GLOBAL FORUM ON RESPONSIBLE BUSINESS CONDUCT

SESSION NOTE

Contributing to the Sustainable Development Goals through responsible business conduct

30 June 2017 - 11:30-13:00
Room CC5 - OECD Conference Centre

The 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) require action by all and imply a more robust role for the private sector in global development than has traditionally been the case. Investment needs for achieving the SDGs are in trillions of dollars and mobilising the private sector will be a crucial element of their success. Stronger partnerships between the private and public sectors can be mutually beneficial in numerous ways. However, alignment between commercial and public objectives is not a given. Economic activity, be it by private businesses or governments as economic actors, does not by itself necessarily nor automatically lead to the realisation of broader development outcomes that the SDGs target. For example, the wealth created in the past few decades has lifted millions out of poverty, but it is also a fact that income inequality in OECD countries is at its highest level for the past half century[1] or that almost 21 million people are in forced labour according to the ILO, generating billions in illegal profits for a few.[2]

Maximising the contribution of the private sector for the SDGs *in practice* has to take into account different contexts, and sometimes competing demands, that businesses face on a daily basis. The purpose of this session is to discuss how ongoing efforts by businesses, governments, and stakeholders to implement responsible business conduct (RBC) standards could be a transformative, but is - so far – an under-utilised way for businesses to interact with the SDGs and ultimately maximise their contribution to the SDGs.

RBC means that all businesses – regardless of their legal status, size, ownership structure, sector, or location – are expected to avoid and address adverse impacts of their operations, while contributing to sustainable development in the contexts where they operate. This encompasses impacts beyond the company itself and entails integrating and considering environmental and social issues within core business activities, including in the supply chain and business relationships.[3] These expectations are reflected in the main international standards on RBC - like the OECD Guidelines for Multinational Enterprises (OECD Guidelines), the UN Guiding Principles for Business and Human Rights (UN Guiding Principles), and the fundamental ILO Conventions - and increasingly in international trade and investment agreements and national development strategies, laws, and regulations. It is also widely recognised that governments have a crucial role in promoting and enabling RBC. A key tool for RBC is risk-based due diligence. Due diligence is a process through which businesses identify, prevent and mitigate their actual and potential negative impacts and

BOX. CHALLENGES FOR ACHIEVING THE SDGS – SOCIAL LENS

- **780 million people** are not earning enough to escape poverty; global **unemployment expected to rise** in 2017
- **40 million new jobs needed each year** until 2030 to keep pace with growth in the global working age population
- Only **half of women** are in the labour force globally and earn on **average 23% less** than men
- **21 million people** are estimated to be in **forced labour**, more than **11 million are women and girls**, generating over **$150 billion in illegal profits** per year
- **Poor occupational safety and health** practices cost **4% of global GDP** each year. **317 million accidents** occur on the job annually; many of these resulting in extended absences from work. **2.3 million people die per year** as a result of occupational accidents or work-related diseases.

Source: Shift, UNCTAD, and ILO

OECD

account for how those impacts are addressed. It is systematic, risk-based, responsive, evolving and appropriate to a company's circumstances, with stakeholder engagement built-in throughout the process.

RBC can ensure that the SDGs are not undermined and that the framework for positive contributions to the SDGs is based on respect for the people and the planet. RBC is not just about compliance. RBC can help achieve the SDGs by:

- Being actionable *now*: Recent surveys show that businesses are not yet clear on how to take the SDGs from paper to practice. Some are set to "cherry-pick" them and potentially ignore others that don't fit business priorities, or to "repackage" existing initiatives. [4] RBC is a practical option for companies to start contributing to the SDGs *now*. When businesses deal with their impacts on planet and people in a systematic way based on RBC standards, they can deliver a positive contribution against multiple SDGs.[5]

- Maximising impact: RBC standards apply to all businesses, across all sectors and all ownership structures. This also includes commercial activity by governments as economic actors (e.g. procurement, state-owned enterprises, export credits, sovereign wealth funds, and development finance), financial institutions, and non-profit organisations and associations. Additionally, many challenges cannot be addressed by companies or governments alone. Collective action to advance RBC – across industries and with governments and other stakeholders – can be the most effective way to create change, contributing at scale to multiple SDG targets.

- Including strong supply chain component: The expectation that businesses consider impacts in their supply chains and throughout their business relationships is a central feature of the OECD Guidelines and UN Guiding Principles. The people most exposed to negative impacts of business operations in the supply chain are typically the poorest and most vulnerable segments of the population, in both developed and developing economies. Actions by companies to address these risks can have a direct and positive effect on their livelihoods. It is estimated that 80% of trade (gross exports) is linked to international production networks which are increasingly becoming more complex and that 453 million jobs in 40 countries which represent 85% of global GDP are linked to global supply chains (this does not include informal or non-traditional workers).[6]

- Finding opportunities through RBC: Implementing RBC standards is not something to be done and completed before turning to philanthropic opportunities in terms of contributing to the SDGs. RBC is an on-going imperative and itself provides a critical contribution to the SDGs, with the potential for large-scale positive outcomes in people's lives. Moreover, RBC benefits business as well - reducing operational, reputational, and financial risks, with additional opportunities resulting from becoming an investment, partner, brand and employer of choice. For example, there is empirical evidence that ensuring better working conditions leads to productivity increases in companies.[7] Evidence from the *Better Work Programme*, which is implemented in eight countries in the garment sector, shows that there is a positive correlation when companies invest in better working conditions and the profits, productivity, and factory survival rates. On a country level, participation in the programme is associated with significant increases in apparel exports.[8]

- Leveraging the role of the government: It is widely recognised that governments have a crucial role in promoting and enabling RBC. Governments can make the link between RBC and the SDGs clear, including in related policy areas such as investment, export credits, development finance, procurement and the provision of access to remedy.

*New research from the Business and Sustainable Development Commission (2017) shows that the economic gains for the private sector from implementing the SDGs could be at least **$12 trillion** by 2030 and **potentially 2-3 times more**, assuming that the benefits are captured across the whole economy and accompanied by much higher labour and resource productivity. Consider the example of **gender equality** - McKinsey Global Institute estimates that would add **at least $12 trillion** to global growth by 2025, and **up to $28 trillion**.*

Resources

- BSDC (2017), *Better Business, Better World*, Business and Sustainable Development Commission
- Danish Institute for Human Rights (2017), The Human Rights Guide to the Sustainable Development Goals
- Danish Institute for Human Rights and Nestlé S.A(2017), *A shared agenda: Nestlé's salient human rights issues and the Sustainable Development Goals report 2017*
- Institute for Human Rights and Business (2015), *State of Play – Business and the Sustainable Development Goals: Mind the Gap – Challenges for Implementation*
- ILO (2017), *In brief - Decent work and the 2030 agenda for sustainable development*
- Roel Nieuwenkamp (2016), *Accountability mechanism for the Sustainable Development Goals*
- Norway (2017), *Responsible Business Conduct is a precondition for achieving the UN's Sustainable Development Goals*
- Norway (2017), Annual Report 2016 of the Norway National Contact Point
- OECD (2016), *Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities*
- OECD (2015), Policy Framework for Investment
- OECD (2011), OECD Guidelines for Multinational Enterprises
- John Ruggie (2016), *Making Globalization Work for All: Achieving the Sustainable Development Goals Through Business Respect for Human Rights*
- Shift (2016), *Business, Human Rights and the Sustainable Development Goals: Forging a Coherent Vision*
- UN (2011), *Guiding Principles on Business and Human Rights*, HR/PUB/11/04
- Woetzel et al. (2015), *The Power of Parity: How advancing women's equality can add $12 trillion to global growth, McKinsey Global Institute*

Notes

1 The average income of the richest 10% of the population is about nine times that of the poorest 10% across the OECD, up from seven times 25 years ago. OECD (2017), Inequality

2 Others double that estimate. ILO (2016), *Forced labour, modern slavery and human trafficking website*; Walk Free Foundation (2014), *Tackling modern slavery in supply chains*.

3 Although RBC is sometimes used interchangeably with corporate social responsibility (CSR), it is understood to be more comprehensive and integral to core business than what is traditionally considered CSR (mainly philanthropy). Increasingly, CSR is used in a similar way as RBC. For example, the latest strategy of the European Commission A renewed EU strategy 2011-14 for Corporate Social Responsibility uses CSR in broad terms in line with RBC. Many times the difference between the two is an issue of semantics in practice. Both RBC and CSR (if used beyond philanthropy) aim to promote the same idea - that businesses should consider the impact of their activities beyond just the impact on the company itself.

4 See PwC (2015), *Make it your business: Engaging with the Sustainable Development Goals* and Guardian (2016), *More than half of all businesses ignore UN's sustainable development goals*, 30 September 2016.

5 For example, consider that recent research by the Danish Institute for Business and Human Rights found that more than 92% of SDG targets are linked with the UN human rights and ILO labour standars (DIHR, 2017).

6 Shift (2016) and ILO (2017). Source for the text box: Creamer Media (2014), "iTSCi appoints new independent evaluators Synergy Global Consulting for conflict-free minerals programme assurance", iTSCI Media Statement, 22 May.

7 While the expectation that businesses respect human rights under the OECD Guidelines and UN Guiding Principles is neither conditional nor dependent on the business case, communicating the business case to businesses can make a difference. Source for the text box: BCSD (2017) and Woetzel et al. (2015), *The Power of Parity: How advancing women's equality can add $12 trillion to global growth, McKinsey Global Institute*

8 Better Factories Cambodia (2016); World Bank (2015a), Interwoven - How the Better Work Program Improves Job and Life Quality in the Apparel Sector.