Global Climate Action and Responsible Business Conduct: What does it mean for business to act responsibly in the face of a climate emergency?

COP 25 Global Climate Action Side Event

3:15 - 4:45 pm, Tuesday 10 December 2019
Room Torres del Paine

Background Note

The business response to climate change

The latest UNEP Emissions Gap Report 2019 indicates that global greenhouse gas emissions require reductions of 7.6% annually if the Paris Agreement's target of pursuing a below 1.5 degrees Celsius increase in temperature rise is to be met. Currently we are on a trajectory for a 3.2 degrees Celsius temperature rise, which will have catastrophic consequences for people and the planet.[1] There remains an urgent need for collective action requiring necessary and unprecedented leadership from not just governments but also the private sector.

On the part of the private sector, this means ambitious mitigation action to reduce greenhouse gas (GHG) emissions and thereby the adverse climate related impacts of their operations, on people and the planet.

It also means strengthening the climate resilience of companies and their supply chains in order to address and adapt to the physical and transitions risks[2] of climate change on their direct operations and their supply chains - including impacts on workers, local communities and the natural environment.

Companies which are able to increase mitigation and adaptation responses to climate change risks and impacts, are better able to meet investor and consumer expectations, maintain social licence to operate, mitigate reputational damage, increase competitiveness and protect their bottom line.

Global trends in climate change litigation and legislation requiring supply chain due diligence and climate change reporting are also increasing pressure on companies to act. The Montreal Pledge, the Portfolio Decarbonization

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[1] UNEP 2019;
[2] The Taskforce on Climate- related Financial Dislosures (TCFD) defines **physical risk** as: risks resulting from changes in climate patterns as a result of GHG emissions. These risks can be event driven or longer-term shifts, resulting in a range of impacts associated with water availability, sourcing, and quality; food security; and extreme temperature changes. **Transition risks** are defined as risks resulting from policy, legal, technology and market changes to address climate mitigation and adaptation – these types of risks can pose varying levels of financial and reputational risk to business. https://www.fsb-tcfd.org/publications/final-recommendations-report/

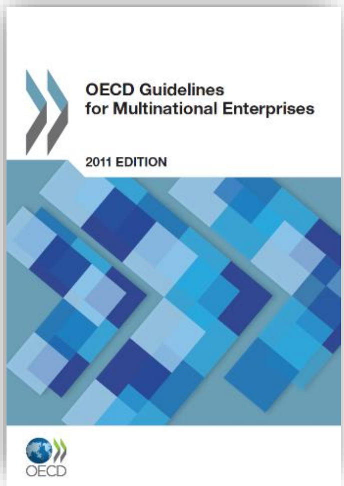
Coalition, the Science Based Targets initiative and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), are key initiatives encouraging business to set targets and disclose climate related information.

Multiple voluntary initiatives by national governments and international organisations including the UNFCCC's Climate Neutral Now, Global Climate Action programme and the Adaptation Private Sector Initiative (PSI) are also incentivising and enabling the private sector to scale action on climate, including through the use of new carbon market mechanisms.

However, more can be done to ensure that every business is taking a comprehensive approach to responding to expectations for critical business climate action – including identifying, prioritising and addressing climate change risks, adverse impacts and opportunities to contribute to climate solutions.

Such expectations and actions are captured by internationally recognised and accepted standards on Responsible Business Conduct (RBC), backed by Governments and endorsed by business. What these expectations are, and more specifically, what Governments and society at large expect from business – has been negotiated, agreed and set out in the [OECD Guidelines for Multinational Enterprises](#) (the OECD Guidelines) on Responsible Business Conduct (RBC).

OECD Guidelines for Multinational Enterprises



The OECD Guidelines are the most comprehensive government-backed instrument on RBC, representing international consensus on all areas of business responsibility in addressing adverse impacts on people and the planet.

The OECD Guidelines include a number of expectations extending to business action on climate change – thereby offering a supporting framework and practical actions to drive more cohesive, comprehensive and ambitious climate action.

These expectations include setting science based targets that are consistent with international commitments, disclosure of social and environmental risk reporting with a particular focus on GHG emissions, providing access to information and informing consumers of the environmental and social impact of their decisions, and fostering diffusion of science and technology.

National Contact Points for RBC and Climate Change

The OECD Guidelines also include a binding commitment on each adhering government to set up a National Contact Point for RBC. Each NCP is mandated to promote the OECD Guidelines and related due diligence guidance, and handle cases (referred to as "specific instances") as a non-judicial grievance mechanism. To date, 48 governments have an NCP for RBC with the NCP for RBC network handing over 450 cases related to actions of enterprises operating in or from the territories of countries that have adhered to the OECD Guidelines (including OECD members and non-member governments).

Recently, the Dutch National Contact Point handled a complaint against a financial institutional with respect to climate related impacts. The final statement of the NCP affirmed that the "cause, contribute, directly linked" language of the OECD Guidelines and relating to the scope of business responsibility to address impacts and risks, also applies to business' (including banks') responsibility to address climate impacts.

The Statement refers to the targets of the Paris Agreement and draws attention to the specific recommendations of the OECD Guidelines which frame climate responsibilities. This includes an expectation on business to set targets that are consistent with relevant national policies and international environmental commitments.

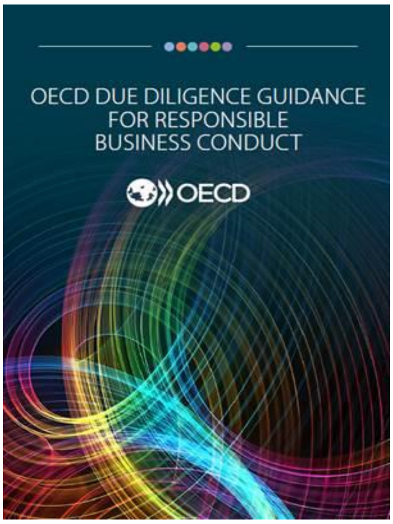
Implementing RBC expectations on climate change

To help business implement the recommendations of the Guidelines, a number of practical tools have been developed in close cooperation with policy makers, business, trade unions, and civil society:

- The OECD Due Diligence Guidance for Responsible Business Conduct (OECD Due Diligence Guidance) provides recommendations for companies on how to implement due diligence according to the OECD Guidelines in their own operations and in their global supply chains. These recommendations include guidance on how businesses should prioritise and address their risks and adverse impacts across a range of areas, including climate change and climate related risks.
- The OECD has also developed specific due diligence guidance to help business address risks, including climate related impacts in specific sectors, e.g., in the garment and footwear, minerals, agriculture and financial sectors.
- The UNFCCC Secretariat is developing sectoral initiatives in the fashion and sports sectors to promote specific goals and concrete actions. These initiatives provide examples of ways to define concrete climate actions for companies and enable collaboration across sectors.

OECD Due Diligence Guidance for Responsible Business Conduct

Due diligence is understood as the process through which enterprises can identify, prevent, mitigate and account for how they address actual and potential environmental and social impacts, including those related to climate change.



Business action on climate can take many forms. Implementing due diligence helps companies prioritise and address key climate risks and impacts, as well as the actions they are best placed to take in positively contributing to climate solutions.

As due diligence processes recommended by the OECD Guidelines goes beyond climate risk to also include human rights, labour, corruption and other impacts, the process can be useful for companies in understanding the intersections between climate change and other types of risks - and how to manage competing priorities in taking action.

Disclosure is an important core process recommended by the OECD Due Diligence Guidance. Reporting on climate due diligence can demonstrate the level of ambition and robustness of a company's approach to managing climate risks. It can also demonstrate the relative significance attributed to climate-related risks in relation to other risks such as labour, human rights and development impacts. The OECD recommends that due diligence reporting include information about a company's policies on climate and other ESG issues, information on measures taken to embed those policies into management systems, identified areas of significant risks, as well as specific priority risks areas, and the actions taken to prevent or mitigate those risks.

UNFCCC and driving action by the private sector

The **Global Climate Action** area of the UNFCCC secretariat leads a number of initiatives to encourage, support and recognize action by the private sector, among other stakeholders. Companies following the RBC Guidelines from OECD can look for synergies and opportunities for further recognition and strengthening of their efforts through them. These include:

- **Climate Neutral Now**: recognition for companies that commit to strive to achieve climate neutrality and to contribute to immediate action by estimating their climate footprint, acting to reduce it, and compensating all or part of the remaining emissions with recognized carbon credits.

- **Sectoral engagements**: the UNFCCC secretariat has developed sectoral initiatives in **the fashion, sports and travel and tourism sectors** to promote concrete climate goals and actions. These initiatives provide examples of ways to achieve those concrete climate actions and enable collaboration across value chains in these whole sectors.

- **Global Climate Action Platform:** an online platform where leading initiatives, governments and organizations showcase their commitments and their progress on climate action.

- **Action for Climate Empowerment**: organizations engaging with the general public, youth or educational and cultural institutions can coordinate efforts through this program of action that promotes public awareness, access to information, education, youth empowerment and general communications.

High Level Climate Champion

The role of the High-Level Climate Champion was established by the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) at COP 21 in Paris, 2015. The role of the Champions is to strengthen high-level engagement of non-Party stakeholders and increase pre-2020 ambition – including reductions in GHG emissions. The current High-Level Climate Champion for Chile, Mr. Gonzalo Muñoz, and is the first private sector appointee in this position.

Since COP 24, 2018, Mr. Muñoz has been supporting the mobilization of the private sector under the Global Climate Action area of work of the UNFCCC Secretariat; encouraging increased climate ambition and action by business. Examples include support to the Fashion Charter for Climate Action and the Sports for Climate Action initiatives, and his leadership of the Marrakech Partnership under the UNFCCC.

For more information

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