

OECD **GUIDELINES** FOR MULTINATIONAL ENTERPRISES  
RESPONSIBLE  
BUSINESS CONDUCT  
MATTERS





# RESPONSIBLE BUSINESS CONDUCT MATTERS

**INTERNATIONAL INVESTMENT DRIVES THE GLOBAL ECONOMY.** The international business environment has experienced significant structural changes over the past three decades. As governments opened markets, businesses embraced new opportunities, leading to an unprecedented period of economic growth and inter-connectedness. In particular, multinational enterprises (MNEs) – through job creation, human capital development, efficient capital distribution, and technology, knowledge and skills transfers – have significantly contributed to development and economic growth of both home and host countries.

**RESPONSIBLE BUSINESS CONDUCT MATTERS.** Responsible business conduct is an essential part of an open international investment climate. MNE activities often span multiple countries and many cultural, legal, and regulatory environments. This complexity, coupled with the intensely competitive nature of international business, presents MNEs and their stakeholders with unique and specific challenges. Although many MNEs demonstrate a respect for high standards of business conduct, some may neglect the appropriate principles and standards of conduct in an attempt to gain undue competitive advantage. This may be particularly true in environments where regulatory, legal, and institutional frameworks are underdeveloped or fragile. More and more enterprises are responding by committing to responsible business practices, promoting dialogue, and engaging with stakeholders. Addressing societal concerns while advancing enterprise interests can be mutually supportive.

**MARKET INTEGRITY IS ESSENTIAL.** Building a healthy business environment is in the interest of all stakeholders and demands effort by all. Governments have a responsibility to protect internationally recognised fundamental rights and to improve the functioning of markets through good governance, fair regulations, and transparency. Businesses have a responsibility to adopt responsible business practices that take into account both the bottom line and the impact of their activities on society. Labour and civil society have to be involved proactively and constructively and have a key role to play in ensuring accountability. International organisations can provide a forum for dialogue, peer learning, standard setting, analysis, and best policy recommendations. The 2008 global crisis has demonstrated in no uncertain terms that markets need integrity – they need to work for people and not the other way around.



**OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES.** This brochure provides basic information about the *OECD Guidelines for Multinational Enterprises* (the *Guidelines*), the most comprehensive set of government-backed recommendations on responsible business conduct in existence today. The governments that adhere to the *Guidelines* aim to encourage the positive contributions MNEs can make to sustainable development and to minimise the difficulties to which their various operations may give rise.

# A UNIQUE INSTRUMENT FOR RESPONSIBLE BUSINESS CONDUCT

The *Guidelines* are a set of recommendations on responsible business conduct addressed by governments to MNEs operating in or from adhering countries. They are supported by the representatives of business, worker organisations and non-governmental organisations through the OECD Business and Industry Advisory Committee (BIAC), the OECD Trade Union Advisory Committee (TUAC), and OECD Watch.

The *Guidelines* are a part of the 1976 *OECD Declaration on International Investment and Multinational Enterprises*, a policy commitment by adhering governments to provide an open and transparent environment for international investment and to encourage the positive contribution MNEs can make to economic and social progress. The *Guidelines* clarify adhering government expectations on responsible business conduct and aid MNEs to ensure their operations are in harmony with government policies. Balancing an open investment climate with the responsibilities of enterprises is key.

## HOW ARE MULTINATIONAL ENTERPRISES DEFINED?

A precise definition of multinational enterprises is not required for the purposes of the *Guidelines*. These enterprises operate in all sectors of the economy. They usually comprise companies or other entities established in more than one country and so linked that they may coordinate their operations in various ways. While one or more of these entities may be able to exercise a significant influence over the activities of others, their degree of autonomy within the enterprise may vary widely from one multinational enterprise to another. Ownership may be private, State or mixed. The *Guidelines* are addressed to all the entities within the multinational enterprise (parent companies and/or local entities). According to the actual distribution of responsibilities among them, the different entities are expected to co-operate and to assist one another to facilitate observance of the *Guidelines*. (1.4)

## WHAT MAKES THE GUIDELINES UNIQUE?

### Most comprehensive government-backed instrument in existence today

The *Guidelines* are the only existing multilaterally agreed corporate responsibility instrument that adhering governments have committed to promoting in a global context. They express the shared views and values of countries, including major emerging economies, that are the sources and the recipients of a large majority of the world's investment flows and are also home to a majority of MNEs. The *Guidelines* cover all major areas of business ethics. Their recommendations are set out in 11 chapters and cover topics such as information disclosure, human rights, employment and labour, environment, anti-corruption, and consumer interests. The *Guidelines* also encompass three areas - science and technology, competition, and taxation - not as fully covered by any other international corporate responsibility instrument.

### Unique implementation mechanism

The active way in which the *Guidelines* are implemented distinguishes them from other international corporate responsibility instruments.

#### ■ National Contact Points

Adhering countries are obliged to set up National Contact Points (NCPs) that are tasked with furthering the effectiveness of the *Guidelines* by undertaking promotional activities, handling inquiries, and providing a mediation and conciliation platform for resolving issues that arise from the alleged non-observance of the *Guidelines*. This makes the *Guidelines* the only international corporate responsibility instrument with a built-in grievance mechanism.

#### ■ Proactive Agenda

The effective implementation of the *Guidelines* is supported by the proactive agenda. The proactive agenda aims to promote the effective observance of the *Guidelines* by helping enterprises identify and respond to risks of adverse impacts associated with particular products, regions, sectors, or industries. Central to its potential to effect change on a broad scale is its employment of the multi-stakeholder process which gives relevant stakeholders the opportunity to participate side-by-side with enterprises in developing strategies to avoid and address risks of adverse impacts.

## THE BUSINESS ADVANTAGES OF ACTING RESPONSIBLY

MNEs have a strong business incentive to act responsibly aside from the expectations placed upon them and the baseline standards that they have to meet. Responsible businesses are more likely to obtain and retain the social licence to operate, a critical component of long-term business strategy. Responsible business practices are also an efficient way to manage risks, diversify portfolios, and increase productivity. For example, environmentally friendly production processes can significantly decrease overall costs and effective management of labour practices in supply chains can boost productivity and protect brand capital. Responsible business conduct is about respecting rights of stakeholders, creating new value, and protecting existing value through risk and reputation management.

The advantages of acting responsibly include, among others:

- Effective risk and reputation management
- Portfolio diversification
- Operational efficiency gains
- Social licence to operate
- Compliance with internationally recognised principles and standards
- Attracting and retaining talent
- Increase in added value for consumers
- First-mover advantages in some markets
- Access to new markets

## Voluntary but reflecting expectations

Observance of the *Guidelines* by enterprises is voluntary and not legally enforceable. Nevertheless, some matters covered by the *Guidelines* may be regulated by national law or international commitments. MNEs are expected to fulfill the recommendations set out in the *Guidelines* and the countries adhering to the *Guidelines* make a binding commitment to implement them. The active system under which the *Guidelines* are promoted and implemented attests to the importance adhering countries give to the *Guidelines*. The underlying idea behind this approach is to focus on building an atmosphere of mutual trust between all stakeholders in order to overcome global corporate responsibility challenges.

## Comprehensive approach to due diligence and responsible supply chain management

The *Guidelines* are the first international instrument to integrate the corporate responsibility to respect human rights as set out in the UN's *Guiding Principles on Business and Human Rights*. The *Guidelines* are also the first international corporate responsibility instrument to incorporate risk-based due diligence into major areas of business ethics. The nature and extent of due diligence depend on the circumstances of a particular situation, an important point considering the complexity of international business.

## Good practice for all

As demonstrated through the alignment with international principles and standards, the *Guidelines* are based on universal values. They promote a more open investment climate and a level playing field through the positive contribution MNEs can make to sustainable development. As such, they should be of interest to all enterprises, wherever they originate or operate, as well as to non-adhering countries. Small and medium-sized enterprises are encouraged to observe the *Guidelines* to the fullest extent possible although they may not have the same capacities as larger enterprises.

## Regularly updated

The *Guidelines* were originally adopted in 1976 and have been updated five times since then, most recently in 2011, to ensure that they remain at the forefront of the global responsible business conduct agenda and a leading tool in the ever-changing landscape of the global economy.

### THE GUIDELINES IN BRIEF

✓	Comprehensive
✓	Government-backed
✓	Unique implementation mechanism
✓	Voluntary but reflecting expectations
✓	Comprehensive approach to due diligence and responsible supply chain management
✓	Good practice for all
✓	Regularly updated
✗	Not a substitute for domestic law
✗	Not protectionist

# 1976-2013: FOUR DECADES OF COMMITMENT TO RESPONSIBLE BUSINESS CONDUCT

## 2011 UPDATE OF THE GUIDELINES

Close to four decades after they were first adopted in 1976, the *Guidelines* were updated for the fifth time on the occasion of the OECD's 50th Anniversary Ministerial Council Meeting on 25 May 2011.

The one-year multi-stakeholder update process included intensive consultations with a wide range of stakeholders and partners. All non-adhering G20 countries were invited to participate on an equal footing; they made important contributions, as did participants in the regional consultations in Asia, Africa, Latin America, and the Middle East and North Africa.

BIAC, TUAC, and OECD Watch represented the views of business, worker organisations, and non-governmental organisations. The UN Secretary-General's Special Representative on Business and Human Rights, Professor John Ruggie, also provided extensive input as did the International Labour Organisation (ILO) and other international organisations.



Adoption of the updated *Guidelines* at the 50th Anniversary of the OECD in 2011. Left to right: Joris Oldenziel, OECD Watch; Richard Trumka, TUAC; Angel Gurría, Secretary-General of the OECD; Hillary Clinton, U.S. Secretary of State; and Charles P. Heeter, BIAC.

Multiple OECD committees contributed to the revisions of the relevant specialised chapters: Competition; Consumer Policy; Corporate Governance; Employment, Labour and Social Affairs; Environment Policy; Fiscal Affairs; and, the Working Group on Bribery in International Business Transactions.

Changes to the *Guidelines* include:

- A new human rights chapter, consistent with the UN's *Guiding Principles on Business and Human Rights*.
- A new and comprehensive approach to due diligence and responsible supply chain management.
- Important changes to many specialised chapters, such as: Employment and Industrial Relations; Combating Bribery, Bribe Solicitation and Extortion; Environment; Consumer Interests; Disclosure; and Taxation.
- Clearer and reinforced procedures to strengthen the role of NCPs, improve their performance and foster equivalence.
- Inclusion of a proactive agenda to assist enterprises in meeting their responsibilities as new challenges arise.
- New provisions on internet freedom and stakeholder engagement.

***“The OECD Guidelines for Multinational Enterprises, developed in close consultation with both business and labour, set a new higher standard for how our companies should operate, including an important new chapter on human rights.”***

Hillary Clinton, U.S. Secretary of State,  
Chair of the OECD 50th Anniversary Ministerial  
Council Meeting, 2011



*“The revised OECD Guidelines are the first inter-governmental instrument to integrate the second pillar of the UN framework – the corporate responsibility to respect human rights. They are also the first to take the Guiding Principles’ concept of risk-based due diligence for human rights impacts and extend it to all major areas of business ethics.”*

Professor John G. Ruggie,  
*Special Representative of the UN Secretary-General  
for Business and Human Rights, 2011*

## **A NEW GLOBAL RESPONSIBLE BUSINESS CONDUCT AGENDA**

### **A historical opportunity to turn ideas into actions**

An unprecedented moment of international convergence and coherence on what constitutes responsible business conduct has emerged from the 2011 Update of the *Guidelines* and the 2011 unanimous endorsement by the UN Human Rights Council of the *Guiding Principles on Business and Human Rights* that operationalise the 2008 UN “Protect, Respect and Remedy” Framework. This convergence is echoed in other international standards, including the ISO 26000 Guidance on Social Responsibility, the revised IFC Performance Standards, and the revised OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence.

### **Clearer, stronger principles and standards**

The result has been a clearer understanding of the baseline standards for how businesses should understand and address the risks of their operations and how governments should support and promote such responsible business practices. This, in turn, has created a more predictable business environment that equips enterprises with the necessary processes to meet their responsibilities and enables their stakeholders to hold them accountable against reasonable expectations.



## **GLOBAL FORUM ON RESPONSIBLE BUSINESS CONDUCT**

The OECD launched the Global Forum on Responsible Business Conduct in 2013 to strengthen international dialogue on responsible business conduct and to contribute to the effective implementation of the *Guidelines*.

# A LOOK AT THE GUIDELINES

Certain concepts, principles and policies are fundamental to all recommendations in the *Guidelines* – understanding them is essential for the effective implementation of this instrument. The following non-exhaustive list describes some of these. This list is only a snapshot - the inclusion and order of specific ideas does not represent an evaluation of their importance over others in the *Guidelines*. The *Guidelines* should always be read and treated as a whole document. Relevant *Guidelines* chapters, paragraphs, and commentary articles are mentioned in parenthesis where appropriate to provide an easy reference point to the *Guidelines*.

## A HEALTHY BUSINESS ENVIRONMENT IS THE BUSINESS OF ALL

It is important to understand that the *Guidelines* recognise that all parties – not only enterprises – have a role to play in building a healthy business environment. The recommendations in the *Guidelines* are set forth with an understanding that adhering governments will implement them and encourage their use and will fulfil their responsibilities to treat enterprises equitably and in accordance with international law and with their contractual obligations. (I.9, I.11) Enterprises, on their part, are expected to fully take into account established policies in the countries in which they operate and consider the views of other stakeholders. In this regard, enterprises should contribute to economic, environmental, and social progress with a view to achieving sustainable development. (II.A.1)

## TWO SIDES OF THE SAME COIN

General policies that set the tone and establish common fundamental principles for the specific recommendations throughout the *Guidelines* focus on two aspects of the business-society relationship: 1) positive contribution MNEs can make to sustainable development, and 2) avoiding adverse impacts and addressing them when they do occur.

The positive and substantial contribution MNEs can make to economic, environmental, and social progress in home and host countries is undeniable. At the same time, MNE activities may give rise to difficulties between the host societies and the interests of enterprises. Addressing the two sides of the same coin in a holistic manner is one of the *Guidelines*' most important contributions in the global field of responsible business conduct.

### OBEYING DOMESTIC LAWS IS THE FIRST OBLIGATION OF ENTERPRISES

The *Guidelines* are not a substitute for nor should they be considered to override domestic law and regulation. (I.2)

In countries where domestic laws and regulations conflict with the principles and standards of the *Guidelines*, enterprises should seek ways to honour such principles and standards to the fullest extent which does not place them in violation of domestic law. (I.2)

### THE GUIDELINES REFLECT GOOD PRACTICE FOR ALL

The *Guidelines* are addressed to all the entities within the MNE (parent companies and/or local entities). (I.4)

The *Guidelines* are not aimed at introducing differences of treatment between multinational and domestic enterprises. (I.5)

While small and medium-sized enterprises may not have the same capacities as larger enterprises, they are nevertheless encouraged to observe the *Guidelines*' to the fullest extent possible. (I.6)

### PROTECTIONISM IS NOT THE PURPOSE OF THE GUIDELINES

Adherent governments should not use the *Guidelines* for protectionist purposes nor in a way that calls into question the comparative advantage of any country where MNEs invest. (I.7)

The *Guidelines* aim to ensure that MNE operations are in harmony with government policies, to strengthen the basis of mutual confidence between MNEs and the societies in which they operate, to help improve the foreign investment climate, and to enhance the contribution to sustainable development made by MNEs. (Preface.1)



The following is a non-exhaustive list of such general policies. It is no surprise that many encompass both of the above-mentioned aspects of the business-society relationship.

**Adverse impacts**

Enterprises should avoid causing or contributing to adverse impacts on matters covered by the *Guidelines*, through their own activities, and address such impacts when they occur. (II.A.11)

Enterprises should seek to prevent or mitigate an adverse impact where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship. This is not intended to shift responsibility from the entity causing an adverse impact to the enterprise with which it has a business relationship. (II.A.12)

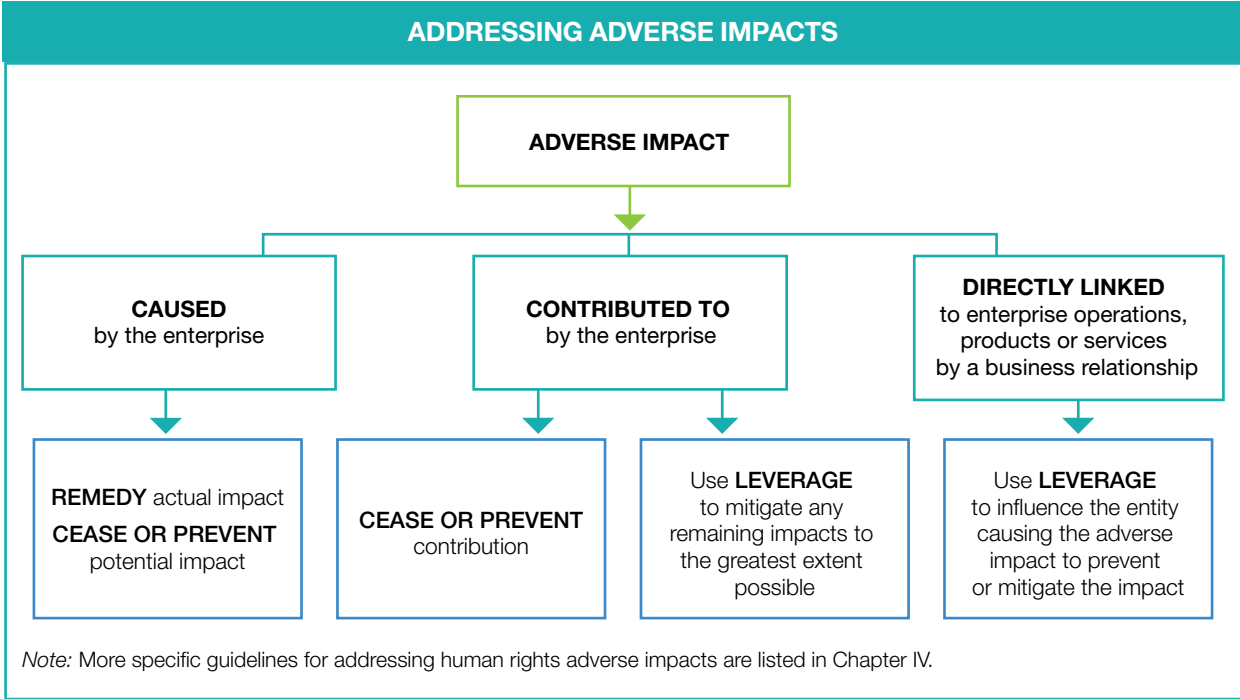
In addition to addressing adverse impacts in relation to matters covered by the *Guidelines*, enterprises should encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of responsible business conduct compatible with the *Guidelines*. (II.A.13)

**WHAT ARE BUSINESS RELATIONSHIPS?**

The scope of the application of the *Guidelines* encompasses an enterprise’s own activities and activities linked to the enterprise by a business relationship. Enterprises should seek to prevent or mitigate an adverse impact where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship. (II.A.12)

Business relationships include relationships with business partners, entities in the supply chain and any other non-State or State entities directly linked to its business operations, products or services. (II.c.14)

It should be understood that seeking to prevent or mitigate an adverse impact linked to an enterprise by a business relationship is not intended to shift responsibility from the entity causing an adverse impact to the enterprise with which it has a business relationship. (II.A.12)



The *Guidelines* encompass adverse impacts that are either caused or contributed to by the enterprise, or are directly linked to their operations, products or services by a business relationship. Avoiding causing or contributing to adverse impacts through their own activities includes their activities in the supply chain.

'Contributing to' an adverse impact should be interpreted as a substantial contribution, meaning an activity that causes, facilitates, or incentivises another entity to cause an adverse impact and does not include minor or trivial contributions.

How enterprises address adverse impacts depends on the degree by which the adverse impacts are linked to the enterprise. Potential impacts are to be addressed through prevention or mitigation, while actual impacts are to be addressed through remediation. (II.c.14)

## Due diligence

Enterprises should carry out risk-based due diligence, for example by incorporating it into their enterprise risk management systems, to identify, prevent and mitigate actual and potential adverse impacts, and account for how these impacts are addressed. The nature and extent of due diligence depend on the circumstances of a particular situation. (II.A.10)

Due diligence is understood as the process through which enterprises can identify, prevent, mitigate, and account for how they address their actual and potential adverse impacts as an integral part of business decision-making and risk management systems. It can be included within broader risk management systems, provided that it goes beyond simply identifying and managing material risks to the enterprise itself to include the risks of adverse impacts related to matters covered by the *Guidelines*. (II.c.14)

Enterprises with large supply chains are encouraged to identify general areas where the risk of adverse impacts is most significant and, based on this risk assessment, prioritise suppliers for due diligence. (II.c.16)

The due diligence recommendation applies to those matters covered by the *Guidelines* that are related to adverse impacts. It does not apply to the chapters on Science and Technology, Competition, and Taxation. (II.c.14)

## UNDERSTANDING LEVERAGE

Leverage is an important tool that enterprises can use to influence behaviour to prevent or mitigate adverse impacts either contributed to by an enterprise or linked to an enterprise by a business relationship.

If the enterprise has the ability to effect change in the wrongful practices of the entity that causes the harm, then it has **leverage** over that entity. (II.c.19)

There are **practical limitations** on the ability of enterprises to effect change in the behaviour of their suppliers. These are related to product characteristics, the number of suppliers, the structure and complexity of the supply chain, the market position of the enterprise *vis-à-vis* its suppliers or other entities in the supply chain.


Suppliers can, however, be influenced through contractual arrangements such as management contracts, pre-qualification requirements for potential suppliers, voting trusts, and licence or franchise agreements. These factors, along with severity and probability of adverse impacts and how crucial that supplier is to the enterprise, will determine an **appropriate response**. (II.c.21)

Appropriate responses may include:

- continuation of the relationship with a supplier throughout the course of risk mitigation efforts;
- temporary suspension of the relationship while pursuing ongoing risk mitigation;
- as a last resort, disengagement with the supplier either after failed attempts at mitigation, or where the enterprise deems mitigation not feasible, or because of the severity of the adverse impact. The enterprise should also take into account potential social and economic adverse impacts related to the decision to disengage. (II.c.22)

Enterprises may also engage with suppliers and other entities in the supply chain to improve their performance, in co-operation with other stakeholders, including through personnel training and other forms of capacity building, and to support the integration of principles of responsible business conduct compatible with the *Guidelines* into their business practices.


Where suppliers have multiple customers and are potentially exposed to conflicting requirements imposed by different buyers, enterprises are encouraged, with due regard to anti-competitive concerns, to participate in industry-wide collaborative efforts with other enterprises with which they share common suppliers to coordinate supply chain policies and risk management strategies, including through information-sharing. (II.c.23)



## Stakeholder engagement


Enterprises should engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making for projects or other activities that may significantly impact local communities. (*II.A.14*)

Stakeholder engagement involves interactive processes of engagement with relevant stakeholders, through, for example, meetings, hearings, or consultation proceedings. Effective stakeholder engagement is characterised by two-way communication and depends on the good faith of the participants on both sides. This engagement can be particularly helpful in the planning and decision-making concerning projects or other activities involving, for example, the intensive use of land or water, which could significantly affect local communities. (*II.c.25*) It is of particular importance in the extractive sector as activities in this sector often have large socio-economic and environmental impacts.



## Fostering confidence and trust

Enterprises should foster a relationship of confidence and mutual trust with the societies in which they operate. This includes respecting the internationally recognised human rights of those affected by their activities (*II.A.2*), encouraging business partners to apply responsible business conduct principles (*II.A.13*), and abstaining from improper involvement in local political activities (*II.A.15*). This also includes respecting applicable statutory or regulatory frameworks and refraining from seeking or accepting exemptions not contemplated in the statutory or regulatory frameworks related to human rights, environmental, health, safety, labour, taxation, financial incentives, or other issues. (*II.A.5*) This does not infringe on an enterprise's right to seek changes in those frameworks and there are instances where specific exemptions can be for legitimate public policy reasons. (*II.c.6*) Developing and applying self-regulatory practices and management systems is also encouraged. (*II.A.7*)



## Human capital formation and capacity-building

Human capital formation and local capacity building by enterprises are encouraged. Enterprises should co-operate closely with the local community, create employment opportunities, and facilitate training opportunities for employees. (*II.A.3-4*) Fostering a good relationship with workers is of particular importance and it includes promoting awareness of and compliance with company policies and refraining from discriminatory or disciplinary action against workers who make *bona fide* reports on practices that contravene the law, the *Guidelines*, or the enterprise's policies. (*II.A.8-9*) While of particular relevance to anti-bribery and environment areas, such protection is also relevant to other recommendations in the *Guidelines*.



## Corporate governance

Good corporate governance should be implemented by the enterprise – this includes supporting and upholding good corporate governance principles and developing and applying good practices. The recommendation extends to enterprise groups. (*II.A.6*) Good corporate governance practices can be drawn from the *OECD Principles of Corporate Governance*. (*II.c.7*) For state-owned MNEs, the specifically tailored *OECD Guidelines on Corporate Governance of State-Owned Enterprises* provide recommendations that could significantly improve governance. (*II.c.10*)

# CHAPTERS OF THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

## I. Concepts and Principles

The first chapter of the *Guidelines* sets out concepts and principles that put into context all of the recommendations in the subsequent chapters. These concepts and principles (e.g. obeying domestic law is the first obligation of enterprises) are the backbone of the *Guidelines* and underline the fundamental ideas behind the *Guidelines*.

## II. General Policies

This chapter is the first to contain specific recommendations to enterprises in the form of general policies that set the tone and establish a framework of common principles for the subsequent chapters. It includes important provisions such as implementing due diligence, addressing adverse impacts, engaging stakeholders, and others.

## III. Disclosure

Clear and complete information on the enterprise is important to a variety of users. This chapter calls on enterprises to be transparent in their operations and responsive to increasingly sophisticated public demands for information.

## IV. Human Rights

Enterprises can have an impact on virtually the entire spectrum of internationally recognised human rights. As such, it is important that they meet their responsibilities. This new chapter of the *Guidelines* draws on and is aligned with the UN “Protect, Respect and Remedy” Framework and the *Guiding Principles on Business and Human Rights* that operationalise that framework.

## V. Employment and Industrial Relations

The ILO is the competent body to set and deal with international labour standards and to promote fundamental rights at work as recognised in the ILO 1998 Declaration on Fundamental Principles and Rights at Work. This chapter focuses on the role the *Guidelines* have in promoting observance among MNEs of the international labour standards developed by the ILO.

## VI. Environment

The environment chapter provides a set of recommendations for MNEs to raise their environmental performance and help maximise their contribution to environmental protection through improved internal management and better planning. It broadly reflects the principles and objectives of the Rio Declaration on Environment and Development and Agenda 21.

## VII. Combating Bribery, Bribe Solicitations and Extortion

Bribery and corruption are damaging to democratic institutions and the governance of corporations. Enterprises have an important role to play in combating these practices. The OECD is leading global efforts to level the playing field for international businesses by fighting to eliminate bribery. The recommendations in the *Guidelines* are based on the extensive work the OECD has already done in this field.

## VIII. Consumer Interests

The *Guidelines* call on enterprises to apply fair business, marketing, and advertising practices and to ensure the quality and reliability of the products that they provide. This chapter draws on the work of the OECD Committee on Consumer Policy and the Committee on Financial Markets, and of other international organisations, including the International Chamber of Commerce, the International Organisation for Standardization and the UN.

## IX. Science and Technology

This chapter recognises that MNEs are the main conduit of technology transfer across borders. It aims to promote technology transfer to host countries and contribution to their innovative capacities.

## X. Competition

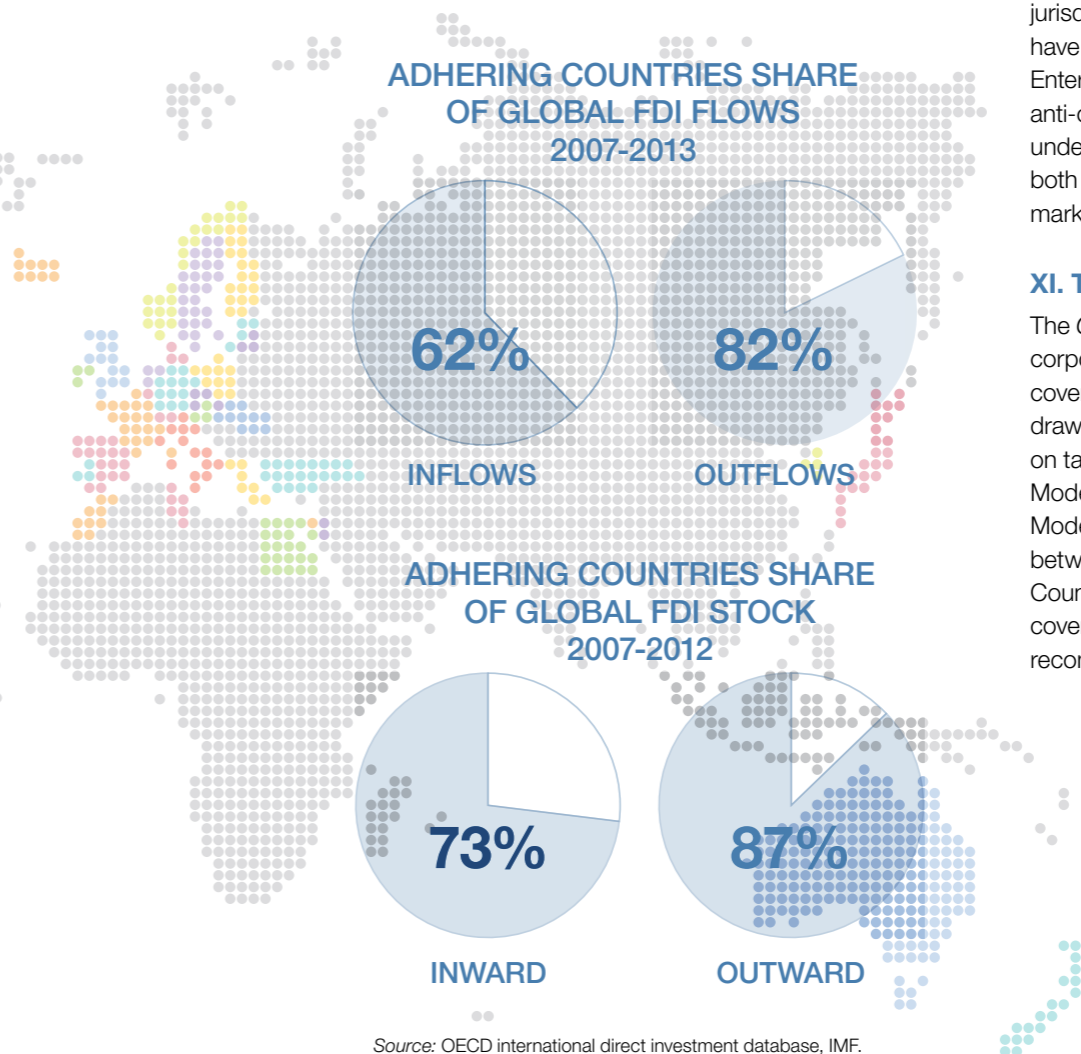
This chapter focuses on the importance of MNEs carrying out their activities in a manner consistent with all applicable competition laws and regulations, taking into account the competition laws of all jurisdictions in which their activities may have anti-competitive effects. Enterprises need to refrain from anti-competitive agreements, which undermine the efficient operation of both domestic and international markets.

## XI. Taxation

The *Guidelines* are the first international corporate responsibility instrument to cover taxation, contributing to and drawing upon a significant body of work on taxation, most notably the OECD Model Tax Convention and the UN Model Double Taxation Convention between Developed and Developing Countries. This important chapter covers fundamental taxation recommendations.

### ADHERING COUNTRIES

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



# IMPLEMENTING THE GUIDELINES

It is only through collaborative and multi-stakeholder action that the true intent and purpose of the *Guidelines* can be realised. Although enterprises are ultimately responsible for observing the *Guidelines* in their day-to-day operations, governments and stakeholders also have a vested interest in enhancing the *Guidelines* profile and effectiveness. In addition, governments adhering to the *Guidelines* have specific obligations.

## NATIONAL CONTACT POINTS

The adhering governments are obliged to set up NCPs whose main role is to further the effectiveness of the *Guidelines* by undertaking promotional activities, handling inquiries, and contributing to the resolution of issues that arise from the alleged non-observance of the *Guidelines* in specific instances.

Adhering countries have flexibility in how they organise their NCPs as long as such arrangements provide an effective basis for dealing with the broad range of issues covered by the *Guidelines* and enable the NCP to operate in an impartial manner while maintaining an adequate level of accountability to the adhering government. To ensure that all NCPs operate in a comparable way, the concept of “functional equivalence” is used – see box for the core criteria. NCPs report to the OECD Investment Committee and meet regularly to share their experiences.

NCPs rely on multi-stakeholder input and are committed to developing and maintaining relationships with representatives of the business community, worker organisations, NGOs and other interested parties that are able to contribute to the effective implementation of the *Guidelines*.

### CORE CRITERIA FOR NATIONAL CONTACT POINTS

**Visibility.** Adhering governments should inform the business community, worker organisations, NGOs and other interested parties about the availability of facilities associated with NCPs. Governments are expected to publish information about their NCP and to take an active role in promoting the *Guidelines* (i.e. by hosting seminars and meetings, which could be done in co-operation with different stakeholders).

**Accessibility.** Easy access to NCPs is important to their effective functioning - facilitating access to the NCP is important. NCPs respond to all legitimate requests for information and also deal with specific issues raised by different parties in an efficient and timely manner.

**Transparency.** Transparency contributes to the accountability of the NCP and is important for gaining the confidence of the general public. Activities of NCPs should be transparent, although it is recognised that in specific instances NCPs might take appropriate steps to establish confidentiality of the proceedings. Outcomes of specific instances, however, will be transparent unless preserving confidentiality is in the best interests for the effective implementation of the *Guidelines*.

**Accountability.** A more active role in enhancing the profile of the *Guidelines* – and their potential to aid in the management of difficult issues between enterprises and the societies in which they operate – puts the activities of NCPs in the public eye. Nationally, parliaments could have a role to play. Annual reports and regular meetings of NCPs provide an opportunity to share experiences and encourage best practices. The OECD Investment Committee also holds exchanges of views, where experiences are exchanged and the effectiveness of the activities of NCPs could be assessed.

## SPECIFIC INSTANCES

The *Guidelines* are the only government-backed international instrument on responsible business conduct with a built-in grievance mechanism – specific instances. Under this mechanism, NCPs are obliged to provide a platform for discussion and assistance to stakeholders to help find a resolution for issues arising from the alleged non-observance of the *Guidelines*. NCPs must do so in a manner that is impartial, predictable, equitable, and compatible with the principles and standards of the *Guidelines*.

Specific instances are not legal cases and NCPs are not judicial bodies. NCPs focus on problem solving - they offer good offices and facilitate access to consensual and non-adversarial procedures (ex. conciliation or mediation).

Any interested party can submit a specific instance to an NCP regarding the alleged non-observance of the *Guidelines*. Once the specific instance has been submitted, its consideration is composed of three phases:

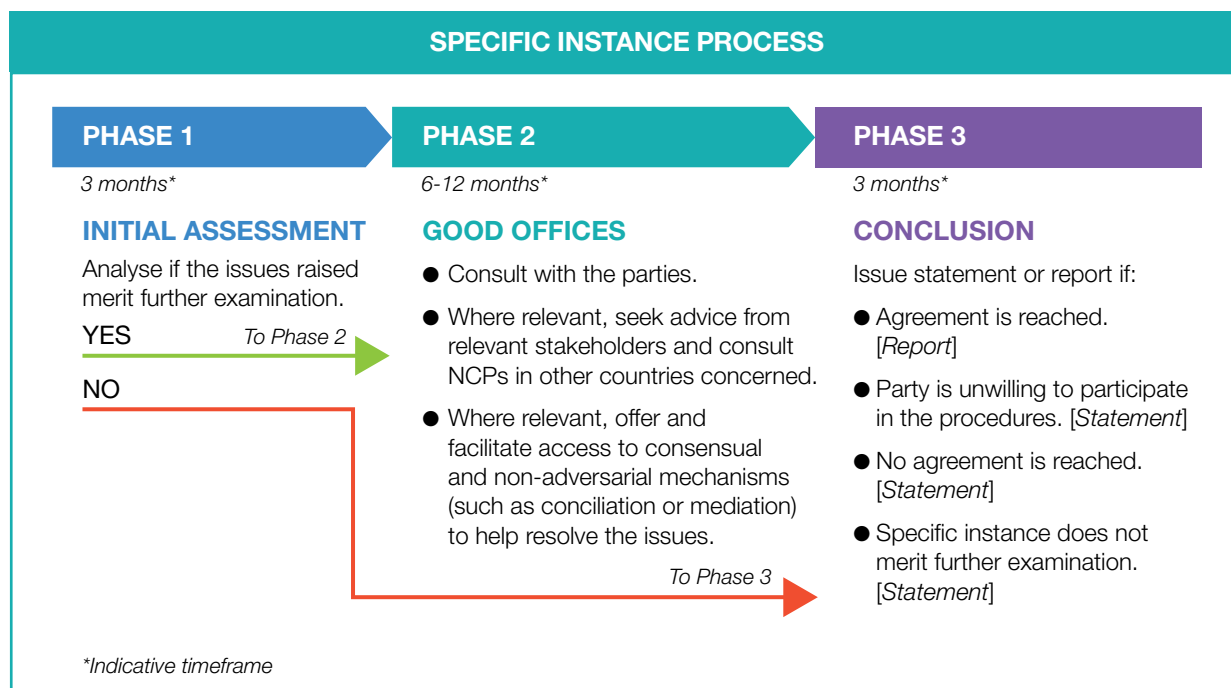
**Phase 1 - Initial Assessment:** to determine if the issues raised merit further examination.

**Phase 2 - Offer of Good Offices:** to seek advice and facilitate access to consensual and non-adversarial means to resolve the issues.

**Phase 3 - Conclusion:** to issue statements or reports.

It is understood that good offices can only proceed upon agreement of the parties concerned. The parties' commitment to participate in good faith is a crucial element to a successful resolution of issues. NCPs will take appropriate steps to protect sensitive information and the interests of stakeholders involved. Confidentiality of the proceedings will be maintained during good offices. If the parties involved have not agreed on a resolution at the conclusion, they are free to communicate about and discuss these issues. However, information and views provided during the proceedings by another party involved will remain confidential, unless that other party agrees to their disclosure or this would be contrary to the provisions of national law.

Identifying different ways in which NCPs can use informal problem-solving methods in specific instances and improving mediation skills have been identified as high priority for NCPs following the 2011 Update of the *Guidelines*. NCPs of the Netherlands, Norway, and the United Kingdom have sponsored a Mediation Manual by the Consensus Building Institute that clarifies whether, when, and how NCPs could use mediation and other informal problem-solving methods to resolve claims in specific instances.



Three hundred specific instances have been considered since 2000 – and almost a quarter of that number represents specific instances raised between June 2010 and June 2012. Most originated from NGOs and trade unions, with employment and industrial relations, human rights, and environment as predominant issues. These specific instances concerned activities in both adhering and non-adhering countries and across diverse sectors, most notably in the extractive and manufacturing sectors. In the first year of implementation of the updated *Guidelines*, one out of three specific instances raised cited the new human rights chapter.

***“What’s unique about the OECD Guidelines is that they come with a complaints mechanism, so that people who feel that their human rights have been harmed can actually bring a complaint against a company.”***

Professor John G. Ruggie,  
*Special Representative of the UN Secretary-General  
for Business and Human Rights, 2011*

## PROACTIVE AGENDA

The proactive agenda is a new prospective dimension added in the 2011 Update that contributes to problem solving, as well as the avoidance of problems, in a broader context than the specific instance procedures. The proactive agenda aims to promote the effective observance of the *Guidelines* by helping enterprises identify and respond to risks of adverse impacts associated with particular products, regions, sectors or industries. Central to its potential to effect change on a broad scale is its employment of the multi-stakeholder process which gives relevant stakeholders the opportunity to participate side-by-side with enterprises in developing strategies to avoid risks of adverse impacts. Proactive agenda work should add value and avoid duplication with other initiatives and collaborative efforts.

NCPs are in a position to play an important role in contributing to the proactive agenda since they maintain regular contact with social partners and other stakeholders in order to: a) consider new developments and emerging practices concerning responsible business conduct; b) support the positive contributions enterprises can make to economic, social, and environmental progress; c) participate where appropriate in collaborative initiatives to identify and respond to risks of adverse impacts associated with particular products, regions, sectors, or industries.

Three initial proactive agenda projects have been identified: Due Diligence in the Financial Sector, Stakeholder Engagement and Due Diligence in the Extractive Sector, and Responsible Investment in Agricultural Supply Chains. These projects do not aim to create any new responsibilities or recommendations in addition to those in the *Guidelines* (*i.e.* no new normative framework).

The *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas* (the *Guidance*) is an example of the potential of the proactive agenda. The *Guidance* shows how the due diligence and supply chain provisions of the updated *Guidelines* can be translated into operational terms in a given context.

## HELPING COMPANIES SOURCE MINERALS RESPONSIBLY

How can companies respect human rights and avoid causing or contributing to conflict when sourcing minerals from areas of conflict? What steps need to be put in place and what tools are needed to ensure that mining and trade of minerals support development and sustainable growth? These complex challenges have bedevilled the international community for many years.



### A PRACTICAL FRAMEWORK FOR DUE DILIGENCE

The result of an in-depth multi-stakeholder process between the OECD, African countries, international organisations, industry, and civil society, the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas* provides a practical framework to help companies answer these questions. The *Guidance* includes supplements on Tin, Tantalum and Tungsten (3T) and on Gold, with tailored recommendations for each of these supply chains. As the *Guidance* was developed through a consensus-based process, it reflects the realities of modern supply chains, provides a common reference for suppliers and stakeholders, and focuses industry attention on leverage points such as smelters and refiners, while also recognising the inter-connected nature of due diligence responsibilities.

### THE FIVE-STEP FRAMEWORK

The *Guidance* uses a five-step risk-based due diligence framework to help enterprises avoid and address risks of contributing to conflict.

- Step 1:** Establish strong company management systems
- Step 2:** Identify and assess risks in the supply chain
- Step 3:** Design and implement a strategy to respond to identified risks
- Step 4:** Carry out independent third-party audit of smelter/refiner's due diligence practices
- Step 5:** Report annually on supply chain due diligence

Due diligence is an ongoing, proactive, and reactive process. Enterprises are expected to take reasonable steps to implement the recommendations in the *Guidance*.

### IMPLEMENTING THE GUIDANCE

Work is now underway to disseminate the *Guidance* to the widest possible audience and, through a multi-stakeholder process, enhance understanding of due diligence and harmonise due diligence approaches across industries and geographies to create a level playing field.

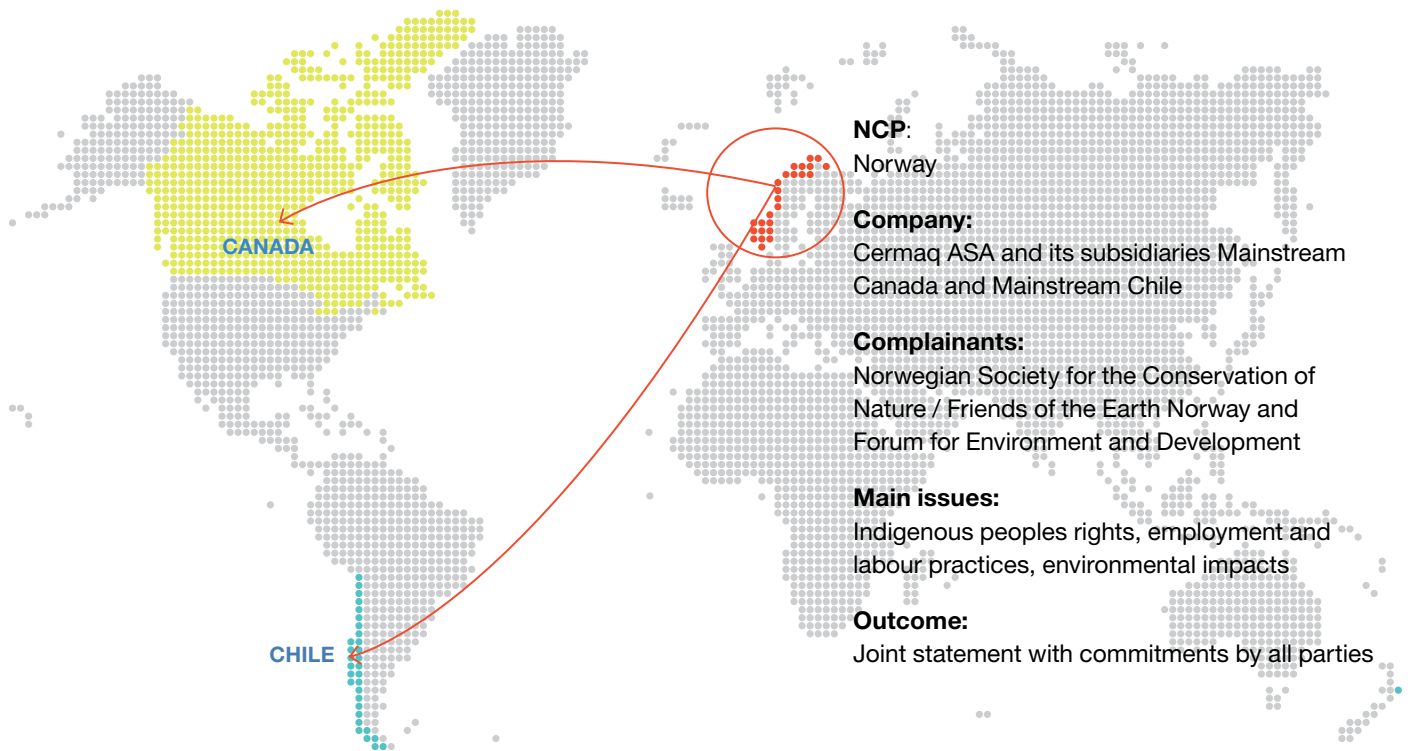
Over 100 companies and industry associations in the 3T supply chains took part in a voluntary pilot programme to implement the *Guidance*. It has resulted in innovative industry-led initiatives such as the Conflict-Free Sourcing Initiative, the Conflict-Free Tin Initiative, and Solutions for Hope. An implementation programme for the gold supply chain has also been launched by the OECD to further implementation of the *Guidance* in this sector.

[mneguidelines.oecd.org/mining.htm](http://mneguidelines.oecd.org/mining.htm)



# MAKING A DIFFERENCE: THE GUIDELINES IN PRACTICE

## SALMON FARMING IN CANADA AND CHILE



Raised in mid-2009, this specific instance concerned the alleged non-observance of the *Guidelines* in the salmon farming industry in Canada and Chile. The objective of the complainants who raised the specific instance was to influence the policies on a corporate level so that operations abroad would also be adjusted in a consistent manner.

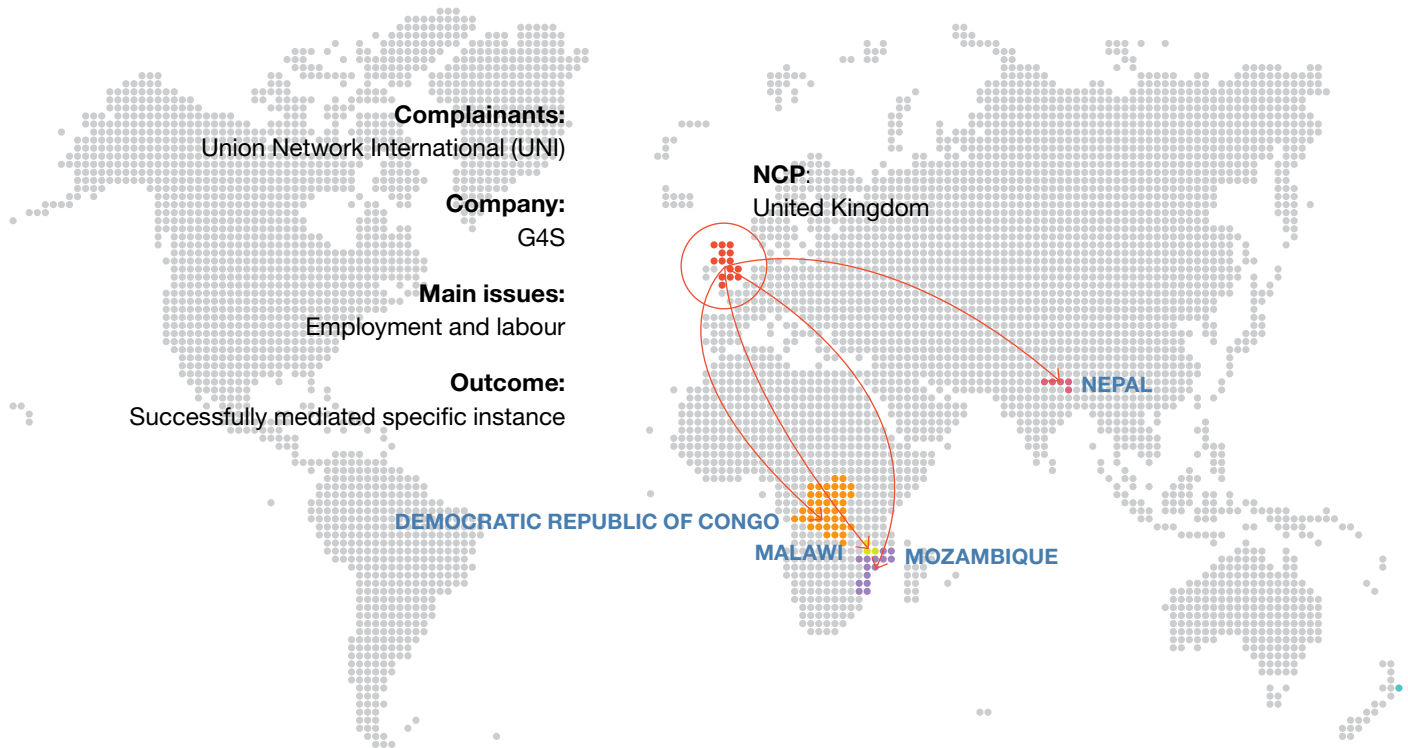
The alleged non-observance of the *Guidelines* was related to, among other things:

- inadequate consideration of indigenous peoples rights;
- inadequate employment and labour practices (such as unfounded dismissals, attempts to prevent employees joining trade unions, pay and bonus systems that discriminate against women);
- severe lack of safeguards against environmental damages (for example, lack of preparedness against salmon escaping, the spread of lice and the spread of Infectious Salmon Anemia), and;
- failure to take into account in decision-making processes the foreseeable environmental, health, and safety consequences of the enterprises' aquaculture activities.

The Norwegian NCP, after an extensive data collection process and a series of meetings with both parties, offered good offices in the form of mediation to help resolve the issues. All parties agreed to participate in good faith. A joint statement was agreed upon after a very constructive mediation.

The statement resulted in changes to Cermaq's corporate responsibility code of conduct, including the clearer inclusion of human rights for suppliers based on the *Guidelines* recommendations; a commitment to seek to enter into mutually beneficial agreements with indigenous peoples; and a commitment to further develop efforts to minimise the risk of inflicting serious environmental damage. The parties agreed that the specific instance included claims about Cermaq and its business that were refuted. Future co-operation and contacts are to be based on mutual trust and clarification of facts. The complainants have entrusted Cermaq with the confidence that the company will follow through on the implementation of the joint statement.

## EMPLOYMENT AND LABOUR PRACTICES IN NEPAL, MOZAMBIQUE, MALAWI, AND DEMOCRATIC REPUBLIC OF CONGO



At the end of 2006, UNI raised a specific instance against G4S, the world's largest security solutions group, in front of the UK NCP.

The specific instance concerned the alleged non-observance of the *Guidelines* in Nepal, Mozambique, Malawi, and Democratic Republic of Congo (DRC).

Specifically:

- in Mozambique – non-payment of back pay and severance pay, dismissal and blacklisting of workers with union involvement, and non compliance with Court and Minister orders;
- in Malawi – overtime pay, refusal to allow medical visits and leave;
- in Nepal – provision of holiday bonuses, access to toilets or water for security officers in private homes, payments to provident funds and lack of rules and advance notice on remote or difficult postings;
- in DRC – the issue of union recognition.

The parties accepted the UK NCP mediation offer and participated in good faith in the process. The outcome of the mediation discussions was an agreement and specific commitments regarding specific issues in Nepal and DRC. In connection with Mozambique and Malawi, the parties agreed to a process to allow them to work more closely on a number of specific issues at the national level. The aim of this process was both to protect the rights and interests of G4S employees and to build and strengthen the local relationships between G4S and the unions which represent its employees.

In December 2008, outside of the NCP mediation process, the parties announced that they have entered into a global framework agreement with the aim to drive improvements in employment standards across G4S, helping ensure employee and union rights are respected throughout the company, as well as helping improve the standards in the global security industry.

# INSTITUTIONAL SETTING

## Declaration on International Investment and Multinational Enterprises

The *Guidelines* are one of four instruments of the 1976 *OECD Declaration on International Investment and Multinational Enterprises*, a policy commitment by adhering governments to provide an open and transparent environment for international investment and to encourage the positive contribution MNEs can make to economic and social progress. The other three instruments of the *Declaration* are *National Treatment*, *Conflicting Requirements*, and *International Investment Incentives and Disincentives*. Governments adhere to the entire *Declaration* – not only to the *Guidelines* – in order to ensure the holistic treatment of their international investment environments.

## Working Party on Responsible Business Conduct

The only inter-governmental body of this kind in the world, this Working Party of the OECD Investment Committee was inaugurated in 2013 with a mandate to assist in furthering the effectiveness of the *Guidelines*, fostering NCP functional equivalence, pursuing the proactive agenda, promoting engagement with non-adhering countries, partner organisations, and stakeholders, and serving as a central point of information on the *Guidelines*. The OECD Investment Committee is the body responsible for overseeing the functioning of all elements of the *Declaration*.

## OECD Secretariat

The OECD Secretariat supports the *Guidelines* work. It provides continuous analytical and logistical assistance to NCPs and the Working Party and serves as a central hub for *Guidelines*-related information to NCPs and the public at large.

## Stakeholders and partners

Adhering governments engage with stakeholders and partners in different ways in the implementation of the *Guidelines*. On a national level, many of these interactions are channeled through NCPs. On the international level, business, trade unions, civil society, and other international partners regularly interact with the OECD Investment Committee through exchanges of views.

The *Guidelines* are supported by the representatives of business, worker organisations and non-governmental organisations through BIAC, TUAC, and OECD Watch.



### Business and Industry Advisory Committee to the OECD (BIAC)

is an independent international business association devoted to advising government policymakers at the OECD and related fora on the many diversified issues of globalisation and the world economy. Officially recognised since its founding in 1962 as being representative of the OECD business community, BIAC promotes the interests of business by engaging, understanding and advising policy makers on a broad range of issues. Through its 38 policy groups, which cover the major aspects of OECD work most relevant to business, BIAC members participate in meetings, global forums and consultations with OECD leadership, government delegates, committees and working groups. BIAC advocates consensus industry views so to ensure that the resulting policy instruments and guidance assist, not hinder, private sector capacity to generate growth and prosperity.



**Trade Union Advisory Committee to the OECD (TUAC)**

is an international trade union organisation that represents the views of trade unions at the OECD. TUAC's origins go back to 1948 when it was founded

as a trade union advisory committee for the European Recovery Programme - the Marshall Plan. When the OECD was created in its current form in 1962 as an intergovernmental policy making body, TUAC continued its work of representing organised labour's views to the new organisation. TUAC's role is to help ensure that global markets are balanced by an effective social dimension. Through regular consultations with various OECD committees, the secretariat, and member governments TUAC coordinates and represents the views of the trade union movement in the industrialized countries.



**OECD Watch** is a global network of a diverse range of civil society organisations. More than 80 members in 45 countries are bound together by a commitment to ensure business activity contributes to sustainable development and poverty eradication, and to hold corporations accountable for their activities. OECD Watch, a recognised partner, acts as a conduit for bringing the perspectives and interests of NGOs and disadvantaged communities into policy discussions at the OECD Investment Committee. In addition to monitoring and advocating for improved NCP performance and implementation of the *Guidelines*, OECD Watch develops policy advice on a wide range of social, environmental and economic topics related to international investment and business activity. The network advocates for these policies and positions in its interactions with policy-makers, businesses and trade unions.

OTHER IMPORTANT PARTNERS	
	UN Working Group on Business and Human Rights
	UN Global Compact
	International Labour Organisation
	International Coordinating Committee of National Human Rights Institutions
	Global Reporting Initiative
	International Organisation for Standardization
	Economic and Social Commission for Asia and the Pacific (ESCAP)

# INFORMATION AND PROMOTION



◀ [mneguidelines.oecd.org](http://mneguidelines.oecd.org) provides access to information, tools and resources relating to the promotion and implementation of the *Guidelines*.

Launched in May 2013, the **specific instances database** provides information about the nature and status of specific instances submitted to NCPs.



◀ The *Guidelines* **text, implementation procedures and commentary** are available in multiple language versions.

The OECD launched the **Global Forum on Responsible Business Conduct** in 2013 to strengthen international dialogue on responsible business conduct and to contribute to the effective implementation of the *Guidelines*.



**GLOBAL FORUM  
ON RESPONSIBLE  
BUSINESS CONDUCT**



◀ Published since 2001, the **Annual Report** describes what adhering governments have done over the previous 12 months to live up to their commitments to promote and make the *Guidelines* influential among companies operating in or from their territories. It also includes the results of work undertaken to address emerging issues and new developments.



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OECD  
**GUIDELINES**  
FOR MULTINATIONAL  
ENTERPRISES

**THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES**

are recommendations on responsible business conduct addressed by governments to multinational enterprises operating in or from adhering countries. They are the most comprehensive set of recommendations on responsible business conduct promoted by governments in existence today, covering all major areas of business ethics, including information disclosure, human rights, employment and industrial relations, environment, bribery and corruption, consumer interests, science and technology, competition, and taxation.

[mneguidelines.oecd.org](http://mneguidelines.oecd.org)