



BUSINESSatOECD

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct

What business needs to know (November 2024)

Established in 1962, *Business at OECD* (BIAC) stands for policies that enable businesses of all sizes to contribute to growth, economic development, and societal prosperity. Through *Business at OECD*, national businesses and employers' federations representing over 10 million companies provide and receive expertise via our participation with the OECD and governments, promoting competitive economies and better business.

The OECD is the world's foremost purveyor of statistics and analysis and has established more than 250 legal instruments including conventions, decisions, recommendations, and declarations covering a wide range of policy areas relevant to business. The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (Guidelines) are one of the very prominent OECD instruments, which get global recognition and help foster responsible business conduct around the world.

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A Word from the Co-Chairs

Business, as represented at the OECD by *Business at OECD*, has long emphasised the importance of responsible business conduct in a globalised world. Today, many companies have integrated responsible business conduct into their overall business strategy to manage their activities in a responsible way.

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (Guidelines) are the most comprehensive government-backed international instrument for responsible business conduct, covering all major areas of business activities. They are an integral part of the OECD Declaration on International Investment and Multinational Enterprises, which aims to balance public policy to promote an open international investment climate with a business commitment to responsible conduct.

Business at OECD considers responsible business conduct an essential part of an open investment climate and in the interest of business. To this end, we are committed to working in partnership with the OECD, national governments, and multinational enterprises to support the effective uptake of the Guidelines and promote them in adhering countries and beyond. *Business at OECD* is involved in discussions with the OECD to ensure a shared understanding regarding the application of the MNE Guidelines. This is especially so for the “specific instances,” which can be brought up by stakeholders at the National Contact Points. We also consistently underline the need for the MNE Guidelines to remain a practical and manageable tool for MNEs operating in a global environment.

When the MNE Guidelines were last revised in 2023, this was happening at a time when the RBC agenda was attracting increased attention from countries and stakeholders around the world. RBC principles established by the MNE Guidelines are now reflected in a growing number of national and regional legislation, trade agreements, public procurement agreements, and public-private partnerships throughout the world. Whilst RBC-related legislation may take many forms, the MNE Guidelines are a useful framework for companies to implement RBC commitments. This brochure has been written in response to the demand of our membership to provide the business community with the key facts it needs to know about the MNE Guidelines and the NCP procedure. We will also keep engaging with companies to hear about their concrete experiences with the revised MNE Guidelines and NCP procedures.

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I. The OECD MNE Guidelines

An overview

The MNE Guidelines in brief

- The OECD MNE Guidelines are an international reference document providing recommendations from governments to MNEs on responsible business conduct at home and abroad. Adhering governments have committed to promoting the MNE Guidelines globally. They provide principles and standards of good practice consistent with applicable laws and internationally recognised standards. Observance of the Guidelines by enterprises is voluntary and not legally enforceable.
- The MNE Guidelines are the most comprehensive, government-backed instrument for promoting responsible business conduct. They provide voluntary principles and standards, covering all major areas of business ethics: information disclosure, human rights, employment and industrial relations, environment and climate change, anti-corruption, consumer interests, science, technology and innovation, competition, and taxation.
- The MNE Guidelines are supported by a unique implementation mechanism of National Contact Points (NCPs) established by adhering governments. NCPs promote the MNE Guidelines and provide non-judicial grievance mechanisms that can contribute to the resolution of issues that arise in relation to the implementation of the Guidelines. NCPs can offer their good offices to help the parties involved resolve issues by facilitating access to mediation and conciliation. They can also issue statements and make recommendations. The specific instance process is voluntary. The good faith engagement by all parties involved in the proceedings is expected.
- The MNE Guidelines are part of the 1976 OECD Declaration on International Investment and Multinational Enterprises. The Declaration is an important policy commitment by adhering governments, which balances the promotion by governments of an open international investment climate with a commitment from business to responsible conduct. The Declaration comprises four elements: the MNE Guidelines, the “national treatment” principle, the commitment to minimize conflicting requirements for investors, and the commitment to cooperate in the field of international investment incentives and disincentives.

Why do the MNE Guidelines matter to business?

- The MNE Guidelines provide a comprehensive framework for responsible business conduct. They are based on a consensus view from adhering governments, after consultation with business, labour and civil society.
- The MNE Guidelines are deliberately not legally enforceable as they are intended to stimulate responsible behaviour, not to trigger legal disputes. However, MNEs are expected to fulfil the recommendations set out in the Guidelines and to have policies in place that are consistent with these recommendations. Furthermore, a growing number of binding legislations, trade agreements, public procurement agreements, and public-private partnerships include references to the MNE Guidelines.
- The MNE Guidelines include a non-judicial grievance mechanism. Any interested party can call upon the National Contact Points, which aim to help parties resolve specific issues concerning the implementation of the MNE Guidelines.
- At the same time, the MNE Guidelines contribute to a more global level playing field, by setting the standards of responsible behaviour that are expected from all MNEs.

What is a “multinational enterprise”?

- Whilst there is no precise definition of what a “multinational enterprise” in the Guidelines is, it has become broader since their last update in 2023. According to the latest version of the text, MNEs are enterprises characterised primarily by the international nature of their structure or activities and their commercial form, purpose, or activities. This means that MNEs do not necessarily need to be established in several countries, although the Guidelines acknowledge that MNEs usually comprise companies or other entities established in more than one country and that they may co-ordinate their operations in various ways. The Guidelines are addressed to all entities within an MNE, the parent company as well as local entities.
- The Guidelines are not exclusively addressed to large enterprises. Business in general should be familiar with them. They also apply to multinational small and medium-sized enterprises (SMEs) that are active internationally. However, they recognize that SMEs do not have the same capacities as large companies to implement them.

Key chapters of the Guidelines – a brief overview

I.	II.	III.
<p>CONCEPTS AND PRINCIPLES</p> <p>This part sets out the concepts and principles that put into context the recommendations in the subsequent chapters. It underlines among others that obeying domestic law is the first obligation of enterprises.</p>	<p>GENERAL POLICIES</p> <p>This second part provides a framework of common principles for the subsequent chapters. It includes e.g. provisions related to risk-based due diligence, addressing adverse impacts, and stakeholder engagement.</p>	<p>DISCLOSURE</p> <p>This chapter calls on enterprises to be transparent in their operations and responsive to increasing demands for information.</p>
IV.	V.	VI.
<p>HUMAN RIGHTS</p> <p>This chapter is aligned with the UN “Protect, Respect and Remedy” Framework and the UN’s Guiding Principles on Business and Human Rights as well as the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.</p>	<p>EMPLOYMENT AND INDUSTRIAL RELATIONS</p> <p>The Guidelines promote MNEs’ respect for core labour rights and encourage them to support the establishment of responsible labour and industrial relations policies (e.g. elimination of forced and child labour).</p>	<p>ENVIRONMENT</p> <p>This chapter urges companies to establish a system of environmental management, including by carrying out risk-based due diligence, and to mitigate the adverse environmental impact of their operations, product life cycles, and overall business strategies to prevent climate change, biodiversity loss, degradation of ecosystems, deforestation, pollution, and waste mismanagement.</p>
VII.	VIII.	IX.
<p>COMBATING BRIBERY, AND OTHER FORMS OF CORRUPTION</p> <p>This chapter sets out the expectation that enterprises do not engage in any act of bribery or other forms of corruption. This applies to interactions with both public officials and employees of other enterprises.</p>	<p>CONSUMER INTERESTS</p> <p>The Guidelines call on enterprises to apply fair business, marketing and advertising practices, including ensuring that any sustainability claims about products are based on adequate evidence, and to ensure the quality and reliability of the products they provide.</p>	<p>SCIENCE, TECHNOLOGY, AND INNOVATION</p> <p>The chapter expects enterprises to conduct due diligence to address possible adverse impacts from developing, financing, selling, and using technology, including data use, scientific research, and innovation.</p>

X.	XI.
<p>COMPETITION</p> <p>The chapter calls on enterprises to carry out their activities in a manner consistent with all applicable laws and regulations, emphasising that collaborating on responsible business conduct initiatives is not in tension with the purpose of competition laws.</p>	<p>TAXATION</p> <p>The Guidelines are the first international responsible business conduct instrument to cover taxation. They expect MNEs to comply with the letter and the spirit of tax laws, drawing on the important work of the OECD in this area.</p>

Adhering countries: OECD members and other countries

Not only all OECD member countries but also an increasing number of non-member countries, voluntarily adhere to the MNE Guidelines. They are applicable to MNEs operating in and from these countries. Observance of the Guidelines by these enterprises is thus recommended wherever they operate, not only in adhering countries. In order to create a global level playing field, *Business at OECD* strongly encourages close cooperation with additional non-member countries.

ARGENTINA*	GREECE	POLAND
AUSTRALIA	HUNGARY	PORTUGAL
AUSTRIA	ICELAND	ROMANIA*
BELGIUM	ISRAEL	SLOVAK REPUBLIC
BRAZIL*	ITALY	SLOVENIA
BULGARIA*	JAPAN	SOUTH KOREA
CANADA	JORDAN*	SPAIN
CHILE	KAZAKHSTAN*	SWEDEN
COSTA RICA	LATVIA	SWITZERLAND
CROATIA*	LITHUANIA	TUNISIA*
CZECH REPUBLIC	LUXEMBOURG	TURKEY
DENMARK	MEXICO	UKRAINE*
EGYPT*	MOROCCO	UNITED STATES
ESTONIA	NETHERLANDS	URUGUAY*
FINLAND	NEW ZEALAND	EUROPEAN UNION (observer)
FRANCE	NORWAY	
GERMANY	PERU*	

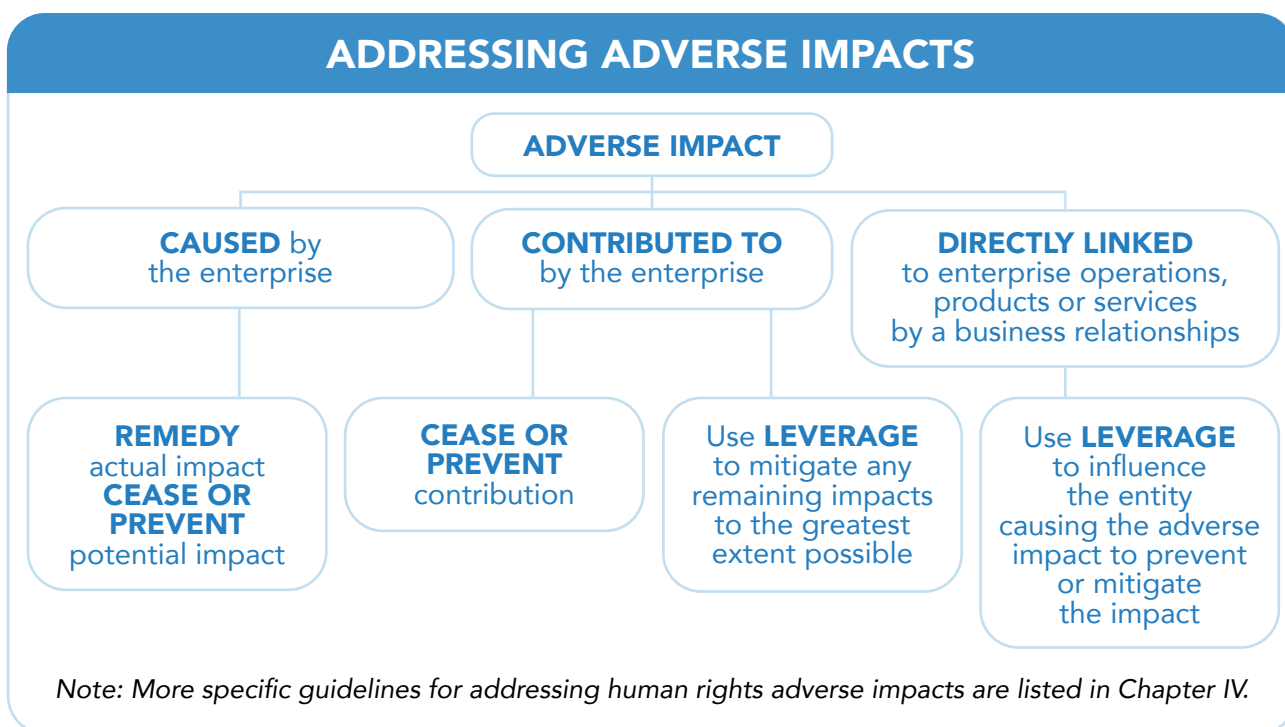
* Adhering countries in 2024

The essence of the MNE Guidelines: avoid adverse impact

According to the Guidelines, MNEs should avoid adverse impacts that they cause, contribute to, or are associated with through their operations, products, or services in the areas covered by the MNE Guidelines. What does this mean?

- Enterprises should prevent their own activities from causing an adverse impact which may occur when a particular standard from the MNE Guidelines is not being observed. Enterprises should also avoid substantially contributing to any such adverse impact.
- MNEs should also seek to prevent or mitigate adverse impacts directly linked to a company's operations, products, or services by a business relationship. The term 'business relationship' includes relationships with business partners, sub-contractors, franchisees, investee companies, clients, and joint venture partners, entities in the supply chain that supply products or services that contribute to the enterprise's own operations, products or services or which receive, license, buy or use products or services from the enterprise, and any other non-State or State entities directly linked to its operations, products or services. Relationships with individual consumers are not generally covered. The practical implications of this provision have been subject to a lot of debate. As explicitly stated in the MNE Guidelines, this recommendation should not shift the responsibility for an adverse impact from the entity that commits the infringement to the MNE with which it has a business relationship. However, MNEs should use their leverage with business partners to encourage them to uphold the principles of the Guidelines. Responsible disengagement should be considered as a measure of last resort where this is not possible.
- Thus, there are 4 degrees of avoiding adverse impact:
 - do not cause
 - do not substantially contribute
 - seek to prevent or mitigate potential adverse impacts, including of your business relationships
 - encourage your business partners to apply the Guidelines' principles

The MNE Guidelines are more demanding depending on how directly or substantially the enterprise is involved in the adverse impact:



Source: OECD MNE Guidelines brochure 'RESPONSIBLE BUSINESS CONDUCT MATTERS'

When the MNE is causing an adverse impact, it should take all necessary steps to stop or prevent it and to remedy actual impacts.

- When the MNE is contributing to the problem alongside others, it should stop or prevent its own contribution, and it should use its influence to reduce any remaining impacts by others, as far as practically possible.
- When a business relationship directly linked to its operations, products, or services causes an adverse impact, the MNE should use its leverage on this relationship to influence it or prevent the adverse impact.
- Last but not least, enterprises are generally expected to encourage their business partners to behave responsibly by applying standards of corporate conduct in line with the MNE Guidelines.

How to avoid adverse impact: the concept of due diligence

Enterprises should carry out risk-based due diligence to identify, prevent, mitigate and account for how they address actual and potential adverse impacts on matters covered by the Guidelines. The measures that an enterprise takes in this respect should be risk-based, commensurate to the severity and likelihood of the adverse impact and appropriate and proportionate to its context. Prioritization based on the severity and likelihood of the adverse impact may be necessary.

The MNE Guidelines grant businesses some flexibility in the implementation of due diligence measures and processes, according to their individual circumstances. Two chapters of the MNE Guidelines are exempt from the due diligence requirement: Competition and Taxation. The MNE Guidelines provide more elaborate recommendations for due diligence related to specific issues in the relevant chapters.

Practical implementation: OECD Due Diligence Guidance documents for Responsible Business Conduct

In 2018, the OECD issued a general due diligence guidance to help businesses understand and implement due diligence as foreseen in the OECD Guidelines. It provides more detailed information on the respective steps of the due diligence process and is supplemented with an Annex presenting, in a questions-and-answers format, practical examples and targeted advice to support businesses in the establishment of their own due diligence mechanisms. It is clearly recognised that “practical actions” are not meant to represent an exhaustive “tick box” list for due diligence and that not every practical action mentioned in the due diligence guidance will be appropriate for every situation or enterprise.

Taking into account that due diligence should be commensurate with risk and appropriate to a specific enterprise’s circumstances and context, the guidance introduces the following steps, which are also referenced in the updated Guidelines:

- embedding RBC into the enterprise’s policies and management systems and undertaking due diligence by
- identifying actual or potential adverse impacts on RBC issues,
- ceasing, preventing, or mitigating them,
- tracking implementation and results,
- communicating how impacts are addressed, and
- enabling remediation when appropriate.

The general due diligence guidance further explains the concepts of causing, contributing and being directly linked to adverse impacts mentioned in the Guidelines:

- An enterprise causes an adverse impact if the impact arises directly from the firm’s conduct and operations.
- An enterprise contributes to an impact if its activities in combination with the activities of other entities cause the impact, or if the activities of the enterprise cause, facilitate, or incentivize another entity to cause an adverse impact. The contribution must be substantial, meaning that it does not include minor or trivial contributions. The substantial nature of the contribution and understanding when the actions of the enterprise may have caused, facilitated or incentivised another entity to cause an adverse impact, may involve the consideration of multiple factors. The following factors can be taken into account:
 - the extent to which an enterprise may encourage or motivate an adverse impact by another entity, i.e. the degree to which the activity increased the risk of the impact occurring.
 - the extent to which an enterprise could or should have known about the adverse impact or potential for adverse impact, i.e. the degree of foreseeability.
 - the degree to which any of the enterprise’s activities actually mitigated the adverse impact or decreased the risk of the impact occurring.

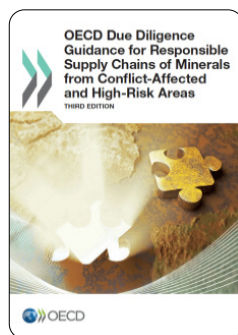
The mere existence of a business relationship or activities, which create the general conditions in which it is possible for adverse impacts to occur, does not necessarily represent a relationship or a contribution. The activity in question should substantially increase the risk of adverse impact.

Linkage is defined by the relationship between the adverse impact and the enterprise’s products, services or operations through another entity (i.e. business relationship). For example, if an enterprise sources a product, whose components use cobalt from mines using child labour, the enterprise can be directly linked to the adverse impact (i.e. child labour). In this case, the enterprise did not cause or contribute to the adverse impact itself, but nevertheless there still can be a direct link between the enterprise’s products and the adverse impact through its business relationships with the entities involved in its sourcing of the cobalt (i.e. with the smelter, minerals trader, and mining enterprise using child labour).

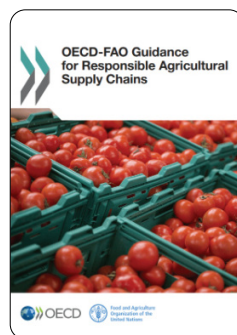
In order to promote the observance of the MNE Guidelines, the OECD has also developed sectoral guidance. The sectoral guidances set out criteria on due diligence for responsible business conduct for the various sectors.



Extractive sector



Mineral supply chains



Agricultural supply chains



Garment supply chains



Financial sector

What happens if national law contradicts the recommendations of the MNE Guidelines?

- The first duty of MNEs is to comply with applicable laws of the countries where they operate.
- The MNE Guidelines do not take precedence over national laws and provisions.
- Where national laws and provisions conflict with the Guidelines, enterprises should look to comply with the Guidelines to the fullest extent possible without contravening the applicable law of the country.
- The updated Guidelines also explicitly recognize that that they outline recommendations on responsible business conduct that go beyond what enterprises are legally required to do.

II. The Role of National Contact Points

What is the National Contact Point?

Each adhering government has to establish a National Contact Point (NCP), which has the following tasks:

- Increase awareness of the MNE Guidelines and actively promote their implementation by hosting events and staying in touch with the national business community.
- Respond to questions about the Guidelines, OECD due diligence guidances and the NCP itself.
- Contribute, as a non-judicial grievance mechanism, to the resolution of issues that arise in relation to the implementation of the Guidelines. The NCP can offer its good offices to help the parties involved to resolve the issues by providing a platform for mediation and conciliation. It can also issue a statement or make recommendations.

While the procedures of the MNE Guidelines allow substantial flexibility as to how adhering governments organize their NCP, they have to ensure the functional equivalence of their NCP, stating that they all function with an equivalent degree of effectiveness. They do so by achieving the core effectiveness criteria, i.e. operating in a manner that is visible, accessible, transparent, accountable, impartial, equitable, predictable and compatible with the Guidelines.

The NCP specific instance procedure

The NCP procedure is intended to resolve an issue in case of alleged non-observance of the Guidelines by an MNE. So-called specific instances can be notified by interested parties to the NCP. The notifying stakeholders are usually NGOs and trade unions, but any group or individual with an interest at stake can bring up a specific instance with the NCP. The NCP process is voluntary. The good faith engagement by all parties involved in the proceedings is expected.

Many of the norms and standards included in the MNE Guidelines are also covered by domestic legislation and can therefore lead to legal proceedings in case of non-compliance. Nonetheless, through the NCP, enterprises and their stakeholders may find a solution in a more constructive and accessible manner than via a court.

When an NCP decides to launch a 'specific instance', this does by no means imply that the NCP suspects the MNE of having failed to observe the Guidelines. Any communication of the NCP on this point is expected to be very clear, as public reports on issues under examination can cause reputational damage, even if ultimately no infringement is identified.

Issues are usually dealt with by the NCP of the country where the issue has occurred. If the issue has come up in a non-adhering country, the NCP of the home country of the MNE can be approached.

Phase 1: Initial assessment

- During the initial assessment phase, the NCP informs the parties involved about the substance of the issue that has been brought up and consults with them on the matters raised. Where relevant, coordination with other NCPs occurs to designate a lead NCP. Based on the initial assessment, a decision is taken on whether the questions that were raised warrant a more detailed examination. The issue must be related to the MNE Guidelines and be adequately substantiated. It should be brought up by a party with a justified interest in the contentious issue.
- The NCP will apply a good faith test before accepting to examine a case: there should be a genuine problem, and there should be a genuine willingness of the notifying party to resolve the issue by entering a mediation process. The NCP can invite the MNE to provide its views early in the process. The MNE can also express its views at its own initiative.
- If the case is rejected, the NCP informs the parties of the reasons for its decision. A statement will be made publicly available after consultation with the parties, considering the need to preserve the confidentiality of sensitive information. The NCP can decide not to publish the name of the company. The indicative timeframe is two months to de-terminate the lead NCP and three additional months for the initial assessment.

Phase 2: Check for parallel proceedings

- Before offering its good offices, the NCP must consider any parallel proceedings involving the same or closely related issues. These include any ongoing or completed judicial and non-judicial processes of either domestic or international nature.
- The existence of parallel proceedings does not prevent the NCP from offering its good offices, but it must assess whether stepping in would be beneficial for resolving the issue without undermining the outcome of other ongoing proceedings or violating legal boundaries.
- In making this assessment, NCPs may consult the institutions overseeing the parallel proceedings or consider the practices of other NCPs. Drawing from this, they may choose to either accept the case partially or put a hold on their proceedings while the parallel proceedings are active.

Phase 3: Good offices

- When a case is accepted, the NCP contacts the parties involved to offer its assistance in resolving the issues and conducts consultations with the parties. It is understood that good offices can only be provided when the parties concerned agree to it. The parties' commitment to participate in good faith is a crucial element. NCPs are expected to take appropriate steps to protect sensitive information and the interests of stakeholders involved. Confidentiality of the proceedings will be maintained during good offices. Parties can make agreements on whether, and if so how, they communicate on the procedure.
- The NCP offers the parties a neutral discussion forum and mediation platform. A comprehensive written statement is usually required from the enterprise in question. Participation in the NCP procedure provides enterprises with the possibility to make their point of view heard and, in case a relevant issue is raised, to search together with stakeholders for a solution. Additionally, the NCP may facilitate access to, or offer, consensual and non-adversarial processes such as mediation or conciliation to assist the parties upon their agreement.
- NCPs may seek advice from relevant authorities, as well as business representatives, labour organizations, NGOs, and experts. They can also ask the formal advice of the OECD Working Party Responsible Business Conduct (WPRBC) in case there is a specific question related to the interpretation of the MNE Guidelines. The indicative timeframe of the third phase is 6-12 months.

Phase 4: Conclusion and follow-up

- If the parties reach an agreement on the issue that was raised, the procedure can be closed, and the NCP will prepare a final statement in coordination with the parties involved. The final statement of the procedure is made public unless confidentiality is deemed in the interest of effective implementation of the MNE Guidelines or needed to protect sensitive business information.
- If the parties do not agree on a resolution at the conclusion, the NCP will also issue a statement and can make recommendations. The parties are in principle free to communicate about the issues after the procedure. However, information and views provided during the proceedings by another party involved will remain confidential unless that other party agrees to their disclosure, or this would be contrary to the provisions of national law.
- The NCP can also issue a statement and make recommendations in case a party is unwilling to participate. The practice of some NCPs to conclude the procedure with a judgment on the merits of the notification is not explicitly mentioned in the MNE Guidelines.
- By taking a cooperative stance in the procedure an enterprise may create the best conditions for a favourable outcome, or for finding a solution to the issue together with stakeholders. The indicative timeframe for the entire procedure is 12 to 14 months.
- In some countries the administration has decided to give additional effect to NCP statements if specific business conduct has not been in line with the Guidelines. Thus, certain export credit agencies take NCP statements into account when deciding on providing credit. In a few countries, the refusal by a business to participate in a "good offices" effort bars that business from getting government support in economic diplomacy. However, these are national policy decisions that are not based on the OECD Guidelines.

How to deal with the Guidelines, how to apply them?

- The MNE Guidelines are a set of principles of expected behaviour. They are a benchmark, with room for interpretation and flexibility.
- While the Guidelines are not compulsory, companies are expected to implement them. The OECD has published a general as well as several sector due diligence guidance documents to provide practical advice for implementation.
- Proper due diligence and risk management are dynamic processes that may require meaningful dialogue with stakeholders.
- Collaboration with other companies that encounter the same issue(s) is often more effective than trying to address an issue individually, although care must be taken not to break competition law and anti-trust legislation.
- For large enterprises it may prove useful to enhance internal cooperation between divisions, e.g. business development, procurement, compliance, social engagement and (external) communication.

III. Emerging binding due diligence legislation

Since their initial adoption in 1976, the MNE Guidelines have shaped government and business policies on responsible business conduct around the world. Whilst the Guidelines themselves are voluntary, some of the expectations they set out have been increasingly incorporated in legislations, trade agreements, public procurement procedures, and public-private partnerships. This is notably the case for the due diligence framework established by the Guidelines and further specified in the OECD Due Diligence Guidance: in mid-2024, around 75% of OECD Members had introduced some form of regulation that references or draws on the Guidelines and its Due Diligence Guidance. These laws vary in sectoral coverage and scope but can generally be grouped as:

- Disclosure or corporate reporting laws, which require companies to publish information related to their RBC-related policies and/or due diligence processes,
- Due diligence requirements, which require companies to take specified actions to implement due diligence,
- Trade bans or product withdrawal mechanisms, which prohibit the import or presence of products that are associated with certain risks or impacts and under which demonstration of effective due diligence can establish a presumption of an absence of such risks or impacts.

Key legislations

Without being exhaustive, this section provides an overview of some key pieces of legislation adopted on responsible business conduct in different OECD countries.

The United States

The Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) requires companies to disclose their use of conflict minerals and to demonstrate their due diligence in their supply chain to ensure they are not financing armed conflicts.

The Uyghur Forced Labor Prevention Act (2021) assumes that goods mined, produced or manufactured wholly or in part in the Chinese region Xinjiang are made with forced labour. To rebut the presumption of forced labour if goods are detained, importers would be expected to provide clear and convincing evidence that the goods were not made wholly or in part with forced labour, including, among other things, evidence of a due diligence system and supply chain tracing information.

The European Union

The Corporate Sustainability Due Diligence Directive (2024) requires large companies with significant operations within the EU to conduct due diligence processes for identifying, preventing, and mitigating human rights and environmental risks throughout supply chains. Companies must also report on their due diligence activities and ensure they have mechanisms in place to address and remedy any adverse impacts that occur.

The Corporate Sustainability Reporting Directive (2022) requires large companies and companies listed on EU stock exchanges to provide detailed reports on their environmental and social impact. The reports must include information on how sustainability matters affect the company's development, performance, and position, and must be auditable to ensure their accuracy and reliability.

The EU Deforestation Regulation (2024) will require companies to demonstrate that commodities such as cattle, wood, cocoa, soy, palm oil, coffee, and rubber, do not originate from deforested land or contribute to forest degradation. The regulation will apply to all companies that place these commodities on the EU market, mandating compliance checks that include verifying the legality of the commodities' production in accordance with the country of origin's laws.

The EU Batteries Regulation (2023), establishes regulations for all types of batteries in the EU, covering their entire lifecycle including materials sourcing, usage, collection, recycling, and re-purposing. The regulation outlines specific requirements for sustainability practices to be implemented at each stage of a battery's life to reduce environmental impacts and promote recycling efforts.

The EU Conflict Minerals Regulation (2017) came into force in 2021. It aims to help stem the trade in four minerals – tin, tantalum, tungsten and gold – which sometimes finance armed conflict or are mined using forced labour. For the minerals that the regulation covers, this means companies must check that what they buy is sourced responsibly and does not contribute to conflict or other related illegal activities.

Germany

The Act on Corporate Due Diligence Obligations in Supply Chains (2023) mandates that large companies with over 1,000 employees in Germany conduct due diligence on their supply chain regarding human rights and environmental standards. It requires companies to establish risk management systems, conduct regular risk analyses, and implement measures to prevent and mitigate identified risks.

France

The Duty of Vigilance Law (2016) requires large French companies to establish, implement, and publish vigilance plans. These plans are designed to identify and prevent human rights violations and environmental damage resulting from their activities. The law applies not only to their own operations, but also to that of their subsidiaries, subcontractors, and suppliers.

IV. How business contributes to strategic discussions on the Guidelines

The *Business at OECD* Responsible Business Conduct Committee actively follows the work of the OECD in this area. The Committee has contributed to the recent review of the Guidelines and provides constructive, comprehensive, and consensus-based business views on all relevant workstreams of the OECD Working Party on Responsible Business Conduct. Member federations and observers can nominate representatives in the RBC Committee by contacting the *Business at OECD* Secretariat.

From the outset, *Business at OECD* has emphasised its strong commitment to responsible business conduct. In the same vein, we have advocated for realistic practical and manageable Guidelines that are flexible enough to take account of different local, company, or sector specific circumstances to ensure their relevance and effectiveness. Beyond these basic considerations, *Business at OECD* keeps stressing a number of key policy messages on the application of the Guidelines and the OECD's work on RBC more broadly.

Key business messages regarding the MNE Guidelines

- **Analyze the impact of RBC policies:** As RBC expectations often cover entire supply chains, RBC policies and practices in one country have impacts on their trade and investment partners as well. Whilst the number of voluntary and binding RBC policies and standards has been increasing in recent years, data on their economic and RBC impact is still limited. Yet, better data is indispensable to ensure that these policies achieve their objectives, to design adequate accompanying measures, and to avoid and address unintended consequences. The OECD should thus shed more light on how different RBC policies affect trade and investment flows, particularly from developed to developing countries.
- **Ensure a shared view of all stakeholders of the NCP procedure:** The purpose of the NCP procedure is to help parties work constructively on the basis of facts and trust towards a common future-oriented solution to the advantage of all parties. The good faith engagement by all parties involved in the proceedings is expected. NCPs should ensure that the NCP procedure is presented as an offer of good offices to help parties find a solution. The initiation of a specific instance procedure does not automatically imply that a company has failed to observe the MNE Guidelines.
- **Acknowledge that the Guidelines are not a blueprint for legislation:** In light of their voluntary and aspirational nature, the Guidelines may not always be appropriate as a template for binding regulatory or legislative action at international, regional, national, or local levels. As stated in the Preface, the Guidelines “provide voluntary principles and standards for responsible business conduct” and “may go beyond what enterprises are legally required to comply with”.
- **Address the global fragmentation of RBC standards:** With over 600 types of sustainability reporting provisions or regulations worldwide¹, standard fragmentation and proliferation are a real challenge for companies operating in multiple markets and geographies. This creates unnecessary costs through duplications, inefficiencies, and uncertainties. With its convening power and cross-cutting expertise, the OECD should address this issue by enhancing dialogue on related policies amongst its members and beyond. The ultimate aim should be to enable countries to adopt mutual recognition agreements for their respective RBC reporting schemes.

¹ EY (2021), *The future of sustainability reporting standards – The policy evolution and the actions companies can take today*, https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/sustainability/ey-the-future-of-sustainability-reporting-standards-june-2021.pdf (last accessed on 27 February 2024).

- **Work towards the coherence of RBC policies, accompanying measures and guidance:** Higher demands on companies alone are not enough for improving social and environmental sustainability standards along global value chains. Binding RBC legislation in particular can have unintended consequences if it is not part of a broader set of policies that support relevant actors and help create an enabling environment to improve standards in the countries where companies do business. Rather than risk “cut and run”, OECD governments need to enable companies to keep investing and creating jobs, including in regions with a challenging governance environment. Thus, it is crucial for governments to complement RBC expectations with adequate accompanying measures. Developing countries in particular need to be supported to create an enabling environment for RBC.
- **Foster global engagement:** With the shift of weight in the world economy, it is more important than ever to expand the geographical coverage of the Guidelines and promote the implementation of the standards of the Guidelines by non-adhering countries. This will contribute to creating a favorable investment climate as well as a more level playing field globally and enable suppliers to better understand and meet MNEs’ expectations.
- **Continue to recognize individual company circumstances:** There is no one-size-fits-all approach to RBC. Tailoring may be warranted due to the size of the company, its operations, its position in the value chain, its business model, the nature of its products or services, its leverage or influence with each business relationship, and/or the local context in which it operates, for example. Such nuance is essential for appropriate and effective implementation. Yet, it should not result in companies shifting their responsibilities to others along their supply chain.



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