GLOBAL FORUM ON RESPONSIBLE BUSINESS CONDUCT

Global Forum on Responsible Business Conduct

26-27 June 2014

DRAFT Summary Report

Contents

Acknowledgements

The second meeting of the Global Forum on Responsible Business Conduct brought together over 560 attendees with over 90 distinguished speakers representing governments, businesses, trade unions, and civil society to provide insights and exchange views about the core challenges and opportunities in advancing responsible business practices. The OECD wishes to thank the speakers, the audience, stakeholder organizations (BIAC, TUAC, and OECD Watch), and partner organizations for their contribution in making the Global Forum a success.

The OECD would particularly like to thank **Arnaud Montebourg, Minister for the Economy, Industrial Renewal and Digital Affairs, France** and **Lilianne Ploumen, Minister for Foreign Trade and Development Cooperation, Netherlands** for their leadership in the organisation of the first-ever Ministerial Meeting on Responsible Business Conduct, which took place on 26 June parallel to the Global Forum. Over 60 Ministers and high-level participants came together to discuss how governments can lead by example in promoting good business practices. The Ministerial Communique is fully reproduced in Annex II.

The OECD would also like to thank **Luc Rousseau, Chairman of the Economic Council to the Minister of Economy, France**, who delivered the opening address at the Global Forum along with Minister Ploumen (transcript) and the OECD Secretary General (transcript). Special appreciation also goes to the following Global Forum lead speakers:

- **Shahriar Alam**, State Minister for Foreign Affairs, Bangladesh
- **Peter Bakker**, President, World Business Council for Sustainable Development
- **Ketevan Bochorishvili**, Deputy Minister of Economy and Sustainable Development, Georgia
- **Alexandra Guáqueta**, Chair, UN Working Group on Business and Human Rights
- **Gilbert Houngbo**, Deputy Director-General for Field Operations and Partnerships, International Labour Organisation
- **Richard Howitt**, European Parliament Rapporteur on Corporate Social Responsibility, European Union
- **Philip Jennings**, General Secretary, UNI Global Union
- **Muhtar Kent**, Chairman and Chief Executive Officer, The Coca-Cola Company
- **Ravi Ratnayake**, Director, Trade & Investment, UN Economic and Social Commission for Asia and the Pacific (ESCAP)
- **Janos Pasztor**, Executive Director, Conservation, WWF International
- **Yerlan Sagadiyev**, Vice-Minister of Industry and New Technologies, Kazakhstan
- **Joseph Sam Sesay**, Minister of Agriculture, Forestry and Food Security, Sierra Leone

Jane Nelson, Director of Corporate Social Responsibility Initiative at Harvard University contributed actively in the organisation of the opening plenary, and Jacques Schramm, President of ISO PC 277 Sustainable Procurement organised a special event on ISO Sustainable Procurement. Richard Howitt MEP, European Parliament Rapporteur on Corporate Social Responsibility and Prof. Dr. Roel Nieuwenkamp, Chair, Working Party on Responsible Business Conduct delivered the closing addresses of the Global Forum.

Key Findings

Improving the business climate is crucial to addressing downside risks to global recovery. Without responsibility, accountability, and transparency, markets simply cannot function well. As such, the convergence in international standards and principles on what constitutes responsible business conduct (RBC), centred around the 2011 OECD Guidelines for Multinational Enterprises (the OECD Guidelines) and the 2011 UN Guiding Principles for Business and Human Rights, is a welcome development. It has led to a more predictable business environment and has advanced the common understanding and expectations on how business should avoid and address risks and how governments can support and promote responsible behaviour.

However, turning ideas into practice is another matter entirely. There is a need to address significant responsibility gaps in supply chains, processes of production and distribution, manufacturing, and throughout the entire value chain. Accidents like Rana Plaza in Bangladesh underline there is no room for complacency. Competing on the least common denominator has resulted in failure to provide even the most basic safety conditions for workers. This is not an acceptable status quo. Governments, businesses, trade unions and civil society need to act collectively so that advances in theory are reflected on the ground.

The Global Forum on Responsible Business Conduct (the Global Forum) was launched by the OECD in 2013 to strengthen international dialogue on RBC and to enhance the synergies between corporate responsibility instruments on all levels, including the OECD Guidelines. At its second meeting on 26-27 June 2014, over 90 distinguished speakers came together with over 560 attendees to provide insights and exchange views on how to do well while doing no harm in an effort to contribute to sustainable development and enduring social progress. Discussions were held in six thematic sessions and three special events:

- Reinforcing the Ecosystem of Responsibility
- Grievance Mechanism of the OECD Guidelines for Multinational Enterprises
- Rana Plaza Aftermath: Responsible Supply Chains in the Textiles and Garment Sector
- Stakeholder Engagement and Due Diligence in the Extractive Sector
- Responsible Business Conduct along Agricultural Supply Chains
- Responsible Business Conduct in the Financial Sector
- Special Event: Responsible Business Conduct in Myanmar
- Special Event: Responsible Business Conduct in Central Asia and South Caucasus
- Special Event: ISO Sustainable Procurement

Each session was purposefully structured as a panel discussion to encourage dynamic exchanges among participants. The following report reflects the main outcomes of this discussion. It is organised according to each session and the main themes and highlights of the discussion.

I. Reinforcing the Ecosystem of Responsibility

Moderator: **Jane Nelson,** Director, Corporate Social Responsibility Initiative, Harvard

Panellists

- **Lilianne Ploumen**, Minister for Foreign Trade and Development Cooperation, Netherlands (transcript)
- **Muhtar Kent**, Chairman and Chief Executive Officer, The Coca-Cola Company
- **Ravi Ratnayake**, Director of Trade and Investment, UN Economic and Social Commission for Asia and the Pacific (UN ESCAP)
- **Peter Bakker**, President, World Business Council for Sustainable Development
- **Alexandra Guáqueta**, Chair, UN Working Group on Business and Human Rights
- **Gilbert Houngbo**, Deputy Director-General for Field Operations and Partnerships, International Labour Organisation
- **Philip Jennings**, General Secretary, UNI Global Union
- **Janos Pasztor**, Executive Director, Conservation, WWF International

The objective of this session was to take stock of the advances in the global responsibility field since the inaugural meeting of the Global Forum in June 2013. Particular focus was given to developments in emerging economies and challenging investment environments. The discussion was structured around four main themes: 1) areas where the greatest progress has been made and the challenges and gaps that remain; 2) areas where there is the most potential for collective action, either on an individual company level through business operations and value chains or on a sectoral, regional, and thematic basis; 3) areas in which there are most opportunities to scale up and extend responsible business practices to more companies, across industries, countries and regions, and 4) key actions for the OECD in continuing to support the advancement and scale up of RBC. Main conclusions of the discussion are listed below.

Responsibility in practice – a bias toward action. Convergence around the expectations on responsible business conduct has generally been welcomed as it provides a common language and understanding for stakeholders to work with. This represents progress. As one panellist highlighted, the strong mobilisation of international community since 2011 and especially after the Rana Plaza tragedy in Bangladesh has led to increased awareness of RBC and tremendous efforts to reflect change on the ground. The panel noted, however, that more efforts are needed. One panellist noted that good problem diagnostics already exist, which is good news because it gives direction for next steps and points to areas where action can be focused. Namely, there was general consensus that sector based approaches would be the most useful way to proceed, especially with a view that practitioners would find formal sectoral guidances useful on the ground. Financial sector was highlighted as particularly important.

Re-defining value. A number of panellists agreed that there is a fundamental problem of how businesses internalise the concept of value. It was highlighted that living in an economy driven by the concept of financial capital skews how value is viewed by business leadership, which is reflected broadly in the governance of business. To reflect the realities of today's economies, value needs to be re-defined and broadened to also include considerations around social and natural capital. Focusing only on returns on investment is not an accurate reflection of the risks that businesses face. There was wide support for pushing forward the agenda around internalising and creating value for stakeholders, not just shareholders.

The panel recognized that many recent efforts have been made to help businesses re-define their performance metrics. One example named was the Global Reporting Initiative's G4 framework that emphasizes the concept of materiality – a key for getting more businesses to integrate responsibility into core operations. Another example given were the efforts in the textiles industry in Bangladesh, the Sustainability Accounting Standards Board and the Extractive Industries Transparency Initiative. Advances have also been made in defining integrated reporting frameworks, which can and should be improved. Embedding a new concept of value in business operations will also require changes within capital markets. With the exception of the niche of sustainable investment, majority of the markets do not take responsibility issues into account at all.

To support these efforts, the panel called for more coherence on the expectations that governments have for governance for businesses. The OECD, in particular, should use the occasion of the current revision of the OECD Principles of Corporate Governance to ensure coherence and mutual reinforcement between them and the OECD Guidelines for Multinational Enterprises.

Better for society, better for business. On a company level, some panellists noted the many efforts individual companies are making. At the same time, although these efforts are welcomed and represent a significant change from previous practices, it is not their volume that will count in the future but rather their successful impact. One business leader cautioned that corporate responsibility issues cannot be treated as philanthropy as this will simply not work. The most important thing is to find that critical point between better for the world and better for business. Not only do responsible practices bring costs down, but in today's world, character of the company plays a role in consumer choice. Panellists noted that success is best derived when a company is results oriented, action biased and focused on effective partnerships with other companies, governments, and civil society. The panel called on businesses to make specific public commitments, to set clear goals and targets, and then measure and validate them, especially through third party validation. Such public efforts also imply a commitment to remediate them when they fail.

Importance of market leaders. A number of panellists mentioned that the complexity of global value chains should not be an excuse to defer responsibilities for impacts. Today's economy is made up of truly global business, which should also bring about global responsibility. One panellist illustrated the point by highlighting the fact that just because the workers in Rana Plaza were locals who were recruited by locals and worked for locals, it is not true that international supply chains do not hold responsibility.

There was general consensus that most powerful engine for change are large global brands because their supply chains run through all the corners of the world. Under their leadership, supply chains will become more responsible and other business throughout the world will follow. This is why it is important to speak a common language with the business executives at the highest levels. RBC is not about philanthropy, it is about shared risks, risk management, and contributions to sustainable development.

Scaling up efforts through collective action. Change on the ground will hinge on conscious and strategic collective action – no one stakeholder alone can create the systemic change at this scale. Collective action could take different forms from company to company and industry to industry. Panellists recognised that business-to-business partnerships are an area of great potential. This is especially true since these venues could be used to share experiences and showcase leadership by market leaders to incentivise others to follow. One example given was the Consumer Goods Forum, which is an industry-led network of retailers, manufacturers, service providers, and other stakeholders, reflecting the diversity of the industry in geography, size, product category and format. A few panellists called upon every single sector, not just the critical ones where most of the problems happen, to move beyond just engagement with traditional trade associations. Collective action could also happen on thematic issues, such as youth unemployment, water, and climate change. It could also be national, regional or local based. Economic empowerment of women was raised as a particular issue of importance.

Importance of constructive and early engagement. A number of panellists underlined the importance of early engagement and recognition of the positions of trade unions and civil society as being essential for progress. One panellist mentioned that there is no way to improve the situation when workers do not have a seat at the table. The workers have a vested interest in sustained engagement and are often solution-oriented. This is why early, constructive, formal, and confidential engagement is key.

Need to raise awareness. Panellists noted that in many parts of the world, awareness of RBC is very low. One panellist noted that there is a marked need to increase awareness of responsibility issues in Asia-Pacific. In general, pressure on RBC is low in Asia-Pacific, with the exception of where the damage of irresponsible conduct is already evident. Although RBC is increasingly being considered by Asia-Pacific governments and companies, more can and should be done. There was general consensus that increasing awareness at country, regional, and local levels is of high priority. However, the panel cautioned that imposing views without taking into account the local context would not be efficient. There has to be national ownership of RBC. A number of panellist mentioned that in general efforts to engage society at large should be scaled up. Social media can play an important role in such engagement.

Need for capacity-building. Because of the inherent complexities and structure of global value chains, the panel agreed that the role of governments in promoting RBC is very important. The panel welcomed OECD's initiative in organising the first-ever Ministerial Meeting on RBC, which took place in parallel to the Global Forum. As one panelist mentioned, low government capacity can introduce serious issues in the business environment, be it for the lack of oversight or even active incentives that can encourage irresponsible behaviour. Furthermore, governments in emerging and developing countries face problems that are often prioritized over RBC. At the same time, it was cautioned that a distinction needs to be made between the government's political willingness and its capacity. These are not the same. Triggering change is often a balancing act. Pushing too hard can sometimes lead to lost leverage and unwillingness to engage on part of the host government, while at the same time, it is not practical to wait for conditions to be perfect. One panellist highlighted that private initiatives should never be a replacement for the duty of the state.

Furthermore, when thinking of the government role, focus often lands on national governments. However, one panellist noted that engaging with local or city governments can often be more efficient since officials at a local level can often act faster and be more flexible.

II. Grievance Mechanism of the OECD Guidelines for Multinational Enterprises

Chair: **Roel Nieuwenkamp**, Chair, OECD Working Party on Responsible Business Conduct

Keynote Address: **Alexandra Guáqueta**, Chair, UN Working Group on Business and Human Rights

Moderator: **David Kovick**, Senior Advisor, Shift

Panellists:

- **Hans Petter Graver**, Chair, National Contact Point, Norway
- **Danish Chopra**, National Contact Point, United Kingdom
- **Thierry Dedieu**, Syndicat CFDT, National Contact Point, France
- **Christopher Schuller**, Legal Adviser, German Institute for Human Rights
- **Winand Quaedvlieg**, Chair, Business and Industry Advisory Committee to the OECD (BIAC), Investment Committee
- **Dwight Justice**, Policy Advisor, Economic and Social Policy, International Trade Union Confederation
- **Joseph Wilde-Ramsing**, Senior Researcher and Coordinator, OECD Watch

The objective of this working session was to discuss how to make the unique grievance mechanism of the OECD Guidelines more effective. The 46 adhering governments of the OECD Guidelines are obliged to set up National Contact Points (NCPs) whose main role is to further the effectiveness of the OECD Guidelines by undertaking promotional activities, handling inquiries, and contributing to the resolution of issues that arise from the alleged non-observance of the OECD Guidelines in specific instances. This effectively makes the OECD Guidelines the only international corporate responsibility instrument with a built-in grievance mechanism.

The discussion focused on access to effective remedy in grievance mechanisms such as the NCPs, the added value of mediation and practical experiences of NCPs with good offices, and how to improve performance of NCPs. The panellists highlighted the problem solving function of NCPs.

Improving access to effective remedy. The UN *Protect, Respect, and Remedy* Framework brought to light the crucial role of effective grievance mechanism in upholding the state duty to protect and the corporate responsibility to respect human rights. Panellists highlighted the critical role of NCPs for all three pillars of the UN Framework. Nevertheless, some panellists noted that access to effective remedy is not evolving fast enough to respond to expectations and realities on the ground. In particular, the capacity of grievance mechanisms broadly to deliver effective remedy has been put in question.

In an effort to address some of these gaps, the UN Working Group on Business and Human Rights has launched a process to examine the feasibility of drafting a legally binding treaty on business and human rights. There has been wide support for this idea from the civil society, some mentioning that this extraterritoriality and legal remedy could be the only path to true accountability for human rights abuses. The Council also extended the mandate of the Working Group to promote the UN Framework, and requested the High Commissioner for Human Rights to explore "the full range of legal options and practical measures to improve access to remedy for victims of business-related human rights abuses."[1]

It is clear that improving access to remedy has to be a priority. A number of panellists thought, however, that particularly related to the NCP mechanism, there should be no sanctions tied to it. It was highlighted that the consensus-based approach would be more efficient in gathering broad acceptance from businesses. Furthermore, as pointed out by some panellists, the fact that the OECD Guidelines are not legally binding does not mean that their observance is discretionary and optional.

Added value of mediation. Informal problem-solving processes, such as mediation, allow the parties to exercise a better level of control over the process of reaching an agreement than the more formal processes in which

[1] UN Document A/HRC/26/L.1, Rev.1.

a third party makes a final binding decision. This allows parties to improve their relationship and to create new partnerships based on mutual trust and respect. Businesses can resolve their issues without damaging their reputation while civil society organisations can get tangible benefits for affected communities. In addition, mediation through the NCP process offers a significantly more expeditious and cost saving alternative to more formal or legal procedures. One panellist noted that there is no one-size-fits-all in terms of mediation but that the mediation process should be based primarily on providing satisfactory outcomes for both parties, provided that these outcomes are consistent with the OECD Guidelines. As a starting point for success, both parties need to have clear and realistic expectations on the possible process outcomes. For instance, the kind of remedy that the NCP mechanism can provide is not unlimited. In some cases, remedy may be partial or not even possible.

The panel noted some other essential elements for a successful outcome of a mediation process. For example, parties need to determine realistic timescales to build ownership over the process. The neutrality of the mediator and the venue is certainly an essential element for ensuring confidence of both parties. Panellists also agreed that confidentially is an important element in the formula. Once the mediation process is completed, it is important to have an agreement that both parties have endorsed. A follow-up process is also desirable because it allows confirmation that what the parties agreed on is effectively implemented. In 2012, with support of Norwegian, Dutch and British NCPs, the Consensus Building Institute prepared an NCP Mediation Manual that provides useful information for NCPs in conducting mediation or choosing a mediator.

Civil society representatives cautioned, however, that mediation is not the only form of good offices that NCPs can provide. This is notable for cases where one party refuses to participate in the NCP process. NCPs were called on to be ready to make recommendations even in such contexts to ensure the effective implementation of the OECD Guidelines.

Improving NCP performance. The panel also discussed and identified several ways in which NCPs can improve their performance. Enhancing functional equivalence is one areas of priority, where efforts would be sure to produce immediate results on the ground. The panel noted that NCPs that produce statements tend to be more engaged than others. One panellist noted that access to adequate resources is key for NCPs to function properly. Civil society representatives and affected communities sometimes find access to the NCP mechanism challenging due to the level of evidence that might be requested by an NCP. Another difficulty is the remoteness of NCPs from affected local communities. As a consequence, there can often be an imbalance between the parties from the start, as civil society often lacks financial and professional resources to overcome these challenges. Civil society has also expressed the concern that there have been cases where their views have not been adequately taken into account. One panellist highlighted that the fact that specific instances are often rejected after initial assessment can undermine the usefulness of the mechanism. The panel also highlighted that the OECD Guidelines are not voluntary for adherents. Each country is obliged to establish an NCP and adequate resources should be put into making sure that the NCPs are functional.

Increasing outreach efforts. It was also noted that NCPs should foster a closer dialogue with other partner organisations such as the UN Working Group on Business and Human Rights and National Human Rights Institutions. The panel also underlined the importance of outreach activities for the reinforcement of the NCP system. Non-adhering countries could be encouraged to establish focal points on RBC which could facilitate the good offices of NCPs when specific instances arise in non-adhering countries.

Finally, it is worth noting that the Ministerial Communiqué on Responsible Business Conduct, adopted on 26 June 2014, commends the NCPs for their efforts in promoting responsible business conduct and providing an accessible and impartial platform for conciliation and mediation to resolve issues that arise relating to the implementation of the OECD Guidelines in specific instances. It also encourages all countries that have not yet done so to consider adhering to the OECD Guidelines and to commit to their principles and standards in order to collectively contribute to sustainable development and a level playing field.

III. Rana Plaza Aftermath: Responsible Supply Chains in the Textiles and Garment Sector

Chair: **Paul Hunsinger**, President, National Contact Point, France

Keynote Addresses:

- **Lilianne Ploumen**, Minister for Foreign Trade and Development Cooperation, Netherlands
- **Shahriar Alam**, State Minister for Foreign Affairs, Bangladesh
- **Pascale Andreani**, Ambassador and Permanent Representative to the OECD, France

Panellists:

- **Gilbert Houngbo** Deputy Director for Field Operations and Partnerships, International Labour Organization
- **Elena Peresso** Member, Karel De Gucht's Private Office, European Commissioner for Trade
- **Benedetta Francesconi,** National Contact point, Italy
- **Raez bin Mahmood**, Vice President of Finance, Bangladesh Garment Manufacturers & Exporters Association (BGMEA)
- **Shukkur Mahmud**, President of Jatiya Sramik League, Bangladesh
- **Matthijs Crietee,** Deputy Secretary General, International Apparel Federation (IAF)
- **Joris Oldenziel,** Head, Public Affairs and Stakeholder Engagement, Accord on Fire and Building Safety in Bangladesh
- **Ineke Zeldenrust**, International Coordinator, Clean Clothes Campaign

This session featured the recent global efforts to build responsible supply chains in the textile and garment sector following April 2013 Rana Plaza accident. It included discussion of initiatives taken by government, business and civil society. Minster Ploumen, State Minister Alam, and Ambassador Andreani presented the results from the parallel Ministerial meeting at the beginning of the session.

Consensus on reversing business-as-usual. April 24, 2014 marked a one year anniversary of the tragic collapse of the Rana Plaza factory in Bangladesh that claimed over 1,130 lives and inspired shock and sorrow globally. The Rana Plaza disaster was a jarring reminder of the fact that responsibility over global supply chains needs to be urgently strengthened. The textile and garment sector in Bangladesh generates approximately 22 billion USD a year and is a cornerstone of the Bangladesh economy. It employs about 4 million workers, 80% of which are women, and has substantially contributed in bringing down the nation's poverty rate. The key role of the textiles sector in the country's economic trajectory is clear. As such, various panellists highlighted that boycotts or disengagement by buyers cannot be the answer to Rana Plaza. Reforms of industry and governance structure are necessary to make sure that workers can enjoy increased economic opportunities while at the same time have adequate workplace health and safety standards. The panel recognised that this represents a shared responsibility among manufacturing and importing nations and private actors throughout the supply chain. Participants underlined that improvement of standards in this sector should not be driven just by a moral imperative but by commercial incentives as well. For example, a survey by the EU Trade Commission revealed that 35% of people surveyed would pay more for products that reflected strong social and environmental standards. In the context of EU textile and garment imports from Bangladesh, this would represent nearly 3 billion USD in revenue annually.

Progress has been achieved. The Ministers at the first-ever Ministerial Meeting on RBC recognised the initiatives taken by a broad range of stakeholders in response to Rana Plaza. This includes the Bangladesh Tripartite National Action Plan; the Sustainability Compact for Bangladesh[2] launched by the European Union, the United States, the ILO and Bangladesh; the Accord on Fire and Building Safety in Bangladesh and the Alliance for Bangladesh Worker Safety; the work of the ILO, such as the Better Work Programme in Bangladesh; the in-depth report of the NCPs of France and Italy on the implementation of the OECD Guidelines in the textile and garment sector[3] and the initiatives of Belgium[4], Canada, Denmark, Germany, the Netherlands, Sweden, the United Kingdom and the United States. Additionally, the Ministers call upon stakeholders to deepen their respective efforts to build a sustainable sector in

[2] http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc_151601.pdf

[3] http://www.tresor.economie.gouv.fr/File/398811; Report on responsible business conduct in the textile and garment supply chain Recommendations of the Italian NCP on implementation of the OECD Guidelines for Multinational Enterprises. (June, 2014)

[4] http://economie.fgov.be/fr/binaries/Rapportenaanbeveling_20140207_EN_tcm326-242683.pdf

Bangladesh and recommend development of practical due diligence guidance specific to this sector in line with the OECD Guidelines.

Panelists also presented some of additional achievements that have been realised through these and other initiatives in little more than one year after Rana Plaza.

- ***Factory inspections:*** Progress has been made through the factory inspection program organised by the Accord on Fire and Building Safety in Bangladesh, the Alliance on Worker Safety in Bangladesh and the National Tripartite Plan of Action on Fire Safety for the Ready-Made Garment Sector in Bangladesh. To date around 1,590 factories have been inspected (out of around 3,700 factories), leading to the temporary shut-down of approximately 17 factories assessed to be of imminent danger.

- ***Legal reforms:*** The government of Bangladesh has been active in pursuing regulatory reform to strengthen governance and standards in this sector. Notably, the government has amended the country's Labour Law and has ratified most of the core International Labour Organization conventions (including Convention No. 87 on freedom of association and Convention No. 98 on the right to organize and bargain collectively). Minimum wage rates have also been increased by 77%. Certain labour reforms still have to be implemented, such as the extension of collective bargaining and freedom of association rights to workers employed within Bangladesh's export processing zones. However, consultations on further amendments to the Labour Law are ongoing and will be completed within the next month.

- ***Increasing capacity:*** More resources are being committed to increasing capacity. The Division of Inspection for Factories and Establishments (DIFE) has been upgraded to a Directorate and has expanded to nearly 1,000 staff members. Training over 2,000 workers on labour rights has already taken place, with a goal to reach 50,000. Development of a public database with information about export-orientated factories, which would also work as a platform for reporting workplace safety and labour violations, has also been launched.

- ***Labour unions:*** 187 trade unions have been registered in Bangladesh, which is up from less than 10 prior to Rana Plaza. Although this increase in representation is encouraging, it is important to ensure that such unions are credible representatives of workers and that they are able to function and negotiate on behalf of workers free from intimidation and harassment.

Contribution by National Contact Points of the OECD Guidelines. NCPs have also mobilised to respond to issues in the textiles sector, following their June 2013 statement. They have engaged at the national level with enterprises sourcing textiles and garments from Bangladesh as well as trade unions and other stakeholders. Their first priority has been to recall the application of the Guidelines to the textiles and garments supply chains and other "business relationships". They have also examined with practitioners due diligence measures that should be put in place upstream to effectively implement the OECD Guidelines along the textiles and garment contractual chain. More details can be found in the June 2014 statement on one-year after Rana Plaza. Notably, two reports, The OECD Guidelines for Multinational Enterprises in the Textile and Clothing Sector and the Report on Responsible Business Conduct in the Textile and Garment Supply Chains, prepared by the French and Italian NCPs respectively, were issued as a response to Rana Plaza. Both reports were prepared in consultation with key stakeholders, including numerous industry representatives, to identify the principle challenges and needs in this sector and to provide practical recommendations to enhance responsible business conduct throughout textile and garment supply chains in line with the OECD Guidelines.

Way forward. It became clear from the discussion that a turning point has been reached with regard to the responses to Rana Plaza. While much has been done, existing commitments must be honoured to ensure that the two year anniversary of Rana Plaza is marked by accomplishments rather than shortcomings.

- ***Compensation****:* The issue of remedy - and in this case compensation - was one of the most discussed issues in the session. The progress achieved by the Rana Plaza Arrangement, created to help streamline and standardise compensation efforts for Rana Plana victims, was presented. So far the Arrangement has processed 2,400 claims and 14,050 medical assessments, established 4,000 bank accounts for victims and is in the process of approving 700 claims, which will eventually have to be settled. The Arrangement has estimated that a total of

40 million USD is needed to adequately compensate victims, but so far only 17 million USD have been raised. A strong plea to companies to fill this gap was heard from governments, panellists and participants over the course of both days of the Global Forum.

A statement on compensation for Rana Plaza victims issued by the governments of Denmark, France, Germany, Italy, the Netherlands, Spain and the United Kingdom was recognized and applauded during the session. The statement urges companies, the government of Bangladesh as well as BGMEA to contribute generously to the Rana Plaza Donors Trust Fund for victim's compensation.

- ***Remediation****:* Beyond compensation and broader remedy considerations, more clarity and follow through are needed in terms of remediation for infrastructure. Although factory closures have been few, reported at around only 1% of total inspections, they have nevertheless resulted in job losses for thousands of workers. The Accord has worked to relocate and provide temporary compensation to workers suffering job losses from closure of factories; however, many others are reportedly not receiving compensation during remediation efforts. Additionally, the factories that were shut down represent only those that present imminent safety threats; repairs and other remedial actions will be necessary for more than just the closed factories. It is currently unclear to whom the costs of factory repairs should fall. The Accord stipulates that international brands should make it financially feasible for companies to undertake remediation and repair; however, it is not clear how this shall be done in practice and who will bear the ultimate responsibility for the cost.

From compliance to partnership. Responsibility for strengthening conditions in this sector extends throughout the supply chain. The panel highlighted that to foster real change in the sector a shift should occur from monitoring of compliance to horizontal and vertical collaboration. Rather than reactive action, proactive efforts should be taken at the sector level to prevent these types of incidents from occurring again. Fair pricing on behalf of buyers was mentioned several times as a necessity to ensure safe working conditions. However, attention needs to be given to how revenue from pricing is actually applied. It was also noted that costs should be fair throughout the supply chain to ensure sustainability in the field.

Similarly, it was suggested that longer term working relationships can help build strong partnerships and can help avoid the negative impacts of irregular and short term orders and turnover deadlines. Buyers participating in the Accord have pledged to continue sourcing from the same companies for two years. More widespread long-term arrangements between buyers and suppliers could allow for better planning and investment both in workers and also facilities on the ground. It could also increase buyer's leverage to encourage better working conditions. Finally, small and medium sized enterprises, as an essential component of the value chain, represent a special challenge as they often do not have the resources or leverage to encourage better working conditions. Industry co-operation will be vital to including small producers in the process.

IV. Stakeholder Engagement and Due Diligence in the Extractive Sector

Co-Chairs

- **Francine Noftle**, Director, International Trade Portfolio and Responsible Business Practice Canadian National Contact Point Secretariat Foreign Affairs, Trade and Development Canada
- **Mai Tonheim,** Ambassador for Corporate Social Responsibility, Norway

Moderator: **Tyler Gillard**, Legal Advisor, OECD

Panellists

- **Kathryn Sturman**, Senior Research Fellow, Center for Social Responsibility in Mining
- **Elena Peresso**, Member, Karel De Gucht's Private Office, European Commissioner for Trade
- **Anders Eira,** Senior Advisor, Protect Sapmi Foundation
- **Ben Chalmers,** Vice President, Sustainable Development, Mining Association of Canada
- **Serena Lillywhite**, Mining Advocacy Lead, Oxfam Australia
- **Debbie Stothard,** Deputy Secretary-General, International Federation for Human Rights (FIDH)
- **Richard Morgan**, Head of Government Relations, Anglo American

It has been documented that a lack of meaningful stakeholder engagement can lead to significant delays and costs for extractive companies and can have irreversible impacts for communities, such as permanent destruction of the environment, livelihoods or even loss of life. However, when done right, stakeholder engagement can assist companies in maximizing their investments and can bring positive benefits to stakeholders, such as increased employment opportunities, capacity and skills development and infrastructure.

The 2011 update of the OECD Guidelines included a new provision that enterprises should, "[e]ngage with stakeholders in order to provide meaningful opportunities for their decisions to be taken into account in relation to planning and decision making for projects or other activities that may significantly impact local communities." *(OECD Guidelines for Multinational Enterprises, Chapter II: General Principles (14))* In response to this new provision and the importance of the subject, the Working Party on Responsible Business Conduct agreed to constitute an OECD-hosted Multi-stakeholder Advisory Group to provide substantive input on the development of a User Guide to provide practical site level guidance on stakeholder engagement and due diligence for extractive industries.

The aim of this session was to generate discussion and formulate constructive guidance on how to approach existing challenges and opportunities in this area on an operational level, which could feed into the drafting of the User Guide.

Stakeholder Engagement and Due Diligence: A Two-Pronged Approach. The panellists explained that the User Guide that is being developed approaches the application of due diligence in two ways. In the first sense, stakeholder engagement is used as a due diligence tool, as defined by the OECD Guidelines, to avoid causing or contributing to adverse impacts through an enterprise's own activities; and seeking to prevent or mitigate adverse impacts when the impact is directly linked to an enterprise's operations, products or services by a business relationship. Importantly, under the OECD Guidelines, adverse impacts refer to impacts to stakeholders rather than simply internal company risk, although the two are interrelated.

In the second sense, due diligence also refers to monitoring and evaluating stakeholder engagement activities themselves, to drive company performance and to ensure that engagement does not cause or contribute to adverse impacts and that it has been correctly and effectively implemented and executed. Although a wide range of standards and guidance on stakeholder engagement already exists, in the current context, guidance on using a due diligence approach to stakeholder engagement is largely lacking. The idea is to create a complementary User Guide that can draw on or even incorporate other existing standards.

Positioning engagement strategically. Many panellists recognised that for stakeholder engagement to be most impactful, it must be positioned centrally within an organization and the activities of various project departments - not treated merely as an add-on. The panellists pointed out that stakeholders should not only be consulted about the classic environmental and social impacts of a mining project but should also be involved in every step of the engagement process itself, including in identifying stakeholder groups, representatives and impacts, as well as in designing engagement strategies, remedies and appropriate reporting mechanisms.

Identifying the right dialogue partners. Identifying the right stakeholders for engagement and credible representatives for various groups is a significant challenge for extractive industries. It is clear that limited engagement, for example consulting exclusively with government representatives and excluding local communities, is not effective. Related challenges were raised regarding engagement with relevant sub-groups such as women or illegal artisanal miners for example, which can be excluded from consultations and engagement by communities themselves.

There seemed to be consensus that identifying the correct representatives of groups and avoiding 'elite capture' can take time. Strategies offered were to involve stakeholders in selecting their own representatives and to ensure that stakeholder identification is not a one-off process but rather that initial findings are refreshed over time, ideally at each phase of the project. Furthermore, it was suggested that industry should focus engagement with the most constructive and relevant stakeholders rather than those that voice their opinions the loudest.

Approaching Free Prior and Informed Consent (FPIC). Discussion of the principle of FPIC featured prominently on the panel. Several of the panellist suggested that FPIC represents best practice when conducting stakeholder engagement and some even suggested that application of FPIC should be non-negotiable. However, it was recognized that approaches to FPIC vary across international policy and industry instruments. How it is conducted in practice will depend largely on context.

FPIC was said to be the responsibility of governments, companies as well as indigenous groups themselves. Some panellists stated that both home and host governments of extractive operations should establish regimes that protect indigenous rights over land and should impose effective sanctions and remedies in case of violations. It was recognized by some panellists that not all jurisdictions have endorsed FPIC, although it was argued by some that companies should nevertheless attempt to practice it.

Important practices in this regard included early engagement with the appropriate groups, preferably at the exploration phase, to avoid negative impacts both in terms of marginalization of indigenous groups and avoiding sunk costs for corporations. Additionally, ensuring that indigenous groups have sufficient capacity to engage and can come to the table as equals was discussed. This may involve providing capacity building through training, assisting in representation through hiring advisors selected by the community and even something as simple as ensuring that the physical context in which negotiation takes place is balanced. For example, this could mean avoiding positioning companies and governments opposite the table from indigenous groups in a literal sense.

The OECD was called upon to cooperate more closely with the UN in aligning their policies and approaches on issues of indigenous rights.

Working in institutionally weak or repressive contexts. It was recognized that at times companies will have to operate in contexts of weak governance or even repressive and violent states. Strategies for dealing with these situations were discussed by many of the panellists.

- ***Engaging early and proactively****:* Two principle strategies were identified. First, it is important to have a strong policy in place that signals a company's commitment to meaningful engagement and ethical conduct, including condemnation of violence and repression. Second, using leverage early in the process is desireable, ideally during the negotiation phase, to ensure that the company policies are well communicated and respected. Furthermore, it was suggested that before investing, companies need to consider whether they are realistically capable of respecting the policies and standards they subscribe to in the context of the operating in this type of environments or if they should consider walking away, if necessary.

- ***Finding allies:*** It was also recognised that leverage can severely diminish throughout the lifecycle of a project as situations change. It was suggested that identifying individuals or specific bodies within the government that can be relied on as allies could be one strategy.

- ***Trust building:*** In repressive and conflict-affected areas, the sensitivities about certain stakeholder groups need to be treated even more carefully. It was noted that trust building and creating systems that respect confidentially and demonstrate functionality are essential.

- ***Creating a process rather than a solution:*** A related issue was the role of companies in weak institutional environments where the company is looked to play a role usually reserved for the state, such as in provision of infrastructure or health care. One panellist suggested that it is important to engage the government in the process when taking on these types of roles to ensure that there is ownership and buy-in for contributions made by the company.

Responding and reporting. The importance of disclosure and reporting, both internally and externally, was raised several times throughout the panel discussion. Reporting internally helps companies monitor and evaluate their progress and assures proper stakeholder engagement. Reporting back to communities is important so that they can make informed decisions and monitor if their contributions are being integrated into company decision-making. It can also allow communities to hold governments accountable. It was suggested that standardisation of performance and reporting could also provide important signals to investors about the stability and strength of a project with regard to RBC.

V. Responsible Business Conduct along Agricultural Supply Chains

Chair: **Ken Ash**, Director, Trade and Agriculture Directorate, OECD

Panellists:

- **Joseph Sam Sesay**, Minister of Agriculture, Forestry and Food Security, Sierra Leone
- **Catherine Geslain-Lanéelle**, Director-General for Agricultural, Agri-Food and Territorial Policies, Ministry of Agriculture, Food Processing and Forestry, France
- **Marten C. van den Berg**, Deputy Director-General for Foreign Economic Relations, Ministry of Foreign Affairs, The Netherlands
- **Abdullah A. Aldubaikhi**, Chief Executive Officer, Saudi Agricultural and Livestock Investment Company
- **Michael Goltzman**, Vice President, International Government Relations and Public Affairs, The Coca-Cola Company
- **Mella Frewen**, Director General, Food Drink Europe
- **Jim Clarken**, Executive Director, Oxfam Ireland
- **Pascal Liu**, International Investment Team Leader, Trade and Markets Division, UN Food and Agriculture Organization

The increased involvement of a wide range of investors in the agri-food sector can help meet the growing demand for agri-food products, but it can also heighten the risks of adverse impacts, particularly in weak governance countries. The panel discussed the measures that governments and enterprises can take to mitigate the risks faced by enterprises when investing in agricultural supply chains and to ensure that agri-business investments benefit host countries and investors.

Governments should establish platforms for multi-stakeholder dialogue and strong institutional frameworks. Home governments can organise dialogue on RBC between government, business and civil society. The NCPs established under the OECD Guidelines can serve as an effective platform for such dialogue, as demonstrated by the successful conclusion of some recent specific instances. Home governments can also conduct sectoral risk assessments and can develop sectoral guidance to support companies in their due diligence. Host governments can impose conditions on investors to enhance the benefits to host countries and societies, and can request enterprises to submit business plans that include measures to mitigate risks and implement RBC standards. As weak governance countries face difficulties in ensuring compliance with RBC standards, home governments and international organisations have a role to play in strengthening institutional frameworks, building capacities and raising awareness in such countries.

Businesses should undertake due diligence. Risks in the agri-food sector, such as political, weather and land tenure risks, are higher than in some other sectors and may require heightened due diligence. Country risk assessments can be undertaken, to avoid investing for instance in countries facing food shortages while planned investments focus on exportable cash crops. Due diligence should consider political, legal, financial and operational risks. Enterprises should adopt a policy or principles for RBC and develop effective implementation plans. Such plans should include in particular engaging with governments and civil society, disclosing key suppliers and working with them to improve compliance, and consulting with local communities to obtain their consent on investment plans. Best practices can be drawn from the successful experiences already undertaken by some major agri-food companies. Compliance with RBC standards by major investors can effectively encourage other businesses to follow suit, thereby encouraging a race to the top.

Other players should play an active role in supporting governments and businesses in their RBC efforts. As demonstrated by the successful Oxfam campaign *Behind the Brands*, civil society can effectively encourage RBC. International organisations should develop sectoral guidance and credible instruments to promote RBC and help enterprises in implementing existing norms and standards. These instruments should be field-tested to ensure their feasibility and achieve win-win situations.

Several challenges should be addressed by all stakeholders to improve global food security. First, linkages between various investors should be encouraged. Large-scale investments are only part of the solution to global food security and family farms should also be supported, including by strengthening cooperatives and providing appropriate trainings. Second, food waste at the farm and at the consumer level should be reduced. Third, increased investment in research and development should be encouraged to promote sustainable intensification, including by increasing yields in emerging and developing economies. Indeed, the FAO estimates that an average annual net investment of USD 83 billion in primary agriculture and necessary downstream activities is required in developing countries to meet the demand for food by around 9.3 billion people in 2050.

As a conclusion, the panel agreed that responsible business conduct was good for food security and good for business. While host governments bear the principal obligation for creating the necessary conditions to promote responsible agri-business investment, businesses should undertake due diligence to mitigate the risks of contributing to adverse impacts. A thorough due diligence process can effectively lower their reputational, operational and thus financial risks. The conclusions of the panel discussion will feed into the development of the OECD-FAO practical guidance on RBC along agricultural supply chains.

VI. Responsible Business Conduct in the Financial Sector

Chair: **Roel Nieuwenkamp,** Chair, OECD Working Party on Responsible Business Conduct

Panellists

- **Yann Kermode,** Executive Director, Deputy Head Environmental & Social Risk, UBS
- **Andreas Missbach,** Head Commodities, Trade and Finance Department, Berne Declaration
- **Acyr Xavier Moreira,** Caixa de Previdência Brazil
- **Herman Mulder,** Member, National Contact Point, Netherlands
- **William Ambrose,** Global Head of Business Risk, Norges Bank Investment Management (NBIM)
- **Lene Wendland,** Adviser on Business and Human Rights, Office of the UN High Commissioner for Human Rights
- **Philip Jennings,** General Secretary, UNI Global

The aim of this session was to explore practical approaches to due diligence in various real-life scenarios and across the range of financial sector products and services, drawing from the recent discussions within the OECD Working Party on Responsible Business Conduct, United Nations and Office of the High Commissioner for Human Rights on the application of the OECD Guidelines for Multinational Enterprises to the financial sector.

The name of the game has changed. The financial sector has always been a leader in terms of risk management, and, indeed, the concept of due diligence grew out of this industry. However, international instruments such as the UN Guiding Principles for Business and Human Rights (UNGPs) as well as the OECD Guidelines have expanded to include risks beyond just risks to the company. It was recognized by several panellists that the principal goal of the financial sector should be the creation of long-term value, rather than maximisation of short-term returns. With this in mind, it is important to internalise what has been previously considered an external cost. The focus should be broadened from only financial capital to other five capitals: natural capital, human capital, social capital, manufactured capital and intellectual capital.

It was suggested that RBC should be incorporated in the understanding of fiduciary duty in the context of the financial sector. Given these new expectations, as well as the growing understanding that a lack of commitment to RBC can negatively impact the bottom line, it is becoming increasingly impossible to not include environmental and social due diligence in general risk management systems of financial institutions.

Identify the risk and don't forget the remedy. Having processes in place to identify risks is the first expectation under the UNGPs and OECD Guidelines. However, given the vast volume of business relationships and transactions common to financial sector institutions, thorough due diligence of every transaction or business relationship is not feasible. The OECD Guidelines encourage prioritization of risks - this is the approach leading actors in the financial sector have been applying through a variety of methods. One approach discussed was the use of risk-based matrices that evaluate host country risk, sector risk, company level risk and specific investment risk to identify and prioritize potential adverse impacts. Another approach was using third-party information databases that capture media and civil society reports and identify potential red flags related to new or ongoing investments, also assessing the severity of the risk identified and legitimacy of the source. Another was using annual self-assessments and monitoring and evaluation to assess potential risks and application of market leverage to mitigate or prevent potential adverse impacts.

Identifying and appropriately assessing risks is the most challenging component of risk management systems. It was noted that, while it is important to recognise that not every risk will be captured, when a risk or adverse impact is identified, there is an expectation to act.

Knowing and showing. It was suggested that a lack of non-financial reporting obligations may present a liability to financial institutions in the future. Obligations to report non-financial information is a growing trend. The EU Directive on non-financial reporting will soon come into force and the Indian stock exchange already requires reporting against the OECD Guidelines for companies going through initial public offerings. Public reporting is important not just for companies, but also for external stakeholders. The level of reporting should be detailed enough so that stakeholders can evaluate whether RBC is being practiced so informed decisions can be made. Reporting is also important for enabling the inclusion of rights holders in the risk assessment process. A knowledgeable community can foster a broader perspective that can contribute to more effective risk identification and management processes.

Need for additional information and standardization. Although a plethora of information exists on corporate conduct and environmental and social impacts, participants raised the issue that there is a lack of standardised, specific and quantifiable information for these subjects. This was referenced as one of the biggest challenges for risk identification and assessment. Panellists expressed a need for proper consolidated standards backed up with quantifiable and objective data to strengthen risk management systems. Additional research and analysis on the monetary value of external costs, such as environmental damage or social liabilities, and their impact on profitability, was also called for.

Some initiatives are already underway in this regard. For example, the True Cost initiative is working to monetize the costs of external impacts so they can be included in the company financial projections. Additionally, one panellist described work with the World Resources Institute and Rights and Resources that involves building a database of standardised information related to environmental and social aspects in the gold mining industry. However, such initiatives can have only limited impact on their own. Attaining standardisation in this field will involve a far larger and more co-operative effort. The shape such standardisation might take was not discussed in detail.

Coherence is key. The issue of policy coherence across industry, regulators, and internal company systems was frequently mentioned in the panel. First, the point was made several times that RBC policies need to be treated coherently throughout a company. A failure to do so will hinder the effectiveness of even the strongest policies. Additionally, coherence and collective action across the sector will be important in mainstreaming these trends. The actors that are not currently active on RBC must be brought to the table. Additionally, strategies need to be formulated for both traditional direct investments, as well as in more challenging areas, such as passive investments and index funds. It was suggested that market makers such as stock exchanges and index fund managers could be key players in undertaking complementary due diligence and pre-screening of companies to increase efficiency and catalyze broad-based reform for a responsible financial sector. However, such initiatives will have to be developed in a way to ensure that free flow of capital is not restricted.

The importance of supporting private efforts by a strong regulatory framework was also highlighted. Governments must remain responsible for regulating what occurs in their jurisdiction. It was noted that adherence to international principles and standards, such as the OECD Guidelines and UNGPS, in internal policies and practices is important for achieving coherence and recognition of private sector efforts. Financial institutions leading in this field have attested to using these instruments as a framework.

However, a strong point was made again that coherence amongst international instruments that touch on the governance of business is crucial. The OECD, in particular, was once again called upon to work on coherence between the OECD Principles of Corporate Governance, currently under review, and the OECD Guidelines for Multinational Enterprises.

Special Event: Responsible Business Conduct in Myanmar

Co-chairs

- **Marine de Carne de Trecesson**, Ambassador for Corporate Social Responsibility, France
- **Benedetta Francesconi**, National Contact Point, Italy

Keynote Address: **Aung Naing Oo**, Director General, Directorate of Investment and Company Administration, Government of Myanmar

Panellists

- **Stephen Thomsen**, Head, OECD Investment Policy Reviews
- **Alan Krill**, Foreign Affairs Officer, Business and Human Rights Section, US State Department
- **Khine Khine Nwe**, Member, Myanmar Investment Commission and Joint-Secretary, Union of Myanmar Federation of Chambers of Commerce and Industry
- **Aung Tun Thet**, President's Economic Advisor and UN Global Compact Representative
- **Ed Potter**, Director, Global Workplace Rights, The Coca-Cola Company
- **Julie Vallat**, Head, Ethics and Human Rights Department, Legal Division, Total
- **Zaw Oo**, National Co-ordinator, Extractive Industries Transparency Initiative
- **Vicky Bowman**, Director, Myanmar Centre for Responsible Business
- **Marc Levy**, Director, GRET

The objective of this special event was to discuss why responsible investment is essential for Myanmar's continued development. The findings of the new OECD Investment Policy Review of Myanmar and a review of recent RBC-specific initiatives in Myanmar were also presented.

Responsible business conduct efforts are indigenous to Myanmar. The list of regulatory and institutional reforms underway in Myanmar are increasingly numerous. A panellist highlighted that the public and private sectors within Myanmar are championing RBC efforts, which has not been imposed by external actors. The government's focus on efficiency, transparency and accountability has led to the revised Foreign Investment Law (2012), Special Economic Zones Law (2011), and Labour Organisation Law (2012), among others. Thanks to labour law reforms, Myanmar was readmitted to the ILO in 2013. Institutional reforms in the Myanmar Investment Commission are also underway, while the National Human Rights Commission was established in 2012. Looking ahead, the government aims to become more active in adhering to the Extractive Industries Transparency Initiative and is currently drafting an anti-corruption law. Myanmar's standing on the corruption index has improved significantly, as it moved from 172^{nd} place in 2012 to 157^{th} in 2013. The government also recently partnered with the OECD to hold a couple of workshops on RBC in Myanmar and engaged in a learning exercise with the UK British Council to increase awareness of RBC issues among social enterprises. Ultimately, the government views RBC as a means to achieve an inclusive, sustainable economy, rather than an end unto itself. This drives its commitment to embed RBC in its policies, as well as to expect investors to do the same when operating in Myanmar.

New investors face diverse, complex challenges. Despite a prevalent positive outlook among the panellists, several of them commented on the complex nature of due diligence that new investors must undertake in Myanmar. One panellist noted that it took his company a full year to complete the due diligence process, which entailed a value chain analysis from the sourcing of raw materials to consumer end use. A prominent risk is the still-developing basic rule of law, which means that an independent judiciary and functioning labour action system are yet to be established. Facilitation of payments is still a common expectation, leaving companies with long delays if they uphold their legal obligation to refuse. Land tenure presents another risk, as companies are still learning to navigate the chain of land ownership among local suppliers as well as land purchased for company facilities. At this difficult stage, companies must seek guidance from others who have been on the ground for some time or turn to communities to gain insight into which issues require prioritisation. Given current tensions within Myanmar, it is imperative that companies seek a thorough understanding of how to handle sensitive topics such as ethnicity or religious affiliation.

A widespread capacity gap may undermine recent reforms. Myanmar's political and business actors must act quickly yet carefully to build the enabling environment necessary for responsible investment. The panellists acknowledged a widespread capacity gap at each level of government, society, and business that may risk halting or reversing recent positive trends. Local laws regarding social and environmental issues lack robustness and leave room for investors to claim they are applying local law where none actively exist. Civil society must be empowered to participate more actively during consultations with potential investors and there must also be room for them to engage with government leaders. Local suppliers face hurdles in comprehensively meeting labour and human rights standards. The potential for increased resource wealth requires both a proactive revenue management policy and an examination of how the core-periphery relationship between the government and diverse ethnic groups can be improved.

Several panellists noted the role that the international community can play in supporting the on-going development of RBC practices. A special emphasis was placed on home governments, who can require businesses to act responsibly while also applying pressure and providing support to the Myanmar government. One panellist highlighted that the United States government now implements rigorous reporting requirements for American companies undertaking oil and gas projects or investing more than $500,000 in Myanmar in order to guard against irresponsible practices, particularly regarding land tender and labour.

Global standards should be utilised as guidance. There was consensus among the panellists that new RBC standards specific to Myanmar would be superfluous. Rather than attempt to create new expectations, the RBC framework in Myanmar should be guided by existing tools and common frameworks. Many of the panellists noted that it would be unreasonable to expect local businesses to meet these principles and standards within a short timeframe due to lack of capacity. The OECD Guidelines provide a useful benchmark, due to their comprehensiveness and alignment with the universally endorsed UN Guiding Principles on Business and Human Rights. However, adherence to the Guidelines could be problematic since neither Myanmar nor its top investors, such as China and Thailand, are OECD members. Several panellists also mentioned the positive role other standards available could play, such as the ASEAN Guidelines on Good Industrial Relations Practices. One of the most important points is to continue sustained and robust engagement on RBC.

Special Event: Responsible Business Conduct in Central Asia and South Caucasus

Chair: **Manfred Schekulin**, Chair, OECD Investment Committee

Keynote addresses

- **Yerlan Sagadiyev**, Vice-Minister of Industry and New Technologies, Kazakhstan
- **Ketevan Bochorishvili**, Deputy Minister of Economy and Sustainable Development, Georgia

OECD presentation: **Marie-France Houde**, Head of Unit, OECD Guidelines for Multinational Enterprises, OECD

Panellists

Kazakhstan:

- **Massimo de Mauro**, Vice-President, Kazakhstan, Exploration-Production, Total
- **Bjorn Brandtzaeg**, Chief Executive Officer, Clean Energy Group
- **Abelgazi K. Kussainov**, Chairman, Federation of Trade Unions, Kazakhstan
- **Rinad Temirbekov**, Executive Director, Eurasia Foundation of Central Asia
- **Naila Mukhtarova**, Deputy Head, Secretariat of the Committee on Social Partnerships, National Chamber of Entrepreneurs of Kazakhstan

Georgia:

- **Michael Cowgill**, Board of Directors, American Chamber of Commerce, Georgia, and President, Georgian American University
- **Irina Kvakhadze**, Deputy CEO, Business Association of Georgia
- **Ketevan Vashakidze**, President, Eurasia Partnership Foundation
- **Irakli Petriashvili**, President, Trade Unions Confederation, Georgia

Lead Respondent: **Dimitri Japaridze**, Director, Business Research Center, Ilia State University

This special event focused on the role of RBC in building healthy business environments in Central Asia and South Caucasus and the investor contribution to the region's sustainable and inclusive growth. The discussion drew upon the knowledge and experience of various regional players. The main findings of the first two studies of a new OECD publication series *Responsible Business Conduct In*, featuring Kazakhstan and Georgia, were presented. This publications series was conceived as a resource document for investors to understand the needs and expectations of the societies in which they operate. It describes the challenges and opportunities investors encounter in translating RBC principles and standards into practice and identify appropriate tools and partners that could assist. The Kazakhstan and Georgia publications are part of a broader OECD project on RBC in Central Asia and South Caucasus, which is supported by the Austrian Development Agency and the Austrian Federal Ministry of Science, Research and Economy.

Pushing the agenda forward in Kazakhstan. Since independence, Kazakhstan has received a sizeable amount of foreign direct investment due to its rich natural resources, a large part of it going to oil and gas exploration. Reforms in recent years have also created a relatively open business environment. On the RBC front, the National Chamber of Entrepreneurs of Kazakhstan is developing, in co-operation with the Eurasia Foundation, a corporate social responsibility concept for Kazakhstan around which a national strategy and a national action plan could be developed by the Kazakhstan government. Kazakhstan participates in a wide range of international initiatives, including the OECD-Eurasia Competitiveness Programme launched in 2008 to develop the region's economic and employment potential by enhancing national, regional and sectorial competitiveness.

Focus on integrating Georgian business in international value chains. In Georgia, the reforms implemented in the last decade have created one of the most open business environments in the world. Georgia ranks 8th for ease of doing business out of 189 countries in the World Bank *Doing Business 2014*. Despite robust economic growth in the last decade, poverty, inequality and unemployment rates remain high. Accordingly, the economic strategy of the new government prioritizes the development of small and medium sized enterprises, skills and education and the absorption of the surplus agricultural labour force to achieve more inclusive growth. The Georgia-EU Deep and Comprehensive Free Trade Area signed on 27 June 2014 should bring new business opportunities for Georgia and help it integrate international markets.

Different contexts, common challenges. In view of the weight of the extractive sector in the Kazakhstan economy, and the environmental and stakeholders concerns that are generally associated with this sector, the Kazakhstan publication primarily focuses on the ways enterprises have to avoid adverse impacts and address those impacts when they do occur. The Georgia publication emphasises, on the other hand, the multinational enterprise positive contributions to Georgia's economic and social progress through the development of local enterprises, transfer of skills and know-how and the integration of small and medium enterprises into the global value chain. One common challenge, practically noted by all panellists, is the lack of common understanding in the two countries about what RBC should entail. A better understanding of RBC expectations would contribute to a constructive dialogue between business and other stakeholders about good practices in this field.

A number of panellists referred to recent improvements in social and labour relations in Kazakhstan. One trade union panellist noted, in particular, that the legal framework for labour relations can create good incentives for engaging stakeholders in new partnerships beneficial to RBC. A business representative noted that the more systematic approach adopted by its management as regards social and environmental programmes, notably in terms of the improvement of skills of the company's labour force. Another panellist noted the need for more active involvement of civil society organisations to influence decision-making at top management level. The Extractive Industries Transparency Initiative (EITI) in Kazakhstan was cited as a good example of how government, businesses (foreign and domestic) and civil society can successfully cooperate in improving business practices.

RBC is a relatively new concept in Georgia and panellists discussed the balance that needs to be found between measures to attract foreign investment and those aiming at improving social conditions. One trade union representative highlighted the gaps in the Georgian legislation related to collective bargaining and women rights. One representative from a foreign enterprise operating a large hydropower project in the country shared his experience about the need to engage early with local communities in order not only to minimise potential negative impacts but also to manage expectations about job opportunities, which, even in the context of a large energy project, are not sufficient to absorb the high rates of unemployment in existence across Georgia. One panellist felt that as civil society organisations in Georgia are getting stronger, they would be in a better position to partner with enterprises in shaping good practices and ensuring their accountability.

The Chair concluded that recent initiatives in both Kazakhstan and Georgia to promote RBC at the government and private levels and the special event at the Global Forum are positive steps towards a better understanding of the RBC role in building a healthy business environment. Nevertheless, more needs to be done to ensure that Kazakhstan and Georgia gain the most benefits from RBC. Participants particularly welcomed the second phase of the OECD project on RBC in Central Asia and South Caucasus.

Special Event: ISO Sustainable Procurement

Chair: **Manfred Schekulin**, Chair, OECD Investment Committee

Opening Remarks:

- **Manfred Schekulin**, Chair, OECD Investment Committee
- **Jacques Schramm**, President, ISO PC 277 Sustainable Procurement

PANEL 1: Impact on Business Leadership

- **Marie d'Huart**, Managing Partner, CAP conseil
- **Pierre Pelouzet**, National Business Relations Ombudsman, France
- **Hou Fei**, National institute of Standardization, China
- **Shaun McCarthy**, Director, Action Sustainability

PANEL 2: Impact on Operational Aspects of Purchasing Practices

- **Olivier Coustaury**, Head of Sustainable Procurement and CSR Communications, Marketing and Services, Total
- **Stefan Deutsch**, Chief Academic Officer, Israel Purchasing and Logistics Managers' Association, and Head, Standard Institute of Israel Delegation to ISO/PC-277 Sustainable Procurement
- **Hans Kröder**, International expert, CSR/ISO 26000, Netherlands
- **Yvette Bomele Bonyangi**, Permanent Secretary, Unit Project Management and Procurement, Control Office, Congo

CLOSING REMARKS: **Olivier Peyrat**, ISO Vice-President Finance, AFNOR

This special event was intended to raise awareness of the ISO work on sustainable procurement, to assess the progress to date and to identify levers that could be used to hasten implementation at both policy-making and operational procurement levels.

Rapid progress of the ISO project, close ties with the OECD. ISO sustainable procurement project started at the end of 2013. The resulting standard may be published in the first half of 2016. The work undertaken encompasses a new outline for the standard and a new version consistent with the new structure, along with a desire to incorporate OECD work relating, for example, to the garment and extractive industries.

The Standardisation Group tasked to formulate the new standard brings together many countries (41 of them, two-thirds OECD members and one-third non-members, including most of the BRIC countries) plus several large international organisations, such as the OECD and the United Nations. The standardisation work is being performed in an excellent climate of international dialogue, which points to convergence toward a uniform benchmark for good practices and recommendations at the international level.

Unequal maturity across countries, differentiated requirements vis-à-vis the ISO standard. The countries can be divided into three categories:

- Those already far advanced through regular dealings with a number of large domestic and multinational organisations and/or local governments - it is they that are now inspiring the content of the future standard. Some of them, such as the United Kingdom and France, have already formulated domestic standards in this area.

- Those, such as certain large BRIC countries like China, that manifest a very clear desire, crystallised by tangible deployment action plans in various industries, in some cases by regulatory means, to align procurement practices on the principles and various core issues of ISO 26000. These countries stress the considerable importance of these undertakings on the domestic level and call for implementation to be gradual.

- Those, amongst developing countries such as the Democratic Republic of Congo, which tend to be awaiting these inputs. Against these backgrounds, the new ISO standard should enable benchmarks of corporate responsibility to be integrated on a wider scale.

Domestic interests that justify the involvement of governments. Each country needs to be aware of the economic and social impact of responsible procurement. Each country's GDP is made up of trade between economic agents, both public and private, most of which is carried out between a selling legal entity and a purchasing legal entity. Consequently, ensuring these purchasing flows are responsible harnesses a country's entire economic might for the advancement of major social interests: preserving human rights, local employment and workers' rights (with highly positive effects on scaling back absenteeism, workplace accidents and occupational illnesses, and thus on health care funding), territorial development, the environment, consumer protection and so on. These interests justify the involvement of governments.

However, even in countries that are "mature" in these areas, wide disparities can be seen in the stances that governments take vis-à-vis public and private players. Some of these countries, such as the United Kingdom, the Netherlands and Belgium, tend to act through government procurement, having understood that their overriding responsibility is to set an example in their own purchasing operations. Private initiatives tend to come from firms or industrial sectors that want to be a step ahead (such as the construction sector in the United Kingdom).

In other countries, such as France, there has been strong governmental support, i.e. through creation of an inter-firm mediation mechanism, followed by government procurement mediation; formulation of a Charter of ten commitments for responsible purchasing; and creation of a government-awarded seal of approval involving third-party evaluation. As a result, responsible procurement initiatives have mushroomed, with nearly 500 signatories to the Charter, including three-quarters of the largest listed French corporations and 22 mostly large-sized organisations that have earned the seal of approval. France would like to move towards a State-issued seal of approval based in part on full compliance with the ISO standard and in part on highly exacting criteria that also demand a minimum of attention to dysfunctional characteristics of the country's business practices (e.g., excessively slow payments, lopsided contractual clauses, etc.).

Challenges and opportunities for MNEs, which entail finding the keys to effective deployment in the procurement function. Multinationals sometimes see these new benchmarks as yet another constraint and additional cost. In some cases they are more sensitive to the risks arising from bad practices and accidents like the one in Bangladesh, which can tarnish their reputations. In contrast, some others consider that responsible purchases are first and foremost a means of differentiating themselves in the market, and of enhancing the attractiveness of their brands and products to customers and consumers. That is also a longer-term and more comprehensive approach to the gauging of purchasing performance. Consequently, the leadership and perceptiveness of business leaders is crucial if the deployment of such initiatives is to have the scope and duration they need.

As one panellist put it, however, the devil is in the details. If purchasing practices are to be applied, it is imperative that the standard not be based on broad principles, but rather that it make specific recommendations that will speak to buyers day in and day out. It is also necessary to see things from the standpoint of the big companies that are trying to undertake initiatives both at home and abroad. A special effort must be made to convince internal decision-makers to shift to responsible procurement and to provide them with sufficient resources, given the magnitude of the task involved in effecting the changes and good governance that responsible procurement entails. Occasional boosts may be called for to hasten deployments. Lastly, we should rely on young purchasing agents, who should be convinced that responsible procurement is the way of the future.

Today's responsible procurement is tomorrow's normal procurement. An absence of responsibility could trigger disasters and prove very costly to multinationals and to governments. There is widespread international awareness that the time has come to act, and to act quickly, rallying large multinationals and governments alike so there are no recurrences. Senior policy-makers must be brought on board so that responsible procurement will soon be the rule. Co-operation between the OECD and the ISO is an excellent way of achieving that.

Moving Forward: Time for Action is Now

As highlighted in the closing address by Richard Howitt MEP, European Rapporteur on Corporate Social Responsibility, and that of Prof. Dr. Roel Nieuwenkamp, Chair, Working Party on Responsible Business Conduct, time for action is now. Challenges are many and progress remains insufficient. Leading by example will be crucial to induce change on the ground. This is true for all stakeholders - governments, businesses, trade unions and civil society alike.

Promoting Global Responsibility. The effective implementation of existing local laws is a first measure against the race to the bottom. Governments that have not yet done so should consider adhering to the OECD Guidelines and to commit to their principles and standards in order to collectively contribute to sustainable development and global level playing field. Complementary efforts to promote the OECD Guidelines and the UN Guiding Principles, which both reflect the importance of risk-based due diligence to identify, prevent and mitigate risks, should be encouraged actively. Operational co-operation within global value chains and specifically amongst producing, manufacturing and consuming countries with operations in high-risk areas is highly recommended.

Policy Coherence. RBC also correlates to several policy issues and could be used to ensure policy coherence within the government. Countries are also encouraged to give due consideration to the inclusion of social and environmental standards or guidelines in bilateral, regional and multilateral trade and investment regimes. A more responsible trade regime, which is respectful of social and environmental standards such as those promoted by the OECD, ILO and UN, would be a decisive driver for sustainable development and competitiveness globally. Development co-operation and development policy can also be used to support and promote a better business climate. Furthermore, social and environmental standards should be considered in the award of grants and public procurement contracts, as well as in government-backed lending, insurance and financing for business, where appropriate.

The adherents to the OECD Guidelines are called upon to improve the performance of National Contact Points as a top priority. Multi-stakeholder work led by the OECD to clarify responsibilities in the financial, extractives, textiles, and agriculture sectors should also be continued. Civil society in particular called upon making the OECD Guidelines more accessible.

Business Leadership. Businesses are called on to streamline risk-based due diligence in their entire decision-making process and throughout the entire business in a transparent way, including within purchasing, compliance, risks, and legal departments, both at home and abroad. The recent advancements in the field of corporate reporting are welcomed and should be supported. Trade unions called upon businesses to support global framework agreements as a problem-solving measure. Business leaders were also called upon to re-define and broaden how value is understood within their businesses to include considerations around social and natural capital. Focusing only on returns on investment is not an accurate reflection of the risks that businesses face. There was wide support for pushing forward the agenda around internalising and creating value for stakeholders, not just shareholders.

Scaling up efforts will require active and sustained engagement by all stakeholders. Business executives, factory workers, and consumers alike are often missing from RBC conversations. Engagement is needed on a broad scale, including with society at large. Being accountable for your actions is at the core of responsibility for all actors.

Evidence of progress is needed. This second Global Forum on Responsible Business Conduct, in addition to the informal Ministerial Meeting on RBC, has again emphasised the importance of working together to push forward the responsible business conduct agenda globally. The Global Forum's role as an annual meeting to ensure that efforts in this area remain strong and relevant to all stakeholders has been reinforced. These discussions are needed for the development of a robust global and collective responsibility agenda. Next year's Global Forum can serve to show concrete improvements following the discussions this year. Leading by example will be key to realizing that change on the ground.

GLOBAL FORUM ON RESPONSIBLE BUSINESS CONDUCT

Annex I: Programme Outline

Thursday, 26 June 2014

08:00 – 09:00	Registration and Welcome Coffee	
09:30 – 11:45	**Opening Plenary** • **Welcoming Remarks and Opening Addresses** • **Reinforcing the Ecosystem of Responsibility**	*Room CC4*
12:00 – 13:30	Lunch Break *Presentations [12:00 – 12:45]* • *UNCTAD 2014 World Investment Report* (*Room CC4*) • *Update of the OECD Policy Framework for Investment: Chapter on Responsible Business Conduct* (*Room CC7*)	
13:30 – 15:30	**Grievance Mechanism of the OECD Guidelines for Multinational Enterprises** *Room CC4*	**Special Event: Responsible Business Conduct in Myanmar** *Room CC7*
15:30 – 16:15	Coffee Break	
16:15 – 18:30	**Rana Plaza Aftermath: Responsible Supply Chains in the Textiles and Garment Sector** *Room CC4*	**Special Event: Responsible Business Conduct in Central Asia and South Caucasus** *Room CC7*
18:30 – 20:00	Buffet du Parc - Cocktail Reception	

Friday, 27 June 2014

08:00 – 09:00	Registration	
09:30 – 12:00	**Stakeholder Engagement and Due Diligence in the Extractive Sector** *Room CC4*	**Special Event: ISO Sustainable Procurement** *Room CC7*
12:00 – 13:30	Lunch Break *Presentations [12:00 – 12:30]* • *International Trade Centre: Demonstrating Convergence in RBC through Standards Map Tool* (*Room CC4*) • *OECD Watch: Toolkit for the OECD Guidelines for Multinational Enterprises* (*Room CC7*)	
13:30 – 15:00	**Responsible Business Conduct Along Agricultural Supply Chains**	*Room CC4*
15:00 – 15:30	Coffee Break	
15:30 – 17:00	**Responsible Business Conduct in the Financial Sector**	*Room CC4*
17:00 – 17:30	**Moving Forward**	*Room CC4*

Annex II: Ministerial Communique

The informal Ministerial Meeting, held in parallel to the Global Forum, was an opportunity to discuss how to integrate RBC principles throughout government policies to protect internationally recognised fundamental rights and to ensure good governance, fair regulations, and transparency. There is a need for a more co-ordinated approach within and between governments to promote good business practices. Ministers also discussed how to work toward a global level-playing field, while at the same time calling on businesses to acknowledge that their freedom to operate globally also carries a responsibility for their impact locally.

The Communique below reflects the outcomes of this meeting.

Informal Ministerial Meeting on Responsible Business Conduct

26 June 2014

Ministerial Communiqué on Responsible Business Conduct[5]

1. On the occasion of the OECD's second Global Forum on Responsible Business Conduct, we have gathered at the invitation of the Secretary-General for an informal Ministerial meeting on Responsible Business Conduct co-chaired by France and the Netherlands.
2. We congratulate the OECD for bringing together this impressive gathering of governments, business, trade unions and civil society to discuss the most pressing issues in the realm of responsible business conduct today. The importance of this issue is underscored by the recent one year anniversary of the Rana Plaza tragedy, one of the largest industrial disasters of its kind.

Promoting Responsible Trade and Sustainable Development Globally

3. We recall that the OECD Guidelines for Multinational Enterprises ("the Guidelines") represent a comprehensive set of government-backed recommendations for responsible business conduct in a global context. We invite all countries that have not yet done so to consider adhering to the Guidelines and to commit to their principles and standards in order to collectively contribute to sustainable development and a global level playing field.
4. We commend the National Contact Points (NCPs) for their efforts in promoting responsible business conduct, advising how the Guidelines apply throughout global value chains and also in providing an accessible and impartial platform for conciliation and mediation to resolve issues that arise relating to the implementation of the Guidelines in specific instances.

Promoting Responsibility for a Global Level Playing Field

5. Responsible business conduct enables enterprises to better contribute to economic development, sustainability, inclusiveness, social progress and to respect internationally recognized human rights and is therefore an essential component of a vibrant, competitive and transparent business environment. Governments have a role in promoting such conduct by providing adequate legal and policy frameworks, and by taking steps to ensure accountability and transparency. We support and encourage the development of company reporting on responsible business conduct and note initiatives taken by some countries to make it a legal requirement in certain situations.

[5] Australia, Austria, Bangladesh, Brunei Darussalam, Denmark, Cambodia, Chile, Colombia, Costa Rica, the Czech Republic, the Democratic Republic of Congo, Finland, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Kazakhstan, Latvia, Lithuania, Luxembourg, Korea, Mexico, Morocco, Myanmar, Norway, New Zealand, the Russian Federation, Slovenia, Spain, Sweden, Switzerland, Turkey, and the United States.

6. Beyond our discussions, we warmly welcome the second Global Forum's contribution in highlighting challenges in the global supply chains of the textile and garment, extractive, agricultural and financial sectors. To promote responsible business conduct in agricultural supply chains we highlight the development of sector specific guidance in this field by the FAO and the OECD. Given the significant influence and presence of the financial sector within the global economy, we strongly recommend that financial institutions carry-out risk-based due diligence, as recommended in the Guidelines. We take note of the OECD's initial good work on this subject and support its continuation in a multi-stakeholder setting.

Policy Coherence for Responsible Business Conduct

7. Responsible business conduct is correlated to several policy issues and should be used to ensure policy coherence and as a tool to provide a dedicated forum for collective actions between governments, business, trade unions and civil society. We encourage operational cooperation within global value chains specifically amongst producing, manufacturing and consuming countries with operations in high-risk areas. We welcome complementary efforts to promote the Guidelines and the UN Guiding Principles on Business and Human Rights, which both reflect the importance of risk-based due diligence to identify, prevent and mitigate risks.

8. There are strong links between trade and investment, protection of the environment, respect for human rights and high social standards. We encourage countries to give due consideration to the inclusion of social and environmental standards or guidelines in bilateral, regional and multilateral trade and investment regimes. This would be a key contribution in ensuring that social (including labour and human rights) and environmental commitments are effectively respected and promoted. A more responsible trade regime, which is respectful of social and environmental standards such as those promoted by the OECD, International Labour Organization (ILO) and UN, would be a decisive driver for sustainable development and competitiveness globally.

9. We further encourage governments to use development cooperation and development policy to support and promote a better business climate. Social and environmental standards should also be considered in the award of grants and public procurement contracts, as well as in government-backed lending, insurance and financing for business, where appropriate.

10. Policy coherence is also relevant for enterprises. Senior management should mainstream policies and practices on responsible business and involve all relevant departments, such as sourcing, compliance, risk, legal, and responsible business conduct, in this process, in all of their activities at home and abroad.

Promoting Responsible Supply Chains in the Textile and Garment Sector

11. We note with appreciation the ongoing work carried out by all stakeholders – governments, industry, workers, civil society and international organisations – to help ensure dignity, well-being, safety and decent conditions of work in the textile and garment sector since the tragic collapse of Rana Plaza last year. Governments, private enterprise and labour unions responded to this incident by seeking to build a sustainable sector in Bangladesh and to work together with a vision of shared responsibility to ensure that such a tragedy is not repeated. We welcome initiatives such as the Bangladesh Tripartite National Action Plan; the Sustainability Compact for Bangladesh[6] launched by the European Union (EU), the United States, the ILO and Bangladesh; the Accord on Fire and Building Safety in Bangladesh and the Alliance for Bangladesh Worker Safety; as well as the impressive work of the ILO, such as the Better Work Programme in Bangladesh, supported by Canada, France, the Netherlands, Switzerland, the United Kingdom and United States. In this context, we applaud the complementary role played by NGOs and Trade Unions to support the Rana Plaza victims. This collective response shows that responsibility in this sector is shared and should be approached collaboratively by all stakeholders.

12. Additionally we welcome the initiatives of many NCPs and government agencies to promote responsible sourcing of garments and textiles. They provide a good basis to accompany the multilateral and private sector responses. We warmly welcome the in-depth report of the NCPs of France and Italy on the implementation of the OECD

[6] http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc_151601.pdf

Guidelines in the textile and garment sector[7] and the initiatives of Belgium[8], Canada, Denmark, Germany, the Netherlands, Sweden, the United Kingdom and the United States. We also take note of the June 2014 and 2013 NCP Statements[9] concerning this sector. We invite all stakeholders of the textile global value chain to duly consider the NCPs' recommendations to build safer and more responsible supply chains, in Bangladesh and beyond.

13. Although the progress achieved has been impressive, more remains to be done. We thank stakeholders for the contributions that have been made to date, but strongly call upon all stakeholders to deepen their respective efforts to build a sustainable sector in Bangladesh. Stakeholders should follow through in fulfilling all their respective commitments. In this regard, we acknowledge the Statement on compensation for Rana Plaza victims issued today by the governments of Denmark, France, Germany, Italy, the Netherlands, Spain and the United Kingdom. We reaffirm the importance of safe working conditions and respect for worker rights, and further acknowledge that ceasing sourcing in Bangladesh could exacerbate the situation for millions of workers, particularly women who make up the overwhelming majority in this sector.

14. The Guidelines offer a comprehensive tool to address major challenges in this sector. With this in mind, we welcome efforts to develop practical due diligence guidance specific to this sector, as the reports of the NCPs of France, Italy and Belgium have sought to do. We strongly encourage continued collaboration between the OECD, governments, ILO, other organisations, manufacturers and retailers, local suppliers, trade unions and relevant civil society groups in this endeavour. We look forward to the joint ILO-OECD Roundtable on Responsible Supply Chains in the Textile and Garment Sector, to be held at the OECD on 29-30 September 2014, and call on all relevant stakeholders to participate meaningfully to enhance the outcomes of the meeting.

15. Considering the relevance and utility of the coordinated approach being developed in Bangladesh, we invite governments and stakeholders in other textile and garment producing countries to move towards approaches similar to the above-mentioned initiatives in Bangladesh, while working with international organisations to strengthen the social dimension of trade. We underline the importance of adopting comprehensive approaches in shaping global economic and development policies for this sector, drawing on the Post-2015 Development Agenda.

Responsible Business Conduct in the Extractives Sector

16. Responsible investment in the extraction, processing and trade of minerals has the potential to generate growth, employment, prosperity and development opportunities. At the same time, responsible business conduct can be particularly challenging in the extractive sector given the risks related to environmental management, and the need to address human rights and conflict, corruption and weak fiscal management and impacts on local communities.

17. We therefore underscore the high utility of the OECD Guidelines and NCPs in addressing these challenges and risks. We encourage governments to strengthen their business climate and policy frameworks by integrating a social and environmental dimension to achieve closer alignment with international standards such as the Guidelines.

18. We also support existing initiatives and schemes which contribute to improving accountability, sustainable development, transparency and deterring corruption in the extractive industry, such the Extractive Industries Transparency Initiative,[10] Kimberley Process,[11] the Voluntary Principles on Security and Human Rights, the Africa Mining Vision and the Inter-Governmental Forum on Mining.

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7 http://www.tresor.economie.gouv.fr/File/398811; Report on responsible business conduct in the textile and garment supply chain Recommendations of the Italian NCP on implementation of the OECD Guidelines for Multinational Enterprises. (June, 2014)

8 http://economie.fgov.be/fr/binaries/Rapportenaanbeveling_20140207_EN_tcm326-242683.pdf

9 http://mneguidelines.oecd.org/NCPStatementBangladesh25June2013.pdf

10 http://eiti.org

11 http://www.kimberleyprocess.com/

19. We take note that several related initiatives are driven by the private sector which could contribute to dialogue with stakeholders and promotion of due diligence. Nonetheless, we consider that the Guidelines should be used as an umbrella instrument to ensure consistency. Policy coherence is particularly relevant in this sector to avoid the multiplication of standards.

Facilitating Stakeholder Engagement in the Extractive Industry

20. Engaging with relevant stakeholders, including governments, is important for enterprises in managing the aforementioned challenges and risks in relation to planning and implementing industrial projects. We take note that the OECD is working on the elaboration of a user guide for stakeholder engagement and due diligence in the extractives industries and call on the OECD to finalise this work before the 2015 Global Forum.

Focus on Conflict-free Sourcing of Minerals

21. We underscore the importance of the OECD Council Recommendation on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas adopted in May 2011[12] and of the two supplements dedicated to tin, tantalum, tungsten ('3T')[13] and to gold supply chains.[14] As a result of this work, significant progress has been made in implementing due diligence and supporting responsible sourcing of minerals from conflict-affected and high-risk areas, notably throughout the Member States of the International Conference on the Great Lakes Region.

22. We underscore the relevance of the OECD Due Diligence Guidance to all mineral supply chains and call on all stakeholders to broaden its application beyond the tin, tantalum, tungsten and gold supply chains. We note that industry-led due diligence practices can and should complement government-led efforts to regulate the industry in line with other international commitments. We also stress the importance of combating risks of contributing to conflict, human rights abuses, or poor labor conditions and environmental degradation in the coal supply chain. In this context, we stress the need for mineral sourcing companies to use their influence within their supply chains in line with OECD Due Diligence Guidance.

23. We support the United States' recognition of the OECD Due Diligence Guidance as an internationally-recognized tool for companies complying with section 1502 of the Dodd-Frank Act. We welcome the integrated approach by the EU on responsible sourcing including the initiative to set up an EU system for supply chain self-certification of responsible importers of tin, tantalum, tungsten, their ores, and gold originating in conflict-affected and high-risk areas based upon the OECD Due Diligence Guidance. We look forward to the on-going process on the draft regulation, bearing in mind the views of different stakeholders.

Conclusion

24. This second Global Forum on Responsible Business Conduct and informal Ministerial Meeting has again emphasised the importance of working together to push forward the responsible business conduct agenda globally. We encourage the OECD to continue to organise this important annual meeting to ensure that our efforts in this area remain strong and relevant to all stakeholders.

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12 http://www.oecd.org/daf/inv/mne/GuidanceEdition2.pdf
13 Id.
14 Id.