



**GLOBAL FORUM
ON RESPONSIBLE
BUSINESS CONDUCT**

SUMMARY REPORT

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Global Forum on Responsible Business Conduct

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GLOBAL FORUM ON RESPONSIBLE BUSINESS CONDUCT

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Documentation

Find the programme, webcast, documents, photos and more online at mneguidelines.oecd.org



Discussion Highlights by Session

I. Developing a Long-term Vision for Responsible Business Conduct

Read the [session background note](#).

The purpose of this high-level opening plenary was to have a preliminary discussion on the long-term vision for responsible business conduct (RBC), which is being prepared on the occasion of the 40th anniversary of the OECD Guidelines for Multinational Enterprises (OECD Guidelines) in 2016. The panellists framed their comments in the context of the contribution of RBC to achieving major universal goals, such as those to be agreed under the post-2015 development and climate change agendas.

Need to scale up and speed up. A key message from this discussion was that there continues to be a need to scale up and speed up both government and business action on RBC. Without more active and responsible businesses, long-term change envisioned in the Sustainable Development Goals (SDGs) and climate change agreements cannot be realised over the coming years. The business community was called on to thoroughly examine their practices within the global value chain and deliver solutions. At the same time, panellists stressed that governments and other stakeholders also needed to act.

Transparency and rule of law. Governments need to strengthen frameworks in which business operates in order to promote a global-level playing field and ensure that workers and consumers are protected. One panellist noted that there needs to be more transparency and clearer consequences for misconduct throughout global supply chains. Soft law instruments, such as the OECD Guidelines for Multinational Enterprises, should be strengthened. The main issue is how to ensure that these instruments are consistently applied. Both governments and businesses have to take the lead in doing so.

Leading by example. Panellists welcomed the [G7 leader's commitment](#) as an example of such type of leadership, highlighting the global momentum and visibility that this commitment brings for RBC. The United States [National Action Plan on Responsible Business Conduct](#) was also mentioned as an example of leadership. There was wide consensus that leadership by example, at the highest levels and among all stakeholders, is necessary. Panellists argued that sustainability should be integrated in “everything we do”; that we have to fight indifference and should step out of business-as-usual to bring in the human dimension to decision making, in order to “bring responsibility back into business.”

Building partnerships. Panellists called on the OECD to use its leverage and high-level government support to ensure that the RBC agenda is integrated and converges with the major global agendas like the SDGs and climate change. The process of developing a long-term vision will be an opportunity to bring together different communities. Building reliable, long-lasting partnerships among all stakeholders is the only way to achieve any meaningful change on an international level.

II. Improving Access to Remedy

Read the [session background note](#).

The purpose of this session was to discuss the contribution of National Contact Points (NCPs) for the OECD Guidelines in providing access to remedy and promoting RBC worldwide. Panellists welcomed the progress made since the 2011 update of the OECD Guidelines in improving NCP performance and promoting RBC, but stressed that many improvements in practice still need to happen.

Access to remedy. Remedy continues to be a cross-cutting and urgent issue. Panellists highlighted the critical role of NCPs in improving access to remedy, which, they cautioned is different from access to a grievance mechanism. Panellists agreed that there is a need to enhance both judicial and non-judicial



mechanisms in order to improve actual access to remedy. The rule of law is the backbone for guaranteeing adequate protection and remedy for victims; complementary, strong non-judicial grievance mechanisms like the one provided by NCPs can be faster and less expensive than legal proceedings.

Defining remedy. Panellists recognised the recent positive outcomes of NCP handling of specific instances, such as statements of wrongdoing or improvements in corporate policy; however, one panellist noted that what is considered remedy in the context of NCP procedures should relate to the impact that the outcome has on the notifiers of the specific instance, not the business itself. One panellist noted that the main purpose of a grievance mechanism is to deliver remedy, and in order to do so adequately, NCPs have to assess remedy on a case by case basis and work toward it. Other panellists highlighted that NCPs can deliver partial remedy, given that they can help re-establish rights and assist with remediation, but compensation – where relevant – is the responsibility of the company. Questions regarding when the alleged infringement ceased; whether stakeholder rights are recognised, what is perceived to be adequate compensation, etc. can help define what constitutes remedy in practice.

Improving the system. Panellists agreed on the need to improve the NCP mechanism. A few panellists called for a revision and update of the procedural guidance for NCPs, in order to assist them with more guidance for handling complaints and in order to bring uniformity to the procedures. Panellists also discussed the challenges NCPs face when engaging with stakeholders and the lessons learned in that regard. It was highlighted that the NCPs are not only a forum for complaints, but should also serve as a way to share best practices and engage proactively with businesses and other stakeholders. Promotion of RBC and of the OECD Guidelines is often an overlooked aspect of the NCP mandate. Moving forward, for NCP performance across the board, adequate resources will need to be provided to allow each NCP to fulfil the full breadth of its mandate.

III. China's Approach to Responsible Business

Read the [session background note](#).

This session focused on recent developments in the approach of the Chinese government and industry in promoting and implementing RBC both within China and abroad. The session underscored the progress made in China on RBC in recent years (for example in environmental policies and taxation) and how the demand for more responsible business practices in China and by Chinese companies abroad has grown.

This pressure for change and action in RBC is coming largely from the public. The rising Chinese middle class is increasingly finding a voice and demanding responsible actions from both companies and the government. The Chinese government is under pressure to meet these demands. At the same time, the government is aware of limits to its abilities and it is turning to other stakeholders, notably business to take up their fair share of responsibility. These pressures are resulting in some support from the government to implement RBC principles and standards (for example, in changes to legislation and to the development of business guidance in certain sectors) as well as business taking the initiative to address material impacts.

Chinese industry-led initiatives on RBC. Two examples of industry-led initiatives to promote responsible business in China (in the extractives and textiles and garment sectors) were presented. China accounts for 37% of the world's garment exports and remains the largest garment exporter worldwide. 65% of fibre is produced in China. The adverse impacts in the textile and garment sector globally are well documented and primarily include impacts related to human rights, labour and industrial relations, and the environment (notably water use). In 2005, the China National Textile and Apparel Council (CNTAC) issued a Code of Conduct (CSC 9000T) for the textiles sector. Panellists noted that in some respects, Chinese regulations on working hours and waste management go beyond international standards. Chinese



businesses operating abroad are facing similar RBC challenges as other companies. These commonalities have helped create dialogue between companies on how to respond to such challenges.

In the extractives sector, the China Chamber of Commerce of Metals, Minerals and Chemical Importers & Exporters (CCCIM) launched Guidelines for Social Responsibility for Outbound Mining Investment in 2014. A multi-year program has been launched to train Chinese mining companies on these guidelines. CCCIM has also entered into a partnership with the OECD to design an audit program to help Chinese metal smelters and refiners implement the [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#).

Foreign investors in China and RBC, rule of law and stakeholder involvement. Panellists highlighted the importance of the rule of law and engagement with civil society for the long-term success of RBC initiatives. Multinational Enterprises (MNEs) in China are expected to maintain the highest standards with regards to operations and RBC. In the past it was enough for MNEs to bring technology and investment into the country. Today the expectation is that MNEs operating in China bring management skills and practices, such as RBC in their operations and strategy, which Chinese companies can in turn learn from and apply in their operations.

Challenges remain. Protection of the environment remains the most pressing issue in China and awareness of it is increasing at the national and sub-national levels. Compliance remains a challenge given the existence of many codes, standards and laws, and in view of China's size. While there are some Chinese companies leading on RBC issues, most Chinese companies are only now beginning to examine these concepts and understand what they mean at an operational level. International rules and standards remain unfamiliar and there is a gap in managerial and technical skills within Chinese companies to adequately implement RBC and address negative impacts.

IV. Responsibility in International Sporting Events

Read the [session background note](#).

The purpose of this session was to reflect on the role and responsibilities of governments, sports governing bodies and businesses for ensuring that social and environmental standards are integrated into consideration of and observed throughout the entire event life-cycle of large sporting events. This includes everything from bidding, planning and design, land acquisition, construction, procurement to supply chains and sponsorship agreements. Hosting large sporting events can create new jobs, improve infrastructure, aid local development (often in previously under-developed areas), and increase visibility for the cities and countries that host them.

However, these benefits are not automatic and, in many cases, are debateable considering the high costs of such events and evidence that many places have actually been left worse off after hosting large sporting events. Recent criticisms related to the organisation of the Olympics and World Cup tournaments have brought renewed focus on practices surrounding the organisation of these events and what governments, sport governing bodies and businesses are doing to ensure that stakeholder rights are respected. Issues raised touch upon the entire life-cycle of the event: from corruption allegations in the bidding stages; to human rights abuses, workplace exploitation, displacement and land issues related to venue construction and infrastructure development; to labour issues in the supply chains for goods produced for the event; to questionable legacy benefits and financial mismanagement, and fiscal waste in general.

No need for new principles and standards. There was broad agreement that there is no need to develop new principles and standards to ensure that rights are respected throughout the event life-cycle of



large sporting events. These standards already exist – including the OECD Guidelines and UN Guiding Principles for Business and Human Rights, among others. Rather, it is necessary to guarantee that these standards are observed and adequately implemented. Furthermore, good practice examples also exist, such as the organisation of the London 2012 Olympics.

Globalisation of sport. Some panellists questioned if the magnitude of large sporting events reached a dimension that can no longer be handled. Given the increasing size and scale of such events, as well as global audiences and sponsors, one panellist noted that sports is undergoing a globalisation process. International sporting bodies have to use their considerable influence and leverage to ensure that responsible business practices are a norm. Panellists stressed the need for international sporting bodies to be transparent and accountable, emphasising that corruption arises when there is a lack of accountability and poor governance.

Using leverage. One panellist noted that the lack of oversight bodies for international sporting bodies perpetuates lack of accountability and creates an environment where bad practices and corruption thrive. International sporting bodies were called on to use their leverage and influence to ensure better conditions, particularly considering that they set the rules of the game through the bidding process, contractual requirements, etc. There is clearly an urgent need to provide a forum for exchange of experiences and learning; the sports bodies themselves can organise this. The OECD could play a useful role, in partnership with all relevant stakeholders, due to its neutral convening power and experience on RBC.

V. Corporate Climate Change Reporting: What are the Real Impacts?

Read the [background paper on Corporate Disclosure of Climate Change-Related Information](#).

This session discussed corporate climate change reporting and focussed on the impacts of current reporting schemes in triggering company action in reducing emissions and addressing climate change risks through their business operations.

Climate change reporting and quality data. Panellists discussed the difficulties for companies, especially smaller ones, or those in developing countries, to produce high quality information related to climate change (including GHG emissions and climate-change related risks), and to use it for management decisions. One panellist considered that producing high quality climate change requires skills that sustainability departments often lack; the involvement of financial reporting specialists is therefore seen as a way to improve the quality of data. Another panellist mentioned that the development of in-house tools, such as a user-friendly application to measure emissions, was a useful way to educate staff towards and facilitate data collection.

Corporate climate change reports to be used by stakeholders. Panellists also highlighted that the audience to whom information is reported can vary significantly – including company management, government, investors, the broader public, and that different types and levels of information are needed which in turn increases the cost and complexity of data collection and reporting. It was also mentioned that for corporate climate change reports to be used by decision makers within companies and by investors, they need to include, not only quantitative data, such as GHG emissions, but also qualitative information to reflect factors such as companies' exposure to and management of climate related risk. One panellist cautioned that climate change targets should be put in context, and are not the only priority; for example, in developing countries where large parts of the population have no access to electricity. In these contexts, a raise of emissions often also reflects an improvement in people's livelihoods.



Increasingly, investors are seeking to reduce the carbon footprint of their portfolio, and decisions of investors need to be supported by meaningful and high quality information. For example, according to some panellists reporting only on scope 1 or scope 2 information often provides a very limited view of a company's real impact. On the other hand, reporting on scope 3 can result in double counting and unreliable data. As shown in the [background paper](#) for this session which summarised initial research by OECD and CDSB on corporate climate change reporting schemes in G20 countries, there exist significant differences in current corporate climate change reporting schemes, notably in terms of scope and quality data. For example, most of them do not require external verification of the data, nor reporting of a company's exposure to climate change risks. This in turn makes it difficult for users of this information, including managers and investors, to obtain the full picture of a company's emissions or exposure to risks, or of its capacity to manage climate change risks, and to compare companies' performance.

Next steps. Panellists highlighted the need to better align the collection, quality and reporting of corporate climate change related information with governments' climate change objectives. Convergence of reporting schemes around best practices would help improve the level, quality and comparability of reported information, and effectively supports companies' contribution towards government climate change objectives. The OECD could be a platform to facilitate such convergence. The recent initiative by France to require investors to disclose the carbon footprint of their portfolio was seen by some panellists as a good example to trigger company reporting.

VI. Competition Law and Responsible Business Conduct

Read the session [background note](#).

Read the session [background paper on Competition Law and RBC](#).

The objective of this session was to discuss where legal concerns with respect to competition law exist in the context of collaborative initiatives promoting RBC and strategies that companies can employ to avoid or manage antitrust concerns in this context.

Complying with competition law and RBC standards. Firms engaged in RBC initiatives have raised questions on the intersection between competition law and RBC standards developed at an international level. The concern is that overly strict competition law enforcement (for example undue reliance on "by object" infringements), or even the perception that such enforcement may occur, tends to chill RBC initiatives, particularly if these entail co-operating with other companies (and possibly competing companies), including participation in industry or multi-stakeholder initiatives.

Panellists discussed how the risk of punitive measures, such as treble damages, may lead to reticence among companies to collaborate with one another. While some RBC initiatives may pose concerns under competition law many do not; however, panellists noted that lack of clarity on the reach of competition rules and a lack of guidance because of over-reliance by agencies on settlements rather than fully reasoned decisions may cause companies to cease or shy away from collaborative initiatives far in advance of the point where they may pose liability issues.

A lack of certainty with regard to liability under competition law was a principal challenge identified by panellists. While some jurisdictions provide processes through which business initiatives can be assessed by competition authorities, such assessments are not authoritative in the sense that they may only express the current enforcement intentions of the competition authority, e.g., the Antitrust Division of the U.S. Department of Justice, and thus do not necessarily preclude liability should the collaborating entities stray from the pre-approved course of conduct. Generally companies themselves are tasked with ensuring that they are in compliance with competition law. Panellists suggested that while there is a good deal of general



guidance on how competition rules are applied in different jurisdictions, there is a need for further and much more specific guidance on risks posed by RBC initiatives so that companies are better able to assess risks with confidence.

Assessment of initiatives under competition law. As assessment of initiatives under competition law is often based upon balancing economic efficiency gains against consumer welfare losses, the issue of how to quantify potential gains from social and environmental initiatives is important but can be challenging. For example, how should future benefits be treated and how far in the future can they accrue? What if benefits are felt elsewhere? What if the benefits are intangible? Some panellists suggested that applying a quantitative standard may in and of itself be inappropriate and that more qualitative methods of evaluation could be considered.

Most jurisdictions do not include public benefit consideration in assessments of initiatives under competition law. However, Australia and New Zealand are an exception to this rule. In Australia, competition authorities may take into account the fact that collaborative initiatives are at times necessary to address market failures such as environmental issues, principal-agent problems and information issues. Under the Australian system authorisation for an initiative exempting it from competition law can be given for a fixed time period. Authorisation may be tied to conditions or revisited after a trial period. Panellists suggested that narrow economic efficiency considerations which characterize most competition regimes today may need to be rethought, following the model of for more open approaches, such as that taken by Australia.

Next steps. Panellists noted that governments need to take responsibility for policy coherence and clearly articulate when RBC initiatives are likely to be pro-competitive, or at least competitively neutral. Thus governments should co-ordinate with their competition authorities when encouraging certain behaviour among companies through avenues beyond regulation. Panellists called on the OECD to continue addressing these issues.

VII. Due Diligence along Agricultural Supply Chains

Read the [session background note](#).

This panel explored the responsibilities of various enterprises operating along agricultural supply chains, including on-farm, downstream and financial enterprises, and the ways they could collaborate to carry out due diligence.

Due diligence should be context specific. The risks of adverse impacts vary across commodities and countries. For instance, risks related to cocoa production in Ghana and the Ivory Coast include land tenure, gender, child labour, biodiversity, deforestation, and the use of chemicals. The type of due diligence also depends on the type of investment: whether an investment fund buys agricultural land directly or invests in a fund that itself buys land. In developed economies, institutional investors may apply checklists to carry out due diligence. This is not feasible in emerging or developing countries where land ownership may be unclear and consultations with local communities are necessary.

Long-term relationships with agricultural producers mitigate risks. While recognising the challenges of working with numerous small farmers operating at subsistence level, agri-food companies stressed the importance of creating long-term direct relationships with them not only to access a reliable supply of agricultural commodities but also to improve transparency and traceability and increase quality and productivity. Well-established relationships allow working with smallholders, often in collaboration with international financial institutions and donors, in order to improve agricultural practices, through trainings and better access to finance. Such partnerships are even more important in cocoa as cocoa-producing land



cannot be expanded and production can only be increased by improving land productivity. However, the small size of land plots combined with uncertain land tenure rights render these partnerships challenging. To secure farmers' participation, both buyers and producers should benefit from sustainability efforts. Establishing direct relationships with producers may not always be possible, for example if companies buy through commodity exchanges, such as for coffee in Ethiopia.

Collaboration between supply chain actors can effectively support the due diligence process.

Participating in multi-stakeholder initiatives can reduce the costs of due diligence. For instance, the Round Table on Responsible Soy (RTRS) brings together producers, traders, brands and civil society organisations from around 50 producing and consuming countries. It sets voluntary standards for responsible soy and offers certification at farm level as well as along the supply chain. The Sustainable Agriculture Initiative (SAI) platform, a non-profit organisation involving the different stakeholders of the food chain, facilitates sharing, at a precompetitive level, of knowledge and initiatives to support the development and implementation of sustainable agriculture practices. The initiative Cocoa Action gathers cocoa and chocolate companies in order to build a sustainable cocoa industry, based on their adherence to key performance indicators. Such platforms help find solutions to common challenges that enterprises would have been unable to create separately. Companies should commit to participate in these platforms to improve their supply chain practices. However, anti-trust regulations can limit the scope for co-operation.

While third party certification can increase transparency, their multiplicity creates confusion.

Enterprises may rely on third party certification, through certification bodies such as Det Norske Veritas. They may also use information providers to facilitate due diligence. For instance, the Supplier Ethical Data Exchange (SEDEX) provides an online database which allows members to store, share and report on information in four areas, i.e. labour standards, health and safety, environment, and business ethics. However, at the European level only, around 30 sustainability standards exist. Panellists suggested that OECD could help align these various certification processes to bring clarity both to enterprises and consumers.

Agri-food companies have taken strong commitments on land grabbing but should be more transparent. Through the *Behind the Brands* campaign, Oxfam developed a score card consisting of 300 indicators developed for the top ten food and beverage companies and covering seven key themes, including land, water, climate change, and transparency. The campaign successfully managed to involve major agri-food companies and initiated a race to the top. Five companies – Coca Cola, Illovo, Nestlé, PepsiCo and Unilever – have committed to zero tolerance for land grabs, including implementing free, prior and informed consent (FPIC) for all affected communities. However, companies need to be transparent in their supply chains by developing sustainable sourcing practices and undertaking credible human rights impact assessments that involve rights holders. Using their leverage, they should advocate for tighter regulation on land tenure and labour rights. They need to think how to support and empower women working in their supply chains and should ensure that producers receive a fair price for their products to offer living wages.

Next steps. The panel concluded that enterprises had already made significant progress to strengthen their due diligence and observe international standards but that more needed to be done, particularly by strengthening multi-stakeholder initiatives. If properly done, agricultural investments could bring significant benefits by increasing food production, and thus local food availability. The conclusions of this discussion will feed into the implementation of the [FAO-OECD guidance for responsible agricultural chains](#) by helping to tailor the upcoming due diligence trainings to the needs of various types of enterprises. Panellists underscored the need for this guidance to reflect best practices on FPIC.



VIII. Better Partnerships for Responsible Garment and Textile Supply Chains

Read the [session background note](#).

This session discussed the critical role that partnerships play in achieving transformational change towards responsible supply chains in the textile and garment sector.

The textile and garment sector is characterised by complex, dynamic and extensive supply chains. A single brand or retailer in the sector may have thousands or even tens of thousands of suppliers spanning across numerous countries. Moving upstream in a typical company's supply chain, the number of actors only increases; there are approximately 250 million cotton farmers worldwide. Within this context, partnership is a critical factor to implementing RBC strategies. Panellists pointed to a range of forms and functions of partnerships, including partnership with direct suppliers (e.g. through contractual relationships that incorporate the expectations of RBC and a collaborative approach to problem solving), partnerships with local civil society to address root causes, and partnerships between competitors to address systemic risks of adverse impact at a country level. The latter, a fairly new partnership model in the textile and garment sector arising in response to the Rana Plaza tragedy in 2012, makes risk mitigation (notably regarding structural integrity and fire and electrical safety) a pre-competitive issue between traditional competitors. Panellists particularly focused on the role of multi-stakeholder initiatives and their potential to bring scale to RBC practices by a) engaging suppliers beyond cut-make-sew manufacturing and b) incorporating small and medium sized enterprises and mid-stream suppliers whose current efforts are inadequate, but whose resources are limited. In order to achieve scale of risk management and prevention efforts, panellists pointed to a number of crucial partnerships and factors.

Government as a multiplier. Achieving scale requires stakeholders who can act as multipliers of effective initiatives; governments are the ultimate multipliers. Panellists challenged governments from both importing and exporting countries to integrate initiatives that have demonstrated impact into their own approaches. Panellists also pointed to the duty of the government to protect against human rights abuses in their own countries.

Financing. Panellists discussed the role that international finance institutions can play in incentivising RBC through the provision of innovative supplier financing tools. An example is the new kind of supplier financing product developed by the IFC in partnership with Levi Strauss and Co., which provides lower interest rates to suppliers who score better on their social and environmental performance. This [new financing model](#) represents a significant opportunity to financially incentivise supplier upgrading for more responsible supply chains.

Avoid duplication. While partnership will continue to play a key role in transforming the sector, the proliferation of partnerships and initiatives in the textile and garment sector also runs the risk of fragmenting resources and diluting impacts. In light of this, the harmonisation of requirements between various initiatives and mutual-recognition of those initiatives is important to ensuring that efforts are not duplicated and resources are effectively allocated.

Moving forward. Panellists agreed that partnerships are the key to transformational change in the textile and garment sector; however the success of these partnerships will be partly determined by the degree to which they incorporate competitors, allow for recognition of other initiatives and standards, and incorporate actors which can bring initiatives with demonstrated impact to scale, including government and financial institutions.



IX. Preventing and Mitigating Adverse Impacts: Appropriate Responses from Investors

Read the [session background note](#).

This session convened asset management institutions, asset owner representatives and civil society to discuss which types of investor responses are optimal and most effective to exerting influence to promote RBC among investee entities. A paper [OECD Guidelines for Multinational Enterprises: A perspective from pension fund asset managers and asset owners](#), prepared by USS, APG, PGGM and RPMI Railpen, was also announced during the panel.

Investor engagement. Investor activism can be an important tool for influencing corporate conduct. Many different types of engagement and response strategies are available to investors in this regard (e.g. individual engagement with investee entities through dialogue, letter writing, shareholder proposals, public advocacy, etc.). Panellists provided examples of successful engagement strategies and discussed the elements that contributed to this success. For example the World Wildlife Fund (WWF) shared how it engages with investors to exert leverage on investee company conduct. In a recent instance, this approach resulted in the cessation of oil exploration in a UNESCO World Heritage Site by an oil exploration company.

Participants recognised that private engagement with investee entities is generally a more strategic starting point for engagement than more aggressive engagement methods such as public campaigns or shareholder resolutions.

Engagement or divestment. A principle issue of discussion was the considerations that go into a decision of whether to divest or engage with an investee entity as a means of exerting leverage. Under the OECD Guidelines, businesses are encouraged not to disengage at the first sign of potential environmental or social risks within their supply chain but are rather urged to engage in risk mitigation efforts and to take into account the potential social and economic adverse impacts related to a decision to disengage. Financial institutions themselves noted that generally engagement will be preferable to divestment; however it was acknowledged that divestment may also be a useful tool for leverage in certain contexts. Some of the identified factors which may influence a decision to divest included the type of impact in question an investee entity was causing or contributing to; whether there has been a previous history of engagement with the investee entity; and timing issues regarding the harm that should be mitigated. It was also recognised that divestment and engagement are not mutually exclusive and that partial divestment may be a useful escalation strategy, or may be the final response after a series of other approaches.

Next steps. A lack of resources within financial institutions allocated to engagement efforts was one identified challenge. The importance of articulating responsibilities of engagement specific to actors in the “investment chain” (e.g. asset owners, asset managers, investee entities etc.) was also noted. The OECD was called on to provide more guidance on these issues and to cooperate internally to ensure there is policy coherence on these themes.

X. Responsible Business Conduct in the Extractive Industries in Face of Resource Constraints

Read the [session background note](#).

This session explored how low commodity prices impact spending decisions of extractive companies, both at headquarter level but also at project level. The discussion revealed that even in challenging economic conditions, RBC activities are part of core project activities and assessed alongside technical and business risks.

Innovative approaches. A range of initiatives were presented by representatives from industry. The increasing importance of grievance mechanisms to ensure that issues with communities are identified early



and are addressed was also discussed as an example of how industry is taking responsible business conduct seriously, even in times of resource constraints. Furthermore, junior exploration company Rakai Resources presented an innovative business model relating to its mining exploration project in Uganda. The company gives 50% of its project equity to the Canada-based NGO Salama Shield Foundation, which has been active in Uganda for 30 years, to implement community outreach and development from the beginning of the project. The company believes that constructive and proactive engagement with local communities and authorities adds financial value when the shareholders decide to sell the asset, should the exploration campaign be successful. While it is early days to assess this new approach, Rakai Resources stated that its approach has met widespread interest, including when the company was raising equity for the project.

Capacity-building for all stakeholders. In relation to these innovative approaches, it was pointed out that capacity building and training was not only much needed for local communities to proactively govern their community development funds, but that capacity building also has to take place in companies and government agencies. While the local context and cultural aspects to community engagement feature in some company trainings, it is crucial for companies to understand the rights and concerns of indigenous peoples and local communities and adapting to the local operating environment, including adjusting their time lines as appropriate.

Unmet promises. Community representatives outlined some of the challenges of engaging with extractives companies, in particular relating to unmet promises when projects are facing financial difficulties and are scaled down. The scaling down or closure of projects can cause upset among local communities as, for example, compensation for land take or relocation is cancelled, at times despite negative impacts having taken place already. On the other hand, it was also highlighted that local communities can be relieved that a project is not going ahead or shutting down, so that potential negative environmental or social impacts can be avoided. Civil society underlined that project planning imperatively needs to include contingency plans for low commodity prices and that respect for fundamental environmental and social standards needs to be upheld regardless. One such non-negotiable issue is that there should be no extraction of natural resources in world heritage sites. Business representatives outlined that environmental and social risk management and contingency plans form a mandatory part of risk control frameworks for decision making and project execution, regardless of commodity price fluctuations. Civil society called for a global recognition and implementation of the free prior and informed consent from local communities, consistent with international human rights instruments.

Measuring and valuing RBC. Panellists recognised the challenge for companies to measure RBC performance and the impact of positive project engagement on the project's bottom line or timeline was also discussed. While some initiatives have started to quantify the cost of conflict with communities and host governments, valuing the 'positives' of doing business responsibly is not yet very advanced and needs to be encouraged. The example of the Mining Association of Canada's Towards Sustainable Mining Initiative, which is measuring how companies are incorporating management systems for key environmental and social risks into core business decisions, was mentioned. Business representatives furthermore highlighted that for example project delays caused by local discontent are a clear incentive for a long-term investor to do things right, without precisely measuring them in monetary terms.