

National Contact Point for Responsible Business Conduct Peer Reviews HUNGARY





National Contact Point for Responsible Business Conduct Peer Reviews: Hungary



Note by the Republic of Türkiye

The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Türkiye recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Türkiye shall preserve its position concerning the "Cyprus issue".

Note by all the European Union Member States of the OECD and the European Union

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Türkiye. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

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Foreword

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (the Guidelines) are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards. The Guidelines are the only multilaterally agreed and comprehensive code of responsible business conduct that governments have committed to promoting.

Adhering governments to the Guidelines are required to set up a National Contact Point for Responsible Business Conduct (NCP) that operates in a manner that is visible, accessible, transparent, accountable, impartial and equitable, predictable, and compatible with the Guidelines. During the 2011 update of the Guidelines, NCPs agreed to reinforce their joint peer learning activities, in particular with respect to conducting voluntary peer reviews. The 2023 update of the Guidelines reinforced peer reviews of NCPs by making them mandatory and periodic, subject to modalities to be approved by the Working Party on Responsible Business Conduct (WPRBC). The commitment to undergo this peer review was made by Hungary while the 2011 version of the Procedures was in effect. The basis for this peer review is the 2011 version of the Guidelines (including the Implementation Procedures).

The peer reviews are led by representatives of 2 to 4 other NCPs who assess the NCP under review and provide recommendations. The reviews give NCPs a mapping of their strengths and accomplishments, while also identifying opportunities for improvement. More information can be found online at https://mneguidelines.oecd.org/ncppeerreviews.htm.

This document is the peer review report of the NCP of Hungary. This report was prepared by a peer review team made up of reviewers from the NCPs of Croatia, Italy, and Switzerland, and with the support of the OECD Secretariat. The NCP of Croatia was represented by Ana Čulo and Ivana Jagar. The NCP of Italy was represented by Daniele Branchini, Ilaria Sanapo, and Massimiliano Umile. The NCP of Switzerland was represented by Olivier Bovet. The OECD Centre for Responsible Business Conduct was represented by Nicolas Hachez and Maria Xernou. The report was informed by dialogue between the peer review team, the NCP of Hungary and relevant stakeholders during an in-person mission on 17-19 October 2023. The peer review team wishes to acknowledge the NCP for the preparation of the peer review. The NCP of Hungary was represented by Gabriella Tölgyes, Viktória Neisz-Neiszer, and Ágnes Jánszky. This report also benefited from comments by delegates to the WPRBC and institutional stakeholders (BIAC, OECD Watch, TUAC). It was discussed by the WPRBC at its 6-7 March 2024 meeting and declassified by the Investment Committee on 15 April 2024.

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1 Key findings and recommendations

Institutional arrangements

The Hungarian NCP (NCP or HNCP) has an inter-ministerial structure composed of three entities: the inter-ministerial body, the NCP Head, and the NCP Secretariat. Since early 2023, the inter-ministerial body is composed of ten ministries. The Head and one member of the Secretariat are also members of the interagency body. The NCP Secretariat is located in the Strategy Department for European Union (EU) Affairs of the Ministry of Finance since 2019. It is currently composed of two part-time members. The lead NCP staff is the Head of the OECD Unit at the Ministry of Finance and took her post in September 2023. The HNCP does not have an oversight body.

The NCP established an advisory body to support its functioning in March 2023 through an official document (Ügyrend), which is not publicly available. The advisory body is composed of five groups: six business, three academia, and two trade union, civil society organisation (CSO), and representatives of governmental authorities respectively. The two CSO representatives are specialised on issues related to the environment. Stakeholders welcomed the establishment of the advisory body. They indicated that information should be made public on its establishment, composition, and functions, regular engagement in the NCP's work, and structured engagement with organisations with expertise in the different areas covered under the Guidelines, including CSOs.

The inter-ministerial structure of the NCP and the establishment of the advisory body add value in terms of visibility, access to expertise, and opportunities for stronger links with stakeholders. However, achieving visibility of the NCP and the specific instance process remains a key challenge. Awareness of the NCP's structure and functions is overall low among stakeholders. Official documentation does not reflect the current composition and functioning of the NCP, nor the establishment of the advisory body. In addition, trade union, CSO, and academia representatives have shared concerns regarding the impartiality of the NCP in view of its location in the government, and have asked for public information regarding impartiality safeguards.

The NCP Secretariat faced significant staff turnover in the past few years, including in 2023, 2021, and 2018. The current NCP Head also took his post recently. Although the current NCP Secretariat has access to documentation and is in contact with previous staff, the turnover impacted the continuity of the NCP's work and promotional activities.

	Findings	Recommendations
1.1	The NCP recently strengthened its engagement with stakeholders through the establishment of an advisory body. However, the visibility of the NCP remains limited among stakeholders, who notably did not provide responses to the written questionnaire during the preparatory phase of the peer review. Advisory body members also note the need for additional information on their role and the functions of the NCP. Functions of the advisory body are currently limited to input on promotional activities. They do not include providing oversight to the NCP.	The NCP should strengthen its engagement across stakeholder groups as a way to increase confidence, visibility, accessibility, transparency and strengthen its perception of impartiality. In doing so, the NCP should notably: • adjust the membership of its advisory body to achieve balance across the different stakeholder groups; • ensure the active involvement of current members of the advisory body, notably through more regular meetings; • strengthen the functions of the advisory body in providing advice and, if appropriate, oversight to the NCP on implementation of its responsibilities; and • ensure structured dialogue with civil society organisations beyond issues related to the environment.
1.2	Official documentation on the NCP does not reflect i) the current structure of the NCP, including updated membership of the interministerial body and establishment of the advisory body; ii) the decision-making practice in the inter-ministerial body; iii) the functions of the NCP Secretariat and the NCP Head; and iv) safeguards of transparency and impartiality, including access to documents and framework on conflicts of interest. Moreover, the legal framework on conflicts of interest only covers public officials. In light of the foregoing, some stakeholders asked for guarantees of the HNCP's impartiality in view of its location in a governmental authority focused on finance.	The NCP should adopt and publish safeguards to foster its impartiality and transparency. The NCP should notably issue public documentation on: • the composition of the inter-ministerial body and the consensus-based decision-making process; • the functions of the NCP Secretariat and the NCP Head; • the involvement of the advisory body in the work of the NCP; • the rules and process to request access to documents; and • a framework and process on detecting and addressing potential conflicts of interest of both inter-ministerial and advisory body members.
1.3	New members have recently joined the inter-ministerial body based on their expertise in different areas covered by the Guidelines. Moreover, the NCP Secretariat has faced significant turnover.	The NCP should take measures to ensure continuity in case of staff and membership changes in the future, notably through training on the NCP's mandate and RBC-related issues and introductory material on the NCP for new members of the NCP Secretariat, the inter-ministerial, and the advisory body. The NCP should also further explore capacity-building opportunities through cooperation with other NCPs, notably through the regional network of NCPs of Central and Eastern Europe.

Promotional activities

The NCP increased its promotional activity in 2022 after a period of limited promotional events. It has issued and disseminates in print and online format two information brochures covering the Guidelines, the NCP and the specific instance process. The NCP maintains a dedicated website in Hungarian and English. The website is user-friendly and provides extensive information. The NCP has translated the general due diligence Guidance and sectoral due diligence guidances into Hungarian. At the time of the on-site visit, it was translating the 2023 version of the Guidelines.

Despite these efforts, overall awareness of the existence and role of the NCP, the Guidelines and the due diligence framework, remain low in Hungary. The NCP recognises the need to strengthen its visibility across government and with stakeholders. Business, trade union, and academic representatives note the need for increased public information on the NCP and the specific instance process. Stakeholders further note that recent and upcoming developments linked to incoming foreign direct investment flows and employment relations in the country will make the Guidelines even more relevant in the near future.

The NCP has not adopted a promotional plan so far. At the time of the on-site visit, it had adopted a promotional agenda covering, among others, the NCP's mandate, targeted stakeholder groups, communication objectives, a mission statement and a slogan for the NCP. A promotional plan leveraging all NCP entities and identifying targeted stakeholder groups and thematic areas could strengthen the NCP's visibility. The members of the newly established advisory body can also further disseminate the Guidelines within their networks.

	Findings	Recommendations
2.1	The NCP has recently increased its promotional activity (notably through brochures and a website), but its visibility and accessibility could be further strengthened, notably with a view to making the specific instance process better known to potential submitters.	The NCP should further promote its role, functions, and the specific instance process among stakeholders, including potential submitters, notably through: • a promotional plan prepared in consultation with the advisory body with measurable goals and specific timelines for each activity; • specific promotional roles for the NCP Head and the advisory body members; • participation in events organised by stakeholders with expertise in RBC; • an updated brochure consistent with the 2023 version of the Guidelines and Implementation Procedures; • additional information on its website, including i) the NCP's structure; ii) the composition and functions of the NCP's entities and the advisory body; iii) the NCP's reports to the OECD Hungarian National Council; and iv) information on upcoming activities; and
2.2	Stakeholders note the need for more information on the Guidelines and the due diligence framework, in particular among small and medium-sized enterprises (SMEs). They note that the Guidelines will be particularly relevant in view of recent and upcoming developments linked to incoming foreign direct investment flows and third-country workers.	 as appropriate, social media presence. The NCP should promote the Guidelines and the due diligence framework by: translating into Hungarian the 2023 version of the Guidelines and launching it through a public event; translating the remaining sectoral guidances and disseminating them on its website and through promotional events; organising events and training targeted to sectors linked with RBC risks, including the battery production sector and risks to migrant workers; and organising promotional events targeted to specific stakeholder groups, including training for SMEs, trade unions, and CSOs.

Specific instances

At the time of the on-site visit, the NCP had received three specific instances in total. Two specific instances had been concluded by the NCP, and one was not accepted. The NCP adopted case-handling procedures in 2017, based on the 2011 version of the Guidelines' Implementation Procedures. The case-handling procedures are available on the NCP's website in Hungarian and English. Stakeholders welcomed their availability and clarity. Although the case-handling procedures broadly align with the Implementation Procedures, some inconsistencies with the Guidelines remain in the provisions regarding coordination with other NCPs, a time limit affecting accessibility of the mechanism, information sharing, follow-up, and timeliness. Trade unions, CSOs, and submitters of cases also asked for information on protection of parties against risks of reprisals. The NCP noted its plans to align its case-handling procedures with the 2023 version of the Guidelines.

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¹ Following the on-site visit, the NCP received one specific instance.

To further build trust with potential submitters, the NCP could provide additional detail in statements on the issues and rationale of its decisions in specific instances. Stakeholders welcomed the availability of the mechanism and noted its growing relevance in view of increasing activity of multinational enterprises in Hungary and emerging labour issues. Parties to concluded cases welcomed the timeliness of the process and asked for more proactive communication by the NCP about the process and potential outcomes. Stakeholders would also welcome more public information on the outcomes of closed specific instances.

	Findings	Recommendations
3.1	aspects of its case-handling procedures could be revised to enhance	In its planned update of the case-handling procedures to make them consistent with the 2023 version of the Guidelines and Procedures, the NCP should notably address, in consultation with stakeholders:
		 coordination with other NCPs;
		 deletion of the time limit between the date of the facts and the date of submission of the case;
		 communication with the parties on the process and potential outcomes;
		 sharing information and documents brought forward by one party in the proceedings with the other;
		 publishing statements in both non-accepted and accepted cases;
		 granting anonymity to the parties as an exception and only following a reasonable request;
		 addressing risks of reprisals against parties to a specific instance;
		 follow-up on agreements at the NCP's initiative and publication of follow-up statements; and
		timeframes for all phases of the specific instance process.
3.2	The NCP's statements do not generally include the identity of the parties, details on the issues raised, and the rationale behind the NCP's decision. The NCP also has not made detailed and tailored recommendations.	The NCP's statements should, in the future, contain the following elements: a description of the issues, an analysis of the issues, detailed and tailored recommendations, and provisions for follow-up with specific timeframe in case of recommendations and/or agreement between the parties.
		The NCP should also ensure that, consistent with the 2023 Procedures, statements should only be anonymised as an exception rather than the rule and that the granting of such exception be duly justified by specific reasons.

Support for government policies to promote RBC

The NCP operates in a context of various strategies on promoting RBC across government. Relevant initiatives notably include RBC objectives in the Procurement Act, and a National Framework Strategy on Sustainable Development integrating the 2030 Agenda goals. The HNCP interacts with other governmental authorities through its composition and location. It also recently launched preparations for a National Action Plan on Business and Human Rights (NAP). The elaboration of the NAP provides a great opportunity to cooperate across government.

The current national policy of attracting foreign direct investment (FDI) in high-risk sectors, such as battery production, and of attracting third country workers² refers to domestic labour law provisions. It does not integrate an RBC or due diligence component that would allow to address risks identified for each sector or for specific social groups. Indicatively, information on the Guidelines and the due diligence framework is not provided to foreign investors invited to operate in Hungary. Partnership agreements between the government and some businesses operating in Hungary include an invitation to contribute to the wellbeing at local and national level, including on education, cultural and sports activities. They do not include explicit reference to RBC or the Guidelines.

	Findings	Recommendations
4.1	The NCP's inter-ministerial structure enables it to support government policies and facilitate coordination across the government. The HNCP recently launched preparations for a National Action Plan on Business and Human Rights (NAP).	The NCP could further contribute to strengthening policy coherence for RBC based on the Recommendation on the role of government in promoting RBC, notably by: • further promoting the Guidelines among concerned governmental authorities; • proceeding with preparations for the adoption of a NAP; and • supporting the government in ensuring that its policy of attracting foreign direct investment supports implementation of the Guidelines, and notably contains a component of informing foreign investors of expectations to respect the Guidelines, in particular protection of migrant workers.

² Third-country workers refers to migrant workers from some non-Adherent countries; see e.g. <u>Euronews (29 September 2023)</u>.

2 Introduction

The Hungarian NCP at a glance

Established: 2000

Structure: Interagency with a stakeholder advisory body

Location: Ministry of Finance **Staffing:** two part-time staff

Website: https://oecdmnkp.hu/en [English]; https://oecdmnkp.hu/hu [Hungarian]

Specific instances received at the time of the on-site visit: two concluded, one non-accepted

The Implementation Procedures of the Guidelines require NCPs to operate in a manner that is visible, accessible, transparent, accountable, impartial and equitable, predictable, and compatible with the Guidelines. This report assesses conformity of the Hungarian NCP with the core effectiveness criteria of NCPs and with the Implementation Procedures.

Hungary adhered to the OECD Declaration on International Investment and Multinational Enterprises (Investment Declaration) in 1994. The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (the Guidelines) are part of the Investment Declaration. The Guidelines are recommendations on responsible business conduct (RBC) addressed by governments to multinational enterprises operating in or from adhering countries. The Guidelines have been updated six times since 1976. The most recent revision took place in 2023.

Countries that adhere to the Investment Declaration are required to establish National Contact Points for Responsible Business Conduct (NCPs). NCPs are set up to further the effectiveness of the Guidelines and adhering countries are required to make human and financial resources available to their NCPs so they can effectively fulfil their responsibilities in a way that fully meets the core effectiveness criteria, taking into account internal budget capacity and practices.³

NCPs are agencies established by adhering governments to "promote the Guidelines and act as a forum for discussion of all matters relating to the Guidelines".⁴ The OECD Council Decision on the Guidelines states that "NCPs shall have the following responsibilities:

- a) Promote awareness and uptake of the Guidelines, including by responding to enquiries;
- b) Contribute to the resolution of issues that arise in relation to the implementation of the Guidelines in specific instances.

³ Decision of the Council on the OECD Guidelines on Responsible Business Conduct, para I (4).

⁴ OECD Guidelines for Responsible Business Conduct, Chapter I. Concepts and Principles, para. 11.

In addition, where appropriate and in coordination with relevant government agencies, NCPs may also provide support to efforts by their government to develop, implement, and foster coherence of policies to promote responsible business conduct."⁵

The Procedures cover the role and functions of NCPs in six parts: institutional arrangements, information and promotion, specific instances, support for government efforts to promote responsible business conduct, reporting, and peer reviews. In 2023, the Procedures were updated. In particular, a new part on peer reviews was added providing for periodic mandatory peer reviews of NCPs, subject to modalities being approved by the WPRBC. The commitment to undergo this peer review was received by Hungary while the 2011 version of the Procedures was still in effect and provided for a voluntary system of peer reviews.

The objectives of peer reviews as set out in the "Revised core template for voluntary peer reviews of NCPs" are to assess that the NCP is functioning and operating in accordance with the core effectiveness criteria set out in the implementation procedures; to identify the NCP's strengths and possibilities for improvement; to make recommendations for improvement; and to serve as a learning tool for all NCPs involved.

The peer review of the NCP was conducted by a peer review team made up of reviewers from the NCPs of Croatia, Italy, and Switzerland, along with representatives of the OECD Secretariat. The peer review included an on-site mission which took place on 17-19 October 2023, which facilitated interviews with the NCP, other relevant government representatives and outside stakeholders. A list of organisations that participated in the on-site visit is set out in Annex B.

This report was prepared based on information provided by the NCP and in particular, its responses to the NCP questionnaire set out in the revised core template⁸ as well as responses to requests for additional information. Draft initial peer review reports also draw on responses to the stakeholder questionnaire to be shared with organisations representing government agencies, enterprises, trade unions, civil society and academic institutions.⁹ The NCP of Hungary did not share any stakeholder response at this stage (see Annex A for a list of the institutional stakeholders and NCPs who submitted written feedback to the OECD Secretariat). The peer review team would have appreciated the opportunity to review written stakeholder responses. However, the team also acknowledges the NCP for its successful efforts to ensure stakeholder participation at the on-site visit, the detailed documentation provided and meaningful discussions throughout the peer review.

The basis for this peer review is the 2011 version of the Guidelines (including the Implementation Procedures) for any activity that took place before 8 June 2023, and the 2023 version of the Guidelines for any activity that took place thereafter. Recommendations for the future will generally be made in reference to the 2023 version of the Guidelines. The specific instances considered during the peer review date back to 2004. The methodology for the peer review is that set out in the core template. ¹⁰

⁶ Procedures I.F

⁵ Para. I.1.

⁷ OECD, Core Template For Voluntary Peer Reviews Of National Contact Points (2019), [DAF/INV/RBC(2019)4/FINAL]

⁸ Ibid.

⁹ *Ibid*, p. 28.

¹⁰ Ibid.

Economic context

Hungary's economy is dominated by the services sector, representing 70.8% of GDP, followed by industry, including construction (26.6%). Regarding FDI, the inward stock, which represents the accumulated value of FDI in the Hungarian economy over time, was USD 104 900 million in 2021, equivalent to 58% of Hungary's GDP. The outward stock of FDI was USD 39 576 in 2021, representing 22% percent of Hungary's GDP. In 2021, Hungary's exports of goods were USD 122 144 million and exports of services were USD 26 140 million, while imports of goods were USD 127 527 million and imports of services were USD 20 207 million. ¹²

The main source of investment in Hungary is by far Germany, followed by Austria, the United States, Korea, and France. The main inward investment sector is by far manufacturing, followed by financial and insurance activities, and real estate activities. The main destinations for outward investment from Hungary are the Netherlands, Cyprus, ¹³ Croatia, the Slovak Republic, and Czechia. The most important sectors are financial and insurance activities, manufacturing, and administrative and support service activities. The most important partner countries for exports of goods are Germany, Italy, Romania, the Slovak Republic, and Austria, while the most important source countries for imports of goods are Germany, the People's Republic of China, Austria, the Slovak Republic, and Poland.

The most important destinations for exports of services are Germany, the United Kingdom, France, Italy, and Switzerland, and the most important sources for imports of services are Germany, the United States, Austria, the United Kingdom, and Ireland.

As measured by employment at foreign-owned firms in Hungary in 2019, the most important investors are Germany, the United States, Austria, the United Kingdom, and France. As measured by employment at the overseas affiliates of Hungarian multinational enterprises, the most important destination countries are France, Poland, Germany, the United Kingdom, and the People's Republic of China.

¹¹ OECD (2021), OECD Economic Surveys: Hungary, OECD Publishing, Paris, p. 7.

¹² OECD.Stat, <u>Balance of Payments: Hungary</u>.

¹³ Note by the Republic of Türkiye: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Türkiye recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Türkiye shall preserve its position concerning the "Cyprus issue".

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3 Institutional arrangements

Legal basis

Hungary adhered to the OECD Investment Declaration in 1994. The Hungarian NCP (NCP or HNCP) has been in operation since 2000.

The HNCP is currently governed by Government Decree 245/2017 (VIII.29) (the Decree), which entered into force in September 2017. The Decree outlines the 2011 version of the Guidelines, and the mandate, composition, and functions of the HNCP. A decision of the then Deputy State Secretary for Financial Policy approved by the then Minister of National Economy further established the missions of the NCP entities and the case-handling procedures of the HNCP in October 2017 (decision of the Deputy State Secretary for Financial Policy). The case-handling procedures cover the composition, organisation, and operations of the HNCP. Changes in the NCP's membership since 2017 are not reflected in official documentation (see also below).

NCP Structure

The HNCP is composed of three entities: the inter-ministerial body, the NCP Head, and the NCP Secretariat. The NCP Head and one member of the Secretariat are also members of the inter-ministerial body. The HNCP also established an advisory body in February 2023. The HNCP does not have an oversight body.

Composition

<u>Inter-ministerial body</u>: The inter-ministerial body is composed of ten ministries. Currently, the representatives from those ministries are distributed as follows:

- five from the Ministry of Finance (including the NCP Head and one Secretariat member);
- four from the Ministry of Justice;
- two from the Ministry of Agriculture;
- two from the Ministry of Foreign Affairs and Trade;
- two from the Ministry for National Economy;
- one from the Ministry of Energy Affairs (to be designated);
- one from the Prime Minister's Office;
- · one from the Ministry of Interior;
- one from the Ministry of Culture and Innovation; and
- one from the Ministry of European Affairs.

The members of the <u>inter-ministerial body</u> are officials in a central state administration body. At least one body member must have a legal background (Chapter II Art. 2 para. 4(5) of the Decree). Currently five of

the current members have legal backgrounds. The NCP invites individual representatives through a letter to the Head of Department of the respective Ministry. The NCP identifies representatives based on their expertise under the thematic areas covered by the Guidelines. The composition of the inter-ministerial body changed in early 2023, following a decision to extend its membership and changes in the structure of the government. The body was previously composed of ten members representing five ministries (Ministry of Finance, Ministry of Foreign Affairs and Trade, Ministry of Technology and Industry, Ministry of Economic Development, Ministry of Interior). The level of representation within the inter-ministerial body beyond the NCP Chair is middle to senior (Advisor to Head of Department). There is no rotation system for inter-ministerial body members and turnover in previous members is relatively limited. The most experienced members have been appointed seven years prior to the on-site visit.

The NCP Head is a high-level public official appointed by the Minister competent for economic policy (Chapter II Art. 2 para. 4(4) of the Decree). The current NCP Head is the Deputy State Secretary for Macroeconomic and European Affairs at the Ministry of Finance. The NCP Head chairs the meetings of the inter-ministerial body (Chapter II Art. 9 of the Decree) and makes decisions based on the views of the body (Chapter III Art. 11 of the Decree). Other duties of the NCP Head include i) shaping a strategy on financial and economic policy in relation to the European Union (EU); ii) coordinating with other Ministries and participating in meetings and negotiations in the EU on related issues; iii) developing the national strategy on OECD-related matters and participating in related meetings; and iv) managing the budget and international financial relations of the Ministry. The NCP Head is also member of the inter-ministerial body (see Figure 3.1). The Deputy State Secretary for Competitiveness of the then Ministry for National Development and Economy (MNDE) and the State Secretary for Economic Development of the then Ministry of Economy and Transport (MoET) were the NCP Heads in 2009-2010 and 2001-2008 respectively. The current NCP Head took his duties in September 2023 following the end of the mandate of the Deputy State Secretary for Macroeconomic and European Affairs in 2010-2023. Official documentation provides that the NCP Head can appoint a Deputy Head among the members of the interministerial body (Art. 1 paras. 4, 5 of the decision of the Deputy State Secretary for Financial Policy). In practice, the HNCP does not have a Deputy Head.

The NCP Secretariat is located in the Strategy Department for European Union (EU) Affairs of the Ministry of Finance, where it was moved in 2019 to centralise OECD-related work. It was previously hosted by the EU and International Finance Department of the Ministry for National Economy (2011-2018), the MNDE (2009-2010), the MoET (2008-2003), and the Ministry of Economic Affairs (2001-2002). It is currently composed of two part-time members. The lead NCP staff is the Head of the OECD Unit at the Ministry of Finance and took her post in September 2023. Other duties of the Head of the OECD Unit include i) coordinating government participation in the OECD; ii) providing the secretariat of the OECD National Council; iii) supervising and training diplomats posted to the OECD; and iv) representing the Ministry on financial literacy in OECD fora.

Ministry of Ministry of Agriculture Ministry of Ministry of Prime Ministry of Foreign Affairs and Trade Office Ministry of Ministry of Ministry of Culture and European (to be **Affairs** designated)

Figure 3.1. Structure and composition of the NCP inter-ministerial body

Source: HNCP (2023).

Functions and operations of the NCP

The <u>missions of the NCP</u> are defined as follows in official documentation (Chapter II Art. 1 para. 3(2) of the Decree; Art. 8 of the decision of the Deputy State Secretary for Financial Policy):

- disseminating the Guidelines;
- responding to related enquiries;
- participating in the meetings and work of the OECD Working Group on Responsible Business Conduct;
- preparing an annual written report to the OECD Hungarian National Council on behalf of the Government and the OECD Investment Committee;
- contributing in governmental activities aimed at promoting RBC;
- · acting under the specific instance process in case of receipt of submissions; and
- cooperating with other NCPs.

The <u>functions of the inter-ministerial body</u> are specified in the case-handling procedures. The body notably discusses i) the action plan for the NCP; ii) the draft answers to enquiries on the Guidelines; iii) documents discussed at the Working Party on Responsible Business Conduct (WPRBC) and related work; iv) draft initial assessment statements for specific instances, the possibility to engage an external mediator, and draft final assessment and follow-up statements; v) the draft annual report of the NCP to the OECD; and vi) other governmental initiatives to promote RBC (Art. 10 of the decision of the Deputy State Secretary for Financial Policy).

The functions of the Secretariat and the NCP Head are not specified in official documentation.

The case-handling procedures provide details on the NCP's <u>meeting and decision-making processes</u>. The HNCP holds its regular meetings at least twice a year. The NCP Head can also call for extraordinary

meetings (Art. 9 of the decision of the Deputy State Secretary for Financial Policy). Such meetings have not taken place in practice. The NCP Head chairs and the Secretariat supports the meetings. According to official documentation, the NCP makes minutes for each meeting publicly available. The Head makes the final decision taking into account the proposals of inter-ministerial body members (Art. 11 of the decision of the Deputy State Secretary for Financial Policy), aiming to reach consensus.

The HNCP ensures *access to expertise* through its membership and the advisory body. The enlargement of the inter-ministerial body's membership in early 2023 was based on the expertise of different Ministries in the issues covered under the Guidelines. As a result, the inter-ministerial body now provides access to expertise on issues related to human rights, consumer interests, competition (Ministry of Justice), protection of the environment (Ministry of Agriculture, Ministry of Energy Affairs), taxation (Ministry of Finance), employment (Ministry for National Economy), anti-corruption (Ministry of Interior), science, technology, and innovation (Ministry of Culture and Innovation). The NCP Head can also invite external experts, including representatives of employers, employees, and civil society organisations (CSOs) (Chapter II Art. 2 para. 4(6) of the Decree). Experts notably provide advice on ongoing specific instances. They do not participate in decision-making. The HNCP has invited a governmental legal advisor in the past based on expertise in social dialogue and competition issues. The NCP also aims to access different areas of expertise through the recently established advisory body (see below).

The inter-ministerial structure of the HNCP and its establishment through official documentation add value in terms of *its visibility and accessibility*, in particular within government. They allow the HNCP to coordinate regularly with other governmental agencies, organise promotional events and participate in events organised by others. Official documentation does not reflect the current composition and functioning of the NCP. It notably does not reflect the current membership of the inter-ministerial body, the positions of interministerial body members, and their designation process (Art. 1.2 of the decision of the Deputy State Secretary for Financial Policy).

Visibility of the NCP among outside stakeholders is low. This is notably illustrated by the fact that no written stakeholder responses were provided at the preparatory phase of the peer review. Stakeholders indicated a desire for more public information on the NCP and the advisory body (see also below). During the peer review, the NCP noted its plans to reflect the changes in updated case-handling procedures.

The NCP ensures *transparency* through publication of information on its website on its structure and activities. Information notably covers its structure and activities, including its annual reports since 2001 ¹⁴ and promotional events. ¹⁵ Public information does not cover the functions of the NCP Secretariat, the NCP Head, and the advisory body. The website does not include information on upcoming activities, including the NCP peer review. Official documentation does not specify applicable legislation and process on access to documents. In practice, the NCP responds to such requests based on their content and link with the Guidelines. In this regard, it may be useful to clarify the framework and process for access to documents in official documentation.

The HNCP reports that the applicable legal framework and procedures, as well as the NCP's structure, offer guarantees of *impartiality*, although one CSO organisation shared concerns in this regard in view of the NCP's location in a governmental authority focused on finance. Another CSO organisation cited the possibility of conflict of interest in the future in potential specific instances involving multinational enterprises with close links to the government. Although the NCP does not report concerns regarding potential conflicts of interest, it recognises the need to strengthen its perception of impartiality. The NCP notes that public officials are obliged to report conflicts of interest under the Code of Ethics for Civil Servants (Act CXXV of 2018 on Government Administration). Scenarios covered by the law include a

¹⁴ https://oecdmnkp.hu/en/annual-reports

¹⁵ https://oecdmnkp.hu/en/news

¹⁶ OECD Watch, NCP Hungary.

supervisory or accounting relationship with a family member (without specifying the degree of kinship), other employment relationships, and membership of the supervisory board of a business (with specific exceptions). The competent authority invites the official to address the conflict of interest. If the issue is not addressed in 30 days, the public official is dismissed. However, official documentation specific to the NCP does not address conflicts of interest of NCP and advisory body members, and the legal framework on conflict of interest of public officials does not cover stakeholder members of the advisory body.

In this regard, it may be useful for Hungary and the NCP to strengthen and better publicise measures taken to foster the transparency and impartiality of the NCP, and how it takes into consideration different views based on its structure and composition. This could, for example include updating official documentation to reflect i) the current composition of the inter-ministerial body; ii) the establishment of the advisory body (see also below); iii) decision-making through consensus in the inter-ministerial body to ensure balance of views; iv) how the NCP takes into consideration the views of the advisory body members; and v) provisions on conflict of interest covering both public officials in the inter-ministerial body and advisory body, and stakeholder members of the advisory body, as well as a broad indicative list of potential conflicts of interest.

The HNCP reports strong *links with stakeholders* through its membership and notes opportunities to further strengthen them. Inter-ministerial body members maintain regular exchanges with different stakeholder groups. The NCP previously postponed plans to establish cooperation with academia due to the Covid-19 pandemic. The HNCP aims to further strengthen its visibility through the enlargement of the inter-ministerial body's membership and the recent establishment of a stakeholder advisory body (see also below).

There is a demand for structured engagement with CSOs and academia specialised in key thematic areas, so as to raise visibility with these groups and foster confidence. The two CSO members of the advisory body specialise in environment-related issues (see below). Some stakeholders would welcome engagement with CSOs on human rights issues to further boost the NCP's expertise in thematic areas covering the full scope of the Guidelines. One CSO organisation raises concerns regarding engagement of the NCP with CSOs in view of its location in government. The organisation notes that the NCP cannot raise its visibility and promote the Guidelines among CSOs in view of difficulties for some CSOs to operate in Hungary due to developments that limit their ability to criticise the government and fear of retribution for their activities. The control of the contr

NCP advisory body

The HNCP established an advisory body to support its functioning in February 2023. An official document (Ügyrend) adopted in March 2023 defines its mandate. The document is not publicly available.

Composition

According to the document, the <u>organisations-members of the advisory body</u> are invited by the NCP Head. Each organisation designates its representative for two years with a possibility of extension for two more years. The <u>chair of the advisory body</u> reports annually on its work to the HNCP. The chair is elected among its members by simple majority for a period of two years. It is currently the NCP Head. The duration of the mandate can be extended by a simple majority decision.

In February 2023, the NCP invited 15 organisations to join as members of the advisory body (see Table 3.1). The current members include representatives of external stakeholders (business organisations, enterprises, trade unions, CSOs, academic representatives) and government with expertise in RBC issues.

¹⁷ OECD Watch, <u>OECD Watch criticises NCP Hungary's effectiveness in view of the Hungarian government's attacks on civil society</u> (24 March 2023).

¹⁸ *Ibid*.

The business sector (six members) outnumbers academia (three), governmental authorities (two), trade unions (two), and CSOs (two) in the advisory body. The NCP needs to ensure balance of views among the different groups. The NCP could expand the membership of its advisory body to achieve balance and access to expertise on new topics (e.g. developments on technology and innovation).

Table 3.1. Members of the advisory body

	Business organisations			
1.	National Association of Entrepreneurs and Employers (VOSZ)			
2.	National Association of Young Entrepreneurs (FIVOSZ)			
3.	Business Council for Sustainable Development in Hungary (BCSDH)			
4.	CSR Hungary			
5.	Chamber of Commerce and Industry			
	Companies			
6.	Deloitte			
Trade Unions				
7.	Democratic Confederation of Free Trade Unions (LIGA)			
8.	National Federation of Workers' Councils (MOSz)			
CSOs				
9.	WWF Hungary			
10.	National Society of Conservationists – Friends of the Earth Hungary (NSC)			
Academia				
11.	Károli Gáspár University of the Reformed Church			
12.	Centre for Social Sciences Institute for Legal Studies			
13.	Budapest Business School- Centre of Excellence for Sustainability Impacts in Business and Society (CESIBUS)			
	Governmental authorities			
14.	Hungarian Export Promotion Agency (HEPA)			
15.	Institute for Foreign Affairs and Trade (IFAT)			

Source: HNCP (2023)

Functions and operations

The advisory body assists the NCP with advice in the areas of expertise of its members. According to the dedicated official document, it notably:

- disseminates information about the Guidelines in promotional events;
- assists in handling issues related to coherence of RBC standards; and
- is involved in specific instances through specific members until the good offices phase and then as a whole at the conclusion phase. When the NCP receives a case, it contacts specific advisory body members based on their expertise. These members have access to the submitted documentation and may ask questions to the parties. They then share their opinion with the NCP on the admissibility of the case and may assist or propose external experts at the good offices phase. At the conclusion phase, the NCP makes the final decision taking into consideration a written opinion shared by the advisory body as a whole.

The advisory body does not have an oversight function.

According to the dedicated official document, the advisory body meets regularly and at least twice a year. It may meet more often in case of accepted specific instances. The advisory body held a first meeting in February 2023 and a second meeting in October 2023.

Stakeholders overall welcomed the establishment of the advisory body. Academic representatives notably welcomed the opportunity to exchange on RBC-related issues among different stakeholder groups. One CSO organisation noted opportunities for partnerships with organisations with broad membership in the advisory body to disseminate information among different groups.

Awareness of the advisory body among stakeholders is low. This may be linked to its recent establishment and the fact that there is currently no public information on the advisory body, its composition, and functions. One CSO organisation noted the need for more regular consultations. Trade unions asked for substantive and regular involvement of the advisory board in the NCP's activities. Members of the advisory body themselves also noted the need for additional information on the functioning of the NCP and their role to ensure their active involvement. They would notably welcome information on how they can contribute to the NCP's activities in their specific areas of expertise beyond specific instances. Regular engagement with the members of the advisory body could also further strengthen the perception of impartiality of the NCP.

Resources

The NCP Secretariat's human resources were reduced in the past four years. The Secretariat currently consists of two part-time staff. It previously consisted of one full-time staff in 2021-2023, and one full-time staff and one part-time member between 2018 and 2019.

The NCP Secretariat also faces significant staff turnover. The current lead Secretariat staff member took up her duties in September 2023. The NCP had its lead staff (previously full time) replaced in 2023, 2021, and 2018. New part-time staff also joined the NCP every year between 2017-2019. During transition periods, the Secretariat's duties were performed by substitute staff. The HNCP reports staff turnover as one of its major challenges. The NCP Head also changed in September 2023 (see above). Turnover notably impacts continuity of the HNCP's work, relations with stakeholders, and planning of promotional activities. The HNCP maintains institutional memory through links within the Ministry, electronic and paper files and in person handover on specific instances, including confidential documents. The new and departing staff ideally overlap during transitions, although as noted this has not always been the case.

In terms of financial resources, the NCP has a dedicated budget of approximately USD 28 000 under the annual budget of the Ministry of Finance (Chapter II Art. 2 para. 4(7) of the Decree) since 2017. This budget has notably covered promotional events and material, translations, and cooperation with stakeholders. It does not cover staff resources. ¹⁹ The NCP can make use of the budget as needed, including for mediation. Since then, the NCP consistently reports that the financial resources were sufficient to cover its activities. However, the NCP has not made use of professional mediators or fact-finding research in this period.

Reporting

Reporting to the OECD

The NCP reports to the OECD in line with the Decree (Chapter II Art. 1 para. 3(2) d)) and the Procedures (Section I.E.) and makes its reports publicly available on its website.²⁰

¹⁹ Following the on-site visit, the budget arrangements for the NCP changed. For 2024, funding would be provided *ad hoc*.

²⁰ https://oecdmnkp.hu/en/annual-reports

Reporting to the executive and/or to Parliament

The NCP reports in writing annually to the OECD Hungarian National Council (Chapter II Art. 1 para. 3(2) d)) since its establishment. The OECD Hungarian National Council is a high-level consultative and coordinating governmental body consisting of high-ranking public officials involved in OECD-related work on behalf of Hungary. It is chaired by the State Secretary for Macroeconomic and International Affairs of the Ministry of Finance. Its members include ministries, financial institutions and governmental authorities competent, among others, on treasury, customs, intellectual property, competition, media and communications. Permanent invitees include the Ambassador of Hungary to the OECD and UNESCO. It meets as needed and at least twice a year.

The NCP's reports to the OECD Hungarian National Council are not publicly available. The NCP could strengthen transparency of its activities by publishing them on its website (see recommendation 2.1).

The NCP does not report to Parliament.

Oversight body

The NCP does not have a dedicated oversight body. The advisory body's function does not include providing oversight. Such an oversight role, including regular provision of advice and feedback, could be considered so as to provide the NCP with increased guidance on the implementation of its responsibilities.

	Findings	Recommendations
1.1	The NCP recently strengthened its engagement with stakeholders through the establishment of an advisory body. However, the visibility of the NCP remains limited among stakeholders, who notably did not provide responses to the written questionnaire during the preparatory phase of the peer review. Advisory body members also note the need for additional information on their role and the functions of the NCP. Functions of the advisory body are currently limited to input on promotional activities. They do not include providing oversight to the NCP.	The NCP should strengthen its engagement across stakeholder groups as a way to increase confidence, visibility, accessibility, transparency and strengthen its perception of impartiality. In doing so, the NCP should notably: • adjust the membership of its advisory body to achieve balance across the different stakeholder groups; • ensure the active involvement of current members of the advisory body, notably through more regular meetings; • strengthen the functions of the advisory body in providing advice and, if appropriate, oversight to the NCP on implementation of its activities; and • ensure structured dialogue with civil society organisations beyond issues related to the environment.
1.2	Official documentation on the NCP does not reflect i) the current structure of the NCP, including updated membership of the interministerial body and establishment of the advisory body; ii) the decision-making practice in the inter-ministerial body; iii) the functions of the NCP Secretariat and the NCP Head; and iv) safeguards of transparency and impartiality, including access to documents and framework on conflicts of interest. Moreover, the legal framework on conflicts of interest only covers public officials. In light of the foregoing, some stakeholders asked for guarantees of the HNCP's impartiality in view of its location in a governmental authority focused on finance.	The NCP should adopt and publish safeguards to foster its impartiality and transparency. The NCP should notably issue public documentation on: • the composition of the inter-ministerial body and the consensus-based decision-making process; • the functions of the NCP Secretariat and the NCP Head; • the involvement of the advisory body in the work of the NCP; • the rules and process to request access to documents; and • a framework and process on detecting and addressing potential conflicts of interest of both inter-ministerial and advisory body members.
1.3	New members have recently joined the inter-ministerial body based on their expertise in different areas covered by the Guidelines. Moreover, the NCP Secretariat has faced significant turnover.	The NCP should take measures to ensure continuity in case of staff and membership changes in the future, notably through training on the NCP's mandate and RBC-related issues and introductory material on the NCP for new members of the NCP Secretariat, the inter-ministerial, and the advisory body. The NCP should also further explore capacity-building opportunities through cooperation with other NCPs, notably through the regional network of NCPs of Central and Eastern Europe.

4 Promotion of the Guidelines

Promotional plan

The NCP has not adopted a promotional plan. At the time of the on-site visit, the HNCP shared a promotion and communication strategy on the Guidelines for 2023-2024. The strategy includes communicating around the NCP's mandate, developing a mission statement and a slogan for the NCP, and engaging key target stakeholders.

The NCP does not monitor and measure the actual awareness of or use of the Guidelines and the due diligence Guidance in the country or among its foreign investors abroad.

The HNCP establishes links with public entities active on RBC-related issues through promotional events. It further promotes the Guidelines and its work through its website and distribution of material among government officials (e.g. permanent delegation of Hungary to the OECD) (see also below). The HNCP notes opportunities to elevate its profile in view of ongoing regional developments on mandatory due diligence legislation.

Despite these efforts, additional promotional activities are necessary to ensure visibility of both the NCP and the Guidelines among stakeholders. Business, trade union, and academic representatives note the need for increased public information on the NCP and the specific instance process through engagement with all stakeholder groups. Businesses with experience in sustainability policies are not aware of the NCP and the recent establishment of the advisory body. They would welcome more information on the Guidelines, the due diligence framework, coherence with other international standards, and human rights risks in particular. They further note the need to reach out to SMEs. Trade unions (except for previous submitters), CSOs, and academic representatives are not aware of the specific instance process and potential outcomes. Government representatives and stakeholders agree that recent and upcoming developments linked to incoming FDI flows and employment relations in the country will make the Guidelines even more relevant in the near future (see Support for government policies to promote RBC, Box below).

To seize these opportunities, the NCP's promotional plan could set specific goals and timelines for each activity and be underpinned by a stakeholder mapping. The promotional strategy could also include specific sectors for outreach activities and take into account how they align with other policy goals or activities. Additionally, collaboration with 'multiplier' organisations can increase the visibility of the NCP. For example, the NCP could further explore synergies with enterprises with experience in sustainability policies, Chambers of Commerce, and governmental authorities with existing links (e.g. Council for National framework strategy for sustainable development).

The NCP could also further rely on the NCP Head and the members of the inter-ministerial body for promotional purposes. Their activities and contacts can act as relays for the NCP's promotion efforts. They could proactively reach out to their networks to disseminate the Guidelines and activities organised by the NCP.

Information and promotional materials

The NCP has issued two information brochures in print and online format in Hungarian and English (see Figure 4.1). The current version was updated in October 2023 to reflect the 2023 version of the Guidelines. The first version was published in 2014. The NCP disseminates the brochures in promotional events:

- the single page information brochure in English i) provides an overview of the 2023 version of the Guidelines; ii) outlines the mandate of the NCP with a link to the Decree; iii) describes who can submit specific instances; and iv) provides an outline of the specific instance process (initial assessment, good offices, conclusion) which should include coordination with NCPs and follow-up to align with the 2023 version of the Guidelines;
- the information brochure in Hungarian is four pages long and provides more detailed information on i) the 2011 version of the Guidelines and the thematic chapters; ii) the mandate of NCPs and the non-binding nature of the specific instance process; iii) a link to the Decree; and iv) contact details of the HNCP.

At the time of the on-site visit, the NCP was translating the 2023 version of the Guidelines into Hungarian. The NCP has translated the general due diligence Guidance and sectoral due diligence guidances into Hungarian.²¹ The NCP noted its plans to translate the remaining material, i.e. the sectoral guidance in the garment and footwear sector, and the FAQ on addressing bribery and corruption risks in mineral supply chains.

Figure 4.1. Single page information brochure of the HNCP



Source: HNCP (2023).

²¹ https://oecdmnkp.hu/hu/iranyelvek-fejezetei

Promotional events

The NCP organised and co-organised a limited number of promotional events in the past few years (see Annex C Promotional Events). More specifically, since 2016, the NCP organised one event in 2022 (see Box 1) and two events in 2020. The NCP notes that the Covid-19 pandemic impacted promotional activities of the public administration overall. Participants in events included representatives of different stakeholder groups, including business, CSO, academia, trade union, and government. Themes addressed included a general presentation of the Guidelines, the interplay between the Guidelines, other international instruments on RBC, and the draft Corporate Sustainability Due Diligence Directive, stakeholder engagement on RBC, the due diligence Guidance, and NCP-related issues (e.g. achievements of the NCP network, and panel discussion on specific instances). The NCP also organised conferences for the broad public with participation of NCPs, the institutional and local stakeholders in 2015-2016. The events notably covered policy coherence, and cooperation between the NCP and stakeholders. In terms of format, the events included two conferences and a regional NCP peer learning workshop in Central Europe. Covered topics at the workshop held in January 2020 included best practices in drafting case-handling procedures, handling specific instances, and building expertise for NCPs on due diligence.

Box 1. Public conference on Responsible Business Conduct organised by the HNCP

On 6 October 2022, the HNCP organised a conference on the Guidelines and RBC in the Ministry of Finance. The conference:

- brought together representatives of different stakeholder groups, including business, government, CSOs, academia, trade unions, and the general public;
- included presentations of the OECD RBC standards, notably in the financial sector;
- addressed developments linked to the draft Corporate Sustainability Due Diligence Directive (CSDDD);
- included panel discussions on Environmental, Social, and Governance (ESG) compliance and implementation of OECD RBC standards.

Speakers included the Head and Secretariat of the HNCP, the OECD Secretariat, high-level officials of the Ministry of Finance, the OECD National Council, and experts from the Ministry of Justice and the Ministry of Technology and Industry. Stakeholder representatives also participated as speakers, notably on behalf of the Hungarian National Bank, business in the financial sector, the National Association of Hungarian Entrepreneurs and Employers (VOSZ), the Foundation of the National Association of Young Hungarian Entrepreneurs, the Democratic Confederation of Free Trade Unions (LIGA), and the Corvinus University of Budapest.

The conference took place in person, and provided a platform for discussion on the Guidelines, RBC-related developments, and challenges experienced by companies in relation to sustainability across sectors. Approximately 110 representatives of business associations, government, trade unions, and academia attended.

Following the conference, the NCP organised a "Regional Network workshop and peer learning meeting of OECD National Contact Points in Central and Eastern Europe." During this event, the 26 participants from Central and Eastern European NCPs engaged in discussion. The NCP actively participated in a panel discussion fostering dialogue and shared understanding in the region, and reinforcing the spirit of collaboration on promotion of RBC.

Source: Hungarian NCP Annual Report (2022)

The HNCP participated in events organised by others in May 2023 after not having done so since 2020. Its latest presentation covered the Guidelines and the HNCP in a conference organised by a business organisation. The NCP previously participated in events organised by others in 2014, 2015, 2017, 2018, and two events in 2020. The events were organised, among others, by the Ministry of Foreign Affairs and Trade, a CSO, two businesses, and another NCP. The NCP also previously participated in OECD Global fora on RBC and a training organised by the International Labour Organisation, the OECD and the European Commission.

Website

The HNCP has a dedicated website in both Hungarian²² and English.²³ It previously had a webpage on the Ministry's website. The website was last updated in 2022 to provide a modern and user-friendly experience. It is easily discoverable through online search engines, well-designed and comprehensive.

Information available on the website is extensive. It covers:

- a main page with latest updates, an introduction to the NCP, and links to the specific instance process and submission of specific instances;
- a main drop-down list with links to sections (i) "About" covering an (a) introduction; (b) what the Hungarian National Contact Point does; (c) organisational structure, members; (d) special instance procedure policy of HNCP; (e) Annual report followed by (ii) "NCP Network", "(iii) "Responsible Business Conduct" and (iv) a "News and Events" tab as well as a (v) "Contact HNCP", (vi) "Specific Instance Procedure "and (vii) "The Guidelines" tabs
- a section on the Guidelines and related documents: the section covers the 2011 version of the Guidelines in both English and Hungarian,²⁴ the OECD due diligence guidances, and related brochures by BIAC and TUAC;
- a section on the NCP's role and mandate with a more detailed description of its mandate as a nonjudicial grievance mechanism;
- a section on the NCP's annual reports: this section includes links to annual reports on the NCP's activities since 2001;
- promotional material in both English and Hungarian (see Information and Promotional materials above); and
- a section with a submission form for specific instances: this section provides a form with three fields
 to be filled and information to potential complainants on the submission process. It outlines the
 nature of the process, and elements to be included in a submission. It also includes links to the
 HNCP's case-handling procedure and the information brochure.

The NCP website does not cover information on upcoming activities, the structure and composition of the NCP, and functions of the NCP entities.

The NCP is not active on social media.

²² https://oecdmnkp.hu/hu

²³ NKP (oecdmnkp.hu)

²⁴ https://oecdmnkp.hu/CMS/Content/iranyelvek/Iranyelvek%20vegleges.pdf

Responding to enquiries

The NCP has their contact details listed on the website (email, telephone, and postal address). It invites users to contact for any enquiries. It has responded to enquiries on issues related to implementation of the Guidelines and the due diligence framework by financial institutions. The NCP also clarified its mandate to enquiries related to technical issues dealt with by the Ministry and other parts of the government (e.g. insurance, payment of funds).

Cooperation amongst NCPs

The HNCP engages with other NCPs through multilateral and bilateral meetings, including NCP network meetings. It has been an active participant in the meetings of the regional network of NCPs of Central and Eastern Europe. It should continue to pursue relevant opportunities in the future within the regional network.

The NCP also engages bilaterally with other NCPs.

The NCP participated as peer reviewer in the peer reviews of the Slovenian NCP, and as an observer in the peer review of the Norwegian NCP. It also participated in training organised by the Austrian, Italian, Dutch, Israeli, Polish, and Moroccan NCPs in the past decade.

Two NCPs provided feedback on their cooperation with the HNCP. They had cooperated with the HNCP in the context of enquiries, peer reviews, training and promotional activities. The NCPs welcome the responsiveness of the HNCP to enquiries and the interest of its members in issues related to the Guidelines. One NCP welcomed the HNCP's availability and participation in promotional events, training and peer learning activities, and regional events in Central and Eastern Europe.

	Findings	Recommendations
2.1	The NCP has recently increased its promotional activity (notably through brochures and a website), but its visibility and accessibility could be further strengthened, notably with a view to making the specific instance process better known to potential submitters.	The NCP should further promote its role, functions, and the specific instance process among stakeholders, including potential submitters, notably through a promotional plan prepared in consultation with the advisory body with measurable goals and specific timelines for each activity; specific promotional roles for the NCP Head and the advisory body members; participation in events organised by stakeholders with expertise in RBC an updated brochure consistent with the 2023 version of the Guidelines and Implementation Procedures; additional information on its website, including i) the NCP's structure; ii the composition and functions of the NCP's entities and the advisory body; iii) the NCP's reports to the OECD Hungarian National Council and iv) information on upcoming activities; and
2.2	Stakeholders note the need for more information on the Guidelines and the due diligence framework, in particular among small and medium-sized enterprises (SMEs). They note that the Guidelines will be particularly relevant in view of recent and upcoming developments linked to incoming foreign direct investment flows and third-country workers.	 as appropriate, active social media presence. The NCP should promote the Guidelines and the due diligence framework by: translating into Hungarian the 2023 version of the Guidelines and launching it through a public event; translating the remaining sectoral guidances and disseminating them or its website and through promotional events; organising events and training targeted to sectors linked with RBC risks including the battery production sector and risks to migrant workers; and organising promotional events targeted to specific stakeholder groups including training for SMEs, trade unions, and CSOs.

5 Specific instances

Box 5.1. Terminology for the status of specific instances

- Specific instances concluded are those that the NCP found to merit further examination after the initial assessment and that have subsequently been closed. For such specific instances, the NCP will have offered its "good offices" (e.g. mediation/conciliation) to both parties.
- Specific instances not accepted are those that the NCP found not to merit further examination, or cases that have been withdrawn prior to the completion of the initial assessment and that have therefore been closed.
- Specific instances closed include both specific instances that have been concluded and those that were not accepted.
- Specific instances that are ongoing are those that are not yet closed. These include submissions
 received by the NCP, both those awaiting initial assessment, as well as those accepted by the
 NCP.

Source: OECD (2023) Annual Report on the activity of National Contact Points for Responsible Business Conduct in 2022.

Overview

As of the date of the on-site visit, the NCP had received three specific instances in total, including two since 2011.²⁵ The NCP notes the judicial proceedings, possibility of sanctions by courts, and limited experience in alternative dispute resolution in the country as potential reasons why the NCP has not received more specific instances so far. The NCP recognises the need to further raise awareness of its structure, including the establishment of the advisory body, and the specific instance process, to attract cases.

Two specific instances have been concluded by the NCP, and one was not accepted:

- one specific instance was concluded without agreement and with recommendations;²⁶
- one specific instance was concluded without agreement and without recommendation after the parties did not accept the NCP's offer of good offices;²⁷
- one specific instance was not accepted based on a time limit and limited evidence provided by the complainant.²⁸

²⁵The NCP received one additional specific instance after the on-site visit.

²⁶ Specific instance 1 - Personal injury in the manufacturing sector in Hungary.

²⁷ Specific instance 2 - <u>Trade Union and a subsidiary of an MNE</u>.

²⁸ Specific instance 3 - Subsidiary of an MNE and two individuals.

The main sectors concerned by specific instances handled by the NCP are manufacturing (two), and other service activities (one). In terms of complainants, individuals have submitted two out of three of the cases. The other case was submitted by a trade union.

The most frequently raised chapters of the Guidelines in cases handled by the NCP are the chapters on Employment and Industrial Relations (Chapter V) (two cases), and General Policies (Chapter II) (one case), Human Rights (Chapter IV) (one case) and Environment (Chapter VI) (one case).

An overview of all cases handled by the NCP is available in Annex E.

Case-handling procedures

Overview

The case-handling procedures of the NCP are available on the NCP's website in Hungarian²⁹ and English.³⁰ They are based on the 2011 version of the Guidelines' Implementation Procedures. They were first adopted in 2017 as part of the decision of the Deputy State Secretary for Financial Policy. During the peer review, the NCP noted its plans to align its case-handling procedures with the 2023 version of the Guidelines and Procedures by the end of 2023.

The specific instance procedure consists of three phases: (1) Initial assessment; (2) Assistance to the parties to resolve the issues raised; and (3) Conclusion of the procedure, which each form a section within the case-handling procedures.

The NCP has received in the past enquiries which it hesitated to characterise as specific instances. The NCP could clarify the distinction between enquiries and specific instances and their submission process to avoid confusion.

Stakeholders and parties to concluded specific instances welcomed the availability and clarity of the case-handling procedures on the NCP's webpage. They asked for information on protection of parties against risks of reprisals. The updated case-handling procedures would need to address the issue to be consistent with the 2023 version of the Guidelines and Implementation Procedures, which includes language on reprisals (Section I.C.9 of the Procedures; paras. 26-28, 47 of the Commentaries on the Implementation Procedures). Stakeholders would also welcome more public information on the outcomes of closed specific instances.

Filing a complaint

According to the section on Submitting a complaint, anyone with a 'specific interest in the case' can submit a specific instance, including affected communities, trade unions, civil organizations, or individuals. The submitter should be able to provide detailed information and present the facts.

Specific instances can be submitted online through a submission form available in Hungarian³¹ and English.³² The form and case-handling procedures require the notifier to submit the following information:

- name, address and email address of the complainant;
- name and address of the concerned enterprise;

²⁹ Panaszkezelés (oecdmnkp.hu) [Hungarian]

³⁰ Specific Instance Procedure (oecdmnkp.hu) [English]

³¹ oecdmnkp.hu/hu/panaszbejelentes

^{32 &}lt;u>oecdmnkp.hu/en/instance-procedure</u>

- place, time, date, and description of the alleged non-observance of the Guidelines and presentation of prior attempts to end the non-observance;
- · relevant provisions in the Guidelines;
- the complainant's expectations on changes or goals to be achieved.

In terms of covered enterprises, the case-handling procedures note that activities of both multinational enterprises operating in Hungary and Hungarian multinational enterprises operating abroad are covered.

Coordination with other NCPs on specific instances

According to the section on Submitting a complaint,

- cases should be submitted in principle in the country where the alleged non-observance took place;
- cases may also be submitted at the country where the concerned company is headquartered, especially when the alleged non-observance took place in a non-Adherent country.

The NCP coordinates with others to define the lead NCP when a complaint involves several Adherent countries or is submitted to several NCPs. The NCP should establish coordination with other NCPs as the first phase of the specific instance process and update the relevant provisions in its case-handling procedures to make them consistent with the 2023 version of the Procedures (Section I.C.1. of the Procedures and paras. 29-32 of the Commentary on the Procedures).

Initial assessment

Following the official submission of the complaint, the NCP performs an initial assessment of the case based on the following elements:

- the identity of the complainant and his/her interest in the matter;
- whether the issue is material and substantiated;
- whether the complaint is submitted in good faith;
- whether there seems to be a link between the enterprise's activities and the issue raised in the specific instance;
- the relevance of applicable law and procedures, including potential judicial decisions;
- how similar issues have been, or are being, treated in other domestic or international proceedings;
- whether the consideration of the specific issue would contribute to the purposes and effectiveness of the Guidelines.

The third criterion above is an addition to the criteria spelled out in para. 25 of the 2011 version of the Guidelines. Additionally, according to the case-handling procedures, the HNCP does not accept 'frivolous complaints' that do not comply with the criteria above. Acceptance of a case is further restricted through a time limit of five years between the date of the facts and the date of submission to the NCP. This time limit is not consistent with the 2011 version of the Guidelines (para. 25 of the Commentary on the Procedures) and would not be consistent with the 2023 version (para. 33 of the Commentary on the Procedures). The NCP should delete the time limit in its updated case-handling procedures to align with the Procedures.

The HNCP notifies the concerned enterprise at the beginning of the specific instance process. It provides the enterprise with the text of the complaint (see also below on Confidentiality and Transparency), and information on the Guidelines and the specific instance process. The enterprise can provide comments at this stage.

In terms of process, the NCP collects information to decide whether to accept the case from relevant public bodies and other NCPs. When necessary, it may also consult independent experts. Parties can also provide additional information, notably through consultations.

The NCP publishes an initial assessment statement when it decides not to accept a case. The statement covers at a minimum the complaint and the reasons for its decision. The NCP shares a draft initial assessment statement with parties. It makes its decision on whether to accept a case following their comments.

Good offices

According to the case-handling procedures, and after accepting a case, the NCP provides information on the good offices phase and discusses with the parties. The HNCP will provide mediation, notably through external experts, to support the parties in reaching an agreed solution.

The case-handling procedures

- define the good faith of the parties at the stages of commitment to and during the good offices:
 parties are invited to commit to a jointly established agenda, refraining from introducing new issues
 unexpectedly, and assigning mediation representatives capable of implementing an agreement.
 Parties are expected to collaborate and act in an honest manner throughout the procedure. They
 should also respond promptly, respect confidentiality terms, and refrain from discrediting or
 threatening the other party. Breach of good faith could lead to termination of the process;
- provide for the adoption of terms of reference with the consent of the parties;
- note the voluntary nature of the process and clarify that the HCNP does not put pressure on the parties to participate in mediation or reach agreement; and
- note that the NCP may seek additional information from the parties, and/or advice from governmental authorities, external experts, stakeholder representatives, other NCPs, and the OECD Investment Committee in the process.

If mediation does not take place and/or parties reach partial agreement, the HNCP conducts its own assessment of the case and/or claims not covered by the agreement. The aim of the assessment is to decide if the complaint is justifiable and facilitate access to mediation in the future.

Conclusion of the specific instance

According to the case-handling procedures (Conclusion of the procedure), the HNCP:

- publishes a report when parties have reached agreement. The report covers at least the complaint, the process followed by the NCP, when the agreement was reached, and the full text or excerpts of the agreement following consent of the parties. The HNCP makes the report publicly available following consultation of the parties; and
- issues a statement when the parties do not reach agreement or when a party is not willing to
 participate in the specific instance process. The statement describes at minimum the complaint,
 the reasons why the HNCP decided that the issues raised merit further examination, and a
 summary of the process. The statement may also include reasons why agreement was not
 reached. The statement will also mention if a party did not accept to engage in good offices.

The NCP can make recommendations on the implementation of the Guidelines in cases which do not result in agreement. The final statement can include information regarding the lack of good faith by a party. The case-handling procedures do not provide for determinations.

The NCP shares draft reports and statements with the parties and takes into consideration their comments.

Case follow-up

According to the case-handling procedures (Assistance to the parties to resolve the issues raised, Conclusion of the procedure), parties can ask for follow up on the implementation of an agreement. The NCP can also decide to follow up on its recommendations at its own initiative. In that case, the follow-up timeline should be defined in the final statement.

The case-handling procedures are consistent with the 2011 version of the Guidelines (paras. 34, 36 of the Commentary on the Procedures). The NCP should align its case-handling procedures with the 2023 version (para. 46 of the Commentary on the Procedures), by providing for follow-up on agreements at the NCP's initiative and publication of follow-up statements.

Indicative timeframes

The case-handling procedures set indicative timeframes for the process overall and for the initial assessment phase. In line with the indicative timeframe in the Procedures (paras. 51-52 of the Commentary on the Procedures), they set three months for the initial assessment phase (Initial assessment), and 12 months for conclusion of the case (Assistance to the parties to resolve the issues raised). They further note that if needed, e.g. for cases involving non-Adherent countries, or when the parties are close to an agreement, the timeline can be extended. However, the case-handling procedures do not set indicative timeframes for the other phases of the process, which is not consistent with the 2011 version of the Guidelines (para. 40 of the Commentary on the Procedures), and would not be consistent with the 2023 version (para. 51of the Commentary on the Procedures). The NCP should make its case-handling procedures consistent with the Procedures by setting indicative timeframes for coordination, good offices, conclusion, and follow-up.

The case-handling procedures also:

- set an intermediary deadline of 15 days for parties to provide additional information during the initial assessment phase;
- note that the HNCP sets a timeframe for the good offices phase which can be extended following discussion with the parties.

Confidentiality and transparency

The case-handling procedures deal with confidentiality and transparency in the different steps of the process. They provide that:

- following receipt of a complaint, the NCP publishes information on the launch of the process without necessarily including the identity of the parties or the content of the complaint;
- during the initial assessment phase,
 - the NCP informs the parties about the requirement to maintain confidentiality of information and views shared by the other party during the process;
 - the NCP share the text of the complaint with the concerned company except for sections defined as confidential with justification by the complainant;
 - if the parties reach an agreement or the complainant withdraws the case, the NCP will not disclose the identity of the parties without their consent.
- · during the good offices phase,
 - the NCP notes that mediation is conducted under confidentiality and not formally documented. The NCP drafts minutes of the discussions with the parties. These documents are only shared with the involved members of the NCP and the mediator. The NCP documents publicly only partial and full agreements, although the case-handling procedures do not specify if the NCP

will seek consent from the parties in this regard, as laid out in Section I.C.4 (b) of the Procedures:

- o participants are required to sign a confidentiality agreement;
- o unless there is a legitimate reason to do otherwise, the HNCP shares the received information with the other party, highlighting the necessity of maintaining confidentiality.
- final statements do not necessarily identify the parties for cases concluded without agreement or when a party is unwilling to engage in the process.

One CSO representative notes that the case-handling procedures do not clarify whether complainants can request their identities to be kept confidential for security reasons. The CSO further notes the need for wording on protection against risks of reprisals.

Impartiality and avoidance of conflicts of interest in the handling of specific instances

The case-handling procedures do not address impartiality and conflicts of interest that the NCP Secretariat or inter-ministerial body members may face in specific instances.

Parallel proceedings

The NCP requires information from the submitter about parallel proceedings as part of the submission form. Parallel proceedings are not an obstacle to submitting a specific instance with the NCP. In its decision to accept a specific instance, the NCP considers the relevance of applicable law and procedures, including potential judicial decisions.

Specific Instances in Practice

Coordination with other NCPs on specific instances

The HNCP has coordinated with one NCP on one specific instance so far. ³³ It has not sought coordination or acted as support NCP for others.

Non-accepted cases

One³⁴ out of three specific instances received has not been accepted by the NCP. Reasons to not accept the case included i) the fact that the issues dated back more than five years and ii) limited evidence provided by the complainant. The NCP also found that accepting the case would not further the implementation of the Guidelines. The NCP also found that the complainant submitted insufficient information on one out of three claims.

The NCP has published a statement on its webpage in this case. 35

Accepted cases

Out of three cases received, two have been concluded following good offices by the NCP. In both cases, the NCP received information and organised consultations with the parties. Outcomes in these cases include the following:

³³ Specific instance 2 - Trade Union and a subsidiary of an MNE.

³⁴ Specific instance 3 - Subsidiary of an MNE and two individuals.

³⁵ https://oecdmnkp.hu/CMS/Content/panaszkezeles/Statement%20of%20HNCP_Februrary%202020.docx.pdf

- one case was concluded without agreement and with recommendations (see Box 5.2);³⁶
- one case was concluded without agreement and without recommendation after the parties did not accept the NCP's offer of good offices (see Box 5.3).³⁷

Box 5.2. Personal injury in the manufacturing sector in Hungary

On 24 April 2004, the Hungarian NCP received a specific instance from an individual, Mr Imre Horgosi, employee at the multinational enterprise Visteon Hungary Ltd.. Mr Horgosi was represented by a lawyer. He alleged that he had suffered skin irritation because of the inappropriate protective gloves provided by the enterprise for employees using chemicals. The conduct of the enterprise thus was not in accordance with Chapter V (Employment and industrial relations) according to the submitter.

The NCP decided to accept the case on 5 July 2005. Following exchanges with the parties, and review of the submitted documentation, the HNCP proposed measures to the enterprise, notably on modification of safety regulations and improved workers' training. No agreement was reached. In its final statement on 14 May 2007, the NCP recommended that Visteon Hungary Ltd, process lessons from the case and further develop safety regulations for the concerned plant, notably on use and maintenance of protective equipment.

Positive experiences in the process included the possibility to address impacts of corporate activities through an alternative mechanism to judicial proceedings, available information on the specific instance process on the NCP's webpage, and timeliness of the process. Challenges related to the need for proactive clarifications on the process and potential outcomes by the NCP, access to documents and information submitted by the other party, the level of detail in the NCP's recommendations and the link of recommendations with the Guidelines.

The HNCP has not engaged external mediators so far but signed a framework contract in April 2023 with a mediator with legal expertise to support the good offices phase in future specific instances. It further notes difficulties convincing the enterprise to accept the good offices in one case. Stakeholders noted the lack of a social dialogue culture in the country and focus on judicial avenues as reasons for such difficulties and generally the low number of specific instances received.

The HNCP does not publish initial assessment statements in accepted cases. It shares the draft statements with parties for their comments.

The HNCP has published final statements in both concluded cases (see Boxes 5.2, 5.3).³⁸

The NCP's final statements in accepted cases do not generally include details or substantive analysis on the issues raised in the specific instance, as expected under Section I.C.4 of the Procedures. Final statements are overall succinct, with a limited amount of information on the facts. They provide information on the process followed by the NCP and the reasons why the NCP decided to close the case. The NCP's statements should, in the future, contain a description of the issues, and the rationale behind the NCP's decision, including an analysis of how the Guidelines apply to the facts presented, where relevant.

The NCP also does not make detailed and tailored recommendations. Parties to concluded cases would welcome more detailed recommendations (see Box 5.2) and substantive findings in final statements (see

³⁶ Specific instance 1 - Personal injury in the manufacturing sector in Hungary.

³⁷ Specific instance 2 - Trade Union and a subsidiary of an MNE.

³⁸ For Specific instance 2 <u>see here</u>; for Specific instance 1 <u>see here</u>.

Box 5.3). The NCP's statements should, in the future, include more detailed and specific recommendations, in line with the Guide for NCPs on Recommendations and Determinations.³⁹

Parties have been anonymised in one⁴⁰ out of two concluded cases. The NCP granted anonymity in this case to protect the company from reputational damage (see Confidentiality and transparency below).

Follow-up

The HNCP has not conducted follow-up in concluded cases so far. It reports challenges in relation to the follow-up methodology, including means of reporting, and limited capacity within the NCP. To be consistent with the Procedures, the NCP should follow-up on agreements and recommendations where relevant and publicise its follow-up statements (para. 46 of the Commentary on the Procedures).

Timeliness

The HNCP has slightly exceeded the indicative timelines in all cases it handled. The average overall duration of cases concluded by the NCP is 468 days, *i.e.* one year and three months. The duration of the non-accepted case was 167 days, *i.e.* five months and a half. The average duration of the initial assessment phase for accepted cases is 123 days, *i.e.* four months.

Confidentiality and transparency

The NCP asks parties to specify whether all or part of the information they submit is confidential throughout the process. The NCP does not share confidential information with the other party (see also Box 5.2). To be consistent with the Procedures and strengthen the equitability of the process, the NCP should work with the party concerned to redact any sensitive content to facilitate sharing, and avoid making decisions based on information not available to both parties (para. 48 of the Commentary on the Procedures).

It also notes that privacy statements oblige its members to handle the received information with confidentiality. These statements signed by the inter-ministerial body members provide that they handle all information in documents related to a complaint as confidential. The NCP Head can grant a written exemption from this obligation. In case of breach, the concerned member may be subject to civil sanctions, including an obligation to compensate.

Anonymity of the parties in the NCP's statements has been granted in one concluded (see Box 5.3)⁴¹ and in the non-accepted case.⁴² Parties to the concluded case which were anonymised⁴³ noted that anonymity was proposed and decided by the NCP without them having to make a request to that effect. Consistent with the 2023 version of the Procedures, the NCP should ensure in the future that in principle statements identify the parties concerned and that anonymity is granted only following requests of the parties with due justification and if it would be unfair to publicly identify a party in a statement (paras. 40, 43 of the Commentary on the Procedures).

One party to a concluded specific instance noted that anonymity would not provide sufficient protection against reprisals by itself. The party asked for additional measures to prevent and protect submitters against such risks.

³⁹ OECD (2019), <u>Guide for OECD National Contact Points on issuing Recommendations and Determinations</u>, OECD Guidelines for Multinational Enterprises.

⁴⁰ Specific instance 2 - Trade Union and a subsidiary of an MNE.

⁴¹ Specific instance 2 - Trade Union and a subsidiary of an MNE.

⁴² Specific instance 3 - Subsidiary of an MNE and two individuals.

⁴³ Specific instance 2 - Trade Union and a subsidiary of an MNE.

Box 5.3. Trade Union and a subsidiary of an MNE

On 30 May 2019, the NCP received a specific instance from a trade union in Hungary alleging that the conduct of a multinational enterprise operating in Hungary did not align with Chapter V (Employment and Industrial Relations). By submitting the specific instance, the trade union aimed in particular to enforce the collective bargaining with the enterprise and the conclusion of a collective agreement.

On 3 September 2019, the Hungarian NCP accepted the specific instance. The NCP held a personal consultation with both parties, and offered them its good offices. The enterprise did not accept to enter good offices. Following exchanges with the parties, the NCP decided to close the case. In its final statement on 9 September 2020, the NCP concluded the case without agreement between the parties and without recommendations.

Parties welcomed the availability of a voluntary non-judicial grievance mechanism for these issues in Hungary. They shared positive experiences from their exchanges with the NCP Secretariat and the timeliness of the process. Challenges related to facilitating dialogue, clarity about the potential outcomes of the process, bringing the parties to the table, and lack of substantive findings in the final statement.

Impartiality and avoidance of conflict of interests in the handling of specific instances

The NCP has not faced claims of conflict of interests so far. One party to a concluded specific instance noted the need to ensure the impartiality of the NCP in view of its location in the government (see also Institutional arrangements above).

Parallel proceedings

No case handled by the HNCP to date have involved parallel proceedings.

	Findings	Recommendations
3.1	The NCP has detailed and clear case-handling procedures. Certain aspects of its case-handling procedures could be revised to enhance compatibility with the Guidelines. The NCP has noted its plans to	In its planned update of the case-handling procedures to make them consistent with the 2023 version of the Guidelines and Procedures, the NCP should notably address, in consultation with stakeholders:
	review its case-handling procedures to make them consistent with the 2023 version of the Guidelines.	 coordination with other NCPs;
		 deletion of the time limit between the date of the facts and the date of submission of the case;
		communication with the parties on the process and potential outcomes;
		 sharing information and documents brought forward by one party in the proceedings with the other;
		 publishing statements in both non-accepted and accepted cases;
		 granting anonymity to the parties as an exception and only following a reasonable request;
		 addressing risks of reprisals against parties to a specific instance;
		 follow-up on agreements at the NCP's initiative and publication of follow-up statements; and
		timeframes for all phases of the specific instance process.
3.2	The NCP's statements do not generally include the identity of the parties, details on the issues raised, and the rationale behind the NCP's decision. The NCP also has not made detailed and tailored recommendations.	The NCP's statements should, in the future, contain the following elements: a description of the issues, an analysis of the issues, detailed and tailored recommendations, and provisions for follow-up with specific timeframe in case of recommendations and/or agreement between the parties.
		The NCP should also ensure that, consistent with the 2023 Procedures, statements should only be anonymised as an exception rather than the rule and that the granting of such exception be duly justified by specific reasons.

6 Support for government policies to promote RBC

In line with the Implementation Procedures, ⁴⁴ NCPs may support efforts by their government to develop, implement, and foster coherence of policies aimed at promoting RBC. NCPs thus assist with implementation of the Recommendation on the Role of Government in Promoting Responsible Business Conduct [OECD/LEGAL/0486] (the Recommendation). The Recommendation recognises the important role of NCPs in ensuring policy coherence for RBC, notably by facilitating coordination within government, disseminating information on the NCP's activities and specific instances, engaging or exchanging with other public authorities on RBC-related issues (e.g. public procurement officers, state-owned enterprise officials, trade and investment officials), and promoting stakeholder participation in the implementation, monitoring and promotion of RBC.

The NCP's inter-ministerial structure composed of ten Ministries enables it to support government policies and facilitate coordination across the government.

Recent governmental policies enabling and promoting RBC

Recent policy developments regarding RBC in Hungary include the following:

- in 2008, the National Council for Sustainable Development was established as an advisory body to the Parliament. 45 It functions as a stakeholder body. Members select and appoint their representatives regularly. In 2013, Hungary also adopted a National Framework Strategy on Sustainable Development integrating the 2030 Agenda goals. 46 Its implementation was monitored four times since then. Progress reports are publicly available. 47 The Strategy aims to encourage sustainable investment and a long-term vision on the use of resources. The NCP is not involved in the process. The Secretariat of the National Council would welcome cooperation with the NCP. Cooperation would provide the NCP with access to stakeholders familiar with RBC issues in Hungary;
- the Procurement Act, adopted in 2015, ⁴⁸ includes RBC objectives on environment, labour rights, people with disabilities, long-term unemployed people, and integrity. According to the Procurement Act, at the tender phase, the contracting authorities may exclude economic operators from participating in the tender if they have committed a serious violation of environmental, social, and labour law requirements. At the post-tender phase, contracting authorities may establish special conditions with regards to social or environmental considerations that must be observed for the

⁴⁴ Decision I.1; Procedures I.D.

⁴⁵ National Council for Sustainable Development.

⁴⁶ National Framework Strategy on Sustainable Development.

⁴⁷ https://www.parlament.hu/web/ncsd.

⁴⁸ Public Procurement Act.

- duration of the contract.⁴⁹ The NCP was not consulted on the draft Procurement Act or involved in relevant activities:
- in 2021, the Public Procurement Authority launched preparations of a national green public
 procurement strategy and established the Sustainability Working Group, a multistakeholder body
 with representatives of the Public Procurement Authority, contractors, and other organisations.
 Under the Green Public Procurement Strategy of Hungary 2022-2027 adopted in December 2022,
 the Public Procurement Authority will be developing green public procurement solutions and
 creating a green toolkit on green transition.

National Action Plan on Business and Human Rights

Hungary does not currently have a National Action Plan on Business and Human Rights (NAP). The Ministry of Finance and the Ministry of Foreign Affairs and Trade launched a cooperation in fall 2022 to develop a NAP. The HNCP has an active role in the process. In January 2023, the OECD National Council notably organised a first meeting with an *ad hoc* working group to discuss areas for contribution of potential participants in the development process. Participants at the first meeting included representatives of the Central Bank of Hungary, Ministry of Interior, Prime Minister's Office, Ministry of Economic Development, Ministry of Energy, Ministry of Culture and Innovation, and the Ministry of Finance. Supporting documentation highlighted the importance of a whole-of-government approach, and a list of relevant governmental authorities and stakeholders. In September 2023, a first mapping of key issues and sources was conducted. During the peer review on-site visit, the academic team leading on the preparatory phase presented initial findings on the normative and institutional framework for the elaboration of a NAP. Their report will notably cover the specific instance process in relation to other grievance mechanisms available for RBC-related issues in Hungary.

The role of the NCP

The HNCP interacts with other governmental authorities through its composition and location. It notably coordinates with other authorities to invite them to promotional events or participate in events organised by them. It also distributes information about the Guidelines among government officials, including members of Hungarian delegations abroad and regulatory authorities. The HNCP has been providing support to ongoing negotiations on the draft of the Corporate Sustainability Due Diligence Directive (CSDD) notably on due diligence-related issues. The Ministry of Justice coordinates the relevant consultations on the draft CSDDD across several Ministries.

The NCP operates in a context of national investment policies particularly relevant to RBC (see Box 6.1 below).

⁴⁹ OECD (2020), <u>Integrating Responsible Business Conduct in Public Procurement</u>, OECD Publishing, Paris, pp. 120-121.

Box 6.1. Investment policies in Hungary as a key component of an enabling environment for RBC

Hungary is currently experiencing recent incoming FDI from investors and enterprises based in non-EU member countries, and increased employment of foreign nationals in enterprises operating in the country as a result of increased demand for workforce in key industries. The government is taking initiatives to attract foreign investors in specific sectors, including battery production. ⁵⁰ It also attracts workers from non-Adherent countries to staff new production units. ⁵¹

These policies are particularly relevant to RBC. The battery industry and supply chains, while very important for the climate transition, also entail due diligence challenges, notably linked to critical minerals. Additional risks are associated with manufacturing itself, which will rely for a large part on third-country workers. ⁵² Migrant workers face important risks, notably linked to discrimination, marginalisation and job informality. ⁵³

The NCP could play a key role in promoting RBC in these policies, notably by ensuring that investors are thoroughly informed about the Guidelines and the due diligence framework, and the Hungarian government's expectation that they observe the Guidelines. These policies currently do not integrate considerations related to RBC. Information on the Guidelines and the due diligence framework is not consistently provided to investors. As trade and investment policies and agreements are a key component of an enabling environment to drive, support, and promote responsible business practices, the NCP could play a role in ensuring that these policies contribute to enabling RBC. Moreover, these policies are an opportunity to directly promote RBC with businesses and contribute to shape their conduct in Hungary and abroad.

There are more opportunities to strengthen partnerships with different parts of the government through the membership of the inter-ministerial body to support an enabling policy environment for RBC. Government representatives expressed interest in cooperating with the NCP, notably on dissemination of information of the due diligence framework, alignment of different initiatives with the Guidelines, and promotion of RBC standards among key businesses and stakeholders. The NCP could also further disseminate final statements and information on engagement in good faith of the parties to specific instances to other governmental authorities reviewing eligibility for government support and services.⁵⁴

⁵⁰ See https://cdn.kormany.hu/uploads/document/c/c6/c61/c61e79e054c555b6e11fad171e99d0ad691a2b81.pdf.

⁵¹ See in this regard the recent adoption of the 2023 Act on the employment of guest workers in Hungary, which eases the recruitment of foreign workers: https://njt.hu/jogszabaly/2023-50-00-00.1. See also Hungarian Statistical Office (KSH), Labour market trends, Quarter 1 2023, p. 14, on recent increases in the number of third country workers in Hungary:
https://www.ksh.hu/s/publications/labour-market-trends-first-quarter-of-

^{2023/}labour_market_trends_2023_1.pdf.

⁵² OECD (2019) <u>Interconnected supply chains: a comprehensive look at due diligence challenges and opportunities sourcing cobalt and copper from the Democratic Republic of the Congo.</u>

⁵³ OECD (2022), Stocktaking Report on the OECD Guidelines for Multinational Enterprises.

⁵⁴ Recommendation on the Role of Government in Promoting Responsible Business Conduct, Section II.5 [OECD/LEGAL/0486].

	Findings	Recommendations
4.1	The NCP's interagency structure enables it to support government policies and facilitate coordination across the government. The HNCP recently launched preparations for a National Action Plan on Business and Human Rights (NAP).	The NCP could further contribute to strengthening policy coherence for RBC based on the Recommendation on the role of government in promoting RBC, notably by: • further promoting the Guidelines among concerned governmental authorities; • proceeding with preparations for the adoption of a NAP; and • supporting the government in ensuring that its policy of attracting foreign direct investment supports implementation of the Guidelines, and notably contains a component of informing foreign investors of expectations to respect the Guidelines, in particular protection of migrant workers.

7 Annex Documents

- A. List of organisations submitting responses to the NCP peer review questionnaire
- B. List of organisations that participated in the NCP peer review on-site visit
- C. Promotional events
- D. Overview of specific instances handled by the NCP as the leading NCP
- E. Government policies to promote RBC discussed during the NCP peer review

Annex A. List of organisations that submitted a response to the NCP peer review questionnaire

Table A A.1. Questionnaire submitters for the Hungarian NCP peer review by stakeholder group

CSOs					
OECD Watch					
NCPs					
Austria					
Poland					

Annex B. List of organisations that participated in the NCP peer review on-site visit

Table A B.1. Participants of the Hungarian NCP peer review on-site visit

Organisation	Sector
Ministry of Finance	NCP
Central Bank of Hungary	Government
Ministry of Justice	Government
Ministry of Finance	Government
Ministry of Foreign Affairs and Trade	Government
Ministry of Economic Development	Government
Ministry of Energy Affairs	Government
Ministry of European Affairs	Government
Ministry of Interior	Government
Ministry of Culture and Innovation	Government
Prime Minister's Office	Government
Public Procurement Authority	Government
Supervisory Authority of Regulated Activities	Government
BIAC	Business
Business Council for Sustainable Development	Business
Confederation of Hungarian Employers and Industrialists (MGYOSZ)	Business
Hungarian Banking Association	Business
National Association of Hungarian Entrepreneurs and Employers	Business
National Association of Young Entrepreneurs (FIVOSZ)	Business
Hungarian Export-Import Bank	Business

CBRE Magyarorszag	Business
Coca-Cola HBC	Business
Hankook	Business
Visteon Hungary Kft.	Business
TUAC	Trade union
Democratic Confederation of Free Trade Unions (LIGA)	Trade Union
Hungarian Union of Workers in the Chemical, Energy and Related Professions	Trade Union
United Electricity Industry Workers' Union (EVDSZ)	Trade Union
Hungarian Union of Workers in the Chemical Industry, Energy Industry and Related Professions (VDSD)	Trade Union
OECD Watch	CSO
WWF	CSO
Budapest Business University	Academia
ELTE University	Academia
Károli Gáspár University of the Reformed Church in Hungary	Academia
Council for National framework strategy for sustainable development	Parliament
Imre Horgosi	Individual

Annex C. Promotional events

Table A C.1. Promotional activities in 2022 organised or co-organised by the NCP

Title	Date	Location	Size of Audience	Organised or co- organised	Targeted Audience
Felelos Üzleti Magatartás Konferencia / Responsible Business Conduct, Budapest Conference	6 Oct. 2022	Budapest, Ministry of Finance	10-50	Organised	Business representatives, government, NGOs, Academia, Trade Unions

Source: NCP Annual Report (2022)

Table A C.2. Events in 2022 participated in by the NCP

Title	Date	Location	Size of Audience	Organiser(s)	Type of Intervention
-	-	-	-	-	-

Source: NCP Annual Report (2022)

Table A C.1. Promotional Activities in 2021 organised or co-organised by the NCP

Title	Date	Location	Size of Audience	Organised or co- organised	Targeted Audience
-	-	-	-	-	-

Source: NCP Annual Report (2021)

Table A C.3. Events in 2021 participated in by the NCP

Title	Date	Location	Size of Audience	Organiser(s)	Targeted Audience
-	-	-	-	-	-

Source: NCP Annual Report (2021)

Table A C.4. Promotional activities in 2020 organised or co-organised by the NCP

Title	Date	Location	Size of Audience	Organised or co- organised	Targeted Audience
Responsible Business Conduct Budapest Conference	27 Jan. 2020	Budapest, Ministry of Finance	>100	Organised	Business representatives, government, NGOs, Academia, Trade

					Unions, general public
CEE Regional Network workshop and peer learning meeting of CEE OECD National Contact Points	27 Jan. 2020	Budapest, Ministry of Finance	10-50	Organised	CEE NCPs, invited NCPs, OECD Secretariat

Source: NCP Annual Report (2020)

Table A C.5. Events in 2020 participated in by the NCP

Title	Date	Location	Size of Audience	Organiser(s)	Type of Intervention
Promoting the Guidelines, the NCP Network, the OECD Hungarian National Contact Point for delegated foreign trade attaches	Jul. 2020	Ministry of Foreign Affairs and Trade	10-50	Ministry of Foreign Affairs and Trade	Presentation sent to the Ministry
CEE Regional Network workshop and peer learning meeting of CEE OECD National Contact Points	27 Jan. 2020	Budapest, Ministry of Finance	10-50	Polish NCP	Panel Discussion

Source: NCP Annual Report (2020)

Annex D. Overview of specific instances handled by the Hungary NCP as the leading NCP

Enterprise	Submitter	Host Country	Chapter (s) of the Guidelines	Date of submission	Date of initial assessment	Date of conclusion	Outcome	Description	Follow-up
Specific instance 3 – Subsidiary of an MNE operating in Hungary (anonymised)	Individual (anonymised)	Hungary	General Policies (Chapter II), Human Rights (Chapter IV) and Environment (Chapter VI)	26/03/20	30/05/2019	9/09/20	Not accepted	The NCP did not accept the case as it did not find sufficient evidence of a business relationship between the multinational enterprise and the issues raised.	-
Specific instance 2 – MNE operating in Hungary (anonymised)	Trade Union (anonymised)	Hungary	Employment and Industrial Relations (Chapter V)	30/05/19	3/09/19	9/09/20	Concluded – no agreement between parties	The NCP closed the case after the company did not accept to enter good offices.	-
Specific instance 1 – Visteon Hungary Ltd	Individual Mr Imre Horgosi	Hungary	Employment and industrial relations (V)	20/04/04	05/07/2005	14/05/07	Concluded – No agreement between parties	The NCP closed the case after proposing measures to the company and since the parties could not reach an agreement.	-

Source: OECD NCP Case Database (2023)

Annex E. Government policies to promote RBC discussed during the NCP peer review

Table A E.1. Main government policies discussed during the NCP peer review

Name of policy/act/initiative	Competent authority	Role of the NCP	Reference to the Guidelines and/or the NCP	Link (if available)
National Framework Strategy on Sustainable Development	National Council for Sustainable Development	-	-	https://www.parlament.hu/web/ncsd/frameworkstrategy
Procurement Act	Public Procurement Authority	-	-	https://www.kozbeszerzes.hu/torveny/act-cxliii-of- 2015-on-public-procurement/

Source: peer review on-site visit to Hungary, 17-19 October 2023.

National Contact Point on Responsible Business Conduct Peer Reviews: Hungary

This document is the peer review report of the National Contact Point (NCP) of Hungary. The objectives of NCP peer reviews are to assess that the NCP is functioning and operating in accordance with the core effectiveness criteria set out in the implementation procedures; to identify the NCP's strengths and possibilities for improvement; to make recommendations for improvement; and to serve as a learning tool for all NCPs involved. The peer review of the NCP of Hungary was conducted by a team of reviewers from the NCPs of Croatia, Italy, and Switzerland, along with representatives of the OECD Secretariat.

