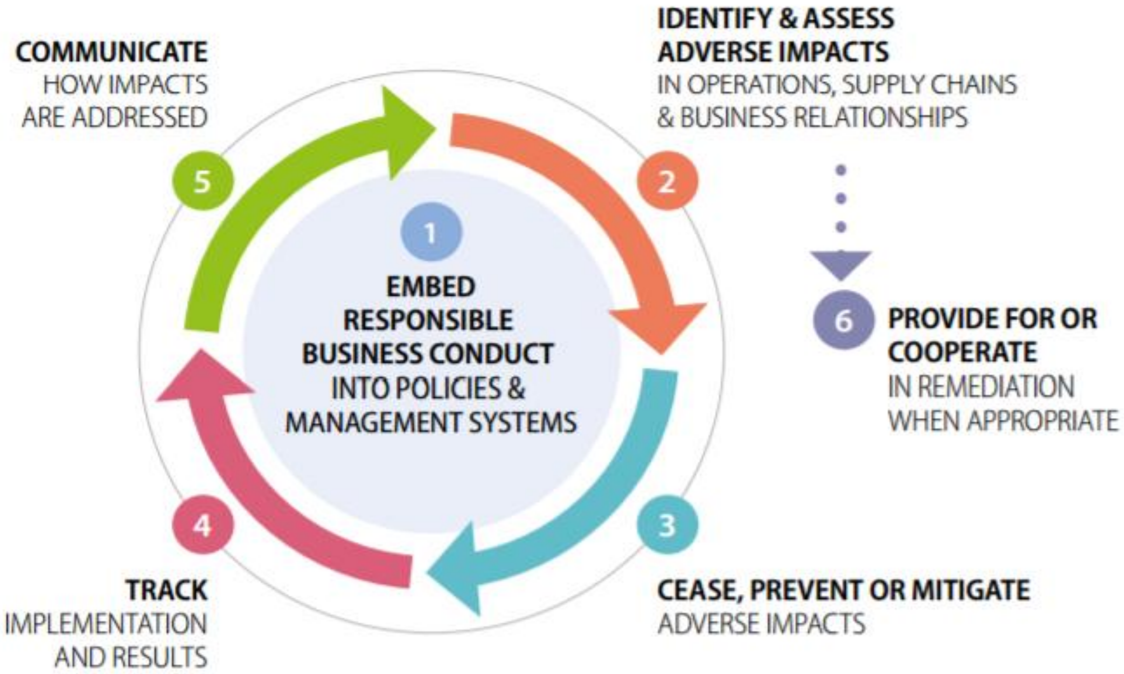
OECD Guidelines for Multinational Enterprises on Responsible Business Conduct

- Most comprehensive international standard on responsible business conduct (RBC)
- Recommendations from governments to businesses
- 52 Adherent countries
- Government commitment: promotion & grievance mechanism (National Contact Points for RBC)
- Incorporate expectation of risk-based due diligence

OECD Due Diligence Guidance for Responsible Business Conduct



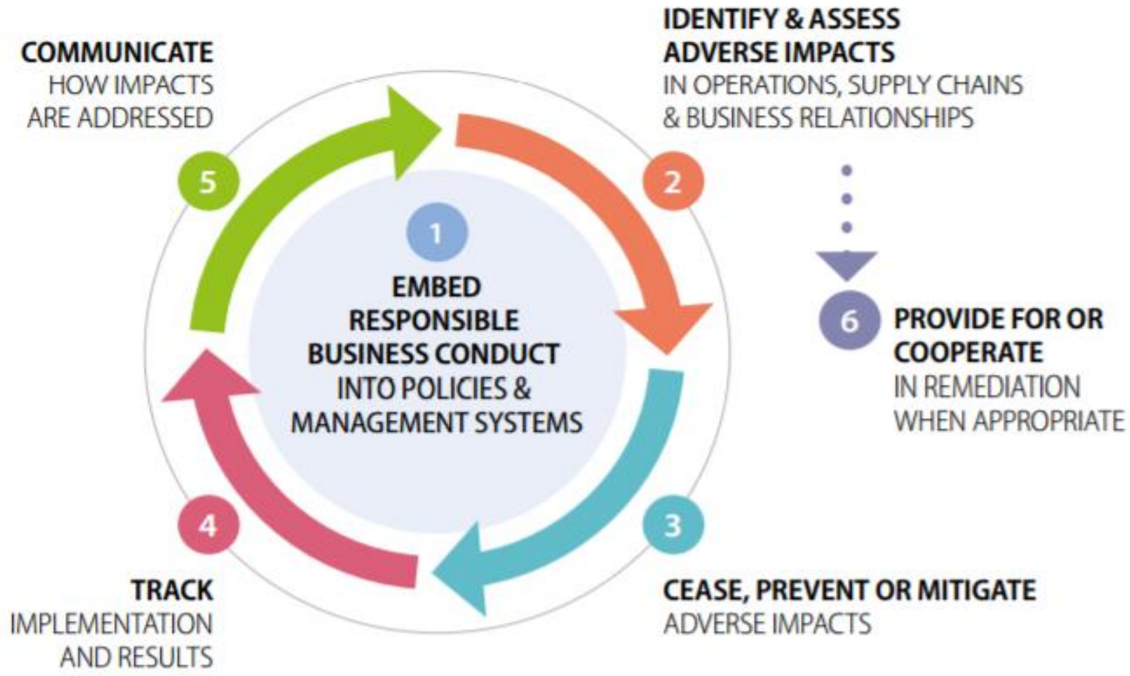
- Explains in plain language what due diligence means and how it should be undertaken
- Contains good practice examples and practical actions to help businesses
- Developed through a multi-stakeholder process



Risk-based due diligence

Essentials of Due Diligence for Responsible Business Conduct

- Preventative
- Involves multiple internal processes
- Ongoing, dynamic & responsive
- Risk-based
- Engages stakeholders
- Tailored to size & circumstances of the company
- Adapted to different business relationships
- Involves ongoing communication



Core concepts of the risk-based approach to due diligence

Prioritisation

Allows companies to **prioritise their most significant risks and impacts** – most severe and likely

Prioritise across due diligence steps:

- When **mapping** operations to identify risks
- When conducting in-depth **risk assessments**
- When **responding** to impacts

Appropriate measures

Due diligence is **proportionate and appropriate, according to the context**

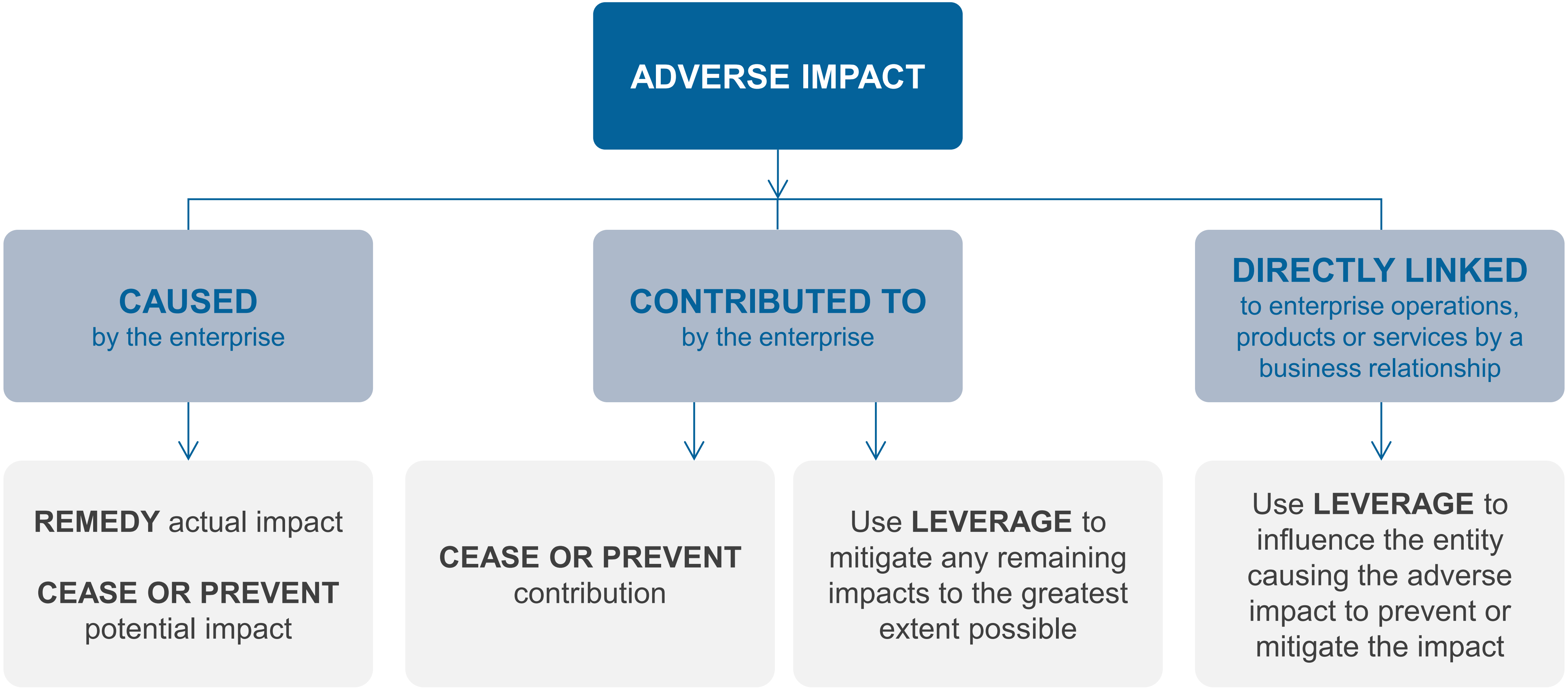
For example:

- Commensurate to on the degree of **severity and likelihood** of the impact
- Taking into account the **circumstances**, including the company's size, sector, supply chain

The "involvement framework"

What is appropriate as a response to identified impacts – **will depend on the company's involvement with the impact**

Involvement framework



RBC Due diligence guidance – Step 1

1

EMBED RBC INTO POLICIES & MANAGEMENT SYSTEMS

1.1: Devise, adopt and disseminate a combination of policies on RBC issues that articulate the enterprise's commitments to the principles and standards contained in the OECD Guidelines for MNEs and its plans for implementing due diligence

1.2: Seek to embed the enterprise's policies on RBC issues into the enterprise's oversight bodies. Embed the enterprise's policies on RBC issues into management systems so that they are implemented as part of the regular business processes.

1.3: Incorporate RBC expectations and policies into engagement with suppliers and other business relationships.

RBC Due diligence guidance – Step 1 – Practical Actions

1.1 Devise, adopt and disseminate policies on RBC issues

1

EMBED RBC INTO POLICIES & MANAGEMENT SYSTEMS

- Review existing policies on key RBC issues and update to align with international standards (e.g., human rights, labour, anti-corruption, environmental impacts, etc.)
- Develop specific policies on the most significant risks. Consider making due diligence commitments part of these policies.
- Make the policies on RBC issues publicly available and communicate them to staff.

RBC Due diligence guidance – Step 1 – Practical Actions

1.2 Embed the enterprise's policies on RBC issues into management systems

1

EMBED RBC INTO POLICIES & MANAGEMENT SYSTEMS

- Assign senior level responsibility for RBC. Establish an internal reporting structure and channels of communication. Keep records.
- Make available adequate financial resources for due diligence processes. Encourage alignment across teams and train company's employees and business partners on due diligence.
- Develop, draw from or adapt existing complaint procedures for workers to raise issues or complaints related to RBC issues

RBC Due diligence guidance – Step 1 – Practical Actions

1.3 Incorporate RBC expectations and policies into engagement with suppliers and other business relationships

1

EMBED RBC INTO POLICIES & MANAGEMENT SYSTEMS

- Communicate key aspects of the RBC policies to business relationships. Support business relationships for them to understand and apply RBC.
- Include conditions and expectations on RBC issues in contracts and other forms of written agreements. Develop pre-qualification processes.
- Seek to understand and address barriers related to doing business that may impede supply chain due diligence, e.g., purchasing practices and commercial incentives.

RBC Due diligence guidance – Step 2

2

IDENTIFY & ASSESS ADVERSE IMPACTS

2.1: Carry out a broad scoping exercise to identify all areas of the business, across its operations and relationships, including in its supply chains, where RBC risks are most likely to be present and most significant.

2.2: Starting with the significant areas of risk identified above, **carry out iterative and increasingly in-depth assessments** of prioritised operations, suppliers and other business relationships in order to identify and assess specific actual and potential adverse RBC impacts.

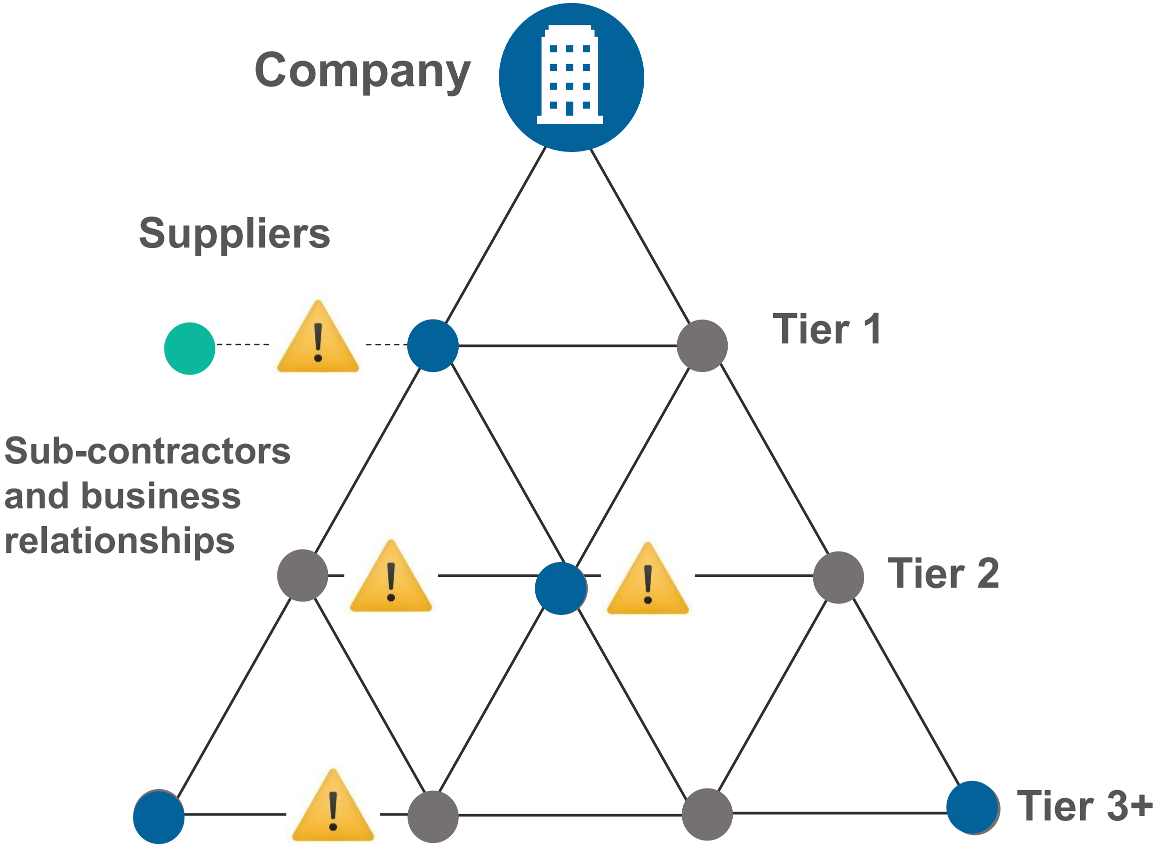
2.3: Assess the enterprise's involvement with the actual or potential adverse impacts identified in order to determine the appropriate responses.

2.4: …prioritise the most significant RBC risks and impacts for action, based on severity and likelihood.

RBC Due diligence guidance – Step 2 – simplified example

2

IDENTIFY & ASSESS ADVERSE IMPACTS



- **Initial scoping finds potential impacts:**
  - **Tier 1**: Unsafe working conditions (enterprise risks)
  - **Tier 2**: Use of hazardous chemicals & union busting (product & geographic risk)
  - **Tier 3+:** risk of forced labour, child labour (sector & geographic risk)
- **Stakeholder engagement can fill knowledge gaps and inform prioritisation**

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Importance of stakeholder engagement

Plays a positive and critical role throughout the due diligence process

Mutually beneficial

- Builds trust in the credibility of the due diligence process
- Provides clarity around expectations
- Allows for informed decision making
- Allows for greater flexibility

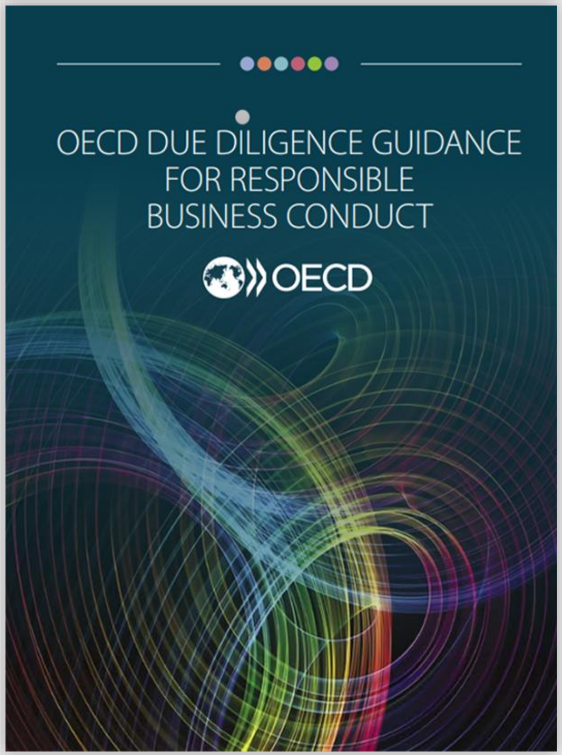
Practical examples

- Invite independent reviewers to review your due diligence process and reports and publish their reviews publicly
- Join Multi-Stakeholder Initiatives to support on-going communication

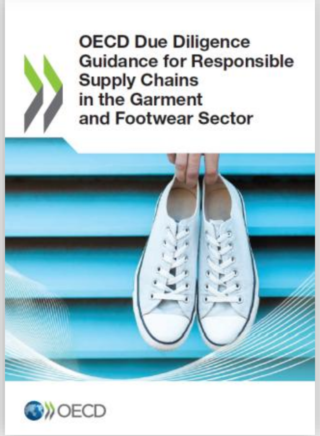
OECD Resources

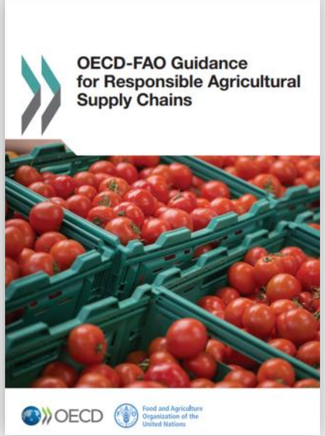
OECD RBC resources for business

Guidance for business across sectors

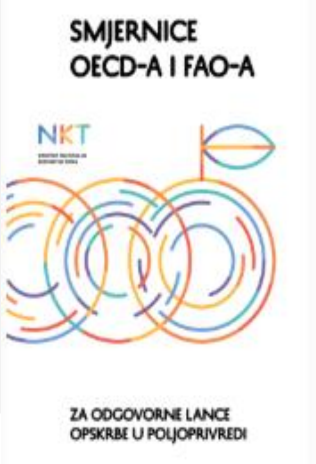


High impact sectors and issues





Translations

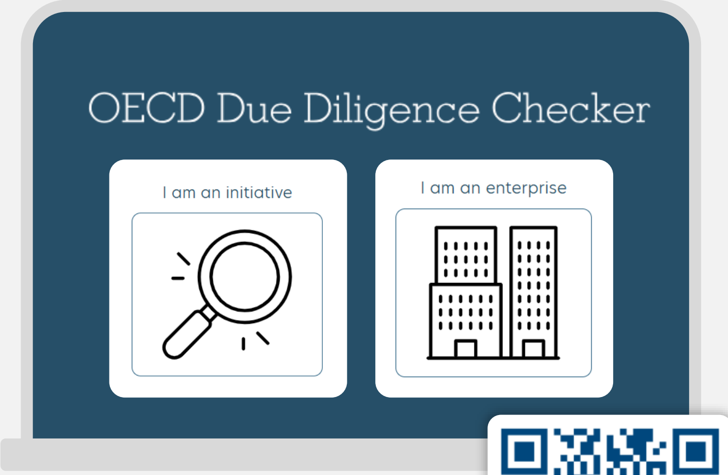


OECD RBC resources for business

Handbooks and analysis

Sustainability initiatives

- **OECD methodology used to assess 20 initiatives** - covering 20,000+ companies and their supply chains
- Promoting alignment and credibility



Outreach and capacity building

- **Latin America and Caribbean: 26,000+** participants reached since 2019
- **Asia: 11,000+** participants reached since 2018
- **3,800+** users of the OECD RBC e-learning academy

Thank you