



COVID-19 and Responsible Business Conduct

The COVID-19 crisis has impacted the economy, people and the planet. Adopting a responsible business conduct approach in government and business responses to the crisis will generate short and long-term benefits such as increased resilience, a fairer and more inclusive distribution of benefits from recovery measures, and a stronger contribution to sustainable development.

COVID-19 is a crisis for business, people, planet and society

The COVID-19 global health and economic crisis is severely affecting business, leading to supply chain disruptions, cash flow problems and, more generally, a sharp drop in activity. Half of the world population is now under some form of confinement to stop the virus from spreading. Impacts on businesses are reverberating on people, the planet and society, with workers' health and livelihoods in the front line, notably as major rises in unemployment are forecast globally. These impacts are rippling through supply chains, as one large actor stopping activity may send hundreds of companies to the brink and put thousands of workers out of a job, many of them without a social safety net.

Addressing the health, social and economic impacts of the crisis calls for urgent and extraordinary action from companies and governments.

Many companies are rolling out contingency plans to weather the economic storm. Some are guaranteeing workers' pay and supporting their suppliers, e.g. by providing financial assistance or contract flexibility, or have directly contributed to containing the pandemic by redirecting production lines towards critical health products. Other companies are taking measures that are resulting in massive worker layoffs, short-term cancellation of orders with suppliers, human rights violations and environmental harm, as well as increased anti-competitive practices, corruption and other illegal conduct. These measures may in turn have longer-term legal and reputational effects on companies.

Governments are also taking unprecedented measures to tackle both the health and economic implications of COVID-19. These measures include, among others, bailouts and financial support to firms, tax relief and income support to workers, as well as new approaches to public procurement of essential goods and services.

Responses to the COVID-19 crisis need an RBC approach

The redesign of company operations and supply chains to address the crisis and the increased role of governments in shaping the economy for the years to come provide new opportunities to emphasise commitments to responsible business conduct (RBC) and further mainstream the uptake of RBC standards and tools into company operations.

Taking an "RBC approach", based on the [OECD Guidelines for Multinational Enterprises](#), and using risk-based due diligence to identify and address adverse impacts, as described in the [OECD Due Diligence Guidance for Responsible Business Conduct](#), would bring short and long-term benefits. In particular, it would enhance companies' capacity to build and increase resilience to better deal with current and future supply chain disruptions, and enhance their ability to access private and public finance. An RBC approach in the design and implementation of government measures to support the global economic recovery would also help ensure a fairer and more inclusive distribution of benefits.

More generally, it would also contribute to achieving the Sustainable Development Goals and other global social and environmental goals and commitments.

How to build an RBC approach into COVID-19 responses

For companies, an RBC approach, including applying risk-based due diligence throughout supply chains, helps ensure that strategies to respond to the crisis identify and address potential adverse impacts on people, the planet and society at large. These strategies can often be put in place with few resources and bring direct economic benefits for companies, including improving stock prices, avoiding volatility, increasing long-term value, improving access to emergency funds and capital, mitigating legal risks, and protecting brand value and reputation.

Company RBC approaches could include the following measures:

- ✓ *Social dialogue and stakeholder engagement* that ensure worker support for measures taken by the company and to keep the workers and affected communities engaged in view of the restart or redesign of operations;
- ✓ *Environmental, health and safety management* that address short-term threats by avoiding accidents and protecting workers and consumers.
- ✓ *Supply chain management* that addresses vulnerabilities in the supply chain and supports continuity planning to manage disruptions.
- ✓ *Corporate governance approaches* that ensure leadership and a clearly defined responsibility for disaster, continuity and contingency planning; and better reporting on measures taken to address the financial, environmental, social and governance risks companies face as a result of the COVID-19 crisis.

For governments, an RBC approach means ensuring that health and economic measures do not exacerbate the adverse socio-economic impacts of the crisis, but rather incentivise companies to identify and mitigate any potential harms and maximise the positive impacts of their response. Such an approach will help more companies to integrate RBC considerations in their operations and supply chains. This will, in turn, contribute to a faster and stronger recovery while making the economy more resilient to future crises. A strong and visible commitment to RBC by governments is particularly important, as many companies in need of government support may not adopt an RBC approach in their response to the crisis, e.g. due to lack of incentive, capacity, resources or knowledge.

Government RBC approaches could entail the following strategies:

- ✓ *Conditioning emergency or relief funds* to compliance with RBC standards to avoid creating negative impacts down the line;
- ✓ *Using emergency and relief programmes* to support companies in creating long-term economic, social and environmental value;
- ✓ *Using RBC standards* as a framework for identifying the environmental, social and governance risks and vulnerabilities in the supply chains of strategic industries;
- ✓ *Leveraging public procurement* so that essential goods and services are procured from companies that meet RBC standards.
- ✓ *Enabling dispute resolution and access to remedy* in the event that companies or government responses fail to meet RBC standards linked to recovery measures .

Find out more about OECD work on Responsible Business Conduct at
<https://mneguidelines.oecd.org/>