



Kingdom of the Netherlands

Addendum on Responsible Business Conduct Handbook on Doing Business in Sri Lanka



This addendum to the [Handbook on Doing Business in Sri Lanka](#) provides guidance on Responsible Business Conduct (RBC) for entrepreneurs and businesses. In the face of climate change and the need for sustainable development, only a responsible business case is a future-proof business case.

For Dutch businesses, in The Netherlands and/or if your company does business abroad, the Dutch government expects you to conduct business responsibly. This means that companies should take account of their activities have on people and the planet, worldwide. And in the context of an international regime that is moving from voluntary towards mandatory RBC requirements, adhering to RBC standards is critical to stay competitive and retain access to EU markets. RBC is thus important for all entrepreneurs: for both exporters from Sri Lanka to the European Union and the Netherlands and to European and Dutch businesses investing in Sri Lanka. This document compiles essential information to understand RBC and the frameworks and actions supporting it as well as step-by-step guidance on incorporating RBC in business operations and practices, managing risks, and accessing tools, guidelines, and relevant information.

1. Introduction to Responsible Business Conduct and Due Diligence

Responsible Business Conduct as defined by the [OECD Guidelines for Multinational Enterprises](#) revolves around the key principle of due diligence, which means the responsibility of businesses to identify, prevent, mitigate, and report on risks related to their operations, products, and services. Businesses are not only responsible for their own actions and practises, but also carry a responsibility for suppliers, value chain operators, and business partners. Due diligence can be broken down into three different stages:

1. Complying with binding laws, regulations, policies, procedures, guidelines, and industry standards in all countries a business operates in, including through supply chains and distribution networks.
2. Integrating social, environmental, ethical, consumer, and human rights concerns into business strategies and operations.
3. Committing to additional voluntary RBC standards, such as a net-zero carbon emission strategies or fair-trade policies.

RBC is related to but different from Corporate Social Responsibility (CSR), Business and Human Rights (BHR), or a triple bottom line (people, planet, and profit). RBC goes deeper and further: it is not an add-on but rather an integral part of the business case and refers to corporate conduct and positive contributions within standard operations. Key elements of RBC include a common understanding of business impacts and risks, due diligence, responsibility beyond immediate business operations, and access to remedy.

2. The Current International, EU and Dutch Framework for Responsible Business Conduct

The Government of the Kingdom of the Netherlands aims to ensure that Dutch companies engage in RBC domestically and abroad. It supports businesses by raising awareness on RBC, providing expertise on RBC, facilitating the creation of networks and exchange of good practises, assisting companies with their due diligence, checking RBC practises and withdrawing support for businesses not in line with the OECD guidelines and the [UN Guiding Principles on Business and Human Rights](#), and discussing RBC issues with foreign authorities through Dutch diplomatic missions. RBC is encouraged by the Dutch Government in several mandatory and non-mandatory ways:

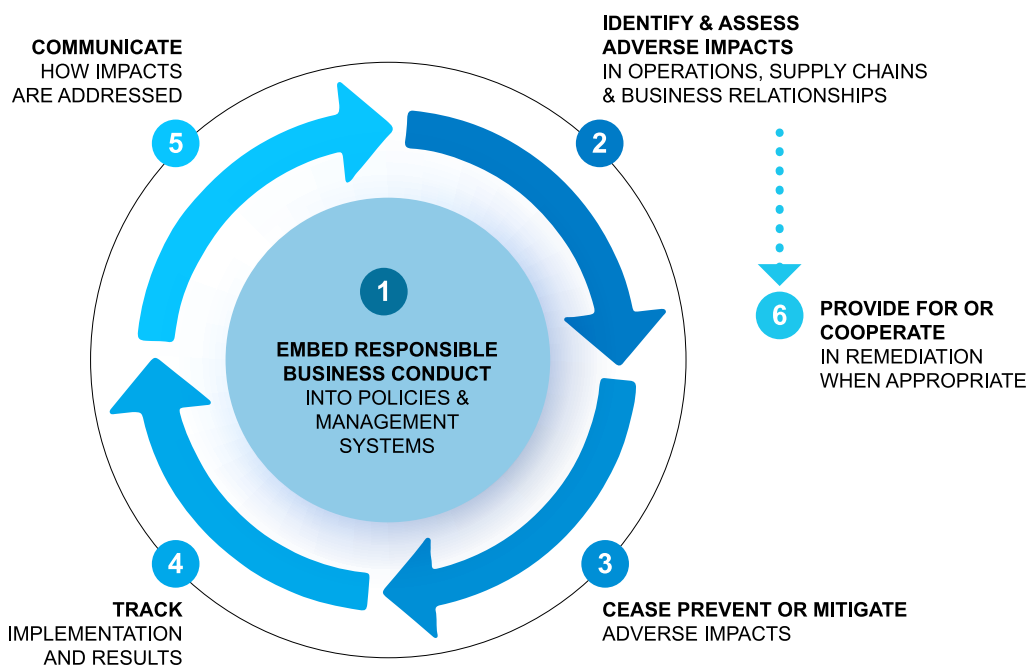
1. Legal requirements for due diligence in the Netherlands and on the European level, for example the [Dutch child labour due diligence law](#) gazetted in 2019, the [Responsible and Sustainable Business law](#) currently being developed in the Netherlands, the [EU Non-Financial Reporting Directive](#) (NFRD), or the [EU Conflict Minerals Regulation](#).
2. International standards including the [OECD Guidelines for Multinational Enterprises](#) or the [UN Guiding Principles](#).
3. Financial incentives of the Government of the Netherlands and the EU for businesses to step up their RBC efforts, such as the [EU Emissions Trading System](#) (EU ETS) and grants through the Dutch [Fund for Responsible Business](#) or the [Fund Against Child Labour](#), but also RBC requirements to receive Government assistance when doing business abroad, for example investment support or participation in trade missions. SMEs with sustainable, international ambitions can use RBC vouchers to help pay for advice on turning their international supply chains more sustainable.
4. Sectoral cooperation and agreements within the Netherlands and on an international basis, including [RBC covenants for different sectors](#).

- Support of businesses through the [Dutch National Contact Point for RBC](#) and European Commission information pages on [corporate sustainability due diligence](#) and [doing business in the EU](#).

3. Responsible Business Conduct in Sri Lanka

3.1 Incorporating RBC into Business Operations in Sri Lanka

The following six steps serve as a guideline to incorporate RBC and due diligence into business operations and entrepreneurship through an open, continuous, and iterative process that attempts to build a robust culture that permeates all procedures, practises, and planning processes.



- 1. Embed RBC into policies and management systems:** Formulate a policy on RBC that includes measurable commitments, SMART goals, and transparency procedures, aligns with international frameworks (e.g. OECD Guidelines) and embeds itself into existing systems and procedures.
- 2. Identify and assess adverse impacts:** Identify requirements and expectations related to RBC in Sri Lanka and in the Netherlands. [Identify and assess RBC risks](#) and impacts in current operations to highlight gaps and needs for enhancing RBC. Map out stakeholders and exchange experiences and good practises with other businesses in the same environment.
- 3. Cease, prevent, or mitigate adverse impacts:** Conduct capacity-building to ensure effective implementation of and reporting on the RBC policy. Nominate an executive-level person to oversee RBC policy implementation and incorporation of RBC elements into contracts with suppliers and business partners. Undertake and implement due diligence according to the RBC policy.
- 4. Track implementation and results:** Track performance and communicate and report on risks, impacts, measures taken, and successes or failures in implementing RBC, ideally through formal and publicly available reports and social and environmental audits.
- 5. Communicate how impacts are addressed:** Communicate and disseminate the RBC policy and its performance internally and to key stakeholders and make it publicly available.
- 6. Provide for or cooperate in remediation:** Address potential adverse impacts and provide or collaborate with remedial processes and grievance mechanisms that are legitimate, accessible, reliable, equitable, rights-based, and transparent.

The following paragraphs will support you to identify and assess adverse impacts and to cease, prevent or mitigate adverse impacts:

3.2 Main RBC Risks and High-Risk Sectors in Sri Lanka

As identified by the [CSR Risk Check tool](#), key RBC risks in Sri Lanka can be categorised into risks related to labour rights (such as workplace health and safety standards or gender-based discrimination), risks related to fair business practises (such as corruption), risks related to human rights and ethics (such as land use and property risks), and environmental impacts (such as forest clearance, high water and energy consumption, and soil or groundwater contamination). The exact risks vary by sector and are particularly high for tertiary industries, such as the tourism industry, the agricultural sector, the plantation sector, and the apparel industry. In terms of RBC, it is also important to be conscious of risks related to vulnerable groups, such as internal migrants, informal or day labourers, women, youth, and those with special needs.

3.3. Current Policies and Regulations Related to RBC in Sri Lanka

Sri Lanka does not currently have an overarching policy and legal framework for RBC, but there are several regulatory frameworks that cover aspects of RBC depending on the size and type of industry. The Constitution of Sri Lanka provides for key aspects related to RBC through Articles 12, 14, 14A, 15. These include the right to equality, rights related to freedom of speech, assembly, association, occupation, and movement, which relate to collective bargaining and trade union actions, as well as the right to information. While the following table of relevant laws and policies operationalising the said Constitution articles is not exhaustive, it aims to identify key entry points for enhancing RBC practises in Sri Lanka:

Relevant law or regulation	Description
Terms and conditions of employment	
Shop and Office Employees Act. No 19 of 1954 last amended by Act No 1 of 2021	Provides for the regulation of employment, hours of work, remuneration of persons in shops and offices, annual holidays and leave, working conditions, and provisions on residence and meals.
Wages Boards Ordinance No 27 of 1941 last amended by Act No 14 of 2019	Provides for the regulation of the wages and other employments of persons employed in trades, focusing on payment of wages, grant of holidays, establishment of Wages Boards.
Factories Ordinance No 45 of 1942 last amended by Act No 4 of 2021	Focuses on provisions for the safety and welfare of workers in factories, including approval of buildings and working conditions, special provisions for the employment of women and young persons, training, medical support, and safety precautions.
Employment of Women and Young Persons, and Children Act No 47 of 1956 last amended by Act No 2 of 2021	Regulates employment of women, young persons, and children, including restrictions related to night work and the employment of children.
National Minimum Wage of Workers Act, No 3 of 2016 last amended by Act No 16 of 2021	Provides for the payment of national minimum wage as well as special provisions related to continuation of work, and liabilities of directors and other responsible parties regarding violations.

Termination of Employment of Workmen (Special Provisions) Act. No 45 of 1971 last amended by Act No 29 of 2021	Makes special provisions regarding the termination of services of workmen in certain employments by their employers, including the termination of scheduled employments of workmen, termination by closure, and matters related to compensation for any violations.
Disputes, collective bargaining and action	
Industrial Disputes Act No 43 of 1950 last amended by Act No 39 of 2011	Provides for the prevention, investigation, and settlement of industrial disputes, including, collective agreements, settlements, labour tribunals, industrial courts, and unfair work practices.
Trade Unions Ordinance No 14 of 1935 last amended by Act No 24 of 1970	Provides for the registration and matters related to trade unions, such as their rights, liabilities, and immunities.
Social security and protection	
Employees' Provident Fund Act No 15 of 1958 last amended by Act No 23 of 2021	Establishes a provident fund for the benefit of certain classes of employees and covers matters related to membership of the fund, contributions of dues by employees, and obligations of employers.
Payment of Gratuity Act, No. 12 of 1983 last amended by Act No 62 of 1992	Provides for the payment of a gratuity by employers to their workmen, including employers' liability to pay gratuity, gratuity related to termination, and other relevant matters.
Workmen's Compensation Ordinance No 19 of 1946 last amended by Act No 10 of 2005	Provides for the payment of compensation to workmen injured in the course of their employment, including liability of the employer to pay compensation for certain diseases contracted during work.
Maternity Benefits Ordinance No 32 of 1939 last amended by Act No 15 of 2018	Provides for the payment of maternity benefits to women workers and related matters, including maternity benefits and prohibition of termination due to pregnancy.
Sustainability and environment	
National Environmental Act No. 47 of 1980 last amended by Act No 53 of 2000	Provides for the establishment of the Central Environment Authority and protection and management of the environment, including requirements for Environmental Protection Licenses.
Forests Ordinance No 16 of 1907 last amended by Act No 65 of 2009	Consolidates and amends laws related to conservation, protection, and sustainable management of forest resources and utilisation of forest produce, including issuing or permits for certain activities.
Sri Lanka Accreditation Board for Conformity Assessment Act, No. 32 of 2005	Provides for matters related to the Sri Lanka Accreditation Board including accreditation, certification, and use of accreditation marks.
Consumer Affairs Authority Act No. 9 of 2003 last amended by Act No 20 of 2021	Provides for the promotion of effective competition, protection of consumers, regulation of internal trade, and consumer protection, including standards and specifications as well as quality assurance.

3.4. Responsible Business Conduct tools, guidelines, and support systems available to companies

Tool or guideline	Description
International level	
EU Directive on Corporate sustainability due diligence	In February 2022, the European Commission has adopted a proposal for a directive on corporate sustainability due diligence with new due diligence obligations that extend to sustainable and responsible corporate behavior throughout global supply and value chains. The European Commission also offers guidance for doing business in the EU , including on competition rules, employment, CSR, corporate governance, and corporate sustainability.
ILO MNE Declaration	The ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy offers guidance for businesses to strengthen their positive contributions to economic and social progress as well as minimise and resolve difficulties in their operations. A helpdesk for business , a company-union dialogue platform , and an international training centre (ITC-ILO) provide further information and engagement opportunities.
ISO Standards	The International Organization for Standardization (ISO) offers internationally recognized, adopted, and implemented standards for companies and organisations of any size. In terms of RBC, these include standards on environment management, quality management, social responsibility, occupational health and safety, and other key areas. In the Sri Lankan context, ISO standards are adapted or localized by the Sri Lanka Standards Institution.
OECD Guidelines for Multinational Enterprises	The OECD Guidelines for Multinational Enterprises are an international reference document providing RBC and due diligence recommendations from OECD governments to multinational enterprises operating in or from their territories. The Dutch Government expects companies to comply with OECD Guidelines and aims for 90% of all large companies based in the Netherlands to adhere by 2023 . The Government requires compliance with OECD guidelines for businesses to receive financial support, participate in trade missions, or use RVO Business Partner Scan.
UN Guiding Principles on Business and Human Rights	The UN Guiding Principles on Business and Human Rights (UNGPs) are a set of guidelines for governments and companies to prevent, address, and remedy human rights abuses in business operations. They consist of 31 principles that outline the state duty to protect human rights, the corporate responsibility to respect human rights, gender dimensions , and access to remedy for victims of business-related abuses. The UNGPs are the most authoritative international statement on business responsibilities on human rights .
Voluntary Principles on Security and Human Rights	The Voluntary Principles on Security and Human Rights are a multi-stakeholder initiative that aims to strengthen the capacities of businesses in the energy sector and industries that are extracting, harvesting, or developing natural resources to address security and human rights issues in their operations around the world. By following these principles , businesses in the above-mentioned sectors can enhance their RBC conduct and align with the values of governments (including the Netherlands), companies, and NGOs.

National level: Netherlands	
Agreements on International Responsible Business Conduct	The Dutch Social and Economic Council (SER) advises the Dutch Government on social and economic policy and facilitates agreements between various stakeholders on societal issues. This includes covenants on RBC for different business sectors which aim to improve circumstances in risk areas and offer collective solutions to problems businesses face. Dutch RBC guidelines also align with the new EU directive on corporate sustainability due diligence , which was adopted in February 2022.
Fund for Responsible Business and Fund against Child Labour	The Dutch Fund for Responsible Business (FVO) and the Fund against Child Labour provide subsidies to businesses registered in the Netherlands attempting to enhance RBC in line with the OECD guidelines across their value chain. It promotes collaboration between companies and CSOs in reducing RBC risks or stopping misconduct in value chains.
National level: Sri Lanka	
Code of Conduct and Guidelines to Prevent and Address Sexual Harassment in Workplaces	This tool was developed as part of an ILO-led project on Promotion of Fundamental Principles and Rights at Work in Sri Lanka, which was implemented in collaboration with the Ministry of Labour and Labour Relations, the Department of Labour, the Board of Investment, EFC, the Sri Lanka Apparel Exporters' Association, trade unions, and other entities until 2016.
EDB Export Product/Service Standards	The Sri Lankan Export Development Board (EDB) provides a set of standards for different export products . These standards incorporate key mandatory and additional requirements of export markets (such as the EU), are aligned with ISO standards, and include CSR and sustainability requirements. EDB operates funding schemes for organisations trying to follow ISO standards, but these are not long-term and mostly demand-based.
National Policy on Sustainable Consumption & Production for Sri Lanka	Sri Lanka has developed a policy on sustainable consumption and production (SCP) that came into effect in late 2019 and aims to promote or provide resource efficiency, energy efficiency, sustainable infrastructure, access to basic services, green and decent jobs, and a better quality of life. The policy has ten thematic focus areas (air, water and sanitation, energy, waste, industry, food, building and construction, transport, tourism, and health) and three cross-cutting areas (education and communication, science and technology, and public procurement).
Sectoral Initiatives	There are a number of sector-specific initiatives promoting RBC and CSR in Sri Lanka, for example the Sri Lanka Sustainable Banking Initiative (SBI), which has formulated a set of Sustainable Banking Principles. For the agriculture sector, the Department of Agriculture runs a certification scheme on Good Agricultural Practises (GAP) to enhance sustainability of crop production. Other examples of sector-specific initiatives include resource circularity guidelines in the industry sector, the textile industry's "garment without guilt" campaign, guidelines for ethical conduct for engineering professionals by the Engineering Council Sri Lanka (ECSL), or the promotion of sustainable tourism by the Sri Lanka Tourism Development Authority (SLTDA).
Sri Lanka National Quality Infrastructure	The Sri Lanka National Quality Infrastructure (NQI) is based on the National Quality Policy (QP), which is implemented through the National Quality Infrastructure Strategy and aims to build capacities, support the enforcement of Sri Lankan regulations, assist environmental sustainability, and ensure consumer protection and access to safe, high-quality goods.

3.5. Sources of information and support on Responsible Business Conduct in Sri Lanka

Currently, Sri Lanka lacks a one-stop helpdesk for RBC-related issues, but several entities offer relevant information and guidance for certain aspects of RBC, for example the Export Development Board (for EU export requirements), the [Human Rights Commission of Sri Lanka](#) (for human rights), the Sri Lanka Accreditation Board (for accreditation, certification, and conformity assessments), the Sri Lanka Standards Institution (for standards such as the ISO ones), the Sri Lanka Consumer Affairs Authority, or sector-specific associations and networks. The Export Development Board is the main agency connecting producers to export markets, while entities such as the Ministry of Trade, the Department of Commerce, or the Ministry of Industry provide additional information on regulations and RBC. The operational offices of the [UNDP](#) and [EU](#) as well as bilateral diplomatic and trade missions provide information on RBC as well.

3.6. Building back better to achieve the 2030 SDGs: legal changes foreseen in the Netherlands and EU

It is expected that RBC will be increasingly legally codified and made obligatory in the European Union and the Netherlands. Such general requirements to follow due diligence will level the playing field among companies and link to existing UN and OECD Guidelines as well as policies and political statements in the Netherlands. Stronger requirements for due diligence, transparency, and supply chain responsibility are expected to be instituted on the national and EU level, for example through the [EU Taxonomy for Sustainable Activities](#).

In the Netherlands, the [Dutch child labour due diligence law](#) gazetted in 2019 will soon come into effect and a far more encompassing [Responsible and Sustainable Business law](#) is currently being developed in the Netherlands. Meanwhile, EU-wide legislation on mandatory human rights and environmental due diligence is expected to expand supply chain responsibility beyond tier-1 suppliers, covering the entire supply chain, subsidiaries, and contractors within and outside the EU. This includes provisions to protect forests and other ecosystems and prevent products linked to deforestation, forest degradation, ecosystem conversion, or biodiversity loss from reaching the European market. As such, binding legislation is likely to include substantial fines and penalties within the EU, so Sri Lankan companies that do not follow RBC standards could lose access to European markets, damage their reputations, and fall behind in a competitive global environment.

Further Information

Find out more: On the websites of the [Netherlands Enterprise Agency](#) (RVO) and the [OECD](#) for more information about RBC. The RVO website provides country-specific information about International Responsible Business Conduct including funding for RBC related project implementation.

Contact us: For any questions, ideas, or further support on RBC, you can get into contact with us by sending an email to col@minbuza.nl or call +94 112 510 200.

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SLYCAN Trust

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