

Responsible business conduct and the Covid-19 pandemic

We are facing unprecedented times. The Covid-19 pandemic has brought about a global economic crisis of unforeseen extent, which has been termed as the most severe economic downturn since World War II. While governments have introduced necessary emergency measures aimed at preventing the spread of the virus and supporting the local economies, unemployment has been increasing around the world and many businesses, including both large and small and medium sized enterprises (SMEs), are fighting to survive. At the same time, these impacts are also felt in supply chains, putting additional pressure both on companies and people around the world.

What we need in this particular situation more than ever is dialogue, constructive cooperation and partnership, and working jointly towards forward-looking solutions. We all follow a common goal, i.e. effectively addressing pressing health challenges, keeping the economy going and companies alive, thus ensuring jobs and social cohesion. It is for this reason that governments, business and key stakeholders should work together to identify practically viable and efficient solutions to address this unprecedented challenge, taking into account both the short-term and longer-term challenges we are facing. In addition to addressing immediate impacts, we also need close dialogue and cooperation to become prepared and more resilient for potential future pandemics to ensure that any future crisis could be overcome without the deep economic shocks we are currently experiencing.

Addressing the ramifications of the pandemic requires horizontal policy approaches and increased cooperation across different policy areas, such as health, economic policy, employment and social policy, trade, investment, responsible business conduct (RBC) – just to name a few – and a realistic assessment of the roles government and business play in this context. Considering policies in isolation will only address one side of the problem. The OECD, as a multi-disciplinary organization, has the capacity to break down silos and look at the interactions across policy fields to ensure that policies take into consideration all facets of this unprecedented challenge.

We appreciate that the RBC Centre has joined the debate and underline the importance of making business and RBC considerations mutually supportive. RBC challenges should be examined in light of the prevailing policy environments, taking into account the impact of government action, trade disruptions, and market developments the business community is facing, impacting both supply and demand sides. Recommendations on RBC should be in line with getting business back on track and supportive of innovations such as in digital technologies, which play a crucial role for our societies and in overcoming the crisis. Eventually, the distinct roles of business, governments, financial institutions and stakeholders should also be given due attention.

Business remains fully committed to responsible business conduct as highlighted in the OECD MNE Guidelines. A crisis is no excuse to fail to uphold responsible business conduct. Companies need to rapidly adapt to new situations, with due respect of existing safeguards and controls. This will also involve innovative decision-making processes taking into account the importance of transparency, ethics, effective risk management and innovation. In this context, due attention should be given to the potential of digitalization and artificial intelligence tools, as well as efficient decision-making processes. It should be recognized that in addition to taking urgent measures to ensure the health and safety of employees, many companies have taken proactive measures, including adapting their production to address urgent requirements, engaging in public-private cooperation to find common solutions, and working closely with their suppliers to support joint efforts in response to this unprecedented situation.

At the same time, however, expectations on companies must be realistic, and responsible business conduct must be considered in line with efforts to bring business back on track. By drastically impacting both demand and supply, Covid-19 has affected the world economy to an extent that had not been witnessed for decades. A large number of companies around the world are in danger of being forced out of business with serious impacts on employment. In view of the fragile situation in global supply chains, many companies find themselves in an increasingly challenging and complex situation and are subject to enormous economic pressures. We need quick and responsible actions from all partners to minimize the social and economic consequences, keeping in mind what companies can realistically do without jeopardizing long-term survival, which would have further serious economic and social impacts. Therefore, we call upon policy makers to refrain from introducing additional layers of complexities that could hinder efforts to provide swift relief or create unnecessary bureaucratic hurdles. We should work in partnership and focus on how the current challenges can be addressed most effectively, keeping in mind the broader policy challenges and business realities, and explore how a potential future crisis could be mastered in the most effective way.

Recommendations to the OECD

- Conduct a stocktaking exercise of positive, cooperative examples of social dialogue recognizing that there is no one size-fits-all
- Collect best practices of proactive company engagement in connection to Covid-19
- Provide fact-based evidence of supply-chain disruptions and implications for different sectors
- Focus on the longer-term and explore proactive approaches to reinforcing pandemic preparedness

Selected comments on the OECD policy note “Covid-19 and Responsible Business Conduct”

Process: OECD Covid-19 policy notes are widely distributed and get a lot of attention from OECD countries, OECD stakeholders and society at large as they are posted on the public website. In light of this, we regret not having had the opportunity to contribute to the development of the policy note before it was published and hope to be consulted as follow up notes are being developed.

Social dialogue and stakeholder engagement: As mentioned above, the Covid-19 crisis calls for reinforced public-private cooperation and dialogue with social partners. A constructive multi-stakeholder dialogue may now be more important than ever. In this context, it is important to recognize that business challenges vary depending on the country, sector and firm-level circumstances and the degree of exposure to Covid-19. **There is thus no one-size-fits-all model of social dialogue or industrial relations**, and national laws and practices must be taken into account to identify the most constructive way forward. It would be helpful if the OECD could take stock of successful dialogues, which have been initiated by social partners in different contexts, reflecting the variety of approaches that are possible and desirable.

Environmental, health and safety (EHS) management: There are numerous examples of cases in which businesses have acted as ‘best practice leaders’. Many companies had taken proactive measures, e.g. moving to telework, long before governments initiated lock-downs. Companies have acted quickly to ensure that employees are sufficiently protected and equipped with protective masks and hand sanitizers. Even in cases where furloughs have become impossible to avoid, many businesses have sought to help their employees access unemployment benefits and have protected health benefits, also where not legally-required to do so. Our member organizations, the leading business and employers’ organizations, have set up dedicated web-pages providing businesses with information on the support measures implemented by their respective governments, guidance in relation to employer duties and responsibilities as well as practical advice on how to mitigate adverse effects on employees. We urge policy makers to **work closely with business associations to ensure that EHS measures are efficient, practical and aligned with the specific needs in different contexts.**

We also recommend highlighting that **many companies have taken an active role in the fight against the virus** by converting their production lines and facilities for the production of urgently needed medical equipment. Textile companies, for instance, have started producing face masks and other protective equipment, while several distilleries switched to producing disinfecting alcohol, and automotive companies started building components for ventilators. Pharmaceutical companies have vastly increased their efforts to create a vaccine. Other companies have donated money or introduced innovative services to support local communities. We recommend highlighting these **positive examples of proactive business engagement**¹, to be able to learn from companies’ experiences going forward.

Supply chain management: Despite major efforts by business and governments, supply chains are under significant pressure. Companies know that if they are able to preserve their supply chains during the pandemic, they will be able to more rapidly resume operations in the recovery phase of the

¹ For more examples, see: https://www.aafaglobal.org/AAFA/Solutions_Pages/Members_COVID19_Community_Efforts, <https://www.uscib.org/covid19-member-responses/>

pandemic, benefitting their business and those who depend on them. Many companies are working closely with their suppliers to support joint efforts in light of the unprecedented circumstances.

However, the challenging marketplace dynamics can also lead to difficult but unavoidable decisions in the short term as the longer-term sustainability of business must be taken into account. While, some companies – as a measure of last resort – are forced to cancel orders or suspend contracts, most companies are extremely loathe to do so and their actions may be forced by government-mandated rules related to store, distribution center or port closures. Recognizing the difficulties companies may face, we need **more evidence on what causes supply chain disruptions** and to what extent business decisions of disengagement are driven by government restrictions, disrupted trade routes or other drastic changes in market conditions. The OECD should provide objective research and analysis on this issue to inform evidence-based discussions on the root causes, including the effect of government action in this unprecedented context. Work on supply chains should be approached by **cooperating with other parts of the OECD that work on global value chains**.

Corporate governance approaches: We support the call for sound leadership and improving continuity/contingency planning, but **caution against the introduction of new reporting requirements, which may be challenging given the current circumstances**, where companies are deploying their constrained resources on re-opening in the safest and most timely manner. Moreover, we recommend **exploring pathways of reinforcing ‘pandemic preparedness’**. Public-private dialogue is important to explore how to design effective emergency policies in the dimensions of management, health, security and compliance in order to increase resilience. This should also include addressing the key challenges the private sector has been facing during the crisis, including those related to procedural requirements and red tape, which can slow down action.

Conditioning government support on compliance with RBC standards: In this unprecedented situation, where many businesses, large and small, are faced with cash flow problems, it is important to ensure that emergency measures and stimulus packages reach businesses and their employees in a timely manner to allow them to continue to function, thus keeping their employees in work whenever possible. Stimulus measures must flow rapidly into the real economy and provide an immediate support to be effective and enable business to continue. While we reiterate our strong commitment to responsible business conduct, we underline the importance of not creating additional complexities and burdens for business to access funds which would lead to losing valuable time. SMEs may be particularly challenged by additional complex requirements. Conditioning relief funds on broad-based RBC requirements would raise the critical question of what these standards would be and how companies could prove that they are compliant.

In the context of public procurement, we underline the importance of ensuring that conditions are not overly complex so that they **do not exclude SMEs from the possibility to participate in public tenders**.