



THE OECD MNE GUIDELINES – AN OVERVIEW

BASICS

- The OECD Guidelines are a set of principles for responsible business conduct.
- They are recommendations addressed by governments to multinational enterprises.
- Observance of the Guidelines by enterprises is voluntary and legally not enforceable.
- There are 37 adhering countries to the Guidelines.
- MNE Guidelines were revised in 2000 in partnership with BIAC, TUAC and NGOs.
- Under the Guidelines procedures, "specific instances" allow interested parties to call Guidelines issues to the attention of a National Contact Point (NCP).
- More than 60 "specific instances" have been filed with NCPs since the 2000 revision.

CONTEXT

- The OECD Guidelines for Multinational Enterprises are part of the wider OECD Declaration on International Investment and Multinational Enterprises. The Guidelines set forth investors' responsibilities in a host country. In turn, in the Declaration host governments undertake not to discriminate against multinational enterprises and to avoid imposing conflicting requirements on them. Further standards protecting the investor should have been put into place by a multilateral agreement on investment (MAI) which failed in 1998.
- Although many business codes of conduct are now publicly available, the guidelines are the only multilaterally endorsed and comprehensive code that governments are committed to promote and recommend to their enterprises.
- The Guidelines are a set of principles covering a broad range of issues. They are designed to build an atmosphere of confidence and predictability between business, host governments, labor unions and NGOs. The Guidelines are complemented by procedures, called the "Implementation in Specific Instances", that allows interested parties to bring Guidelines issues to the attention of the National Contact Point. The NCP promotes the Guidelines, handles inquiries about them, and assists in solving problems that may arise.

“The point of the exercise is not to name and shame companies, but to encourage them to do the right thing.”

- ***Mr. Marinus Sikkel, Chairman of the OECD Committee on Investment and Multinational Enterprises (CIME)***

THE GUIDELINES IN PRACTICE

Since the revision of the guidelines in 2000, more than 60 specific instances of Guidelines issues concerning company practices in the OECD and non-OECD countries have been raised.

Ex. *Child Labor in India:* The Netherlands NCP looked in to NGO allegations of child labour in a sporting goods company's outsourcing operations in India. The NCP found that, even though the issues brought to the NCP's attention probably still exist in the Indian sporting goods industry, the company encourages its suppliers to operate in a socially responsible manner.

TEXT REFERENCE GUIDE

The Guidelines texts consist of 3 parts:

PART 1 - The Guidelines

I. Concepts and Principles. Voluntary, legally non-binding character of Guidelines, world-wide application (global reach).

II. General Policies. Specific recommendations for enterprises, including provisions on human rights, sustainable development, supply chain responsibility, corporate governance, acceptance of policies of host country.

III. Disclosure. Requiring material information in accordance with OECD Principles of Corporate Governance and encouraging disclosure of company policies in social, ethical and environmental aspects.

IV. Employment & Industrial Relations. Addresses major aspects of corporate behavior in this area including child labor, non-discrimination, and information of employees/employees representation.

V. Environment. Encourages enterprises to raise their performance in protecting the environment, environmental management systems, precautionary principle addressed.

VI. Combating Bribery. Covers both public and private bribery and addresses supply and demand side of corruption.

VII. Consumer Interests. Acting in accordance with fair business, marketing practices, respect consumer privacy, safety and quality of goods must be guaranteed.

VIII. Science and Technology. Permit transfer and diffusion of technology, supporting national science & technology policies, granting licenses on reasonable terms.

IX. Competition. No anti-competitive agreements among competitors (pricing, bids, quotas, market share), cooperation with local authorities, promoting employee awareness.

X. Taxation. Providing of relevant information to authorities necessary for correct determination of taxes, arm's length principle in transfer pricing practices.

PART 2 - Implementation Procedure

The Decision of the Council and the Procedural Guidance: obligation of members to set up NCPs

PART 3 - Commentaries

Commentaries pertaining to parts 1 and 2.