ECONOMIC RESEARCH INSTITUTE JSC

NATIONAL CONTACT POINT OF THE REPUBLIC OF KAZAKHSTAN FOR RESPONSIBLE BUSINESS CONDUCT

INFORMATION BULLETIN

Due Diligence: What It Is and Why It Matters for Businesses in Kazakhstan

From the Secretariat

Kazakhstan's adherence to the OECD Declaration on International Investment and Multinational Enterprises and the related Guidelines for Multinational Enterprises (MNEs) has established new expectations for the domestic business community. Increasingly, these expectations are moving beyond voluntary practice and becoming a factor in access to capital and sales markets. A central element is due diligence in the field of responsible business conduct (RBC).

This issue of the Bulletin explains what due diligence entails, how to implement it in practice, and why in 2026 it is becoming not merely a theoretical framework but an operational requirement for Kazakhstani companies. The material is intended primarily for businesses - owners, senior managers, sustainability teams, legal and procurement functions - as well as other stakeholders, including trade unions, industry associations and civil society organisations.

What is due diligence in RBC?

According to the OECD Due Diligence Guidance for Responsible Business Conduct (2018), due diligence is an ongoing process through which an enterprise identifies, prevents and mitigates actual and potential adverse impacts of its activities and communicates how such impacts are addressed. Where appropriate, the process includes providing for or cooperating in remediation.

The OECD Guidelines for Multinational Enterprises cover nine thematic chapters; however, the OECD general recommendation to conduct due diligence does not apply to the chapters on competition and taxation:

- disclosure;

- human rights;
- employment and industrial relations;
- environment;
- combating bribery and other forms of corruption;
- consumer interests;
- science, technology and innovation;
- competition;
- taxation.

Due diligence in RBC differs from traditional financial and legal due diligence in transactions in four key respects. First, it focuses on external risks - the impacts of a company's activities on people, communities and the environment - rather than only on risks to the company itself. Second, it is ongoing rather than one-off: the enterprise revisits its risk assessment as operations, supply chains and the regulatory environment evolve. Third, it covers the entire value chain, including business partners, suppliers and subcontractors. Fourth, it is proportionate to the size and specific characteristics of the company: a risk-based approach is applied, under which the depth and resource intensity of measures are proportionate to the severity and likelihood of the identified risks.

Six steps in the process

The OECD framework structures due diligence into six sequential and cyclical steps. Crucially, the steps are not a one-off checklist; they form an ongoing cycle embedded in the company's operations.

Step 1. Embed RBC into company policies and management systems

Develop and secure senior management approval of a corporate responsible business conduct policy; incorporate relevant commitments into contracts with suppliers and partners; assign internal roles and responsibilities; train personnel.

Step 2. Identify and assess actual and potential adverse impacts

Map operations and the value chain; assess sector, country and operational risks; prioritise the most significant impacts based on severity and likelihood.

Step 3. Cease, prevent or mitigate adverse impacts

If an enterprise has caused an adverse impact, it should cease or prevent it and provide for remediation; if it has contributed to an impact, it should cease or prevent its contribution, use leverage and cooperate in remediation; if the impact is only directly linked to its operations, products or services through a business relationship, it should use leverage to prevent or mitigate the impact.

Step 4. Track implementation and results

Internal monitoring, external audits and regular engagement with affected stakeholders; assessment of the effectiveness of measures taken and adjustment of approaches based on the findings.

Step 5. Communicate how identified issues are addressed

Public non-financial and/or ESG reporting; targeted communications with affected parties; ensuring the reliability, completeness and accessibility of disclosed information.

Step 6. Provide for or cooperate in remediation, where appropriate

Where an enterprise has caused or contributed to an adverse impact, it should provide for remediation or cooperate in the process. An enterprise-level grievance mechanism is one possible tool; engagement with state-based and non-judicial mechanisms, including the National Contact Point, is also possible.

Why this matters for Kazakhstani businesses now

1. Regulatory pressure in the jurisdictions of key trading partners

In recent years, a body of mandatory requirements has emerged in jurisdictions that are important for Kazakhstan's exports, moving RBC expectations from voluntary practice into legal obligations. The European Union Corporate Sustainability Due Diligence Directive (CSDDD), adopted in 2024, introduces mandatory due diligence requirements in stages from 2027 to 2029 for large companies placing products on the EU market, covering their own operations and value chains. The UK Modern Slavery Act requires annual reporting. The US Uyghur Forced Labor Prevention Act (UFLPA) establishes a presumption of unlawful origin for goods from certain regions and territories.

As the European Union is Kazakhstan's largest foreign trade partner and domestic exports are concentrated in metallurgy, oil and gas, chemicals and agriculture, these regimes may affect Kazakhstani suppliers through requirements imposed by foreign buyers and other counterparties.

2. Buyer and international financial institution requirements

Large international buyers increasingly include RBC compliance clauses in contracts and conduct supplier audits. International financial institutions with which Kazakhstan actively cooperates - the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the World Bank Group and the Eurasian Development Bank - have integrated environmental and social standards and grievance mechanism requirements into their project policies. Compliance with applicable environmental and social requirements may be a condition for obtaining or maintaining financing for relevant projects.

3. Operational and reputational risks

Industrial incidents, labour disputes, environmental accidents and claims from local communities can lead not only to direct losses and litigation costs, but also to project suspensions, licence withdrawals and contract termination. Preventive due diligence significantly reduces the likelihood of such incidents and strengthens business resilience to shocks.

Typical scenarios

The following three illustrative scenarios reflect situations typical of the Kazakhstani economy in which a due diligence system can provide a practical advantage.

Scenario 1. Exporter of metallurgical products

A Kazakhstani producer of non-ferrous metals supplies products to a European buyer subject to the CSDDD. Under its obligations pursuant to the Directive, the buyer asks the supplier to provide evidence of a documented due diligence system, information on the origin of the ore, and the results of supply-chain risk assessments. Failure to provide a substantive response creates a risk of contract termination or renegotiation. Applying the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals and implementing the six-step model enable the supplier to meet the requirement and maintain market access.

Scenario 2. Agricultural producer relying on seasonal migrant labour

An agricultural company uses seasonal hired labour during the harvest period. A sectoral trade union submits a case to the National Contact Point alleging violations of the labour rights of workers employed by contractors. Having an internal grievance mechanism, a documented assessment of labour risks and contracts with contractors containing RBC compliance clauses allows the company, within the NCP procedure, to demonstrate its good-faith efforts and reach an amicable resolution without escalation.

Scenario 3. Quasi-public sector project

A national company implements a major infrastructure project financed by the EBRD. The lender's requirements provide for a Stakeholder Engagement Plan (SEP) and a functioning project-level grievance mechanism. Establishing these elements at the project preparation stage prevents delays in financial close and complaints from affected communities during implementation.

Getting started: a practical guide

The NCP Secretariat recommends the following sequence of initial steps, proportionate to the company's size and nature of activities:

- formalise, by decision of senior management, the company's commitment to follow RBC principles; designate a responsible unit or officer and establish internal accountability arrangements;
- conduct a simplified risk assessment by sector, countries of operation and nature of activities (self-assessment); where available, use OECD sector-specific guidance (minerals, light industry, agriculture, extractive industries and the financial sector);
- review contracts with key suppliers and business partners: include RBC compliance clauses, audit rights and incident notification procedures;
- establish an internal and/or external grievance channel that meets the effectiveness criteria of the UN Guiding Principles on Business and Human Rights: legitimate, accessible, predictable, equitable, transparent, rights-compatible and dialogue-based;
- provide for periodic policy review and public disclosure of key results - this creates a basis for subsequent ESG reporting.

Small and medium-sized enterprises are encouraged to use the dedicated OECD tool - OECD Practical Guide on Responsible Business Conduct for SMEs, available on the Organisation's official website.

Core OECD resources

- OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (2023 edition) - core reference document;
- OECD Due Diligence Guidance for Responsible Business Conduct (2018) - methodological basis for the process;
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas;
- OECD-FAO Guidance for Responsible Agricultural Supply Chains;
- OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector;
- OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector;
- OECD online platform on responsible business conduct - mneguidelines.oecd.org.

Support provided by the National Contact Point

The Secretariat of the Kazakhstan National Contact Point for Responsible Business Conduct provides the following types of support to businesses and other stakeholders:

- consultations on applying the OECD Guidelines for MNEs and the Due Diligence Guidance;
- awareness-raising events, seminars and training sessions, including jointly with industry associations;
- consideration of specific instances under the established procedure;
- facilitation of communication with the OECD Secretariat and foreign NCPs in cross-border cases.

Submissions are accepted in Kazakh, Russian and English. Consultations are provided free of charge.

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