



OECD Guidelines for Multinational Enterprises

Responsible business conduct:
Insights into OECD Guidelines:
Human rights
Employment and industrial relations

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Why companies follow RBC?

RBC (responsible business conduct) – broad concept that focuses on two aspects of the business-society relationship:

1) positive contribution businesses can make to sustainable development and inclusive growth, and

2) avoiding negative impacts and addressing them when they do occur.

Why companies apply to RBC or CSR?

1. They believe in it;
2. They are made to;
3. It is a good marketing tool/instrument;
4. They don't.



What are the risks not to participate in RBC?

Responsible business conduct is relevant for companies due to the following reasons:

- Internal:
 - To avoid legal and financial risks;
 - To protect reputation;
 - To retain established standards and expectations of employees.
- External:
 - Regulatory framework;
 - Participation in supply chains;
 - Loss of customers.



Why companies should conduct business in responsible manner?

Internal reasons – examples on financial risks / reputation

1. Siemens (2008) – USD 2.5 billion in costs related to corruption case (bribery of officials in Bangladesh, China);
2. JPMorgan (2016) ‘Sons and daughters program’ (China and south east Asia) – USD 264 million fine (profit from it was ~ USD 100 mln.);
3. Odebrecht SA (2016) - construction company and related oil company Braskem SA - USD 3.5 billion for bribery of officials abroad;
4. Telia Company AB (2017) – Telia Company AB and Its Uzbek Subsidiary Enter Into a Global Foreign Bribery Resolution of More Than \$965 Million for Corrupt Payments in Uzbekistan
5. Danske bank (2018) – money laundering through Estonian branch.



Why companies should conduct business in responsible manner?

External reasons – examples

Regulatory framework:

Large undertakings which are public-interest entities exceeding on their balance sheet dates the criterion of the average number of 500 employees, from the year of 2017 m. shall include in their annual report **a non-financial statement**, containing information relating to:

1. environmental matters;
2. social and employee matters;
3. social and employee matters;
4. anti-corruption and bribery matters.

Information should include – **description of the policies** pursued by the undertaking in relation to those matters, **including due diligence** processes implemented, **principal risks** related to those matters linked to the undertaking's **operations**, its **business relationships**, **supply chains**.



Why companies should conduct business in responsible manner?

External reasons – examples

Regulatory framework that might lead to loss of clients:

1. Section 1502 of Dodd Frank Wall Street Reform and Consumer Protection Act – requires due diligence on supply chains of conflict minerals (tin, tantalum, tungsten and gold) from DRC (in 2020 the Regulation (EU) 2017/821 of 17 May 2017 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas will be fully in force);
2. French Due Diligence Law – requires companies to establish and effectively implement due diligence measures to identify and prevent human rights violations and environmental damages in connection with their operations.



OECD Guidelines and RBC standards

There are several instruments/standards that deal with responsible business conduct:

1. Global Reporting Initiative;
2. UN Global Compact initiative;
3. UN Guiding Principles for Business and Human Rights - Implementing the United Nations "Protect, Respect and Remedy" Framework
- 4. OECD Guidelines for multinational enterprises;**
5. ISO standard 26000;
6. International Labour Organisation's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy;
7. Other recognized international standards.



Why OECD Guidelines?

OECD Guidelines for Multinational Enterprises are the only and the **most comprehensive** set of **government-backed recommendations** on RBC in existence.

They express the shared views and values of 48 countries.

Guidelines directly support implementation of UN Sustainable development Goals.

Effectiveness of Guidelines is ensured through **National Contact Points**.



Structure of Lithuanian NCP

Independent experts

- Main body;
- Basis – voluntary activity agreement;
- Minister of Economy makes final decision regarding candidate;
- Term – 4 years

Members:

- Andrius Bambalas (Chair)
- Audronė Alijošiuotė
- Dr. Feliksas Petrauskas
- Prof. dr. Raimundas Moisejevas
- Dr. Nerijus Kasiliauskas

Advisory Committee

- Advisory body consisting of ministerial representatives;
- No contractual relations with Ministry of Economy;
- Minister of Economy makes final decision regarding members.
- Term – 4 years.

Members:

- Jurga Aleknienė – Min. of Environment
- Aurelija Giedraitytė – Justice
- Rūta Juršaitė – Social security and labour
- Mindaugas Mažylis – Finance
- Jolita Meškelytė – Justice
- Darius Mickevičius – Justice
- Dalia Kreivienė – Foreign Affairs
- Matas Stankevičius – Foreign Affairs

Secretariat

- Ministry of Economy is in charge of this function.

Members:

- Karolis Kitovas



Mission and function of Lithuanian NCP

Mission of Lithuanian NCP:

To assist companies to follow RBC and provide good offices to solve disagreements regarding Guidelines.

Functions of NCP:

1. Increase the efficiency of the OECD Guidelines for Multinational Enterprises and provide recommendations regarding their implementation.
2. Decide on compliance of conduct of companies with the standards of OECD Guidelines (specific instance).
3. International cooperation



Areas covered by the OECD Guidelines

1. General Policies
2. Disclosure
3. Human Rights
4. Employment and Industrial Relations
5. Environment
6. Combating Bribery, Bribe Solicitation and Extortion
7. Consumer Interests
8. Science and Technology
9. Competition
10. Taxation



Due diligence under the Guidelines

OECD Guidelines:

II.A.11. Avoid causing or contributing to adverse impacts on matters covered by the Guidelines, through their own activities, and address such impacts when they occur.

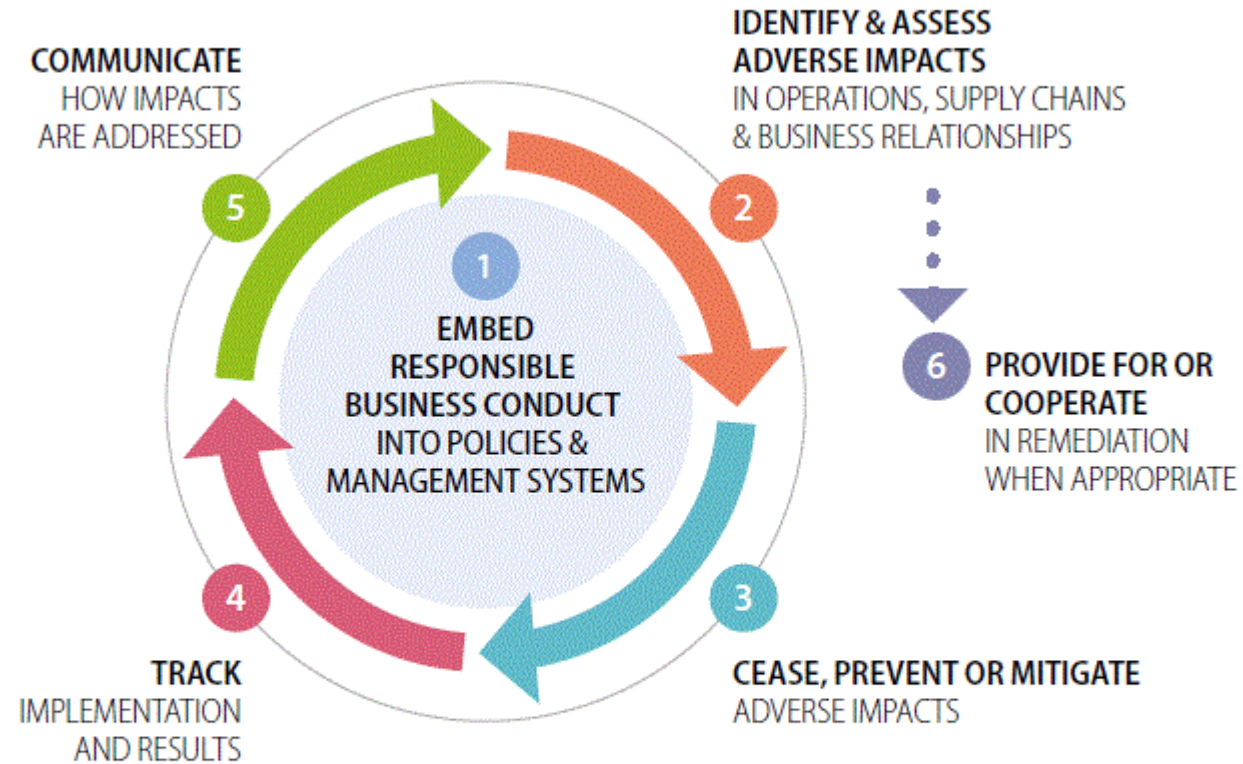
II.A.12. Seek to prevent or mitigate an adverse impact **where they have not contributed to that impact**, when the impact is nevertheless **directly linked** to their operations, products or services **by a business relationship**.

II.A.13. <...> encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of responsible business conduct compatible with the Guidelines



Due diligence under the Guidelines

FIGURE 1. DUE DILIGENCE PROCESS & SUPPORTING MEASURES



RBC and human rights

OECD Guidelines (IV):

Enterprises should:

IV.3. **Seek ways to prevent or mitigate adverse human rights impacts** that are directly linked to their business operations, products or services by a business relationship, **even if they do not contribute to those impacts.**

IV.4. **Have a policy commitment** to respect human rights.

IV.5. **Carry out human rights due diligence** as appropriate to their size, the nature and context of operations and the severity of the risks of adverse human rights impacts



RBC and employment and industrial relations

OECD Guidelines (V):

Enterprises should:

V.1.a-b) Respect workers right to establish and join trade unions, engage in constructive collective bargaining.

V.1.c) **Contribute to the effective abolition of child labour** and take immediate and effective measures to secure the prohibition and elimination of the worst forms of child labour as a matter of urgency;

V.1.d) **Contribute to the elimination of all forms of forced or compulsory labour** and take adequate steps to ensure that forced or compulsory labour does not exist in their operation.



OECD RBC sectoral recommendations

1. OECD-FAO Guidance for Responsible Agricultural Supply Chains;
2. OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector;
3. OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas;
4. Responsible Business Conduct for Institutional Investors;
5. OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector.
6. OECD Due Diligence Guidance



Relevant examples from Lithuania

- UAB “Transtira” (2018) – Article “Ukrainians that work in Lithuania speak of slavery”
- AB “Lifosa” (2011) – purchase of phosphates from Western Sahara



Thank you!

