

# Responsible business conduct in the financial sector: The role of OECD standards

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## OECD Guidelines for Multinational Enterprises

# A COMPREHENSIVE INSTRUMENT

Disclosure	Human Rights	Employment & Industrial Relations
Environment	Consumer interests	Science & Technology
Combating Bribery, Bribe Solicitation and Extortion	Taxation	Competition

- Most comprehensive International standard on responsible business conduct
- Recommendations from governments to businesses
- Open to non-OECD members (48 adherents)
- Government commitment - implementation / grievance mechanism : National Contact Points
- Incorporate expectation of supply chain due diligence

# The OECD Guidelines are aligned with other international standards in RBC



**OECD Guidelines for Multinational Enterprises**



**UN Guiding Principles on Business and Human Rights**



**ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy**





# ESG Investment is on the rise due to increasing expectations and demand



## Sustainable Growth

Investors using socially responsible criteria hit \$12 trillion in U.S. assets

■ Assets under management



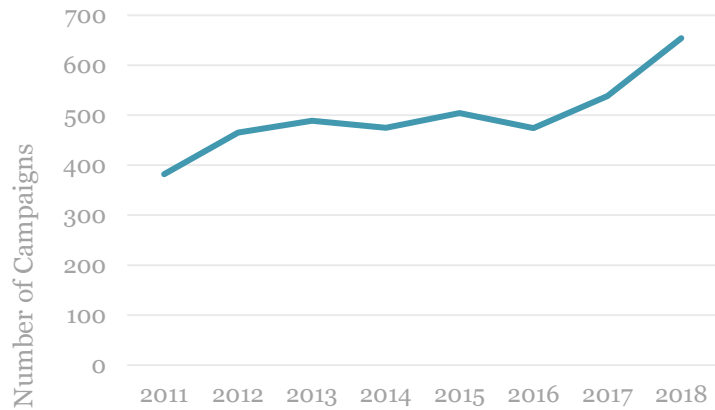
Source: US SIF

**Bloomberg**



# Increasing expectations of banks reflected in increased advocacy

Activist campaigns targeting the financial sector 2011-2018



Data collected by Sigwatch







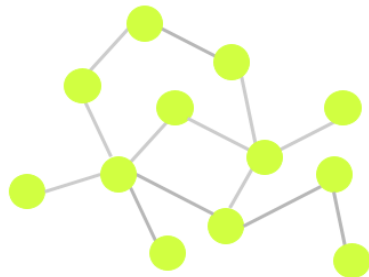
# Regulatory initiatives related to the OECD RBC standards

## EU:

- Mandatory due diligence rules (applicable to financial sector practitioners)
- Non-financial reporting directive
- EU taxonomy

## National mandatory due diligence regulatory initiatives:

- Germany
- Netherlands
- Switzerland
- Norway
- Etc.



## Sectoral regulatory initiatives:

### Financial sector:

- EU Development of technical standards for EU Investor Sustainability Disclosure Regulation (enforced as of March 2021)
- UK green sustainable finance taxonomy

### Agriculture:

- EU Cocoa initiative
- EU Deforestation initiative
- Farm to fork initiative
- UK due diligence on forest risk commodities

# OECD work on RBC for Financial Sector

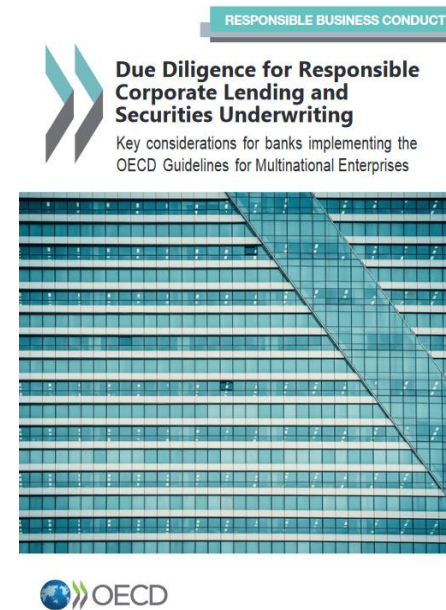
**Objective:** Outline practical approaches for financial service providers (FSPs) to carry out due diligence for responsible business conduct (RBC) across range of financial products and services.

## Deliverables:

**2017:** RBC due diligence for institutional investors (asset owners & managers)

**2019:** RBC due diligence in corporate lending & finance (i.e. general purpose loans, underwriting debt, securities)

**2021:** RBC due diligence in asset, trade & project finance



# OECD RBC Due diligence: The basics

## Objectives

- Avoiding, preventing, mitigating and remediating adverse impacts on people, the environment and society.

## Scope

- Own operations + business relationships across value chains
- Broad scope of RBC issues (human rights, environment, labour corruption, consumer interests etc.)

## Implementation

- Ongoing
- Integrated
- Focused on progressive improvement
- Risk-based





# TERMINOLOGY: Due Diligence

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- **Financial sector** - generally understood as a process that is conducted before an investment is made to identify potential risks and liabilities, or customer due diligence for banks
- **OECD Guidelines** - process through which enterprises can identify, prevent, mitigate and account for how they address their actual and potential adverse impacts as an integral part of business decision-making and risk management systems



## TERMINOLOGY: Risk

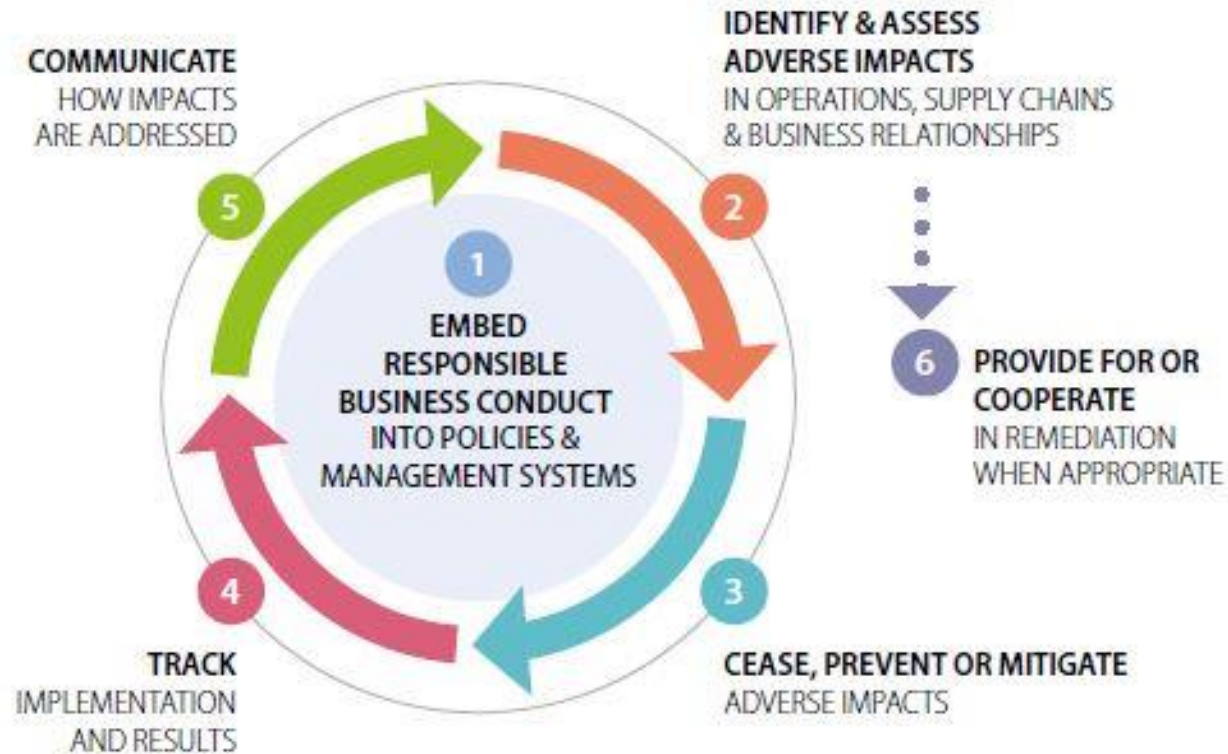
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- **Financial risk** – likelihood of negative impacts on investee companies, investors, lender, or underwriter, and non-compliance
- **OECD Guidelines** – real or potential ‘adverse impacts’ to people, society, and the environment (human rights, corruption, employment, bribery)



# SIX STEPS OF RBC DUE DILIGENCE

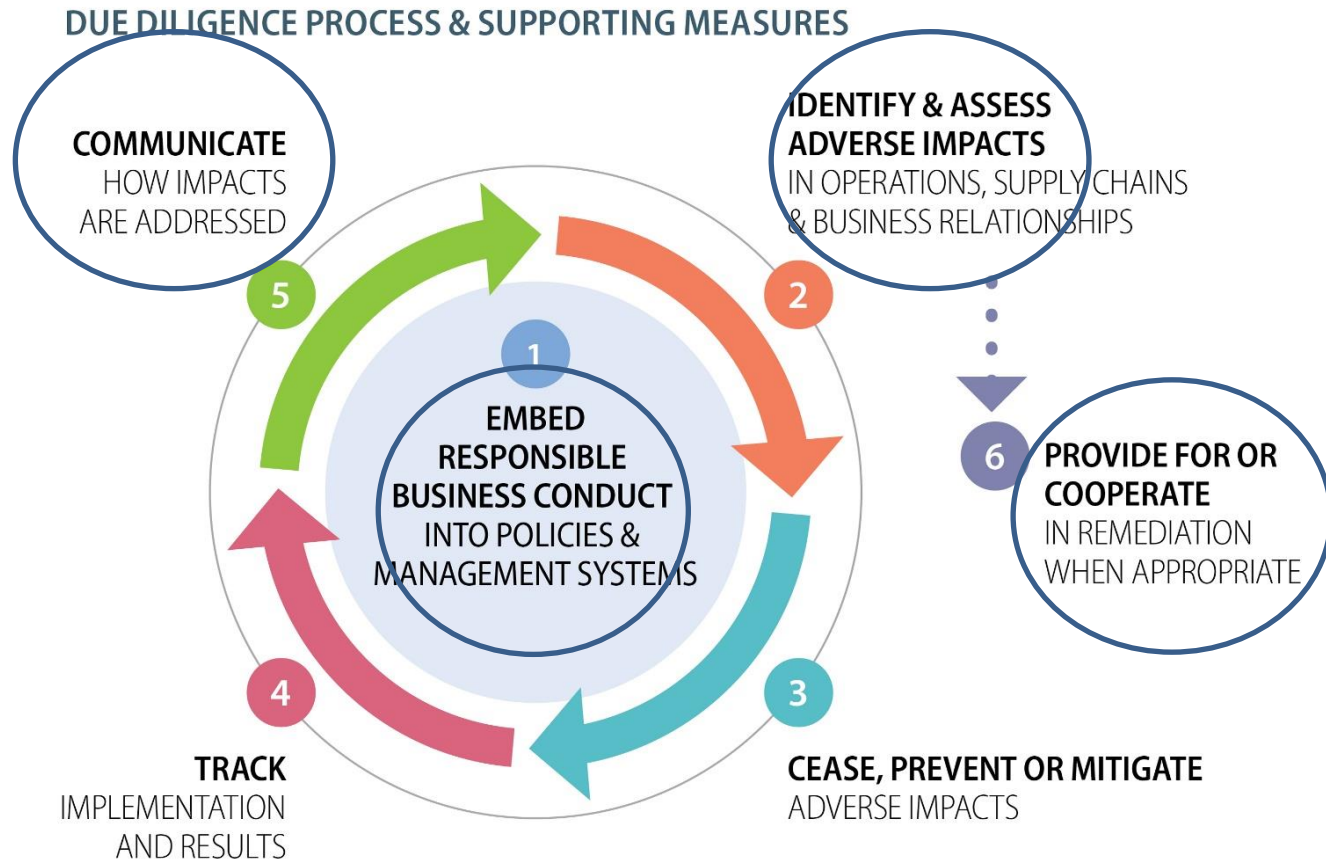
FIGURE 1. DUE DILIGENCE PROCESS & SUPPORTING MEASURES



\*\* Designed to build off and reflect existing practice!



# SIX STEPS OF RBC DUE DILIGENCE



\*\* Designed to build off and reflect existing practice!



# RBC for the Financial Sector : Recent Developments

## Driving alignment



## Facilitating coherence



## Building capacity + Outreach



**OECD RBC  
Investor Network  
+ 14 trillion AUM**





**Thank you/ Merci!**

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