



COVID-19 and Responsible Business Conduct

This note, prepared by the OECD Centre for Responsible Business Conduct, reviews the challenges the COVID-19 crisis presents for business behaviour and outlines initial responses by governments and companies. It describes the rationale and method for adopting a responsible business conduct approach to address the crisis and sets down the potential short-term and long-term benefits of such an approach.

The coronavirus (COVID-19) pandemic has created major disruptions in the economy and the life of businesses, whether or not they are able to continue their operations. These disruptions are creating a wide range of impacts on companies and many of them are struggling financially. The COVID-19 crisis has also exposed major vulnerabilities in company operations and supply chains linked to conditions of work and disaster preparedness.

Governments have taken extraordinary steps to try and contain the epidemic, such as general confinement and large scale shutdown of economic activity, as well as issuing aid and recovery packages to support struggling companies and workers. Many companies have also stepped up to contribute to the containment effort and to soften the economic blow on their workers and supply chains. However, government and business responses may also have unforeseen risks of their own.

A responsible business conduct (RBC) approach to the COVID-19 crisis response will help ensure that the environmental, social and other governance issues set down in internationally-recognised RBC standards are central in the design and implementation of both government and business responses. These standards, in particular the wide-ranging OECD Guidelines for Multinational Enterprises and related OECD due diligence guidance, lay out the expectation that businesses contribute to sustainable development, while avoiding and addressing adverse impacts of their activities, including throughout their supply chains. Mainstreaming these RBC standards and tools into measures to address the COVID-19 crisis can help governments and companies in making decisions and addressing the environmental, social and governance issues related to the crisis, but also in ensuring that such responses do not create further risks to people, planet and society.

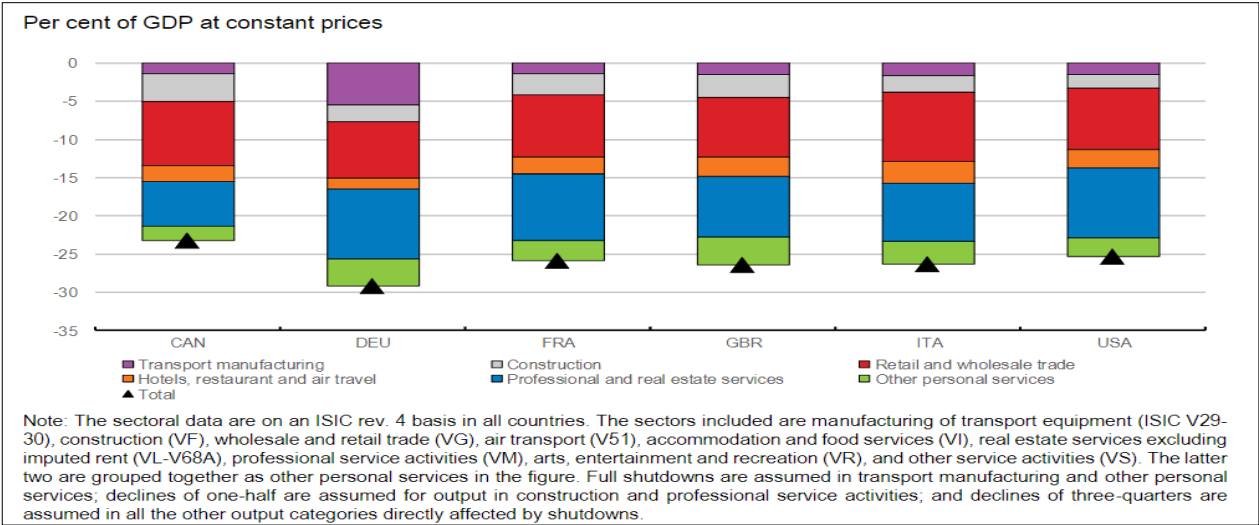
The ways that companies respond now to the range of RBC issues in the crisis will have lasting repercussions for their balance sheets and productivity during the recovery period. Companies taking proactive steps to address the risks related to the COVID-19 crisis in a way that mitigates adverse impacts on workers and supply chains are likely to build more long-term value and resilience, improving their viability in the short term and their prospects for recovery in the medium to long term. In the short term, keeping sight of RBC in the midst of the crisis will also ensure that the response minimises perverse effects on people and the planet.

THE ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACTS OF COVID-19

COVID-19 has created unprecedented challenges for companies to manage negative impacts on workers

The COVID-19 crisis presents the global economy with its greatest danger since the financial crisis.¹ It is severely disrupting economic activity and, as a recent UN report shows, is having impacts on practically all the Sustainable Development Goals.² COVID-19 is also creating enormous challenges for small and large businesses worldwide. Growing evidence from recent surveys suggests major hindrances for company activity, including supply chain interruptions, cash flow problems, and the inability to meet delivery dates.³ Weaker final demand for imported goods and services, increased risk aversion in financial markets,⁴ and decreased business confidence will also significantly affect enterprises and their supply chains.⁵

Figure 1: The potential initial impact of partial or complete shutdowns on activity in selected G7 economies.



Source: OECD (2020), *Evaluating the initial impact of COVID-19 containment measures on economic activity*, OECD, Paris, p. 3, [https://read.oecd-ilibrary.org/view/?ref=126_126496-evgsi2gmqj&title=Evaluating the initial impact of COVID-19 containment measures on economic activity](https://read.oecd-ilibrary.org/view/?ref=126_126496-evgsi2gmqj&title=Evaluating%20the%20initial%20impact%20of%20COVID-19%20containment%20measures%20on%20economic%20activity)

Recent OECD data on the economic effects of the crisis and related containment measures indicate that "the overall direct initial hit to the level of GDP is typically between 20-25% in many major advanced economies."⁶ Complete or partial shutdowns are impacting sectors in different ways, affecting to varying degrees their ability to operate, the demand for their products or services, and their balance sheets (Figure 1 shows the potential impact of shutdowns in selected G7 economies). According to a survey by the Responsible Business Alliance, as a consequence of the COVID-19 crisis, 50% of their members' and their members'

¹ OECD (2020), *Coronavirus: The World Economy at Risk*, OECD Interim Economic Assessment, OECD, Paris, <https://doi.org/10.1787/7969896b-en>
² UN (2020) Shared Responsibility, Global Solidarity: Responding to the socio-economic impacts of COVID-19, <https://unsdg.un.org/resources/shared-responsibility-global-solidarity-responding-socio-economic-impacts-covid-19>
³ OECD (2020), *Covid-19: SME Policy Responses*, OECD, Paris, https://oecd-dam-broadcast.com/pm_7379_119_119680-di6h3gqi4x.pdf
⁴ OECD (2020), *Global Financial Markets Policy Responses to COVID-19*, Paris, https://read.oecd-ilibrary.org/view/?ref=127_127003-tv19kqbfi9&title=Global-Financial-Markets-Policy-Responses-to-COVID-19
⁵ OECD (2020), *OECD Economic Outlook*, OECD, Paris, <https://doi.org/10.1787/7969896b-en>
⁶ OECD (2020), *Evaluating the initial impact of COVID-19 containment measures on economic activity*, OECD, Paris, pp. 2-3, [https://read.oecd-ilibrary.org/view/?ref=126_126496-evgsi2gmqj&title=Evaluating the initial impact of COVID-19 containment measures on economic activity](https://read.oecd-ilibrary.org/view/?ref=126_126496-evgsi2gmqj&title=Evaluating%20the%20initial%20impact%20of%20COVID-19%20containment%20measures%20on%20economic%20activity)

supplier factories are not functioning at full capacity, 15% of all factories are below 50% production, and 8% of factories have fewer than 10% of their employees back to work.⁷

The COVID-19 crisis is causing financial distress and liquidity problems for many companies as a result of the reduction or cancellation of business. This in turn impacts workers, whose income and livelihood are at risk. While some companies have been able to shield their workforce from such impacts and are choosing to keep and pay employees during the suspension of their activities,⁸ many companies have had to lay off workers or reduce their working hours.⁹ In March 2020, the ILO estimated that the impact of COVID-19 will result in a rise in global unemployment of between 5.3 million ('low' scenario) and 24.7 million ('high' scenario).¹⁰ New unemployment figures emerging from impacted countries suggest the impact may already be greater than the high scenario. In the US alone, about 16.8 million people filed for unemployment benefits, making up about 11% of the US labour force.¹¹ Such rise in unemployment may hit hardest the workers that are not covered by regular (e.g. sick or unemployment paid leave) or exceptional COVID-19 specific safety nets (see below), such as independent workers, zero hour contract workers, or informal workers, among which many are migrant workers and women.¹²

For companies that are able to continue activity, protecting the health and safety of workers is the main concern, and reducing workers' exposure to COVID-19 in the workplace is a key challenge.¹³ Many businesses struggle to identify the right balance of measures and safeguards to protect workers from being exposed or spreading the virus, including through limiting physical interaction of work, the introduction of enhanced sanitary measures and encouraging teleworking, while keeping essential services going. For companies in key sectors such as health care, security or food production, the crisis may lead to a sharp rise in activity, thereby causing workers to have to work under unsafe conditions¹⁴ and/or overtime, which may impact their wellbeing, health and family life.¹⁵ Women may be particularly affected, as they form a large proportion of the work force in exposed sectors such as food retail and health care, while often at the same time having to manage child care during school closures.¹⁶

Impacts beyond workers – a wide range of social and environmental issues

Beyond impacts on workers, the COVID-19 crisis may associate businesses with a wide range of new and unforeseen issues. The continued circulation of goods and workers is a potential vector of contamination, and may also lead to increased environmental impacts. On the other

⁷ The Responsible Business Alliance is a coalition of 380 large companies in various sectors including electronics, retail, auto and toy manufacturing, with combined annual revenues of greater than \$7.7 trillion, directly employing over 21.5 million people, and with products manufactured in more than 120 countries. See Responsible Business Alliance (2020), "COVID-19 Impact at a Glance", in *RBA Brief*, <http://www.responsiblebusiness.org/media/docs/COVID19Survey.pdf>, p.1.

⁸ <https://news.bloomberglaw.com/daily-labor-report/disney-two-nba-teams-promise-ongoing-pay-for-workers>

⁹ A. Edgecliffe-Johnson (24 March 2020) "Coronavirus lay-offs split corporate America", *Financial Times*, New York, <https://www.ft.com/content/c49e6a74-6c60-11ea-89df-41bea055720b>

¹⁰ ILO (2020), "COVID-19 and the world of work: Impact and policy responses", *International Labour Organization Note*, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf

¹¹ A. Tappe, A. Kurtz (9 April 2020), "Another 6.6 million Americans filed for unemployment benefits last week", *CNN Business*, <https://edition.cnn.com/2020/04/09/economy/unemployment-benefits-coronavirus/index.html>

¹² Livemint (23 March 2020), "Coronavirus pandemic puts India's informal workers in the firing line", *Livemint News*, Anuja, Uptal Bashkar <https://www.livemint.com/news/india/coronavirus-pandemic-puts-india-s-informal-workers-in-the-firing-line-11584902659516.html>

¹³ https://oecd.dam-broadcast.com/pm_7379_119_119686-962r78x4do.pdf

¹⁴ WHO (2020), Recommendations for the Workplace, *World Health Organization*, <https://www.who.int/docs/default-source/coronaviruse/advice-for-workplace-clean-19-03-2020.pdf>

¹⁵ OH&S (23 March 2020), "Amazon workers being worked overtime for COVID-19", *Occupational Health and Safety*, <https://ohsonline.com/articles/2020/03/23/amazon-workers-being-worked-overtime-for-covid19.aspx>

¹⁶ OECD (2020), *Women at the core of the fight against the Covid-19 crisis*, Paris, https://read.oecd-ilibrary.org/view/?ref=127_127000-awfnqj80me&title=Women-at-the-core-of-the-fight-against-COVID-19-crisis

hand, there has also been a marked shift in concentrations of CO₂ emissions across sectors and regions due to dramatic closure of supply chains or industries.¹⁷

Risks related to fraud and financial misconduct by companies in their operations and supply chains have also been reported. For example, the European Anti-Fraud Office has launched investigations into imports of fake health and hygiene products, such as masks, testing kits or disinfectant.¹⁸ The COVID-19 crisis has also created an increase in digital risks such as phishing scams or hacking.¹⁹ In addition, abuses of COVID-19 safety net funding have been reported. The crisis may affect levels of disclosure, as travel restrictions and focus on crisis management may delay or reduce the quantity of data provided by companies.²⁰

Responding to urgent needs for the timely and sufficient delivery of essential goods and services to combat the crisis may require usually competing companies to collaborate in ways that are consistent with antitrust laws. However, the crisis may also be an opportunity for some firms to enter into anti-competitive practices²¹, e.g. agreements between firms to inflate prices on essential goods such as protective products or to lower wages in the sector,²² or seeking to build dominant positions or monopolies for crucial products such as pharmaceuticals.²³

Disruptions in global supply chains amplify negative impacts on people, planet and society

In addition to the impacts of COVID-19 on companies' own operations, businesses have also faced significant disruptions in their supply chains.²⁴ In a survey focused on business and supply chain impacts, the Institute for Supply Management found that more than 80% of companies believe that their organisation will experience some impact because of COVID-19 related disruptions.²⁵

Both supply and demand-side disruptions exacerbate the socio-economic impacts of the crisis. Suppliers may no longer be in a position to continue their activity and honour contracts. Increasing evidence from many consumer goods categories suggest that global buyers are also halting or cancelling orders for the foreseeable future. These reactions could bring entire

¹⁷ M. McGrath, (19 March 2020), "Coronavirus: Air pollution and CO₂ fall rapidly as virus spreads", *BBC News*, <https://www.bbc.com/news/science-environment-51944780>; M. Stone (3 April 2020), "Carbon emissions are falling sharply due to coronavirus. But not for long." *National Geographic*, <https://www.nationalgeographic.com/science/2020/04/coronavirus-causing-carbon-emissions-to-fall-but-not-for-long/>.

¹⁸ European Anti-Fraud Office, (20 March 2020) "OLAF launches enquiry into fake COVID-19 related products", *European Commission*, Press release No 07/2020 https://ec.europa.eu/anti-fraud/media-corner/news/20-03-2020/olaf-launches-enquiry-fake-covid-19-related-products_en. See also the statement from the OECD Working Group on Bribery, available at See also OECD/EUIPO (2020), Trade in Counterfeit Pharmaceutical Products, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/a7c7e054-e>

¹⁹ OECD (2020), *Dealing with digital security risk during the coronavirus (COVID-19) crisis*, Paris, https://read.oecd-ilibrary.org/view/?ref=128_128227-6a62c37d6b&title=Dealing-with-digital-security-risk-during-the-coronavirus-%28COVID-19%29-crisis

²⁰ Edie (2020), "WBA: Companies with embedded sustainability best-placed to weather coronavirus storm", *Empowering Sustainable Business*, <https://www.edie.net/news/7/WBA--Companies-with-embedded-sustainability-are-best-placed-to-weather-the-coronavirus/>

²¹ OECD (2020), *Covid-19 and International trade: Issues and Actions*, Paris, OECD, https://read.oecd-ilibrary.org/view/?ref=128_128542-3ijg8kfswh&title=COVID-19-and-international-trade-issues-and-actions

²² The US Department of Justice (2020) *Joint Antitrust Statement Regarding COVID-19* <https://www.justice.gov/atr/joint-antitrust-statement-regarding-covid-19>

²³ G. Posner (2 March 2020) "Big pharma may pose an obstacle to vaccine development", *Opinion, New York Times*, <https://www.nytimes.com/2020/03/02/opinion/contributors/pharma-vaccines.html>; MSF (27 March 2020), "MSF calls for no patents or profiteering on COVID-19 drugs and vaccines", *Medecins sans frontieres*, <https://www.msf.org/no-profiteering-covid-19-drugs-and-vaccines-says-msf>

²⁴ Sourcemap (2020), "How the coronavirus is affecting consumer supply chains", *Sourcemap*, <https://www.sourcemap.com/blog/2020/3/29/how-the-coronavirus-is-affecting-consumer-goods-supply-chains-tldr-for-once-its-on-the-demand-side-not-the-supply>

²⁵ ISM (2020), "COVID-19 Survey: Impacts On Global Supply Chains", *Institute for Supply Management* <https://www.instituteforsupplymanagement.org/news/NewsRoomDetail.cfm?ItemNumber=31171>

supply chains to a halt and place millions of companies and their workers at economic risk.²⁶ Box 1 provides examples of supply chain disruptions in the garment and minerals sectors which may lead to adverse labour and human rights impacts.

Many suppliers will continue to do their most to keep business activity going in order to avoid losing revenue, which in turn may expose their own workers, contractors and clients to the virus or risks spreading it further. In sectors with large shares of migrant workers, such as the manufacturing sector in Asia, work stoppages and order cancellations are reportedly having a range of knock-on effects, as housing for workers may be closed or constrained, and workers returning home are at risk of spreading the virus further.²⁷

Box 1: Supply chain disruptions and adverse impacts in the garment and minerals sectors

Garment supply chains in Bangladesh

Bangladesh is particularly exposed to supply and demand shocks, as the garment sector accounts for more than 80% of the country's annual exports and is highly dependent on brands orders from the US and the EU, country's biggest trading partners of textiles and apparels and current epicentre of the virus.²⁸ To date 959 factories reported demand shocks linked to the COVID 19 crisis that represented 826.42 million pieces worth USD 2.67 billion of export orders that were cancelled and held up by global buyers.²⁹ Buyers are halting new orders but also asking suppliers not to ship clothing that has already been made and deferring payments.³⁰ In these cases, manufacturers have already incurred costs and may be in debt to their raw material suppliers. Suppliers are calling buyers to fulfil their existing contractual obligations by taking delivery of goods already produced and goods currently in production and pay under the normal term.³¹ As the sector employs over 4 million people, mostly women, cancellation of orders may cause obstruction of scheduled wages and shut down of factories at a high scale. Supply shocks are also creating wide adverse impacts as 70% of the raw materials for woven garments come from China. This is leading to temporary closure or suspension of activity as raw material shortage impedes production continuity.³²

²⁶ The magnitude of the disruption in supply chains linked to Chinese enterprises is illustrated by the 14 percentage points plunge of China's Manufacturing Purchasing Managers Index between January and February, see National Bureau of Statistics of China (2020), "Purchasing Managers Index for February 2020", Press Release, Department of Service Statistics of NBS, China Federation of Logistics and Purchasing (CFLP)

http://www.stats.gov.cn/english/PressRelease/202003/t20200302_1729254.html. Regarding the reverberating effects of such drop in Chinese activity, see e.g. K. Johnson (27 February 2020) "Cambodia says 200 factories face production halt from Coronavirus", Reuters, Business news, <https://uk.reuters.com/article/us-china-health-cambodia-factories/cambodia-says-200-factories-face-production-halt-from-coronavirus-idUKKCN20L1GJ>.

²⁷ International Organisation for Migration (26 March 2020), "Covid-19 places migrant workers in highly vulnerable situations", <https://crest.iom.int/news/covid-19-places-migrant-workers-highly-vulnerable-situations%C2%A0>.

²⁸ S. Islam Ishty (23 March 2020), Your order has been cancelled: The coronavirus impact on the RMG sector", *The Financial Express*, <https://thefinancialexpress.com.bd/views/your-order-has-been-cancelled-the-coronavirus-impact-on-the-rmg-sector-1584974682>

²⁹ FWF (2020), "COVID-19 Impact and responses: Bangladesh", *COVID-19 Guidances for production countries*, Fair Wear Foundation <https://www.fairwear.org/covid-19-dossier/covid-19-guidance-for-production-countries/covid-19-impact-and-responses-bangladesh/>

³⁰ J. Warrington (22 March 2020), "Coronavirus: Primark to close all UK stores as pandemic hits high street", *City A.M, UK*, <https://www.cityam.com/coronavirus-primark-cancels-all-orders-in-blow-for-suppliers/>

³¹ C. Nika (25 March 2020), "GMAC appeals to stakeholders to join hands to tackle manufacturing woes caused by coronavirus", *Khmer Times* <https://www.khmertimeskh.com/50705603/gmac-appeals-to-stakeholders-to-join-hands-to-tackle-manufacturing-woes-caused-by-coronavirus/>

³² Figures based on 316 responses to a survey of Bangladesh suppliers, conducted 21-25 March 2020

Source: Centre for Global Workers' Rights (27 March 2020) "Abandoned? The Impact of COVID-19 on Workers and Businesses at the Bottom of Global Garment Supply Chains", Research Report, *Center for Global workers Rights*, <http://www.workersrights.org/wp-content/uploads/2020/03/Abandoned-Penn-State-WRC-Report-March-27-2020.pdf>



³³ Argus (19 March 2020), "Auto shutdowns confirm metals demand shock, *Argus Media*, <https://www.argusmedia.com/en/news/2088551-auto-shutdowns-confirm-metals-demand-shock>

³⁴ Mining (26 March 2020), "Worldwide mining disruptions", *Mining*, <https://www.mining.com/worldwide-mining-disruptions/>

³⁵ S. Teoh (25 March 2020), "Coronavirus: Malaysia's movement restrictions extended to April 14", *The Straits Times*, <https://www.straitstimes.com/asia/se-asia/coronavirus-malaysias-movement-curbs-extended-to-april-14>

³⁶ H. Reid and J. Lewis (31 March 2020), "Subsistence miners lose out as coronavirus crushes local gold prices", *Reuters*, <https://www.reuters.com/article/health-coronavirus-mining-artisanal/subsistence-miners-lose-out-as-coronavirus-crushes-local-gold-prices-idUSL8N2BN670>

³⁷ Kevin Telmer (5 April 2020), "Impacts of COVID-19 on ASGM communities", Artisanal Gold Council, <https://www.artisanalgold.org/2020/03/possible-impacts-of-covid-19-on-asgm-communities/>

³⁸ OECD Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, <https://mneguidelines.oecd.org/mining.htm>

GOVERNMENT AND COMPANY RESPONSES TO COVID-19 AND THEIR EFFECTS

Responses by governments

The COVID-19 crisis is galvanising unprecedented and urgent government action to both manage the health emergency while also ensuring continuity in the provision of basic goods and services. Governments are also taking measures to address the massive economic impacts related to containment policies that are putting about half of the world's population³⁹ under some form of confinement and economic activity to a halt. These measures include aid, bailout, nationalisation and stimulus programmes which are among the most ambitious in history⁴⁰. The US stimulus package is estimated at over USD 2tn,⁴¹ while in Europe combined government plans announced to date are estimated at around EUR 1.7tn.⁴² The aim of these programmes is to finance crucial needs such as direct access to cash for companies,⁴³ partial unemployment benefits for workers hit by activity drops,⁴⁴ but also mid- and long term economic recovery. According to OECD data from 3 April 2020, 97% of OECD countries have introduced or announced measures to provide for financial support to firms affected by a drop in demand, and 92% are taking measures to provide income support to workers losing their jobs or self-employment income.⁴⁵

Both containment and economic support measures are necessary to fight the pandemic and its socio-economic effects, but may also create unintended effects related to company conduct. Lockdowns may create risks of graft and illicit behaviour by companies seeking to circumvent them, e.g. companies fraudulently characterising themselves as providing 'essential services' in order to continue activity.⁴⁶

Responses by companies

In the face of unprecedented changes and impacts on companies' own operations or in their supply chains, enterprises have adopted a variety of responses, many actively putting resources, logistics, skills and innovative approaches at the service of the fight against the pandemic.⁴⁷ For example, companies have taken extraordinary measures to ensure the

³⁹ *3.9 billion people. Agence France Presse (2 April 2020), "Half of Humanity in virus confinement, VOA News, <https://www.voanews.com/science-health/coronavirus-outbreak/half-humanity-virus-confinement>

⁴⁰ See Annex A. Preliminary overview of country responses, OECD (2020), *Covid-19: SME Policy Responses*, OECD, Paris, https://oecd.dam-broadcast.com/pm_7379_119_119680-df6h3gqi4x.pdf

⁴¹ C. Foran, M. Raju, H. Byrd & T. Barrett (27 March 2020), "Trump signs historic 2\$ trillion stimulus after Congress pass it Friday", *CNN Politics*, <https://edition.cnn.com/2020/03/27/politics/coronavirus-stimulus-house-vote/index.html>

⁴² J. Garside (19 March 2020), "Europe's economic rescue packages worth combined 1.7tn euros", *The Guardian*, <https://www.theguardian.com/world/2020/mar/19/europes-economic-rescue-packages-worth-combined-17tn>

⁴³ According to an RBA survey, 47% of companies worldwide receive funding assistance from the local government. Responsible Business Alliance (2020), "COVID-19 Impact at a Glance", in *RBA Brief*, <http://www.responsiblebusiness.org/media/docs/COVID19Survey.pdf>, p. 1

⁴⁴ OECD (2020), "Supporting people and companies to deal with the Covid-19 virus: Options for an immediate employment and social-policy response", *ELS Policy Brief on the Policy Response to the Covid-19 Crisis*, OECD, Paris, https://oecd.dam-broadcast.com/pm_7379_119_119686-962r78x4do.pdf. Although such measures differ widely across countries, according to an ITUC survey, finding that many countries rather focus on financially supporting companies than workers. See ITUC CSI IGB (24 March 2020) "ITUC Global COVID-19 Survey: Half of countries in lockdown as COVID-19 pandemic wreaks health and economic havoc on working people and their families", *International Trade Union Confederation*, <https://www.ituc-csi.org/ituc-global-covid-19-survey>

⁴⁵ OECD (2020), "Supporting people and companies to deal with the Covid-19 virus: Options for an immediate employment and social-policy response", *ELS Policy Brief on the Policy Response to the COVID-19 Crisis*, OECD, Paris, <http://oe.cd/covid19briefsocial>.

⁴⁶ Newstalk ZB (25 March 2020) "Non-essential business face fines, immediate shutdowns", *Newstalk ZB*, *NZ Herald* Vaimoana Tapaleao, <https://www.newstalkzb.co.nz/on-air/mike-hosking-breakfast/audio/paul-stocks-on-covid-19-lockdown-what-essential-services-can-stay-open/>

⁴⁷ WBCSD (2020), "How business is responding to COVID-19," *World Business Council for Sustainable Development*, <https://www.wbcd.org/COVID-19> <https://www.wbcd.org/COVID-19>

continued supply of essential goods and services, and in some cases are redirecting production to manufacture protective products and health equipment.⁴⁸

Many companies have directed their staff to work from home, and, if not possible, have put in place hygiene protocols to protect their workers. Such protocols have also been put in place to ensure that goods and services provided to customers or clients do not put them at risk of contamination. To respond to economic risks facing workers, contractors and suppliers, some companies have taken proactive steps and made promises to shield them from unemployment, pay cuts or reductions in orders.⁴⁹

Together, these responses are proving to be crucial in addressing the economic repercussions and the health risks of the crisis. In some instances, however, these practices may also have unintended effects of their own. For example:

- Working from home may create work-life balance issues for workers, especially if they have caring duties e.g. as a result of school closures;
- Increased recourse to digital communication technologies creates new risks to privacy and (mis)use of personal or proprietary data;⁵⁰
- Urgent redirection of supply chains within short timeframes may mean rushing through due diligence and the assessment of new production facilities, creating challenges to ensure suppliers observe environmental, social, and governance requirements.
- Some companies may be forced into short-term measures to cut costs at the expense of other systemic considerations such as worker wellbeing or health and safety.⁵¹

FROM RISK TO RESILIENCE – THE ROLE OF RBC IN BUSINESS AND GOVERNMENT RESPONSES TO THE CRISIS

The overview above has shown that business and government responses to the COVID-19 crisis are having a significant impact on people, planet and society. In this context, the implementation of global standards of responsible business conduct (RBC) is particularly important to identify, mitigate and address adverse impacts.

OECD standards and tools on RBC, namely the [OECD Guidelines for Multinational Enterprises](#) and the [OECD Due Diligence Guidance for RBC](#), as well as [sector specific due diligence guidance](#), can help governments and companies in making decisions and addressing the

⁴⁸ L. Abboud (19 March 2020), "Inside the factory: how LVMH met France's call for hand sanitiser in 72 hours", *Financial Times*, <https://www.ft.com/content/e9c2bae4-6909-11ea-800d-da70cff6e4d3>; N. Bashir (27 March 2020), "James Dyson designed a new ventilator in 10 days. He's making 15,000 for the pandemic fight", *CNN Business*, <https://edition.cnn.com/2020/03/26/tech/dyson-ventilators-coronavirus/index.html>.

⁴⁹ Channel News Asia (24 March 2020), "Unilever to protect workers from sudden pay drop up to three months" *Channel News Asia Business*, <https://www.channelnewsasia.com/news/business/unilever-to-protect-workers-from-sudden-pay-drop-for-up-to-three-months-12571602>. See also Walmart's Supply chain financing program: Walmart (25 March 2020), "Some help for our small business partners", <https://corporate.walmart.com/newsroom/2020/03/25/some-help-for-our-small-business-partners>

⁵⁰ Access Now (19 March 2020), "Access Now urges transparency from Zoom on privacy and security", *Access Now* <https://www.accessnow.org/access-now-urges-transparency-from-zoom-on-privacy-and-security/>. See also BBC News (1 April 2020), "Coronavirus: Zoom under increased scrutiny as popularity soars", *BBC* <https://www.bbc.com/news/business-52115434#share-tools>. For measures to mitigate these risks, see Access Now (March 2020), "Recommendations on privacy and data protection in the fight against COVID-19", *Access Now* <https://www.accessnow.org/cms/assets/uploads/2020/03/Access-Now-recommendations-on-Covid-and-data-protection-and-privacy.pdf>

⁵¹ N. Karim (19 March 2020), "Job cut fears as fashion brands slash orders in Bangladesh with Coronavirus", *Reuters* <https://www.reuters.com/article/us-health-coronavirus-bangladesh-jobs-tr/job-cut-fears-as-fashion-brands-slash-orders-in-bangladesh-with-coronavirus-idUSKBN2163QJ>; Rachel Cernansky (19 March 2020), "As coronavirus spreads, supply chain workers face layoffs", *Vogue Business Sustainability*, <https://www.voguebusiness.com/sustainability/coronavirus-causes-closures-and-layoffs-for-workers-bangladesh-india>; C. Nika (25 March 2020), "GMAC appeals to stakeholders to join hands to tackle manufacturing woes caused by coronavirus", *Khmer Times* <https://www.khmertimeskh.com/50705603/gmac-appeals-to-stakeholders-to-join-hands-to-tackle-manufacturing-woes-caused-by-coronavirus/>

environmental, social and governance issues of the crisis, but also in ensuring that such responses do not create further risks to people, planet and society. The OECD Guidelines for Multinational Enterprises are the most comprehensive international RBC instrument, covering business responsibility in a wide range of areas, including disclosure, human rights, workers' rights and industrial relations, environment, bribery, consumer interests, science and technology, competition, and taxation. The Guidelines provide recommendations to companies in all these areas, and expect companies to conduct due diligence in respect to risks associated to their operations, including their supply chains and other business relations.

An RBC approach to the COVID-19 crisis will help companies build resilience and long-term value

For a company, observing RBC standards and implementing due diligence in its response to the COVID-19 crisis will help ensure that its business decisions help avoid and address potential adverse impacts on people and planet, including in its supply chain. Companies taking proactive steps to address the risks of COVID-19 in a way that mitigates adverse impacts on workers and supply chains are also likely to build more long-term value and resilience. Specifically, the following RBC issues appear to be most relevant in helping business respond to, and recover from, supply chain and operational shocks of the crisis:



Social dialogue, industrial relations and stakeholder engagement

Effective industrial relations and stakeholder engagement, including direct engagement with workers and their representatives at the level of the firm, its subsidiaries and joint ventures, and suppliers, can help in identifying workable short-term and long-term solutions to address cost cutting pressures, including solutions around pay cuts or delay in wage payments, while enabling better contingency planning and more rapid start-up of operations during the recovery period.⁵² For instance, working out a contingency plan with workers, if necessary one that is financed both by the company and by salary adjustments agreed by workers, may make more commercial sense than paying the price of disbanding large segments of a workforce that took years to build and train. Furloughs and layoffs are reported to have a negative impact on the productivity for the remaining workers.⁵³ Hiring and training to replace lost staff also has significant costs (which can be up to twice as high as their annual salary). Reports suggest that new workers can take up to two years to reach full productivity.⁵⁴



Worker leave, benefits and access to healthcare

Companies that have in place robust practices on worker leave and other benefits are more likely to retain critical employee skills and know-how during the crisis and recover quickly from its medium and long term effects, provided they are able to remain solvent in the short term. Evidence also suggests, more broadly, that providing a strong package of benefits boosts worker morale and

⁵² See in particular, OECD Guidelines for MNEs, chapter V., paras. 2.c ('Provide information to workers and their representatives which enables them to obtain a true and fair view of the performance of the entity or, where appropriate, the enterprise as a whole. '); 3. ('Promote consultation and co-operation between employers and workers and their representatives on matters of mutual concern. '); and 6. ('In considering changes in their operations which would have major employment effects, in particular in the case of the closure of an entity involving collective lay-offs or dismissals, provide reasonable notice of such changes to representatives of the workers in their employment and their organisations, and, where appropriate, to the relevant governmental authorities, and co-operate with the worker representatives and appropriate governmental authorities so as to mitigate to the maximum extent practicable adverse effects. In light of the specific circumstances of each case, it would be appropriate if management were able to give such notice prior to the final decision being taken. Other means may also be employed to provide meaningful co-operation to mitigate the effects of such decisions.').

⁵³ Sandra J. Sucher and Shalene Gupta, (May-June 2018), "Layoffs That Don't Break Your Company", Harvard Business Review, <https://hbr.org/2018/05/layoffs-that-dont-break-your-company>

⁵⁴ Ibid

trust. This has a range of knock on benefits associated with higher productivity and worker retention, all of which may be helpful for firms in the recovery period.⁵⁵ In the short term, firms with robust leave and benefits also appear more attractive to investors amid market volatility (see below benefits related to stock price and volatility).



Environmental, health and safety management

Firms with robust health and safety management practices, including related to chemical use, hygiene and sanitation, and worker health, can leverage these processes more quickly in responding to short-term threats. Timely and reliable health and safety information at the level of the enterprise, its subsidiaries or joint ventures, and suppliers, when combined with clear company policies aimed at rapid response, accident avoidance or protecting workers, will prove particularly critical for firm's short-term and long-term resilience.



Corporate governance related to disaster preparedness, continuity and contingency planning

Having leadership and clearly defined responsibility for disaster, continuity and contingency planning at the level of senior management (including the Board) will be particularly important in dealing with both the short-term response to, and the long term recovery from the crisis. Investors and consumers will pay attention to business leaders that consider innovative ways of avoiding layoffs, for example through reductions in executive pay or cancelling dividend payments. Strong policies on these issues, and corresponding internal controls, information systems and clearly defined communication lines are other key aspects of good corporate governance in emergencies and disasters.



Supply chain management

Information from supply chain due diligence, for example on origin of raw materials, and other traceability data, when overlaid with risks related to COVID-19 (such as infection rates, government restrictions and associated disruptions in production or distribution channels), can be used to understand short-term and medium-term vulnerabilities in the supply chain, and support continuity planning to manage disruptions.



Disclosure

Shareholders, regulators and the public are likely to expect more frequent and targeted reporting on the wide range of financial, environmental, social and governance risks companies face as a result of the COVID-19 crisis as well the contingency plans they have in place.

The ways that companies respond now on these issues will also have lasting repercussions for their balance sheets and productivity during the recovery period. Beyond risk management, embedding RBC considerations into COVID-19 crisis management is likely to translate directly into long-term value and other benefits that will support a company's recovery. These benefits can be divided into several categories:

⁵⁵ L. Lee and L. Chen (2018), "Boosting employee retention through CSR: A configurational analysis", *Corporate social responsibility and environment management*, Vol. 25, pp. 948-960 <https://doi.org/10.1002/csr.1511>



Stock price and long-term value

Reports suggest that the COVID-19 crisis and resulting market volatility has increased investor interest in environmental, social and governance (ESG) issues, in particular the issues described above, which are seen as markers for long term performance and risk management.⁵⁶ Some reports suggest that ESG funds have already outperformed traditional funds during the crisis.⁵⁷



Access to emergency funds and capital

Companies that seek to put in place effective continuity planning taking into account the range of RBC issues related to the crisis, including related to avoidance of layoffs and maintaining wage payments, may be better placed to access fresh capital, special emergency funds and relief programmes, regardless of any conditions that may or may not be included.



Mitigation of crisis-related legal risks

Taking proactive measures to minimise the negative impacts of the company's response to the crisis may avert a number of legal risks.⁵⁸ Abruptly suspending contracts or cancelling orders with suppliers may trigger legal challenges down the line, as might layoffs or furloughs of workers, or unilateral imposition of pay cuts or leave without pay. Likewise, failing to take sufficient health and safety measures – even if necessary extending beyond legal requirements – to shield workers and customers from contamination may also expose the company to legal challenges for breach of duty of care.⁵⁹



Protection of brand value and reputation

In normal times, RBC is closely associated with brand strength and corporate reputation.⁶⁰ It is likely that these considerations will also apply to the way companies are responding to the crisis, and that investors and consumers will look more favourably to companies that have sought to take an RBC approach to the crisis.

The COVID-19 crisis is a real life test on how RBC can help companies and their supply chains become more resilient and more adaptable, and perform better in the long-term. In this sense, the current crisis can be seen as an opportunity for companies to step up their strategic

⁵⁶ Morgan Stanley Research, (6 April 2020), "Why the Coronavirus Puts a New Lens on ESG Investing", Morgan Stanley, <https://www.morganstanley.com/ideas/coronavirus-corporates-esg-investing>. See also Kristin Broughton and Maitane Sardon (25 March 2020), "Coronavirus Pandemic Could Elevate ESG Factors", *Wall Street Journal* <https://www.wsj.com/cdn.ampproject.org/c/s/www.wsj.com/amp/articles/coronavirus-pandemic-could-elevate-esg-factors-11585167518>

⁵⁷ According to research from Bloomberg Intelligence, "so far in 2020, 59% of U.S. ESG ETFs are doing better than the S&P 500 Index while 60% of European ESG ETFs have beat the MSCI Europe Index". See Claire Ballentine (31 March 2020), "ESG Stock Resilience Is Paving the Way for a Surge in Popularity" *Bloomberg* <https://www.bloomberg.com/news/articles/2020-03-31/esg-stock-resilience-is-paving-the-way-for-a-surge-in-popularity>. See also Saijel Kishan and Emily Chasan (13 March 2020), "Older ESG Funds Outperform Their Newer Rivals in Market Tumult", *Bloomberg*

<https://www.bloomberg.com/news/articles/2020-03-13/older-esg-funds-outperform-their-newer-rivals-in-market-tumult> and Jon Hale (16 March 2020), "Sustainable Equity Funds are Outperforming in Bear Market", *Morningstar*

<https://www.morningstar.com/articles/972475/sustainable-equity-funds-are-outperforming-in-bear-market>

⁵⁸ <https://www.law.com/2020/03/27/lawyers-watch-for-consumer-class-actions-as-covid-19-hits-pocketbooks/>

⁵⁹ <https://www.sidley.com/-/media/uploads/sidley-austin--covid19-key-client-issues.pdf>

⁶⁰ T. Melo and J. Galan (2011) "Effects of corporate social responsibility on brand value" *Journal of Brand Management*, Vol. 18, pp 423–437, <https://doi.org/10.1057/bm.2010.54>

planning, non-financial risk management and the implementation of RBC standards.⁶¹ Some firms are already taking the lead in choosing these kinds of responses.⁶²

At the same time, uncertainty, short time frames for decision-making and limited cash flow are key features of the crisis, and will continue to be major challenges for business seeking to implement such RBC-oriented long term approaches. For many companies (particularly SMEs), applying an RBC approach in their crisis response and having access to the abovementioned benefits will be difficult without support and incentives from government.

What steps can companies take to embed RBC into their COVID-19 response?

In the short term, companies are likely to focus on continuity planning, and notably on solving cash flow and solvency issues. Many enterprises, particularly SMEs, will simply seek to remain viable and avoid bankruptcy. Without targeted government intervention and support (see below), it may be challenging for business to stay afloat, let alone mitigate the impacts of its response on workers and society.

Focusing on business continuity does not need to crowd out action on RBC. Many steps can be taken with existing human resources and processes to reinforce a company's response to the COVID-19 crisis that is aligned with RBC standards. RBC should not be seen as an additional burden but rather a strategic orientation that can encourage a more systemic response, discourage a 'go-it-alone' position,⁶³ and bring short-term and long-term benefits to the company as it designs its crisis response. Box 2 presents examples of how companies could include RBC considerations in their response to the crisis.

Box 2: Concrete steps companies could take to include RBC considerations in their emergency response to the crisis

- ✓ *Liaise with procurement and sustainability teams* to understand supplier or business partner vulnerabilities and in particular, supplier performance on industrial relations and health and safety issues. Use this information to inform the company contingency strategy and continuity planning in its supply chains.
- ✓ *In dealing with critical supply-side disruptions*, develop a rapid response supplier due diligence plan – in close consultation with company procurement, sustainability or environmental and social risk management teams – for new sources or suppliers, focusing supplier assessments on the most significant RBC issues that could affect contingency planning in the short and long term.
- ✓ *In dealing with demand-side disruptions*, assess the impacts of cancelled or suspended orders on the business – including their environmental or social impacts – and the ability to re-start after the crisis. Disclose findings and continuity plans to buyers and governments, and propose alternative solutions and commitments for mitigating the socio-economic impacts, including in relation to access to government or buyer loans, donor aid, or requesting letters of credit or guarantees of resumption of business after the crisis.

⁶¹A. Triponel (16 March 2020) "Coronavirus is shining the spotlight on unhealthy supply chains: cleaning them up will help both business resilience and worker wellbeing", *Medium*, <https://medium.com/@annatriponel/coronavirus-is-shining-the-spotlight-on-unhealthy-supply-chains-cleaning-them-up-will-help-both-80f1a5739423>

⁶² See e.g. the call of the International Apparel Federation for solidarity in apparel supply chains: Fashion United (25 March 2020) "IAF urges solidarity in apparel supply chain", *Fashion United*, <https://fashionunited.com/news/fashion/iaf-urges-solidarity-in-apparel-supply-chain/2020032532777>. In general, see A. Triponel (16 March 2020) "Coronavirus is shining the spotlight on unhealthy supply chains: cleaning them up will help both business resilience and worker wellbeing", *Medium*, <https://medium.com/@annatriponel/coronavirus-is-shining-the-spotlight-on-unhealthy-supply-chains-cleaning-them-up-will-help-both-80f1a5739423>.

⁶³ M. Barry (27 March 2020) "Shaping a sustainable post-Covid-19 world: five lessons for business", *Ethical Corporation*, <http://www.ethicalcorp.com/shaping-sustainable-post-covid-19-world-five-lessons-business>

✓ *In considering layoffs and other short-term changes with employment effects, provide reasonable notice to workers and their representatives – and, where appropriate, to the relevant governmental authorities – and cooperate with them so as to consider viable options or other steps to mitigate to the maximum extent practicable those adverse effects.⁶⁴ Consider innovative solutions, such as cuts to executive pay or cancelling dividend payments (if relevant), to help finance wages and avoid layoffs or furloughs.*

✓ *For larger firms, consider supply chain or other business partner financing loans or other programmes for strategic business partners who are facing insolvency and cash flow problems. Include in such programmes conditions on environmental or social risks and other RBC issues, in particular those that are most relevant for managing the short-term and long-term effects of the crisis.⁶⁵*

✓ *In considering whether to temporarily suspend, cancel or reduce orders or other types business with suppliers and business partners, assess the socio-economic impacts of various contingency options, taking into consideration the availability of any loan or emergency relief packages and support. Consult, if possible, with workers or their representatives at a global level (e.g. global trade unions) on the contingency options, and communicate their respective impacts to governments. Seek out donor support or other aid to mitigate the socio-economic effects of cancelled business.*

✓ *For firms facing solvency or major liquidity issues, assess the short-term and long-term socio-economic impacts of various options and contingency plans; communicate them to creditors and where relevant, the government. Companies should seek to take the fullest advantage of support and relief programmes which might relax economic pressures on the company. For example, many governments have put in place *ad hoc* unemployment programmes, whereby, in case of a shortage of activity at their company, workers can receive benefits corresponding to part of their wages while remaining employed by the company.⁶⁶ Other plans include a deferral of tax or social security payments.⁶⁷ Likewise, commercial banks, particularly those benefitting from government loan guarantee programmes, may offer extensions on lines of credit or flexibility with regard to repayment terms.⁶⁸ Companies should assess the availability of such fiscal support measures, and be prepared to communicate how impacts on workers would be mitigated (e.g. through the continuation of wage payments, future investments in skills and preparedness, etc.).*

⁶⁴ UNI (5 March 2020), "Workers are on the frontlines in the fight against COVID-19", *UNI Global Union*, <https://www.uniglobalunion.org/news/workers-are-frontlines-fight-against-covid-19>

⁶⁵ See e.g. Walmart's changes to its supplier programme: J. Furner and K. McLay (25 March 2020) "Some help for our small business partners" <https://corporate.walmart.com/newsroom/2020/03/25/some-help-for-our-small-business-partners>

⁶⁶ For example, the Danish government is providing aid to companies struggling with paying salaries, in exchange for the commitment not to lay off staff. Euractiv with Reuters (15 March 2020), "Danish corona-hit firms get state aid to pay 75% of salaries", *Euractiv*, <https://www.euractiv.com/section/coronavirus/news/danish-corona-hit-firms-get-state-aid-to-pay-75-of-salaries/>.

⁶⁷ See e.g. French Government (2 April 2020), "FAQ Accompagnement des entreprises – Coronavirus" https://www.economie.gouv.fr/files/files/2020/coronavirus_faq_entreprises.pdf.

⁶⁸ OECD (25 March 2020), "Financial consumer protection responses to COVID-19", https://read.oecd-ilibrary.org/view/?ref=124_124996-e6gk9dk3ta&title=Financial_consumer_protection_responses_to_COVID-19

How can RBC standards support government policy responses to the crisis?

Programmes aimed at supporting economically hit companies and at jumpstarting the economy post-crisis may struggle to find the right balance between a quick recovery, the continuity of certain enterprises and sectors, and the application of environmental, social or other regulatory safeguards and protections. It is likely that many companies may not commit of their own accord to an RBC approach in their response to COVID-19, either by lack of incentive, capacity, resources or knowledge. Government support and incentives for taking an RBC approach will therefore be important for ensuring policy coherence between policies in response to the crisis and the expectation that business observe RBC standards and contribute to sustainable development. Governments should also ensure that measures designed and implemented to respond to the crisis do not exacerbate the adverse socio-economic impacts of the crisis, but rather incentivise companies to mitigate any potential harms and maximise the positive impacts of such measures.⁶⁹

Various OECD instruments recognise the important role of the government in promoting and enabling RBC and can be used to orient policy responses to the COVID-19 crisis. The [OECD Policy Framework for Investment](#), provides a useful reference to design and implement policy responses that enable RBC. This entails regulating, but also communicating clear expectations and providing guidance to businesses on how to meet RBC expectations, co-operating with various stakeholders to create synergies and establish coherence on RBC, and demonstrating support for best practices on RBC. Governments are also expected to lead by example on RBC and exemplify best practice in the context of their role as economic actors. The table below provides examples of how elements of this framework can be used to take an RBC approach to policy responses to the COVID-19 crisis.

⁶⁹ OECD (2020) *From containment to recovery: Environmental responses to the COVID-19 pandemic*, Paris, https://read.oecd-ilibrary.org/view/?ref=126_126460-1tg1r2aowf&title=From-containment-to-recovery_Environmental-responses-to-the-COVID-19-pandemic; see also M. Lubbers (26 March 2020) "Coronavirus, Climate Change, And Our Community", *Forbes*, <https://www.forbes.com/sites/mindylubber/2020/03/26/coronavirus-climate-change-and-our-community/#661992ad4f78>

Table 1 – Taking an RBC approach in government responses to COVID-19

Policy option	Examples of policy response to the COVID-19	Country examples
Regulating	<ul style="list-style-type: none"> Enacting laws to strengthen workers' protection or adapting the existing legal framework to the emergency situation. Requiring compliance with health and safety standards as a condition for businesses to stay open. Monitoring and responding to infringements such as sale of fake protective equipments. 	<ul style="list-style-type: none"> In Chile, the passage of a new teleworking law granting new rights to remote workers was accelerated to respond to the COVID-19 pandemic⁷⁰ The European Anti-Fraud Office launched investigations into imports of fake health and hygiene products linked to the fight against the virus⁷¹
Facilitating	<ul style="list-style-type: none"> Providing guidance to businesses on how to design and implement responsible responses to the outbreak. Establishing channels for dialogue to enable businesses and other stakeholders to seek clarification and advice Addressing the spread of misinformation and harmful content related to COVID-19 Convening and facilitating collective initiatives among industry and various stakeholders to support cost-effective and broadly supported responses to the COVID-19 crisis 	<ul style="list-style-type: none"> The United States⁷² and the United Kingdom⁷³ have issued guidance for businesses and employers on how to respond to the crisis in a way that reduces workers' exposure to COVID-19 The Australian government created the Coronavirus Australia App to provide up-to-date information and advice⁷⁴ The UK government has been collaborating with social media firms to fight the spread of misinformation about the virus⁷⁵
Co-operating	<ul style="list-style-type: none"> Co-ordinating policy responses at global level to stop the spread of the pandemic and support business continuity Co-operating with other governments to adopt "do no harm" trade policies facilitating the flow of essential medicine and equipment Consult and engage with stakeholders on the definition of expectations with regards to RBC and COVID-19 Ensure coherence and co-ordination between various government agencies as well as with existing laws and policies on the response to the COVID-19 crisis 	<ul style="list-style-type: none"> G7 leaders have committed to ensure a strong global response through cooperation and enhanced coordination⁷⁶ Argentina developed a guide for subnational governments to manage the COVID-19 crisis⁷⁷

⁷⁰ Bloomberg Tax (24 March 2020), "Chile grants new remote work rights amid Corononavirus outbreak, Payroll News, *Bloomberg Tax*, <https://news.bloombergtax.com/payroll/chile-grants-new-remote-work-rights-amid-coronavirus-outbreak>

⁷¹ European Anti-Fraud Office, (20 March 2020) "OLAF launches enquiry into fake COVID-19 related products", *European Commission*, Press release No 07/2020 https://ec.europa.eu/anti-fraud/media-corner/news/20-03-2020/olaf-launches-enquiry-fake-covid-19-related-products_en

⁷² Center for Disease Control and Prevention (2020) *Interim Guidance for Business and Employers: Plan, Prepare and Respond to Coronavirus Disease 2019* <https://www.cdc.gov/coronavirus/2019-ncov/community/guidance-business-response.html>

⁷³ Public Health England (2020), *Employers and Businesses Guidance*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/876212/COVID19_Guidance_Employers_and_businesses_.pdf

⁷⁴ Australian Government Department of Health (2020), *Coronavirus Australia app* <https://www.health.gov.au/resources/apps-and-tools/coronavirus-australia-app>

⁷⁵ BBC News (20 March 2020), "Coronavirus: Fake news crackdown by UK government", *Business*, *BBC*, <https://www.bbc.com/news/technology-52086284>

⁷⁶ Ministry for Europe and Foreign Affairs (2020), "Coronavirus COVID-19: G7 Leader's Statement (16 March 2020)", *Cornavirus – Statements*, *France Diplomatie*, <https://www.diplomatie.gouv.fr/en/coming-to-france/coronavirus-advice-for-visitors-to-france/coronavirus-statements/article/coronavirus-covid-19-g7-leaders-statement-16-mar-2020>

⁷⁷ C. Leon, V. Osorio y E. Giletta (March 2020), "Guia rapida de gestion de crisis del COVID-19 para gobiernos : Salud publica, tecnologias y comunicacion", *Asuntos del Sur y Bloomsbury Policy Gorup*, <https://asuntosdelsur.org/wp-content/uploads/2020/03/Gu%C3%ADa-r%C3%A1pida-de-gesti%C3%B3n-de-crisis-del-COVID-19-para-gobiernos.1-1.pdf>

	<ul style="list-style-type: none"> • Ensure that emergency measures taken by the government are non-discriminatory and maintain an enabling environment for RBC 	
Promoting	<ul style="list-style-type: none"> • Encourage responsible business responses to COVID-19 through tax benefits or financial incentives • Conditioning the allocation of government support, for example in the context of aid, loan guarantees, equity participation or other stimulus packages, to observance of RBC standards 	<ul style="list-style-type: none"> • The German government organised a virtual COVID-19 “hackathon” allowing over 40,000 participants to propose innovative solutions to the pandemic. Selected projects are expected to receive government funding⁷⁸ • The government of India announced that companies spending for COVID-19 would qualify as CSR activity under the mandatory allocation of profit to CSR activity⁷⁹
Exemplifying	<ul style="list-style-type: none"> • Ensuring workers’ protection and best practice such as social distancing within government agencies • Adopting highest standards of conduct and responsible responses to the COVID-19 outbreak in state-owned enterprises • Integrating RBC considerations in the public procurement of COVID-19 related products or services 	<ul style="list-style-type: none"> • In China, SOEs have been providing at least two-month rent holidays for business tenants, including retail stores to alleviate economic and financial distress caused by the outbreak⁸⁰

POLICY CONSIDERATIONS

The following RBC policy considerations are emerging as particularly relevant for managing the short-term and long-term response to and recovery from the crisis:

- 1. Conditionality in emergency or relief funds:** Around the world, governments are adopting aid and stimulus packages that will provide a number of benefits to companies and workers. Debates are also emerging as to how to ensure that the benefits of these plans will be fairly distributed among all those that have suffered from the crisis, including workers.⁸¹ In order to navigate numerous legal, ethical and political hazards associated with relief funds, governments can use RBC standards to condition support.⁸² Including commitments to internationally recognised RBC standards, such as the OECD Guidelines for Multinational Enterprises and the OECD Due Diligence Guidance for Responsible Business Conduct, can help ensure that benefits of fiscal support measures are shared equitably, and that businesses receiving fiscal support

⁷⁸ P. Grull (24 March 2020), “German COVID-19 Hackathon delivers more than 800 projects”, *Euractiv*, <https://www.euractiv.com/section/digital/news/german-covid19-hackathon-deliver-800-projects/>

⁷⁹ Dr. Preet Deep Singh (25 March 2020), “MCA allows COVID-19 under CSR expenditure: Can/will startup get money?”, *Invest India: National Investment Promotion and Facilitation Agency*, <https://www.investindia.gov.in/team-india-blogs/mca-allows-covid-19-under-csr-expenditure-can-will-startup-get-money>

⁸⁰ CBRE (27 March 2020), “China’s policy response to COVID-19”, *CBRE* <https://www.cbre.fr/en/global/covid-19/chinas-policy-response-to-covid-19?article=6ccd4683-6666-43bf-aa79-8b94a92db9e8&feedid=fab9f8b5-57a6-4d15-b9e2-f5bd185db42e>

⁸¹ This has e.g. been one of the main points of contention in the adoption of the 2tn US stimulus package: C. Emma, J. Scholtes (25 March 2020), “Here’s what’s in the 2\$ trillion stimulus package – and what’s next”, *Politico*, <https://www.politico.com/news/2020/03/25/whats-in-stimulus-package-coronavirus-149282>.

⁸² G20 Leaders have committed to ensuring that any COVID-19 related measure they take that might have a disruptive effect on world trade will be targeted, proportionate, transparent, and temporary, G20 Leaders’ Statement on 26 March 2020, [https://g20.org/en/media/Documents/G20_Extraordinary%20G20%20Leaders%E2%80%99%20Summit_Statement_EN%20\(3\).pdf](https://g20.org/en/media/Documents/G20_Extraordinary%20G20%20Leaders%E2%80%99%20Summit_Statement_EN%20(3).pdf).

are appropriately managing their broader environmental, social or governance risks.⁸³ Specific conditions on RBC issues emerging from government fiscal support packages to date include prohibitions on laying off workers, guarantees to pay all or a portion of wages, commitments to invest in worker skills and training, as well as commitments to invest in disaster preparedness and supply chain security.

- 2. Investing in value creation:** Recovery plans will place governments in a particularly strategic position to steer the economy towards specific goals and priorities. Calls are already being heard to ensure that fiscal support will create value not only for company shareholders, but also for company stakeholders and the public more broadly. In that sense, governments are being urged to put in place safeguards to ensure that companies who benefit from fiscal support reinvest future profits in long term value creation (such as inclusive growth,⁸⁴ reduced greenhouse gas emissions, worker wellbeing, skills and benefits and emergency preparedness⁸⁵) rather than share buybacks and dividend payments.⁸⁶ Governments can also use RBC standards as criteria for allocating aid and investments in strategic industries, including in the area of health, infrastructure, and digitalisation, and thereby orient resources towards companies most likely to create long-term economic, social and environmental value. Specific strategies may also be necessary to support companies (and their workers) who are unable to benefit from loan guarantees or other relief packages.
- 3. Enabling dispute resolution and access to remedy to ensure accountability:** Considering that aid and recovery programmes are meant to benefit companies, but also workers and stakeholders impacted by the crisis, accountability mechanisms should be in place to help monitor conditionality and address any actual or potential failures by companies or government agencies in evenly distributing the benefits of these programmes. Governments should designate an adequate dispute resolution and remedy mechanisms to that effect. The criteria applicable to the National Contact Points for RBC⁸⁷ can help guide the functioning of such mechanisms.⁸⁸

⁸³ OECD (2020), *Global Financial Markets Policy Responses to COVID-19*, Paris, https://read.oecd-ilibrary.org/view/?ref=127_127003-tv19kqbfy9&title=Global-Financial-Markets-Policy-Responses-to-COVID-19, p. 6. See also The Federal Council (2020), "Coronavirus: Federal Council adopts emergency ordinance on granting of credits with joint and several federal guarantees, Press Releases, *Portal of the Swiss Government*, <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-78572.html>.

⁸⁴ See for example Business for Inclusive Growth, a group of major international businesses that has pledged to tackle inequality and promote diversity in their workplaces and supply chains as part of a G7 initiative led by French President Emmanuel Macron and overseen by the OECD, available at <https://www.oecd.org/inclusive-growth/businessforinclusivegrowth/>

⁸⁵ See e.g. M. Mendiluce (23 March 2020) "COVID-19 stimulus should address health, economy and climate together", *Euractiv*, <https://www.euractiv.com/section/energy-environment/opinion/covid-19-stimulus-should-address-health-economy-and-climate-together/>; D. Barmes (1 April 2020) "The looming danger of a high-carbon monetary response to the coronavirus crisis" *Responsible Investor*, <https://www.responsible-investor.com/articles/the-looming-danger-of-a-high-carbon-monetary-response-to-the-coronavirus-crisis>.

⁸⁶ For example, the French government has prohibited the payment of dividends or share buybacks by companies that are deferring tax or social security payments or benefitting from government guaranteed loans. See <https://www.novethic.fr/actualite/finance-durable/isr-rse/crise-du-coronavirus-vers-un-confinement-des-dividendes-verses-aux-actionnaires-148383.html> It has also issued a strong recommendation not to do so to companies that are placing workers under the partial unemployment scheme put in place in response to the crisis. <https://www.capital.fr/entreprises-marches/pas-de-dividendes-pour-les-entreprises-en-chomage-partiel-preconise-bruno-le-maire-1366117>

⁸⁷ OECD Responsible Business Conduct, OECD Guidelines for Multinational Enterprises: National Contact Points for RBC, <https://mneguidelines.oecd.org/ncps>

⁸⁸ The OECD Guidelines for Multinational Enterprises require that National Contact Points meet the criteria of transparency, visibility, accessibility, and accountability, and handle grievances (known as 'specific instances') in a way that is impartial, predictable, equitable, and compatible with the OECD Guidelines. See Implementation Procedures of the OECD Guidelines for Multinational Enterprises, Procedural Guidance, Section I.

4. **Promoting supply chain resilience and security of supply:** Beyond relief measures to businesses based in their countries, many governments will seek to manage disruptions in strategic supply chains or industries in other countries (e.g. for strategic raw materials, health equipment) and to preserve access by their own domestic industries. RBC standards can help governments in such efforts by providing a cross-cutting framework for identifying the environmental, social and governance risks and vulnerabilities in the supply chains of strategic industries. Existing industry and multi-stakeholder initiatives on responsible supply chain management may also be useful partners for channelling financial support in order to manage disruptions and support the recovery.
5. **Leveraging public procurement:** Some countries are already integrating a risk-based due diligence approach into public purchasing in order to procure goods and services from companies that meet RBC criteria. The COVID-19 crisis means governments will need to procure large amounts of vital supplies with extreme urgency. Without impeding the necessary delivery of essential goods or services, maintaining due diligence in their procurement efforts will help governments identify COVID-19 related supplier vulnerabilities, while ensuring that their purchasing practices do not create undue adverse social and environmental impacts.⁸⁹

The OECD RBC standards and instruments can be central in substantiating the RBC dimension of government responses, in particular as the breadth of their coverage enables them to encompass virtually the whole range of impacts related to the COVID-19 crisis. National Contact Points for RBC, as the unique implementation mechanism of the OECD Guidelines, may be able to support policy coherence on RBC and help governments in integrating RBC into the design and implementation of national responses to the crisis, including long-term policies linked to the recovery.

⁸⁹ See e.g. reports regarding the increase in procurement needs for medical gloves in Sweden was creating risk regarding working conditions in Malaysia: S. Kjellström (31 March 2020), "Extrem efterfrågan på vårdhandskar under coronakrisen", *SVT Nyheter*, <https://www.svt.se/nyheter/lokalt/stockholm/extrem-efterfragan-pa-vardhandskar-under-coronakrisen-okad-risk-for-arbetarna> For more information on the potential of public procurement to leverage RBC, see the OECD project on Public Procurement and Responsible Business Conduct: <http://www.oecd.org/governance/public-procurement/procurement-and-rbc/>

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

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