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**Session IV
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Please find attached the contribution by Mr. Manfred Schekulin, Chairman, OECD
Investment Committee.

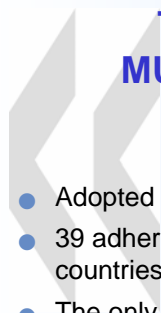


OECD Guidelines for Multinational Enterprises and the Environment

Manfred Schekulin
Chairman, OECD Investment Committee

OSCE Economic and Environmental Forum
Vienna, 22 - 23 January 2007

OECD  1 OCDE



THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES: KEY FEATURES

- Adopted in 1976, revised in 2000
- 39 adhering countries (30 OECD countries, 9 non-OECD countries)
- The only government-backed code of conduct for enterprises
- Voluntary recommendations to MNEs in all major areas of business ethics
- Binding commitments to adhering governments (follow up mechanisms via National Contact Points)

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AREAS COVERED

- Disclosure of information regarding activities, structure, financial situation and performance
- Employment and industrial relations
- Environment
- Combating bribery
- Consumer interests
- Science and technology
- Competition
- Taxation



AREAS COVERED ctd.

- General policies:
 - Contribute to economic, social and environmental progress
 - Respect human rights
 - Encourage local capacity building and human capital formation
 - Refrain from seeking exemptions (e.g. in the areas of environment, labour, safety)
 - Apply good corporate governance practices
 - Develop practices to establish trust with the societies in which they operate
 - Not discriminate against “whistleblowers”
 - Encourage suppliers to have good corporate conduct

HOW THE GUIDELINES FIT INTO THE INTERNATIONAL INVESTMENT FRAMEWORK

- Part of the OECD Declaration on International Investment and Multinational Enterprises, an instrument to help adhering countries to work towards liberal regime for foreign direct investment, including:
 - National Treatment Instrument
 - Conflicting Requirements
 - International Investment Incentives and Disincentives
- They apply to:
 - MNEs with headquarters in an adhering country
 - All the entities within MNEs, i.e. parent companies and local entities
 - SMEs are also encouraged to observe the Guidelines

HOW THE GUIDELINES ARE IMPLEMENTED

- National Contact Points (NCPs)
 - Responsible for encouraging observance of the Guidelines
 - And for their promotion
- NCPs
 - Handle inquiries
 - Assist in solving problems
 - Gather information on national experiences with the Guidelines
 - Report annually to the OECD Investment Committee
- « Specific Instances »
 - Allow interested parties to bring alleged non-observance of the Guidelines to the attention of NCPs



THE RESULTS TO DATE

- The Guidelines are an important international tool for corporate responsibility
 - 22% of managers of MNEs identify the Guidelines as one of most influential international benchmarks
 - The Guidelines translated into 24 languages
 - Some 60.000 web pages refer to the Guidelines
 - 15 countries use the Guidelines in their export credit and investment guarantee programmes
- More than 70 specific instances have been considered, including many on environmental issues



ENVIRONMENT IN THE GUIDELINES

- Many parts of the “general policies” are also relevant to the environmental behaviour performance of MNEs, f.e.:
 - not to seek exemptions from environmental laws,
 - not to discriminate against whistleblowers,
 - engage suppliers in good practices, etc.
- Dedicated chapter on environment
 - General recommendation: Enterprises should conduct their activities in a manner contributing to sustainable development
 - 8 specific recommendations

ENVIRONMENT CHAPTER OF THE GUIDELINES: RECOMMENDATIONS (I)

1. **Environmental management systems:**
Establish and maintain a system of environmental management appropriate to the enterprise, including:
 - a) Collection and evaluation of environmental information
 - b) Establishment of measurable objectives
 - c) Regular monitoring and verification

2. **Public information and stakeholder consultation:**
Taking into account concerns about costs and confidentiality:
 - a) Provide the public and employees with information about environmental risks
 - b) Engage in adequate and timely communication and consultation

ENVIRONMENT CHAPTER OF THE GUIDELINES: RECOMMENDATIONS (II)

3. **Life-cycle assessment:**
Assess and address in decision making the foreseeable environmental impacts of processes, goods and services

4. **Precaution:**
Not use the lack of scientific certainty as a reason for postponing cost effective measures to prevent or minimise damage

5. **Emergency prevention, preparedness and response:**
Maintain contingency plans for preventing, mitigating and controlling environmental damage

ENVIRONMENT CHAPTER OF THE GUIDELINES: RECOMMENDATIONS (III)

6. Continuous improvements:

Continuously improve corporate environmental performance, by encouraging, where appropriate:

- Adoption of technologies and operating procedures that reflect best practices in the company
- Development of products and services that have no undue environmental impacts
- Promoting higher levels of awareness among customers of environmental implications of their products
- Research on ways of improving environmental performance

ENVIRONMENT CHAPTER OF THE GUIDELINES: RECOMMENDATIONS (IV)

7. Environmental education and training:

Provide adequate education and training to employees in environmental health and safety matters

8. Development of environmental policy:

Contribute to the development of environmentally meaningful and economically efficient public policy



EVIDENCE OF IMPACT

- Recent OECD survey of over 4,000 manufacturing facilities with 50 or more employees in 7 OECD countries (Canada, the United States, France, Germany, Norway, Hungary, and Japan)
- 37% of respondents reported having an environmental management system in place
- Similarly large proportions of companies had adopted specific environmental management tools
 - 40% of companies commissioning external audits to verify their environmental performance
 - 25% use environmental accounting tools



HELPING ENTERPRISES UNDERSTAND AND IMPLEMENT THE GUIDELINES

Environment and the OECD Guidelines for MNEs: Tools and Approaches

- Provides a description of the **challenges and opportunities** raised by each of the 8 recommendations on environment
- Describes a range of **tools** to implement the recommendations
- Provides **case studies** of companies which have used certain tools or approaches
- Available as a **book** and a **brochure** in 6 languages
- Free **electronic copies** on www.oecd.org/env/mneguidelines/
- **Hard copies** in English and French on www.oecdbookshop.org