



DUE DILIGENCE GUIDANCE FOR RESPONSIBLE BUSINESS CONDUCT

Overview, structure and next steps

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General Due Diligence Guidance for RBC

Context



Growing expectations for RBC due diligence:

- OECD Guidelines for Multinational Enterprises & UN Guiding Principles for Business and Human Rights
- RBC due diligence expectations increasingly incorporated into legislation and policy (e.g. on slavery, human trafficking, conflict minerals, etc.)
- 2015 G7 Leaders Declaration urges private sector to engage in human rights *and* supply chain due diligence

Benefits of a common approach:

- Clarity of expectations can **prevent surprises, stakeholder buy-in can protect reputation**
- Facilitate **conformity of expectations** across standards and legislation (i.e. avoid conflicting expectations)
- **Mainstream due diligence processes** across business operations and diverse commercial actors
- Opportunity for greater use in **global processes (G7, G20, etc)**



General Due Diligence Guidance for RBC

Mandate from OECD WPRBC in Dec 2015



Objectives

- Provide practical guidance for enterprises to implement due diligence for RBC across various industry sectors
- Align with international instruments on RBC (OECD GL, UNGPs, ILO MNE Declaration)
- Practical recommendations for businesses of various sizes, across geographies

Challenges

- Creating a “motherhood” that provides the framework and guidance for the other sector-specific guidance
- Diversity and complexity of different industry sectors, business models, company sizes (MNEs, SMEs, etc.) & business cultures
- *Practical* guidance that maintains alignment with international instruments
- Cultivating buy-in and ownership from relevant stakeholders (OECD & non-OECD countries, industry, workers & civil society)



General Due Diligence Guidance for RBC

Next steps



Timeline (*resource-dependent*)

March – June 2016: First draft developed and shared with OECD delegates.

Nov. 2016 - January 2017: Second draft shared with WPRBC & public online consultation (*date and sequencing of public consultation with WPRBC oversight to be determined*)

February - April 2017: Final revision of the draft, follow up as necessary with delegates, stakeholders and experts; submitted for final consideration by WPRBC and any other relevant bodies

May - June 2017: Submitted for approval by WPRBC; submitted for adoption by Investment Committee.

Cooperation & stakeholder engagement

- OECD institutional stakeholders (TUAC, BIAC & OECD Watch) key interlocuters for regular, on-going stakeholder input
- Public consultation



Draft Due Diligence Guidance for RBC

Structure and Content



Introduction

- Summary of the OECD Guidelines
- Target audience
- Links to other OECD processes and the UN Guiding Principles on Business and Human Rights

Part I: Core concepts for implementing due diligence under the Guidelines

Part II: Summary actions for implementing due diligence under the Guidelines

Annexes:

I: Understanding “cause”, “contribute” and “directly linked”

II: Additional explanations and explanations for implementing due diligence under the Guidelines



OVERVIEW: Draft Due Diligence Principles

Capturing the Essence of Due Diligence

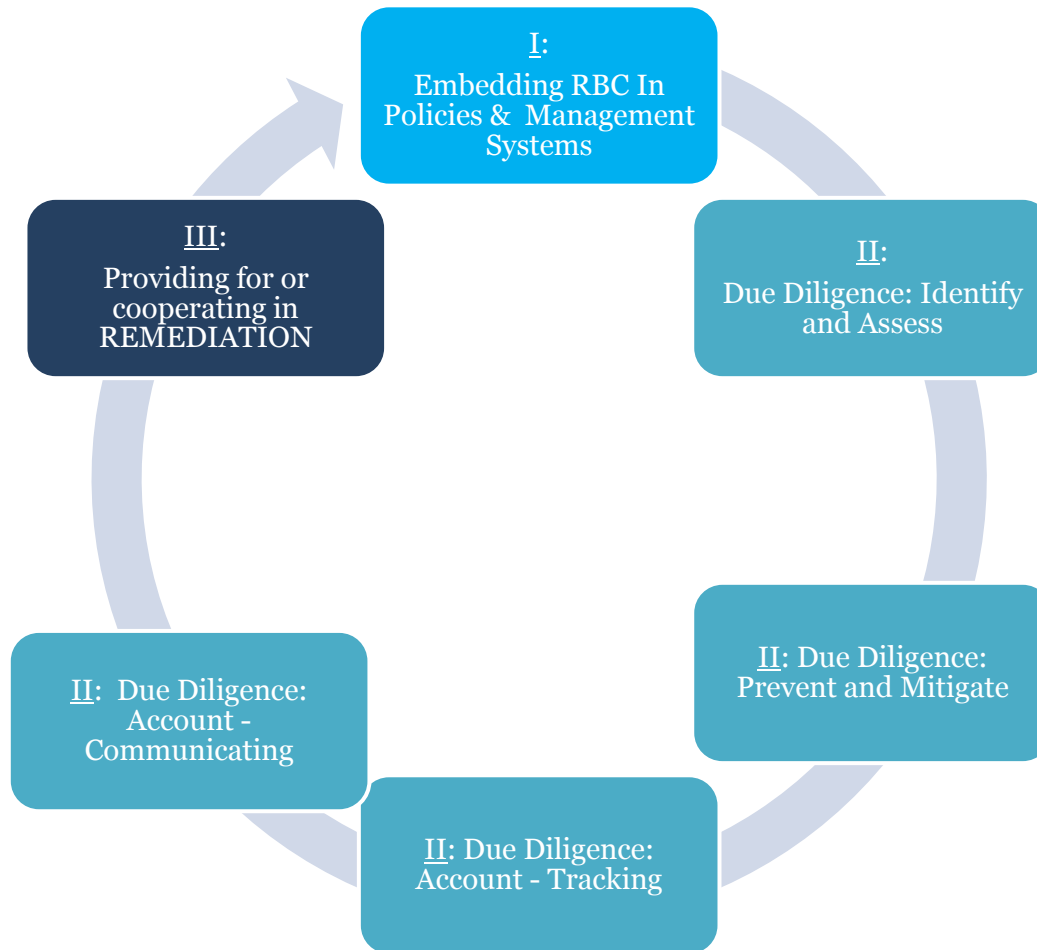


- Differs from other types of traditional commercial or compliance-oriented due diligence (e.g. focus on adverse impacts, continuous).
- Nature and extent varies according to company circumstances and the situation.
- On-going processes of prioritisation.
- Proactive, dynamic efforts with a focus on continuous improvement.



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Structure Part II





PART II: Due Diligence Step

Identifying & assessing adverse impacts



1. Use a variety of tools/approaches to scope out and **identify risks of harm on all matters** covered by the Guidelines that may be likely to be in the enterprise's own operations and with its business relationships.
2. Use iterative processes to **prioritise and hone** in on RBC risks and impacts, moving from general areas of RBC risk to more specific RBC risks and impacts associated with its activities and its business relationships.
3. **Assess** whether those RBC risks or actual impacts would have the kind of adverse impacts covered by the Guidelines, by benchmarking against relevant laws and regulations and the Guidelines and assess the enterprise's relationship to the adverse impacts (i.e. cause, contribute or directly linked).
4. **Repeat these processes** on a regular basis, recognising that more complex an enterprise and/or the higher the RBC risks, the more in-depth these processes will need to be.



PART II: Due Diligence Step

Preventing and mitigating adverse impacts



1. Design **response plans that are fit for purpose** for the potential or actual RBC impacts and corresponds to the enterprise's involvement with the impact.
2. **Prioritise responses** as necessary, based on severity of the potential or actual impacts.
3. **Use leverage** with business relationships to prompt responses to potential or actual impacts.



PART II: Due Diligence Step

Account -Tracking



1. **Develop or adapt systems to track** how it is responding to RBC risks & impacts and monitor implementation of any management plan against established objectives, goals and timelines.
2. Seek to identify **trends and patterns** that highlight recurring problems and issues that have been missed.
3. **Feedback lessons** learned into improving due diligence and its outcomes in the future



PART II: Due Diligence Step

Account - Communicating



1. Disclose timely and accurate information on **all material matters** regarding their activities, structure, financial situation, performance, ownership and governance as set out in the Guidelines and the OECD Principles of Corporate Governance, if applicable.
2. Disclose **additional information set out in the *Guidelines*** to improve understanding of the enterprise's operations (e.g. environmental, health and safety impacts, activities to combat bribery).
3. **Communicate with stakeholders** to account for how the enterprise has addressed actual and potential adverse RBC impacts, adapting communication channels as necessary to stakeholders.

Thank you!

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