Principles for Responsible Investment

POLICY BRIEFING

OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES ON RESPONSIBLE BUSINESS CONDUCT

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PRI Association

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. More information: www.unpri.org

ABOUT THIS BRIEFING

This briefing summarises the key elements of the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct which provide voluntary principles and standards for responsible business conduct in areas such as human rights, labour rights, environment, bribery, consumer interests, disclosure, science and technology, competition, and taxation.

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INTRODUCTION

The OECD Guidelines for Multinational Enterprises (MNE) on Responsible Business Conduct (RBC) were first adopted in 1976 as part of the OECD Declaration on International Investment and Multinational Enterprises. The Guidelines have been revised several times since then to keep pace with the changing landscape of the global economy and the evolving challenges of responsible business conduct.

The 2000 revision introduced the concept of National Contact Points (NCPs) to enhance the effectiveness of the Guidelines by providing a platform for resolving issues that arise in relation to their implementation. The 2011 update expanded the scope of the Guidelines to include a chapter on human rights with an approach to due diligence and responsible supply chain management. This is aligned with the UN Guiding Principles on Business and Human Rights, the internationally recognised standard for human rights due diligence.

The most recent update in 2023 strengthens the Guidelines across all chapters, particularly in the areas of climate change, biodiversity, technology, anti-corruption, and supply chain due diligence. It also reinforces the role and responsibilities of NCPs, introduces provisions for peer reviews of NCPs, and encourages engagement with non-adherent countries to promote responsible business conduct globally.

As of 2024, all 38 OECD member countries and 13 non-OECD countries adhere to the Guidelines.

The Guidelines are the most comprehensive set of government-backed recommendations on responsible business conduct. The Guidelines aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide.

KEY ELEMENTS

The Guidelines are voluntary principles and standards for responsible business conduct, covering areas such as human rights, labour rights, environment, bribery, consumer interests, disclosure, science and technology, competition, and taxation, with emphasis on due diligence and responsible supply chain management.

SCOPE

The Guidelines apply to:

- All multinational enterprises based in or operating in adhering countries, regardless of size, sector, ownership or structure.
- All entities within the multinational enterprise (parent companies and/or local entities).
- All areas of business operations, products or services within a business relationship.

The Guidelines are not legally binding, but adhering governments commit to promoting their observance. The different chapters of the Guidelines set out specific recommendations for enterprises in each area of responsible business conduct.

REQUIREMENTS

The Guidelines set out a range of expectations and recommendations for enterprises across the following areas:

- **General policies:** Enterprises should contribute to economic, environmental and social progress, respect human rights, encourage local capacity building, develop and apply good corporate governance practices, and engage in risk-based due diligence to identify, prevent and mitigate actual and potential adverse impacts.
- **Disclosure:** Enterprises should ensure timely and accurate disclosure on all material matters regarding their activities, including financial situation, performance, ownership, and governance. They should also disclose information on their policies and due diligence processes related to responsible business conduct.
- **Human rights:** Enterprises should respect human rights, avoid causing or contributing to adverse human rights impacts, and address such impacts when they occur. They should have a policy commitment to respect human rights, carry out human rights due diligence, and provide for or cooperate in remediation when appropriate.
- **Employment and industrial relations:** Enterprises should uphold the right of workers to establish or join trade unions, contribute to the effective abolition of child labour and elimination of forced labour, not discriminate against workers, and provide a safe and healthy working environment. They should also observe standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country.
- **Environment:** Enterprises should establish and maintain an environmental management system, engage with stakeholders, and continually improve environmental performance. They should assess and address the environmental impacts of their operations, products and services, and promote the development and diffusion of environmentally friendly technologies. The 2023 update of the guidelines includes a requirement to conduct environmental due diligence.
- **Combating bribery and other forms of corruption:** Enterprises should not engage in bribery or other forms of corruption, and should develop policies and compliance programmes to prevent and detect such practices. They should also enhance the transparency of their activities in the fight against corruption.
- **Consumer interests:** Enterprises should act in accordance with fair business, marketing and advertising practices, ensure the quality and safety of the goods and services they provide, and cooperate with public authorities to prevent and combat deceptive marketing practices.
- **Science, technology and innovation:** Enterprises should contribute to the development of local innovative capacity, adopt practices that enable the transfer of technologies and know-how, and undertake science and technology development work to address local market needs.
- **Competition:** Enterprises should carry out their activities in a manner consistent with all applicable competition laws and regulations, and refrain from entering into anti-competitive agreements.
- **Taxation:** Enterprises should comply with both the letter and spirit of the tax laws and regulations of the countries in which they operate, provide authorities with timely information for the correct determination of taxes, and conform transfer pricing practices to the arm's length principle.

PENALTIES

The Guidelines are voluntary and not legally enforceable. However, adhering countries are required to set up National Contact Points (NCPs) to promote the Guidelines and handle cases (known as "specific instances") as a non-judicial grievance mechanism.

NCPs are tasked with undertaking promotional activities, handling enquiries, and contributing to the resolution of issues that arise from the alleged non-observance of the Guidelines. They must operate in a visible, accessible, transparent and accountable manner while handling specific instances in a way that is impartial, predictable, equitable and compatible with the Guidelines.

When issues arise, NCPs are expected to help resolve them, primarily through mediation and conciliation. After the conclusion of the procedures, NCPs are required to make the results publicly available, with due regard to the need to protect sensitive information. NCPs can issue recommendations on the implementation of the Guidelines, even if no agreement is reached among parties.

While the Guidelines do not provide for legal penalties, non-compliance can lead to reputational damage and loss of public confidence in the company. Regular peer reviews and oversight by the OECD Investment Committee also contribute to the effectiveness of the Guidelines and functional equivalence among NCPs.