

Responsible business conduct for Institutional Investors

Promoting responsible business conduct in the financial sector is vital to building a sustainable global economy. However, inherent complexities in the sector, such as extensive and complex business relationships, make practical application of effective due diligence systems challenging.

The OECD paper Responsible business conduct for Institutional Investors explains key considerations for institutional investors in carrying out due diligence as recommended by the OECD Guidelines for Multinational Enterprises (OECD Guidelines). The paper will help institutional investors to prevent and address adverse impacts related to human and labour rights, the environment, and corruption caused by companies in their investment portfolios.

It provides tailored recommendations for:







A multi-stakeholder advisory group of over 50 representatives from the financial sector, including leading investment institutions, government, civil society, international organisations and other experts contributed to the development of the paper. It has been approved by the 47 governments that adhere to the OECD Guidelines.

Why should investors carry out due diligence?

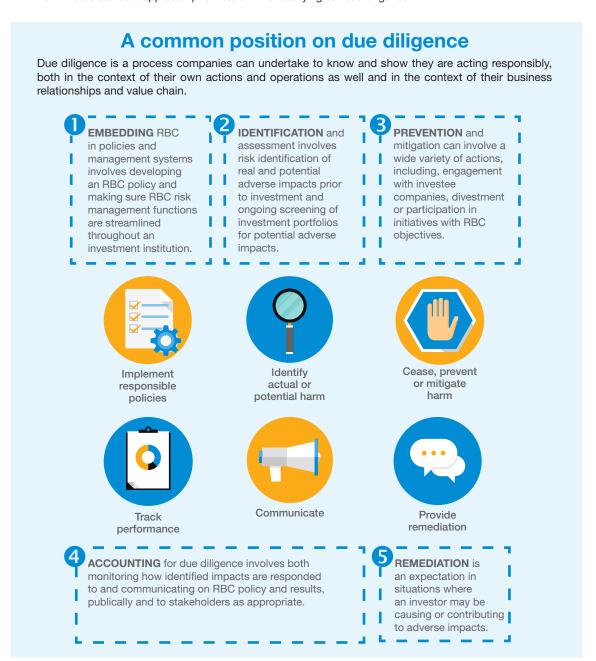
By carrying out due diligence in line with the OECD Guidelines, investors will be able to avoid negative impacts of their investments on society and the environment. They will also be able to avoid financial and reputational risks, respond to the expectations of their clients and beneficiaries and contribute to global goals on climate and sustainable development.

Failing to consider long-term investment value drivers, which include environmental, social and governance issues, in investment practice is increasingly seen to be a failure of fiduciary duty. Since the adoption of the Paris Climate Agreement in 2015, investors have been facing increasing expectations to manage climate risks in their portfolios. International financial institutions have also signalled plans to mobilise USD 400 billion towards achieving the Sustainable Development Goals (SDGs). Strong due diligence processes can help ensure that investments are put towards projects and companies that behave responsibly and ultimately help to contribute to achieving the SDGs.

Bridging gaps in understanding

The paper articulates a common position on several complex issues which were previously not recognised nor well understood. Specifically:

- The relationship of responsible business conduct (RBC) standards to fiduciary duty.
- How minority shareholders, in a vast majority of cases, will be directly linked to adverse impacts caused or contributed to by companies in their portfolio.
- How investors should approach prioritisation when carrying out due diligence.



For more information please visit: mneguidelines.oecd.org/rbc-financial-sector.htm

