

## **Seizing opportunities and managing risks – the relationship between the SDGs and IRBC**

### **Summary**

At the request of the Dutch Government, the Social and Economic Council of the Netherlands has issued an advisory report on the relationship between the United Nations' Sustainable Development Goals (SDGs) and International Responsible Business Conduct (IRBC). The present summary reviews the main points of the report.

### **Background**

In 2015, the United Nations General Assembly adopted the 2030 Agenda for Sustainable Development and its seventeen Sustainable Development Goals (SDGs). The SDGs include the eradication of extreme poverty and hunger, healthcare and education for all, inclusive economic growth with decent work for all, sustainable consumption and production, and urgent action to combat climate change.

The SDGs have been embraced by governments, international organisations, businesses and civil society organisations as inspiration for joint action. At the same time, evaluations show that the attainment of the SDGs is still worryingly remote. More effort is therefore required from all the stakeholders, who need specific guidance on how to move forward.

In 2018, the Dutch Minister for Foreign Trade and Development Cooperation (BHOS) published the policy document *Investing in Global Prospects*. The SDGs serve as the framework for this new policy, which also emphasises how businesses contribute to sustainable development worldwide through their existing IRBC policy. In the new policy the importance of innovation and knowledge-sharing to achieve the SDGs is linked to business opportunities for the Dutch private sector. The idea is to create synergy between aid and trade.

Businesses can make an important contribution to many of the SDGs, for example by encouraging sustainable production, striving for a living wage and developing relevant new products and services. Their responsibility for improving the situation of people and the environment has been defined along another pathway: International Responsible Business Conduct. IRBC is based on the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises. These guidelines apply to all businesses and clarify what responsible conduct is within the context of international business dealings. They offer businesses tools for tackling such issues as supply chain responsibility, human rights abuses, child labour, environmental pollution and corruption.

Some businesses devote their efforts exclusively to IRBC, others only to the SDGs, and still others to both or to neither of them. Both IRBC and the SDGs also play a role in national and local government policy, but how the two are linked and what their relationship consists of is not always clear.

In the interests of policy coherence and an effective follow-up to and implementation of the new BHOS policy, the Dutch Government has therefore asked the Council to advise it on this subject. The Council drafted its advisory report after discussions with relevant stakeholders and after reviewing the real-world experiences of businesses.

### **The present policy**

The Dutch government explicitly expects all businesses that operate internationally to comply with the UNGPs and the OECD Guidelines. Compliance is also a prerequisite for obtaining government financial assistance for international trade and investment activities and for participating in trade missions. The essence of the IRBC policy is that companies perform due

diligence across their entire supply chain. In other words, they must engage in a continuous process of analysing and addressing any real or potential adverse impacts of their operations on people and the planet. Government policy supports IRBC by businesses and sectors in different ways, for example through the IRBC multistakeholder agreements.

In addition to its IRBC policy, government also pursues theme-driven policies focused in part on achieving the SDGs. Here too, it asks businesses to make the necessary effort. It has prioritised a number of SDGs and subsidiary goals: the elimination of child labour (SDG 8), gender equality and the economic empowerment of women (SDG 5), a living wage (SDGs 1 and 8), decent work and a safe and secure working environment (SDG 8), sustainable production (SDG 12), ownership and control over land (SDGs 1 and 8) and sustainable forest management (SDG 15). It also emphasises cooperation (within and between sectors and with relevant stakeholders).

IRBC and SDG policies and associated policy instruments are directly related but rarely explicitly harmonised. There are opportunities for more synergy and consistency, in line with broader government policy, current transitions in society, and the Netherlands' extensive experience in social dialogue.

### **The Council's vision**

The Council considers that there is much to be gained by linking IRBC and SDG policies. The two perspectives can be mutually enhancing. As a broad, holistic and international framework, the SDGs offer a common language and focus, linked to the time horizon of 2030. They thereby provide a global context and guideposts for IRBC policy. The SDGs inspire businesses to contribute to sustainable economic development. IRBC, on the other hand, helps to turn the commitment required by the wide-ranging and somewhat abstract SDGs into real-world business practices. In other words: the SDGs plot a course for IRBC policy, while IRBC policy fleshes out the SDGs. Integrating the two can therefore drive both IRBC policy and the fulfilment of the SDGs forward.

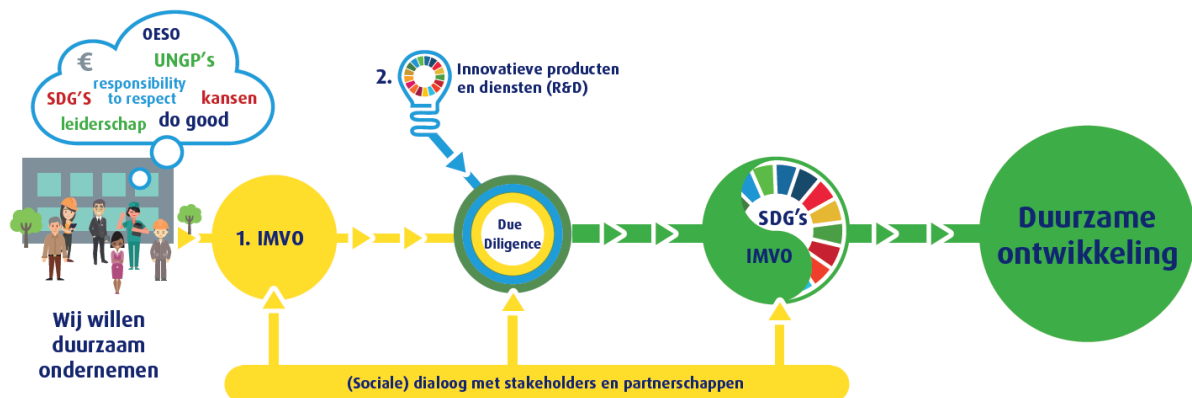
**IRBC provides the basis for businesses to make an effective, efficient and coherent contribution to achieving the SDGs. The Council also encourages businesses and sectors to go a step further where possible by developing innovative products and services (and subjecting them to due diligence) that promote the attainment of the SDGs.**

The Council argues that businesses can seize opportunities and manage risks at the same time by taking an integrated approach to IRBC and the SDGs:

- An IRBC risk analysis will reveal the real or potential adverse impacts of a business's core activities and how effectively addressing the biggest risks will contribute positively to the SDGs.
- IRBC offers businesses an internationally agreed framework for contributing to the SDGs in a structured manner and in cooperation with stakeholders.
- IRBC practices reveal and enhance opportunities for new, sustainable business models based on the SDGs.
- The common time horizon and language of the SDGs allows businesses to communicate engagingly about their IRBC activities.
- One potential outcome of a theme-driven approach to sustainable development (based on the SDGs) is that a beneficial impact on one SDG could inadvertently trigger an adverse impact on another. As an element of IRBC policy, a due diligence process can identify such inadvertent impacts and provide the impetus to address them.
- At sector level, the SDGs can reinforce the IRBC agenda by focusing more on collective efforts to improve value chains. Due diligence can be used more explicitly to benefit the SDGs.

- An integrated approach can boost the private sector's contribution to sustainable development and help make individual companies and sectors more future-proof.

## IMVO & SDG's versterken elkaar



## Conclusions

### ***IRBC and the SDGs enhance and complement each other***

The IRBC standards indicate which steps businesses are expected to take to prevent and, where necessary, repair the adverse impacts of their actions and to augment the beneficial impacts. IRBC standards predate the SDGs and will continue to apply after 2030 as a framework for corporate sustainability and for involving government and other actors in this process. Actual implementation of the IRBC standards by all businesses in the Netherlands requires a major and ongoing effort on the part of the business community and government. The SDGs represent a compelling global sustainability agenda promoting cross-border cooperation.

The SDGs identify the ultimate, overall goal of IRBC, and IRBC helps businesses to flesh out the SDGs by mitigating risks and adverse impacts and by improving conditions in the supply chain. Both IRBC and the SDGs help businesses to gain a clear understanding of risks and opportunities. 'Do no harm' and 'do good' are opposite sides of the same coin in that regard.

### ***Broadly supported vision and policy coherence support an integrated approach***

The Council believes that policy coherence has added value because it links the global aims of the SDGs to more practical IRBC guidance for the specific actions of businesses.

All too often, the SDGs and IRBC are regarded as the responsibility of the Ministry of Foreign Affairs, and not adequately addressed by the Government as a whole. Policy instruments can improve the links between IRBC and the SDGs.

Many businesses do not yet recognise the added value of integrating IRBC and SDG policies. On top of this, many of them are unfamiliar with the OECD Guidelines, the UNGPs – both of which form the basis for IRBC policy – and the SDGs. These observations underline the need for a broadly shared vision, the provision of information, knowledge-sharing and scope for pilot projects. Broad cooperation between government, the business community, civil society and youth organisations, trade unions and NGOs is essential. The roadmap for businesses (in Section 6) provides an initial sketch for adopting an integrated approach and framework for action consistent with the Council's vision.

A broader and more consistent adoption of IRBC practices by government and by businesses will have a positive bearing on the attainment of the SDGs. The Netherlands has much work

to do on a number of SDGs (climate, ecological footprint and gender inequality). More national government and cross-sector programmes for transition issues and a greater focus on IRBC practices and the SDGs in public procurement and tendering policies could lead to breakthroughs and leverage economies of scale.

### ***Businesses can benefit from an integrated approach***

The Council notes that an integrated approach to IRBC practices and the SDGs offers businesses new opportunities. For example, the SDGs can help businesses to communicate about their IRBC activities and the results they have achieved. The necessary transformation to a circular economy also represents a logical link between IRBC, the SDGs and trade. This requires, however, more scope for experimentation with cross-sector innovation. An integrated approach can promote cooperation between sectors that would otherwise not readily seek one another out and in doing so contribute to necessary systemic change. Moreover, broad cooperation within and between sectors makes it possible to leverage the innovativeness and agility of SMEs, as is already the case within the IRBC multistakeholder agreements. Multistakeholder cooperation is in line with the SDGs and builds on the Netherlands' unique tradition of and experience in social dialogue.

Tailor-made practices are needed to help businesses – especially SMEs – to develop a sustainable business case based on IRBC that also contributes to the SDGs. For example, at the start of a production process, businesses could give more consideration to how that process can support IRBC and the SDGs.

The government could more explicitly exclude businesses that do not adhere to IRBC frameworks from enjoying certain benefits, and use available financial and policy instruments to reward those that endorse the OECD Guidelines and UNGPs and actively implement them.

### ***Importance of partnerships***

Future-proof trade that is in line with the SDGs and IRBC guidelines requires a transition towards an economy with climate-neutral, circular and inclusive supply chains. Multistakeholder partnerships offer opportunities to leverage knowledge and expertise from multiple parties, cluster resources and scale up solutions. The SDGs appeal to young people. They want to be engaged in developing and implementing policy and communicating about it. Thanks to its tradition of social dialogue and cross-sector cooperation and its experience in this area, the Netherlands can help its international partners to link IRBC practices and the SDGs.

## **Recommendations**

The conclusions of this advisory report have resulted in six main recommendations.

### ***1. Invest in reinforcing IRBC***

*The Council recommends that:*

businesses, central and local governments, trade unions, NGOs and other partners should join forces and work even harder to tackle abuses in the value chain, thereby contributing to the SDGs.

Governments should make loud and clear that society expects businesses to act in line with the IRBC framework, and should ensure that there are consequences for those that do not comply with OECD Guidelines and UNGPs.

The National Contact Point (NCP) be strengthened in its role of ambassador promoting the OECD Guidelines and raising awareness of them as a basis for IRBC policy.

## **2. Be consistent about promoting the integrated vision of IRBC and the SDGs**

*The Council recommends that:*

government should provide a persuasive and inspiring vision of the SDGs as an attractive prospect and emphasise that businesses should begin by adopting IRBC practices. Government should specify which SDGs still require work from the Netherlands and to which specific SDGs the Netherlands can make a positive contribution. All relevant levels of government, from national to local, should be consistent about promoting this vision in new and existing policies. Other stakeholders, such as industry associations and civil society organisations, should also actively promote the integrated vision of IRBC and the SDGs.

Government should harmonise financial instruments that support businesses at home and abroad, in line with IRBC and SDG frameworks. Central and local governments should apply due diligence in their policies and their own operations so as to reduce adverse impacts and increase the likelihood of beneficial outcomes for the SDGs.

Youth organisations and platforms should be involved in policy-making to ensure continuity. Government should commission research into the impact of IRBC policy in the supply chain, linked to the SDGs.

## **3. Prioritise**

*The Council recommends that:*

government should perform IRBC risk analyses of the economy at regular intervals and, based on the outcomes, identify priorities and policies for high-risk sectors and issues. Government should link the results of these analyses to the SDGs and explore the possibilities of including progress reporting on IRBC performance in its SDG reporting. Central and local governments and businesses should prioritise the enabling rights (freedom of association and collective bargaining), since they represent a prerequisite for progress in other IRBC and SDG areas, and translate them into policies and instruments.

Businesses should join forces within their sectors, for example via the IRBC agreements, giving them a greater collective impact on the most difficult IRBC issues and on attaining the SDGs. Companies should establish a roadmap to pursue innovation and take effective steps forward in partnership with industry associations, network organisations and civil society partners.

IRBC and the SDGs should be incorporated into the educational curriculum, so that young people are encouraged to make socially responsible decisions in the future.

## **4. Encourage and support the integrated approach in the real world**

*The Council recommends that:*

government should remain in constant dialogue with the business community, and especially SMEs, about how to put IRBC and the SDGs into practice. Government should create scope for experimentation and financial instruments and specifically support businesses that operate in high-risk countries. Government should also continue to engage in dialogue with the central and local governments in such countries about what can be done to achieve their shared international ambitions in relation to the SDGs. The integrated vision of IRBC-SDG should set the tone during trade missions as an element of 'sustainable economic diplomacy'. Where necessary, government should invest in capacity-building in civil society in production countries that suffer a 'governance deficit', including in those countries that do not have a development cooperation relationship with the Netherlands.

In its own operations, government should sharpen and apply the criteria for Socially Responsible Procurement, thereby rewarding early adopters and ensuring a level playing field.

As a 'launching customer' government should promote experimentation with new methodologies such as 'true price'. Government should invest widely in providing information and raising awareness about IRBC and the SDGs, both in its own organisation and in society. Accountability instruments should be harmonised.

### **5. Take responsibility with a future-proof business model**

*The Council recommends that:*

all businesses should take responsibility and comply with the UNGPs and OECD guidelines. That responsibility should also offer them opportunities to develop sustainable revenue models and to succeed in business. Businesses should use their IRBC risk analysis to contribute to the SDGs, for example with regard to freedom of association and the right to collective bargaining. Businesses that pursue the SDGs should use risk analyses to ensure that their efforts do not have any (unintended) adverse impacts on other SDGs. Businesses should use the Council's vision as a basis for internal and external discussions on responsible business conduct and to develop new activities and partnerships.

### **6. Commit to scaling-up cooperation (internationally), partnership and a level playing field**

*The Council recommends that:*

central and local governments, industry associations, businesses, trade unions, NGOs and knowledge institutions should form partnerships to share knowledge and experience and to develop action plans and programmes for an integrated IRBC-SDGs approach.

Parties to IRBC agreements should explore whether and how their agreement can contribute to the SDGs and how cross-sector and multistakeholder cooperation can be scaled up internationally with a view to cross-fertilisation and systemic change.

Government should examine how the financial sector and its own financial instruments can help speed up the attainment of sustainability goals by adopting an integrated approach to IRBC and the SDGs.

Moreover, government and the Council should commit to disseminating the integrated vision of IRBC and the SDGs, both in the Netherlands and abroad, and to negotiating new IRBC agreements.

Government should continue its efforts to ensure a level playing field for businesses at EU level and beyond, scaling up efforts by businesses and arguing for uniform rules. There should be more focus in international tenders on including IRBC criteria and government should encourage scope for innovation and experimentation in tendering procedures.

#### **Final comment:**

If we are to achieve the Sustainable Development Goals by 2030, we urgently need to accelerate transitions and scale up efforts on every front. In the end, this is about creating opportunities and prospects for everyone, in the Netherlands and elsewhere, especially the young people of today and future generations. A persuasive and integrated approach to IRBC and the SDGs in policy and in practice will help us to do this.