Feedback on Discussion Paper of SHIFT and MAZARS

Developing Global Standards for the Reporting and Assurance of Company Alignment with The UN Guiding Principles on Business and Human Rights

Librian Angraeni
Sustainability & Stakeholder Engagement
APP Indonesia
June 1, 2013

1. INTRODUCTION

1.3 How the Reporting and Assurance Standards Will Work Together

It is suggested in the draft that a company would prepare an annual Human Rights Report similar to the Annual Financial Report.

- Suggest changing 'Report' (detailed, time bound document) into 'Statement' (usually very general and reviewed/updated within ± 5 years or if significant changes occur). The Statement could describe the company's key policies relevant to the Business and Human Rights Guiding Principles and describe its implementation process and monitoring mechanism, while description of actual case by case implementation of the principles could be integrated in other reports such as the company's GRi sustainability report.
- Above suggestion is also raised based on the consideration that unlike the financial aspect, human rights practices might not be as dynamic –unless there are specific cases that need to be monitored and reported frequently. In this case, as also suggested in the draft, the company shall develop separate and more detailed report.
- Suggest the Assurance cycle to be similar with the ISO system:
    - First complete assessment to review all aspects of the company's Human Rights Statement, Policy, strategy and management system
    - The complete assessment is then followed by surveillance audit which follows up progress of findings from the previous assessments. This surveillance process could be done annually or biennial depends on the condition of the organization
    - The complete assessment can be done every five years or so, or if there are significant changes in the organization or in the human rights principles or practices. This step is similar with re-certification process in ISO audit system. The full assessment will again review all aspects of the company's policy and management system relevant to human rights principles, to ensure it's relevancy to current condition.

1.4 Understanding Alignment with the Guiding Principles as a Journey

- Needs to be further clarified: the assurance process will assess the company's compliance to the guiding principles OR ensuring that the company has in place adequate policy and management system to enable the implementation of the guiding principles. This point refers to earlier discussions that the guiding principles is not something that an organization can fully 100% comply, but is an ideal state to provide direction toward responsible business practices. Moreover, the guideline itself is very general and interpretation across industrial sectors and nations could differ.

- Instead of compliance to the guiding principles, suggest to define compliance into these following aspects:
  1. Level A: The company comply to laws and regulations relevant to the guiding principles
  2. Level B: The company have adequate policies and system in place to enable implementation and monitoring of the guiding principles
  3. Level C: The company practice international best practices of human rights principles across its operations

  Please note that above leveling is an overly simplified means of categorizing and is intended as an example only. Means of reporting could also added to determine level of compliance, for example a company that publicly report its human rights practices are deemed more advanced that the ones that does not do public reporting. This could be further discussed.

- Various level of assurance could also be made available relevant to the client's needs. This could refer to the AA1000 Assurance Standard.

1.5 Human Rights Assurance and Non-Financial Reporting Initiatives

- Would be helpful if a practical Human Rights Risk Assessment tool/guideline is also made available
- It is explained in the draft that the Standards would focus expectations on continuous improvement rather than there being no human rights challenges. Agree on this point, but perhaps it would also be beneficial to again benchmark the Standards to the ISO standards, where management system effectiveness is also taken into consideration. Suggest that the term 'continuous improvement' is defined as improvement in the management system; implementation, monitoring and reporting, as opposed to results –considering that factors affecting social aspects are sometimes beyond control of the corporation.
- It is mentioned in the draft that the Assurance process would require a number of weeks or months to conduct. As was discussed in previous meetings, it is important that the assessment to be cost and time effective, as many large corporations are already subjected to many audits and assessment for standards that might also related to one of the human rights aspects. To repeat previous recommendation, might be useful to refer to ISO audit systems (with the re-certification and surveillance system) to develop audit scope and mechanism. Audit leveling will also be advantageous as corporations could choose the level of details and intensity of the assessment conducted based on their needs and conditions.

2. KEY ISSUES WITH REGARD TO THE REPORTING STANDARD

2.1 The Content of the Human Rights Statement: Reporting on Human Rights Policies and Processes

Suggest the mechanism of reporting to be as following:

- A corporation shall have a Human Rights Statement which describes policies relevant to the guiding principles, management system on implementing, monitoring and reporting each aspect.
- Detailed reporting of the human rights aspects could be integrated in the corporation's existing reports such as the GRI reporting or the Communication on Progress (annual reports to UN Global Compact for UNGC members)
- A corporation could decide to issue separate report containing specific human rights area which adverse impacts to human rights occur.

2.3. Public Disclosure of How Specific Risks or Impacts are addressed
Views on the degree of disclosure about how the company addresses potential or actual severe impacts in the statement.

Refer to above recommendations, suggest that corporations disclose its Human Rights Statement which describe its relevant policies and management system that enable the implementation of those policies, while report details of implementation in an integrated Sustainability Report based on the GRI.

A corporation could, by choice, describe in separate report its due diligence process mechanism and result, and in detail explain about the most salient risk identified from the due diligence process. The report could explain:
- identification of the issue
- company plan to address the issue (existing policy and practices, partnership or remediation plan)

A detailed separate report on a specific human rights aspect could also considered to be an additional point in the level of transparency of a company. It could also consider to be one of the aspects in determining level of compliance during assurance process.

2.4. Additional Information in the Human Rights Statement
Other matters outside of the sections 2.1, 2.2, and 2.3 usually reported in the corporate GRI sustainability reports or communication report to the Global Compact, or any other regular public reporting.

3. KEY ISSUES WITH REGARD TO THE ASSURANCE STANDARD

3.1. Determining the Scope of the Assurance Review
Compliance to local and national regulations should be the basis of the materiality assessment. In order to accurately assess salient issues in specific industry, the assessor need to have relevant background (experience/knowledge) of the specific industry and the location of the corporation. It is suggested, however, that rather than focusing on identifying the salient risks, the assessment is focused more in ensuring that the corporation have in place adequate policies, procedures and management system to enable them to identify the risks and taking necessary steps to monitor, mitigate and address them.

3.2. Materiality for items to be included in the human rights statement

3.3. Sources of evidence for the assurance review
There should be a time limit of validity for external sources to anticipate its accuracy or relevancy. Both parties (auditor and auditee) need to agree on this beforehand. This matter should be clearly defined in the scope of audit.

Evidence could be:
- document based: policies and procedures, records, pictures, etc
- interview based: interview of a percentage of most impacted stakeholder groups
  Interview based evidence, however, could be countered should relevant documents (SOP/Policy) has been made available and relevant with the content of the issue raised during interview
- media clippings: this type of information need to be carefully selected based on the relevancy of the issue, the validity/accuracy of the content and the source

3.4. Findings not included in the public assurance report

With the exception of any criminal activity, items disclosed in public report need to be agreed both by the assessor and the corporation. This is to prevent the leakage of confidential information or information that is not relevant to public. A separate management report consisting of detailed findings and recommendations should be made available for future improvement and as the basis for next surveillance assessment (as one of the indicators of continuous improvement)

3.5. Levels of Assurance

Similar to GRI level of transparency, it is suggested that various level of assessment also be made available so corporations can choose the level of assessment that suit its current company condition. This could provide a starting point of implementing the UN Guideline and obtain external feedback. The corporation could then increase its level of assessment once it has addressed all findings in the first level of assurance. Please refer to comment on section 1.4.

3.5. The competence and independence of assurance providers

Assessor has to be very conversant in relevant laws and regulations as well as certification schemes and best practices of aspects relevant to business and human rights such as:

- relevant labor laws and regulations including industrial safety management
- ratified ILO conventions
- certification schemes relevant to the industry that contains social aspects such as ISO 14001, OHSAS, chain of custody and sustainable forest management (for pulp and paper sector)
- understand local culture