Responsible Business Conduct and Climate Change

UNEP, UNFCCC Secretariat and the OECD are collaborating in sharing a unified message on RBC expectations as they relate to strengthening responsible climate action by the private sector

Increasing expectations towards business to take action on climate change

Climate change is the defining challenge of our time, requiring urgent, ambitious action from all global actors. Businesses must play a vital role in reaching key climate milestones and averting the worst impacts of climate change. Thousands of businesses and investors are committing to climate action and already participate in platforms facilitated by UNFCCC secretariat such as the Global Climate Action Platform (GCAP), the Marrakech Partnership for Global Climate Action, and Climate Neutral Now. However, the climate crisis is interconnected with other global environmental threats, notably biodiversity and nature loss, and pollution and waste, described by the United Nations as a triple planetary crisis with grave implications for those most vulnerable who are often least responsible. It is vital that the critical and urgent action on climate that is taken by business is credible and transparent and does not inadvertently undermine efforts to address these interdependent challenges.

Translating global agendas into practical action for business

The United Nations Environment Program (UNEP) and UNFCCC secretariat are respectively the world's leading international organisations tasked with setting and coherently implementing a global environmental agenda and supporting the global response to climate change within the United Nations system. The OECD works with governments, policy makers and businesses to establish evidence-based international standards to offer solutions to a range of social, economic, and environmental challenges. The OECD Guidelines for Multinational Enterprises and Due Diligence Guidance tools are the only government backed standards for responsible business conduct (RBC). OECD RBC instruments set out the expectation that all businesses avoid and address negative environmental and social impacts arising from their operations, while at the same time contributing positively to sustainable development in every country in which they operate. These RBC instruments were developed through robust multi-stakeholder processes and are promoted by 50 adhering states (entailing all 38 OECD countries and 12 non-OECD countries). **Given their widespread acceptance and usage, and to ensure responsible climate actions by businesses and avoid duplication, UNEP, UNFCCC secretariat and the OECD are collaborating in sharing a unified message on RBC expectations as they relate to climate change.**

How OECD tools and instruments on RBC contribute

Further to the on-going collaboration between the three IOs, the joint position paper (forthcoming) puts forth a unified message from UNEP, UNFCCC secretariat and the OECD on RBC expectations as they relate to climate change action, with specific attention to key priorities for climate policy and business action, including – **just transition**, **net zero commitments**, **nature based and technological solutions**, **climate adaptation and resilience, and climate finance.**

OECD instruments on RBC provide a comprehensive, unifying, and internationally recognised framework for the responsible design, and, implementation of business climate action across these themes; ensuring the implementation of RBC aligned safeguards within business action on climate.

- Businesses are responding to demands from workers and communities that the green transition be managed in ways that mitigate adverse social impacts and ensure a fair distribution of benefits. **A just transition** is being woven into sustainability strategies – including the transition out of carbon intensive industries, the transition into the green economy and implementation of net zero commitments - taking into account both social and environmental implications. The comprehensive due diligence framework set out within the OECD Due Diligence Guidance for RBC can drive a just transition by integrating respect for human rights, labour, and the environment into these climate actions.
- Thousands of businesses and hundreds of the largest investors are participating in **net zero initiatives**, pledging to reach net zero as soon as possible but no later than mid-century. This includes through UNFCCC secretariat-supported initiatives like the Race to Zero Campaign and Climate Neutral Now, and UNEP initiatives like UNEP-FI and Portfolio Decarbonization Coalition (PDC). Yet many have not set interim targets, and few of these pledges cover all emission scopes, embed equity, or provide transparency around off-setting. Drawing lessons learned from the OECD risk-based due diligence approach to implementing net zero goals can help businesses deliver responsible and credible emissions reductions while preventing or mitigating social and environmental trade-offs, and with greater transparency and accountability.
- Businesses are increasingly relying on **nature-based solutions** in order to meet net zero commitments, and there has been a rapid increase in funding to develop climate technologies designed to provide alternate carbon-dioxide removal solutions. However, whether implemented through offsetting or insetting, these initiatives can lead to serious negative environmental and human rights impacts. The holistic RBC due diligence framework can assist businesses in developing and deploying these solutions responsibly.
- Many large companies are identifying adaptation related risks of climate change to their businesses – including those that may lead to adverse impacts to workers, local communities and the natural environment should adaptation needs not be met. However, small businesses may have less capacity to respond to **climate resilience or adaptation** needs notwithstanding global objectives to build the resilience of billions of people whose communities are most vulnerable to climate risks. OECD risk-based due diligence can help to support businesses of all sizes in developing and implementing adaptation and resilience strategies across value chains, and to work collaboratively to support local communities.
- The Paris Agreement objectives include to ensure that **financial flows** are "*consistent with a pathway towards low greenhouse gas emissions and climate-resilient development*". Strong due diligence processes, aligned with the RBC recommendations the investors and in the financial sector, can help ensure that investments are put towards projects and companies that behave responsibly and ultimately help achieve the objectives of the Paris Agreement while being consistent with the SDGs. Aligning financial flows with climate and broader sustainability goals has also been identified as a key priority area for action in the G20 Sustainable Finance Roadmap, adopted by Finance Ministers and Central Bank Governors on October 13, 2021. The Roadmap includes a number of actions for international organisations, including for the OECD to develop an ESG risk policy framework, which will include climate transition definitions, climate transition standards, and due diligence of climate risks.

Find out more

OECD work on Responsible business conduct for the planet

UNFCCC secretariat

UNEP

Contact: RBC@oecd.org