

UN GUIDING PRINCIPLES

# *REPORTING / FRAMEWORK*

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**GUIDANCE PART II:**

Assurance of Human Rights  
Performance and Reporting

# ACKNOWLEDGMENTS

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# FOREWORD

Today, companies around the world are increasingly taking action to respect the fundamental dignity of people affected by their business. This expectation, that companies respect human rights, has become the global standard. It is set out in the UN Guiding Principles on Business and Human Rights, which I authored and which were unanimously endorsed by the UN Human Rights Council in 2011.

In 2015, we took a significant step forward in helping companies translate the Guiding Principles into their own operating realities, when Shift and Mazars launched the UN Guiding Principles Reporting Framework – the first comprehensive framework for companies to report on their implementation of the Guiding Principles. The Reporting Framework provides a set of smart, straightforward questions to which any company needs to have answers – inside and outside its own walls.

I have been gratified to see the Reporting Framework being applied already by so many businesses to improve both their human rights performance and their reporting. It is triggering internal dialogues across functions, helping to embed concern for human rights issues throughout the firm.

Of course, the critical question for companies and their stakeholders is what difference this is making in people's lives. As companies improve their processes to reduce human rights risks and impacts, so they need ways to assure themselves that these processes are having the intended effects. And as they improve the quality of their disclosure about these efforts, they need ways of providing assurance to investors and other stakeholders that this information fairly reflects their practices.

The present guidance meets these needs. It addresses practitioners of both internal audit and external assurance – experts who are ideally positioned to form evidence-based judgments on the quality of a company's human rights performance and reporting.

While many practitioners are subject to general professional standards, the particular subject of human rights is unfamiliar to most. Yet its implications for the success of companies could hardly be more apparent. Today, any company that wishes to demonstrate either its own sustainability or its contribution to sustainable development must show how it is driving respect for human rights across its operations and value chains. Independent assurance has a vital role to play in enhancing the credibility of what the company's Board are told and tell others about their risks and performance.

This is not a compliance exercise or a simple question of 'do no harm'; nor is it something to be completed by mere words in policies or phrases in a report. It is about a way of doing business from the top to the bottom of an organization, with the understanding that profits must not come at the expense of people's most basic human dignity. Assurance practitioners, both inside and outside a company, need to distinguish a tick-box approach from practices embedded in culture, and help companies to embrace the latter. This guidance will be their go-to tool as they do so.

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# **PART I:**

## **INTRODUCTION**



# INTRODUCTION

Business can do a great deal to advance human rights by providing decent jobs, advancing economic prosperity and developing infrastructure, products and services that contribute to people's welfare. At the same time, companies can be involved with negative impacts on human rights through either their own operations or their value chains that can undermine people's basic dignity and well-being. The UN Guiding Principles on Business and Human Rights<sup>1</sup> provide the authoritative global standard for both states and companies to prevent and address such negative impacts.

The UN Guiding Principles emphasize the duty of states to protect people against abuses of their human rights by business, and to provide access to remedy when people are harmed. They also set out companies' own responsibility to respect the human rights of workers, communities and others who may be impacted through their operations and value chains. This requires that they assess risks to human rights, take action to address them, and then track and communicate their progress. These processes constitute 'human rights due diligence'. Companies should also enable remedy where they contribute to harm. Today, ever more companies are embracing this responsibility, and taking proactive steps to know and to show that they respect human rights in practice.

The UN Guiding Principles Reporting Framework was launched in February 2015 by the Human Rights Reporting and Assurance Frameworks Initiative (RAFI), a process co-facilitated by Shift and Mazars. The UN Guiding Principles Reporting Framework provides the first comprehensive framework for companies to report on how they respect human rights in practice. Many companies are now using this framework to improve their human rights reporting in line with the UN Guiding Principles, whether as part of an annual report, integrated report, sustainability report or stand-alone human rights report.

The 'UN Guiding Principles Reporting Framework – Guidance Part I: Strengthening Human Rights Reporting and Performance' ('implementation guidance'), which was issued at the same time as the UN Guiding Principles Reporting Framework, is being used by companies not only to help them advance their human rights reporting, but also as a tool to improve their

As at 31 March 2017, the UN Guiding Principles Reporting Framework was backed by 87 institutional investors with over USD 5.3 trillion assets under management. It has been supported by multiple governments and recognized by the UN Working Group on business and human rights as the convergence point for good human rights reporting. It is being used by a fast-growing array of companies – including ABN AMRO, BNP Paribas, Citi, The Coca-Cola Company, Ericsson, H&M, Microsoft, Nestlé, Newmont, Novo Nordisk, PepsiCo, Total and Unilever – to improve their human rights disclosure.

The UN Guiding Principles Reporting Framework highlights the importance of companies focusing their human rights reporting on those human rights that are at risk of the most severe negative impact through their activities and business relationships. These are defined as the company's 'salient human rights issues'. Section C.5 in Part II of this guidance document provides further information about how salient human rights issues are identified and their specific relevance for an assurance process.

For more on the UN Guiding Principles Reporting Framework, its different language translations, and information about its users, supporters and practical guidance, go to [www.UNGReporting.org](http://www.UNGReporting.org).

human rights performance. Company experience shows clearly how using the Reporting Framework serves both purposes and, therefore, adds considerable value to companies that use it.<sup>2</sup>

**1** See [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

**2** See <http://www.ungpreporting.org/about-us/support-and-users/>

## This guidance document has been designed to:

- ✓ **provide tailored support** to expert assurance practitioners who conduct internal audit in companies, provide external assessments of companies' human rights performance, or assure companies' human rights (among other non-financial) reporting
- ✓ **add value to the professional standards** that govern many of these practitioners by setting out the specific procedural approaches and types of information and evidence that are important when it comes to the subject matter of human rights
- ✓ **address perceived risks and deficits** in the current practice of many types of assurance in relation to the subject matter of human rights
- ✓ **bring value to the intended beneficiaries** of these types of assurance: in the first place, companies themselves, and – in the case of the external assurance of companies' reporting – their shareholders and other stakeholders as well
- ✓ **serve the ultimate purpose of helping to strengthen companies' underlying human rights performance** and, therefore, prevent and remedy negative impacts on the human rights of people affected by their operations and value chains

This guidance is based on extensive global consultations with a broad range of interested stakeholders, including companies, expert practitioners of internal audit and assurance, investors, governments and civil society organizations. Yet much remains to be learned from its application in practice and a continually deepening understanding of how to assess the effectiveness of companies' efforts to address human rights risks and impacts. The authors look forward to working with practitioners applying the guidance to learn from their experience, which will inform future refinements of the content.



# BACKGROUND

The UN Guiding Principles on Business and Human Rights were endorsed by the United Nations Human Rights Council in June 2011. They set the global standard for business conduct in relation to human rights, with which other international, regional, national and industry and multi-stakeholder standards have aligned. They set out:

- ✓ the state duty to protect human rights against abuse by third parties, including business, through appropriate policies, legislation, regulations and adjudication
- ✓ the corporate responsibility to respect human rights, meaning to act with due diligence to avoid infringing on the rights of others and address adverse impacts with which they are involved
- ✓ the need for greater access to effective remedy, both judicial and non-judicial, for victims of business-related human rights abuse

The Human Rights Reporting and Assurance Frameworks Initiative was established in 2012 by Shift and Mazars to address two questions:

- ✓ What would good human rights reporting in line with the UN Guiding Principles look like?
- ✓ What would meaningful assurance of human rights reporting involve?

To advance shared understanding of the potential answers to these questions, RAFI conducted 20 multi-stakeholder consultation meetings across all continents, involving over 300 representatives of companies, investor groups, civil society organizations, governments, assurance providers, law firms and other expert organizations. Summaries of all consultations were published online.<sup>3</sup>

Participants in early consultations urged the project team to focus first on developing a framework for human rights reporting and, only then, to turn its attention to the question of assurance. This reflected a concern that the Reporting Framework should be shaped by what it is meaningful to report, and not by considerations of what it is easiest to assure. The UN Guiding Principles Reporting

Framework<sup>4</sup> was, therefore, developed first and launched in February 2015.

The RAFI project team continued consultations through 2015 and 2016, including expert round tables with practitioners from the fields of assurance and internal audit, to test approaches for adding value to this field of practice. This guidance is the result of that process.

During the process of these consultations, there was a notable increase in regulatory requirements with regard to companies' human rights performance and reporting. From the EU non-financial reporting directive and the UK Modern Slavery Act 2015, to the US Federal Acquisition Regulation Anti-Trafficking Provisions and the French 'Devoir de Vigilance' law regulating human rights due diligence, governments are increasingly requiring companies to demonstrate and disclose their human rights policies and risk management processes.<sup>5</sup> In many instances, these requirements extend beyond the first tier of company supply chains to more remote tiers where human rights risks are often more likely, more severe and more difficult to address.

These developments highlight the growing need for companies to be sure of whether and how they are managing risks to human rights effectively across their operations and value chains, and to be sure that they disclose these efforts and their results adequately and accurately. Effective assurance has a central role to play in both dimensions.

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**3** See <https://business-humanrights.org/en/business-and-human-rights-reporting-and-assurance-frameworks-initiative-rafi>

**4** See [www.UNGPreporting.org](http://www.UNGPreporting.org)

**5** See Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, available at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095&from=EN>; and see Section 54(9) of the Modern Slavery Act 2015, available at <http://www.legislation.gov.uk/ukpga/2015/30/section/54/enacted>; and see US Federal Register, Federal Acquisition Regulation; Ending Trafficking in Persons, 2015, available at <https://www.federalregister.gov/articles/2015/01/29/2015-01524/federal-acquisition-regulation-ending-trafficking-in-persons>



# B

## RATIONALE

Consultations with stakeholders on the development of this guidance initially focused on the external assurance of human rights reporting. Participants highlighted the need for more robust assurance to enhance confidence in companies' reporting about their efforts to advance respect for human rights across their business.

At the same time, these consultations underlined a number of concerns and expectations that this guidance would need to meet. Concerns included:

- ✓ The fact that the scope of external assurance opinions on companies' non-financial reporting are often heavily caveated to exclude whole categories of information and to reflect limited testing of much of what remains. As a result, they can be of limited value to the reader, and risk giving false comfort to anyone who relies on them, thereby rendering the assurance meaningless.
- ✓ Meaningful assurance should not only test whether a company's human rights policies and processes exist, but also consider whether they are operating effectively.
- ✓ It is often unclear what skills or qualifications an expert practitioner has in relation to the human rights aspects of the performance or reporting being assured.
- ✓ In order for companies to be willing to pay for human rights assurance, they will need to see the potential costs as viable and worthwhile, based on the benefits gained internally and externally.
- ✓ Any guidance in this field should take care not to duplicate or cut across the relevant frameworks that exist and which set either mandatory or otherwise authoritative standards for practitioners on the more general aspects of assurance.

In addition to these considerations, discussions with experts demonstrated a far wider relevance for assurance guidance than originally envisioned at the start of RAFI. For many companies that have committed to meet their responsibility to respect human rights under the UN Guiding Principles, their internal audit functions are reviewing how effectively they are implementing this commitment. Many other companies are engaging

external assessors to provide them with an expert review of their progress. These processes differ from external assurance in two key ways:

- ✓ They do not result in a public report but, instead, in an internal report to the company's management, CEO, Board or audit committee.
- ✓ They are less constrained in their recommendations to address primarily the information the company discloses, and can look more broadly at the company's activities and performance to identify areas for improvement.

Most of the challenges listed above apply not just to external assurance, but also to internal audit and expert assessment of companies' human rights performance. While there are variations in the overarching professional standards that guide the different practitioners and the scope and emphasis of their work, the same basic guidance is, therefore, relevant for them all when it comes to the subject matter of human rights.

This guidance is, therefore, tailored to provide practical advice for the performance of these different types of assurance engagement in line with the UN Guiding Principles. It recognizes that the implementation of the Guiding Principles is an ongoing process of improvement and encourages companies to extend the scope and level of assurance that they seek over time.

This guidance helps practitioners avoid the challenges and concerns outlined at the start of this section. Its application will offer companies substantially greater confidence in the quality of their human rights performance and reporting and, in turn, help them build trust among key stakeholders and stronger reputations. It can provide a clear evidence base that a company is conducting its business with respect for human rights. This should increase the prospects for companies to reduce their cost of capital, by demonstrating that the Board is alert and responsive to the risks of any company involvement with human rights abuses.

This guidance should also assist companies that have implemented, or are looking to implement, the Integrated Reporting Framework,<sup>6</sup> as it will help them better understand, take account of and report on at least two of the six capitals relevant to integrated reporting, namely Human capital and Social and relationship capital.

**6** For more information, see <http://www.ungpreporting.org/resources/the-ungp-reporting-framework-and-integrated-reporting>



# INTENDED USERS

This guidance is intended to be of use to:

- ✓ **internal auditors** providing an independent evaluation (for the Board/audit committee and management) of their company's performance in relation to its responsibility to respect human rights, as well as external service providers contracted to perform this function
- ✓ **external expert assessors** reviewing and assessing (for management) a company's performance in relation to its specific human rights commitments and/or its general responsibility to respect human rights
- ✓ **external assurance providers** providing assurance (to management, the Board and publicly) on a company's reporting in relation to its responsibility to respect human rights

The substance of the guidance is designed to be of relevance to all three types of practitioner. In the few areas that are only relevant to one or other group (most typically, external assurance providers), this is highlighted separately.

The guidance uses certain umbrella terms across all three practitioner groups:

- ✓ It refers to all three user groups as '**expert practitioners**'.
- ✓ It refers collectively to the processes they conduct as human rights '**assurance**'.
- ✓ It refers to all forms of written output that result from the work of the expert practitioners as the '**expert conclusions**'.

Box A on page 11 summarizes the key distinctions between the different types of assurance.

Part II.A of the guidance discusses how it builds on existing standards relevant to the different practitioner groups.

Separate eight-page aide-memoires for internal auditors and for external assurance providers that summarize the key elements of this guidance are available at [www.ungpreporting.org/assurance](http://www.ungpreporting.org/assurance).

## BOX A

# KEY DISTINCTIONS BETWEEN DIFFERENT TYPES OF ASSURANCE

	Internal Audit	Expert Assessment	External Assurance
Purpose	To show, through an internal process that is independent of management, the extent to which the company's risk management and remedy processes are sufficient to mitigate risks and impacts to human rights and related risks to the business	To show, through an external process that is independent of the company, the extent to which the company's risk management and remedy processes are sufficient to mitigate risks and impacts to human rights and related risks to the business	To provide confidence that what the company asserts about its respect for human rights in its public reporting is fair and balanced
Performed by	Company's internal audit function or outsourced to external practitioners of internal audit	External experts – professional firms and sustainability consultants	External experts – professional firms and sustainability consultants
Focus	Company's performance	Company's performance	Company's reporting of its policies and performance, including KPIs
Standards of conduct	Set by the Institute of Internal Auditors Global (IIA Global) – notably, the International Professional Practices Framework. Conformance with the standards is mandatory for all members of both IIA Global and its international chapters/ institutes	Varying. May include standards specific to a business association or multi-stakeholder initiative that has its own code or principles	Set by national regulators for professional firms – notably, ISAE 3000 and AT-101 (US). Primarily, AA1000AS for other practitioners
Outputs	Private conclusions shared with the organization's internal audit stakeholders, e.g., the Board and audit committee	Private conclusions	Public conclusions in addition to a private letter to management
Addressees	Typically, the CEO, senior management, the Board, audit committee, or some other form of oversight committee	Typically, senior management, who may also choose to share the conclusions with prospective financiers or customers, with other members of a business association or multi-stakeholder initiative, or with the public via their website	Initially, senior management, the Board, or some other form of oversight committee, and, subsequently, shareholders and the wider public

# D

## OBJECTIVES

This guidance does not seek to replace existing standards or frameworks that govern the work of expert practitioners. Instead, this guidance complements existing standards by exploring, in more depth, their implications when it comes to the subject matter of human rights. Cross-references to the relevant provisions of existing standards and frameworks are indicated in footnotes in each section.

The goal of this guidance is to advance effective human rights assurance as a means to help companies improve their human rights risk management systems and human rights reporting in line with the UN Guiding Principles on Business and Human Rights. To achieve this goal, this guidance aims to:

- ✓ provide practical human rights subject matter guidance to expert practitioners, with a focus on the types of evidence to look for and the competencies required when reviewing the appropriateness and effectiveness of human rights-related policies, processes and practices
- ✓ help expert practitioners deliver greater value to all stakeholders, be they internal or external to the company, through their expert conclusions

This guidance should, therefore, help expert practitioners ensure that their work plays a valuable role in advancing the protection of workers, communities and other groups affected by business activities, and adds value to a company's business by helping it improve its management of human rights risks, strengthen its reputation, and enhance its resulting business opportunities, thereby protecting and creating value for the business in the medium to long term.



# THE JOURNEY

Implementing the UN Guiding Principles takes time and no company is ever likely to achieve perfect results since the challenges evolve as companies' operating contexts, business relationships, products and services change. Reporting on human rights performance is, therefore, about showing progress, including the challenges, ongoing efforts to address them and forward-looking plans.

The ongoing nature of improvements in both implementing and reporting on respect for human rights will, typically, also be reflected in companies' approaches to the evaluation and assurance of that progress. This will usually begin with the three so-called 'lines of defence' within the company that culminate with internal audit, as explained in Box B. External expert assessments may support those internal processes or follow as a next step. The external assurance of companies' reporting then forms a fourth line of defence. In sum, the different work undertaken by each type of expert practitioner is linked and contributes separately and cumulatively to the overall objective of supporting, testing and verifying the company's progress in implementing respect for human rights. Moreover, the more robust the three internal lines of defence and any external assessments, the more manageable and resource-efficient will be external assurance, building on this prior work and its resulting evidence base.

Moreover, the assurance indicators set out in Part IV of this guidance may also be of particular value to those functions within companies that are developing or revising policies and processes necessary to implement respect for human rights – the first two 'lines of defence' discussed in Box B on the following page. By reviewing their human rights policies, due diligence and remedy processes against these indicators, they can help ensure they have a complete and robust internal management system for implementing respect for human rights.

External assurance may not, in practice, be commissioned until companies' management and Boards have sufficient confidence in their internal performance to seek an external opinion on their reporting. This said, in some jurisdictions, external assurance of non-financial reporting, including human rights information, is mandatory. And some companies that traditionally seek external assurance of their non-financial reporting may wish to ensure that human rights information is better included within the scope of that assurance.

Given the importance of external assurance in providing companies' shareholders and other stakeholders with confidence that what they report is fair and balanced, we anticipate many more companies moving towards meaningful external assurance on the human rights aspects of their reporting over time, coming closer to the level they have applied to financial, and some other non-financial, matters.

This guidance endeavours to further support companies along the journey of implementing respect for human rights that was set in motion by the UN Guiding Principles and advanced by the UN Guiding Principles Reporting Framework.<sup>7</sup>

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**7** See [www.UNGReporting.org](http://www.UNGReporting.org)

# THE THREE LINES OF DEFENCE

The Institute of Internal Auditors (IIA) describes the ‘three lines of defence’ for monitoring and assurance of a company’s risk management processes as follows:

## 1. FIRST LINE OF DEFENCE

As the first line of defence, operational managers own and manage risks. They also are responsible for implementing corrective actions to address process and control deficiencies.

## 2. SECOND LINE OF DEFENCE

[In the second line of defence,] management establishes various risk management and compliance functions to help build and/or monitor the first line-of-defence controls. The specific functions will vary by organization and industry, but typical functions in this second line of defence include:

- ✓ A risk management function (and/or committee) that facilitates and monitors the implementation of effective risk management practices by operational management and assists risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the organization.
- ✓ A compliance function to monitor various specific risks such as noncompliance with applicable laws and regulations. In this capacity, the separate function reports directly to senior management, and in some business sectors, directly to the governing body. Multiple compliance functions often exist in a single organization, with responsibility for specific types of compliance monitoring, such as health and safety, supply chain, environmental, or quality monitoring.
- ✓ A controllership function that monitors financial risks and financial reporting issues.

## 3. THIRD LINE OF DEFENCE

[In the third line of defence,] internal auditors provide the governing body and senior management with comprehensive assurance based on the highest level of independence and objectivity within the organization. This high level of independence is not available in the second line of defence. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives. The scope of this assurance, which is reported to senior management and to the governing body, usually covers:

- ✓ A broad range of objectives, including efficiency and effectiveness of operations; safeguarding of assets; reliability and integrity of reporting processes; and compliance with laws, regulations, policies, procedures, and contracts.
- ✓ All elements of the risk management and internal control framework, which includes: internal control environment; all elements of an organization’s risk management framework (i.e., risk identification, risk assessment, and response); information and communication; and monitoring.
- ✓ The overall entity, divisions, subsidiaries, operating units, and functions — including business processes, such as sales, production, marketing, safety, customer functions, and operations — as well as supporting functions (e.g., revenue and expenditure accounting, human resources, purchasing, payroll, budgeting, infrastructure and asset management, inventory, and information technology).

See the IIA position paper, ‘The Three Lines of Defense in Effective Risk Management and Control’, January 2013, available at <https://na.theiia.org/standards-guidance/Public%20Documents/PP%20The%20Three%20Lines%20of%20Defense%20in%20Effective%20Risk%20Management%20and%20Control.pdf>

# F

## GUIDANCE STRUCTURE

Following this introductory section, the structure of the guidance is as follows:

### PART II

Part II of this guidance reviews the **relationship of this guidance to existing standards** governing practitioners' work, and highlights the **particular competence needs of expert practitioners** for this kind of assurance and factors of heightened importance to planning and conducting a human rights assurance process.

### PART III

Part III provides guidance to the expert practitioner on **how best to communicate his or her findings**, either internally to management or externally to a wider stakeholder base.

### PART IV

Part IV sets out a **comprehensive set of indicators of the appropriateness and effectiveness of a company's human rights-related policies and processes**, from which expert practitioners can draw according to the nature and scope of the assurance engagement. These are structured according to the questions of the UN Guiding Principles Reporting Framework and, therefore, the logic of the UN Guiding Principles themselves. They are broken into three tiers, based on the level of resources and effort required to provide assurance. This section is preceded by short narrative guidance on the application of the indicators.

### PART V

Part V provides a **glossary of terms** used in this guidance.

**PART II:  
BUILDING ON  
EXISTING STANDARDS**



# A

## RELATIONSHIP TO EXISTING STANDARDS

Section A sets out how this guidance both respects and builds upon existing standards that apply to expert practitioners of assurance. Section B discusses competencies that are particularly necessary for expert practitioner teams when conducting assurance. Section C highlights nine factors that gain heightened importance in the context of assurance of human rights performance or reporting.

The general standards and guidance followed by expert practitioners vary according to the focus of their work, any professional regulations that apply to them, and the jurisdiction in which they are based.

**INTERNAL AUDIT:** Internal auditors will typically follow the International Professional Practices Framework<sup>8</sup> issued by the global Institute of Internal Auditors (IIA). This framework sets out the mission of internal auditing “to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight”. It includes the mandatory and recommended guidance developed by the IIA for audit professionals, including Core Principles and International Standards for the professional practice of internal auditing, a Code of Ethics and Implementation Guidance.

**EXPERT ASSESSMENT:** External expert assessors may be required to follow specific standards or guidance issued by an organization of which the company is a member, and against which it is being assessed. Examples include standards set out under the Responsible Jewellery Council codes of practice,

the International Council on Mining and Metals assurance procedures, the Initiative for Responsible Mining Assurance and the Global Network Initiative. In some instances, assessors are required to apply to a certification body to perform these assessments and, in some cases, they will be subject to some form of oversight. Expert assessors may also have their own methodologies to assess human rights performance.

**EXTERNAL ASSURANCE:** External assurance providers from regulated professional services firms are governed by standards that depend on the jurisdiction where the practitioner is registered, being determined by national and/or international standard-setting and regulatory bodies. These protocols cover all forms of external assurance that such firms undertake in respect of public reporting. Other practitioners of non-financial assurance typically follow standards that echo aspects of these same professional standards.

8

See <https://global.theiia.org/standards-guidance/Pages/Standards-and-Guidance-IPPF.aspx>

The three standards most widely used for the external assurance of companies' non-financial reporting are as follows:

1. International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Financial Information
2. In the United States, the Statement on Standards for Attestation Engagements No. 10, AT Section 101 (AT-101)
3. AccountAbility 1000 Assurance Standard 2008 (AA1000AS)

Often, AA1000AS is used in conjunction with ISAE 3000 and AT-101, and is reported as such.

This guidance does not seek to replicate any of the above standards or guides, nor to introduce new ethical requirements. Rather, it is premised on the recognition that existing assurance standards, frameworks and guides provide the essential foundation for the conduct of good human rights assurance. The typical foundations of all ethical guidelines are:

- ✓ **integrity:** that work will be performed honestly, responsibly and diligently
- ✓ **independence:** that those performing the work are free of relationships that could impair their objectivity, in order to ensure that their work is balanced and not unduly influenced by their own or others' interests

- ✓ **confidentiality:** that information will not be disclosed without the appropriate legal authority and will not be used for personal gain
- ✓ **competence:** that work will only be undertaken by those with the appropriate skills, knowledge and experience

This guidance adds value to the existing standards in three ways:

- It highlights areas of existing assurance procedures that require some particular attention or action in the context of human rights engagements (see the remainder of Part II).
- It provides guidance for expert practitioners on the substance of human rights, looking at the indicators against which to gather evidence in order to assure the appropriateness and effectiveness of human rights-related policies, processes and practices (Part IV).
- It proposes how expert practitioners can increase the value of their expert conclusions. For internal auditors and external assessors, this will be in the form of a report to management, the Board or some other form of oversight committee; for external assurance providers, existing standards determine certain aspects of their conclusions' structure and format, while leaving opportunities to give readers further insight into a company's progress in meeting their responsibility to respect human rights (Part III).

# B

## COMPETENCE OF EXPERT PRACTITIONERS

Given the nature of human rights assurance processes, expert practitioners should have the requisite competencies both with regard to assurance skills and human rights knowledge and awareness. The Code of Ethics issued by the Global Institute of Internal Auditors and all three standards for external assurance, referred to above, discuss in depth the importance of competencies.<sup>9</sup> This guidance sets out and emphasizes those competencies that are likely to be particularly relevant for the performance of a human rights engagement.

### 1. INDEPENDENCE AND IMPARTIALITY

The three external assurance standards and the IIA Code of Ethics referred to in this guidance address the issue of the independence and impartiality of the expert practitioner, which is essential to the credibility of any assurance engagement.

Whilst internal auditors are not wholly independent from the company, their terms of reference normally mandate that they are independent of the company's main operational activities and report directly to the Board. The Code of Ethics of the Global Institute of Internal Auditors specifically addresses the following four principles: integrity, objectivity, confidentiality and competency. The definition of objectivity includes the requirement that practitioners "*are not unduly influenced by their own interests or by others in forming judgments*".

These considerations are particularly important for all expert practitioners in the context of human rights assurance processes, given a history of various forms of 'social audit' and certification in relation to human rights (particularly labour rights) that have at times been heavily criticized, including for a perceived lack of independence on the part of those carrying them out.

It will be important for the expert practitioner to confirm in his or her conclusions that the requirements of independence and impartiality have been fulfilled, with specific reference to the main standard under which they are reporting.

### 2. SPECIFIC HUMAN RIGHTS EXPERTISE<sup>10</sup>

Given that the subject matter of human rights is wide-ranging, expert practitioners should understand the limits of their knowledge and expertise and ensure that additional expertise is included in the assurance team from other sources where necessary.

The lead assurance practitioner should ensure that all practitioners and organizations involved in the assurance engagement, including external experts, together possess the necessary competence to undertake the engagement.

Areas of competence that will typically be relevant, in addition to expertise in assurance processes in general, are:

- ✓ expertise in internationally recognized human rights standards
- ✓ expertise in the UN Guiding Principles on Business and Human Rights
- ✓ expertise in human rights risk assessment
- ✓ expertise in human rights issues typically relevant to the company's industry and operating contexts
- ✓ expertise in processes for engaging stakeholders, including vulnerable groups and other stakeholders affected by the company's business

It will be helpful for expert practitioners to make clear in their conclusions the competencies included in the team conducting the engagement, and notably those relevant to the subject matter of human rights.

<sup>9</sup> Relevant sections for standards are: ISAE 3000 – paragraphs 31–32; AA1000AS – section 3.3; AT-101 – paragraphs 39–41; IIA Code of Ethics (see <https://global.theiia.org/standards-guidance/mandatory-guidance/pages/code-of-ethics.aspx>)

<sup>10</sup> Relevant sections for standards are: ISAE 3000 – paragraph 32; AA1000AS – section 3.3; AT-101 – paragraphs 21–22

### **3. RELIANCE ON THIRD-PARTY EXPERT EVIDENCE<sup>11</sup>**

It may be beneficial, from a practical, expertise, cost and efficiency perspective, for an expert practitioner to place reliance on the work of others. Such work would form part of the documentary evidence contributing to the judgments included in the expert conclusions. It may be obtained from other assurance practitioners or subject matter experts. External assurance providers are also likely to consider work performed by an internal audit team, the extent and rigour of which could, potentially, reduce the costs of the assurance.

It is important that the engagement team have the skill and competence to:

- ✓ assess the objectivity, independence and skills of the other party that undertakes such work and assess whether they are appropriate for the purposes of this engagement, in line with sections B.1 and B.2 above
- ✓ assess the objectives of the other party and whether they are compatible with those of the current engagement
- ✓ evaluate the assumptions that the third party makes and the methods they use in obtaining their source evidence

Occasions may arise when work by a third party has taken place prior to the current engagement. There is a ‘rebuttable presumption’<sup>12</sup> that such work would not provide substantive evidence to help the expert practitioner form his or her expert conclusions for the following reasons:

- ✓ The expert practitioner was not party to defining the scope of the engagement of the third party.
- ✓ It may not be possible for the expert practitioner to assess the independence and impartiality of the third party.
- ✓ The work of the third party may cover a different time period.
- ✓ The third party may not provide access to the documentary evidence that supports their conclusions, or may state that they are not liable if such evidence is relied upon by the primary expert practitioner.

It may be possible to rebut this presumption if the expert practitioner is sufficiently satisfied that:

- i. The scope of the prior engagement was in line with the scope of work that the expert practitioner would have requested/performed; and
- ii. The third party had the necessary independence and impartiality; and
- iii. The expert practitioner’s own work shows that, on the basis of its own sample testing, the third party’s conclusion can be relied upon; and
- iv. The expert practitioner is granted full access to the working papers of the third party.

### **4. STAKEHOLDER ENGAGEMENT<sup>13</sup>**

Expert practitioners will need the expertise to critically review the company’s understanding of who its stakeholders are with regard to human rights risks and impacts. Where necessary, they may need to conduct their own mapping of stakeholders to ensure no key groups have been omitted that might change the company’s understanding of human rights risks. Particular attention should be paid to the inclusion of potentially impacted groups such as employees, contract workers, workers in the supply chain, local communities, and potentially vulnerable groups such as indigenous peoples, women or children.

The relevance for human rights assurance processes of engaging directly with key types of stakeholder external to the company is discussed in section C.6 below. Expert practitioners need particular skill sets to engage with many third-party experts and stakeholders, most notably with those who may be, or have been, impacted through the company’s operations or value chain.

**11** Relevant sections for standards are: ISAE 3000 – paragraphs 52–55; AA1000AS – section 3.3.1

**12** A rebuttable presumption is an assumption that is taken to be true, unless there is a good reason for this not to be the case.

**13** Relevant sections for standards are: ISAE 3000 – paragraphs 48–51; AA1000 Stakeholder Engagement Standard; AT-101 – paragraph 52

### Critical considerations when engaging with stakeholders include:

- ✓ attention to culturally and linguistically appropriate modes of engagement
- ✓ ensuring that any representatives of affected stakeholders with which the expert practitioner engages have the legitimacy to speak for them
- ✓ clarity about the nature and the purpose of the engagement so as to avoid misunderstanding among the stakeholders about who they are talking with, why, and what the results of the conversation might be
- ✓ awareness of, and steps to address, any fears they may have about the implications of engaging with an expert practitioner conducting internal audit or assurance of a company's human rights performance or reporting, including any fears related to confidentiality and possible retaliation
- ✓ alertness to possible company or third-party pressures placed on stakeholders in terms of how they engage with an expert practitioner and what they say, and measures to reduce the possibility of such interference

The expert practitioner should use recognized experts to carry out this work who have appropriate skills and experience both in this kind of stakeholder engagement *and* in the particular geographical and cultural contexts where it will be conducted. AccountAbility's AA1000 Stakeholder Engagement Standard provides further guidance on appropriate approaches to stakeholder consultation.



# FACTORS OF HEIGHTENED IMPORTANCE FOR HUMAN RIGHTS ASSURANCE

Existing internal audit and external assurance standards and guidelines cover a broad range of issues related to the ethical and professional conduct of these assurance processes. They are an essential foundation for the conduct of any such human rights engagement. This section highlights nine factors that gain heightened importance for expert practitioners in the context of human rights assurance due to the particular nature of this subject matter:

1. Suitability of the scope of the assurance process
2. Time to gather evidence
3. Conflicts between local laws and international standards
4. Professional scepticism and judgment
5. Review of salient human rights issues
6. Engagement with external stakeholders
7. Limited versus reasonable assurance in the context of external assurance processes
8. Retention of evidence
9. Subsequent events

## 1. SUITABILITY OF THE SCOPE OF THE ASSURANCE PROCESS<sup>14</sup>

Given the potential sensitivity of a human rights assurance engagement, both the company and the expert practitioner need to be clear about the following:

- what is being assured (i.e., the subject matter – all human rights or specific human rights issues)
- the areas of the company's business being assured (e.g., specific sites, areas of the supply chain, or range of assertions in the company's disclosure)
- the types of evidence that the assurance practitioner will require to substantiate the company's assertions, including through engagement with external stakeholders
- the types of evidence – such as company press releases or case studies published by the company regarding performance improvements, or internal email confirmations that something has been achieved – that are not admissible to substantiate the company's assertions

A principal concern of the expert practitioner when considering how to perform an assurance engagement is understanding any limitations that the requesting party may seek to impose. While it is important for expert practitioners to understand the boundaries of their engagement and the rationale for those boundaries, they will need to assess whether a limitation, or potential limitation, is so far-reaching as to render their conclusions potentially meaningless or misleading.

For internal auditors and expert assessors, it may be reasonable for assurance to be limited to one specific area of a business or a particular issue. For example, in light of regulatory developments, management may request an assessment of how forced labour is being addressed in the supply chain. Or a company's

<sup>14</sup> Relevant sections for frameworks and standards are: IPPF – section 2220; ISAE 3000 – paragraphs 21–30; AA1000AS – section 3; AT-101 – paragraphs 13–14

head office may wish to track how a policy is being implemented in specific countries of operation. However, care should be taken to ensure that any such limitations are clearly agreed and articulated in the practitioner's expert conclusions, and do not lead to the assurance giving a misleading impression.

If certain focal countries are being selected, it is preferable for the expert practitioner to be involved in that selection to ensure that appropriate criteria are used that reflect the company's human rights risk profile.

In situations where a misleading impression could arise from limitations, this would require the practitioner to object to a limitation and for an external assessor to avoid proceeding unless the limitation is removed. Such limitations might include:

- the exclusion of a particular group from the scope of the work; for example, a request to assess the company's performance in respecting labour rights in its supply chain with regard only to the employees of suppliers but excluding workers contracted through a labour provider
- a requirement by the company that it be able to predetermine a list of employees, suppliers or other stakeholders from which the expert practitioner can obtain evidence
- a prohibition on communicating with certain stakeholders in the performance of the audit/assessment

## EXAMPLE

In one instance, an assurance provider was asked to provide assurance on a report that reviewed a company's performance in relation to non-discrimination among a workforce in Asia. The assurance practitioner was asked to exclude caste and religion from their review. Pressure was exerted by the company's lawyers to undertake the assignment based on this limited scope. The assurance practitioner refused on the basis of their own integrity and that any resulting findings on discrimination would be misleading.

For external assurance providers, it is less likely that such limitations on the scope of their work would be acceptable. It is, therefore, more likely that they would be unable to accept such an engagement. If an engagement has already begun and they become aware of a limitation that could render their findings meaningless, they would need to withdraw or provide an adverse opinion in their expert conclusions. Situations raising a risk of this kind might include:

- The company's reporting focuses only on one part of the business when it is clear, given the nature and footprint of the business, that salient human rights issues arising elsewhere are, therefore, excluded.<sup>15</sup>

15

For more information on salient human rights issues, see <http://www.ungpreporting.org/key-concepts/salient-human-rights-issues/>

- The company has only reported on one set of human rights issues (such as health and safety) to the exclusion of other human rights that are particularly salient for the business.
- The company prohibits the assurance provider from communicating with certain stakeholders in the performance of the engagement.

Were external assurance to be undertaken under any of the above circumstances, there is an elevated risk that the expert conclusion provide a partial or misleading impression. The assurance provider has three options:

1. To perform the engagement on the terms set out by the company and not to report this limitation in the practitioner’s expert conclusions. This might be because, in the practitioner’s view, the limitation is not significant in the context of the engagement as a whole. However, caution should be exercised

given that this provides no insight into the fact that the limitation exists and that a judgment has been made that this will not result in the expert conclusions being misleading.

2. To perform the engagement on the terms set out by the company and to report this limitation in the expert conclusions. This is transparent but still leaves uncertainty as to the extent to which the expert conclusions may give a misleading impression. To do this, the assurance provider must be of the opinion that such limitations are acceptable and/or can be clearly explained such that the users of the report are not misled by the conclusions.
3. Not to accept the engagement if the company is unwilling to broaden the scope of the engagement. This provides the least risk to the expert practitioner and will often be the optimal course.

**Questions that the expert practitioner should take into consideration are as follows:**

- ❓ What are the motivations and purpose behind the request for the assurance?
- ❓ If the purpose of the engagement is for internal company purposes alone, would the limitation make sense to an objective third party in achieving the company’s specific objective?
- ❓ Would the limitation impair, or reasonably be perceived to impair, the independence and objectivity of the expert practitioner?
- ❓ Can the limitation, motivation and purpose be clearly articulated in the expert practitioner’s conclusions?
- ❓ Would the limitation potentially present a misleading view of the company’s reporting or performance?

## 2. TIME TO GATHER EVIDENCE

The qualitative nature of much of the evidence needed to assure a company’s human rights performance or reporting depends, in particular, on evidence obtained through observation, inspection, surveys and interviews, as against documents. Given that these forms of evidence require communication and engagement, relatively more time is likely to be required not only to gather and collate the evidence, but also to plan the engagement. Moreover, human rights assurance will typically involve greater engagement with stakeholders outside the company than is the case for other types of assurance.

Other likely issues that could impact the time needed to perform the engagement include:

- ✓ travel time, where site-level visits are part of the engagement, particularly where visits to remote sites are required
- ✓ time taken in preparing for interviews with vulnerable individuals to ensure that they are protected from any repercussions and put at ease
- ✓ where different languages are used, time required for interpreting and translating
- ✓ time required to collate, analyse and triangulate findings



The expert practitioner should take account of these extra time requirements in his or her agreement with the company's management and ensure that there is sufficient time and resources to obtain the evidence necessary to draw robust conclusions.

Where management requires these conclusions to be delivered in a limited timescale, the expert practitioner should consider whether it is still possible to obtain sufficient and appropriate evidence to reach conclusions in the time available. If the expert practitioner concludes that there is insufficient time, then he or she should raise this with management. In some instances, a reduction in the scope of the engagement may resolve the problem, provided it does not raise problems highlighted in section C.1. This is less likely to be a solution in the case of external assurance given the risks of accepting limitations on the scope of such engagements.

### 3. CONFLICTS BETWEEN LOCAL LAWS AND INTERNATIONAL STANDARDS

Local laws in countries where a company operates may differ substantially from internationally recognized human rights standards, and may even include direct conflicts with these standards. Such conflicts may arise, for example, where there are legal limits on the formation of trade unions, or in countries with legalized discrimination based on gender, ethnic origin or sexual orientation.

Under the UN Guiding Principles on Business and Human Rights, companies are not expected to violate national laws. However, where applicable laws fall below international human rights standards, companies are expected to abide by both. Where applicable laws are in conflict with international human rights standards, companies are expected to honour the principles of the international standards to the greatest extent possible in the circumstances, and to be able to demonstrate their efforts in this regard.

It is, therefore, important that any expert practitioner conducting assurance on a company's human rights performance or reporting should be alert to discrepancies between applicable national laws and international human rights standards and ensure that it is the higher standards – typically, the international standards – that set the reference point for the engagement.

In the case of external assurance, to the extent that the company has not reported on relevant conflicts between national laws and international human rights standards, and where this is deemed material, the assurance provider may want to refer to this in their expert conclusions.

In the case of internal audit, the auditor should highlight any conflicts between laws and international human rights standards and the potential risks to the company of falling below the level of the international standards, to the extent that this is not already fully recognized and appropriately addressed by the company.

### 4. PROFESSIONAL SCEPTICISM AND JUDGMENT<sup>16</sup>

Professional scepticism and judgment are key attributes of any expert practitioner, whether working inside or outside a company. Given the qualitative nature of human rights information, assurance processes in this field inevitably involve high levels of individual judgment, making these skills particularly important.

The following definition of professional scepticism and how it should manifest itself is set out in the explanatory materials to the ISAE 3000 assurance standard. The other standards referred to in this guidance provide similar guidance:

*“A76. Professional scepticism is an attitude that includes being alert to, for example:*

- *Evidence that is inconsistent with other evidence obtained.*
- *Information that calls into question the reliability of documents and responses to inquiries to be used as evidence.*
- *Conditions that may indicate likely misstatement.*

16

Relevant sections for standards are: IPPF – Code of Ethics; ISAE 3000 – paragraphs 37–38; AA1000AS section 4.2; AT-101 – paragraphs 39–41

A77. Maintaining professional scepticism throughout the engagement is necessary if the practitioner is, for example, to reduce the risks of:

- Overlooking unusual circumstances.
- Overgeneralizing when drawing conclusions from observations.
- Using inappropriate assumptions in determining the nature, timing, and extent of the procedures, and evaluating the results thereof.

A78. Professional scepticism is necessary to the critical assessment of evidence. This includes questioning inconsistent evidence and the reliability of documents and responses to inquiries. It also includes consideration of the sufficiency and appropriateness of evidence obtained in the light of the circumstances.”<sup>17</sup>

Expert practitioners will often require heightened levels of professional judgment in the conduct of human rights assurance processes, particularly in the following circumstances:

- ✓ recognizing when further evidence is required in order to test qualitative and subjective information
- ✓ triangulating conflicting findings on a particular issue
- ✓ understanding how far they should pursue a stakeholder interview if there is a risk of causing particular stress or concern to the interviewee

## 5. REVIEW OF SALIENT HUMAN RIGHTS ISSUES

The UN Guiding Principles make clear that where companies need to prioritize their efforts to address human rights risks, they should prioritize those impacts on people’s human rights that would be most severe. The Guiding Principles also state that companies’ formal reporting should focus on operations and operating contexts that pose risks of severe human rights impacts. These risks are a company’s salient human rights issues, as set out in the UN Guiding Principles Reporting Framework.

**As part of their planning for an assurance process, expert practitioners should ensure they are familiar with:**

- A** the company’s understanding of the human rights at risk of the most severe negative impact through its business activities and relationships: that is, its salient human rights issues
- B** whether and how the company’s process to identify its priority/salient human rights issues assessed their relative severity and likelihood
- C** whether there are aspects of the company’s structure, culture and business objectives that could constrain identification and understanding of the salient human rights issues
- D** who the company engaged with in the identification of its salient human rights issues, both inside and outside the company, and their relevant expertise, experience and objectivity
- E** any groups of stakeholders who were omitted, either intentionally or unintentionally, from engagement processes
- F** the quality of the input and oversight of the main Board with regard to the identification and management of salient human rights issues<sup>18</sup>

**17** ISAE 3000, available at [https://www.ifac.org/system/files/publications/exposure-drafts/IAASB\\_ISAE\\_3000\\_ED.pdf](https://www.ifac.org/system/files/publications/exposure-drafts/IAASB_ISAE_3000_ED.pdf)

**18** See Part A2 of the Implementation Guidance to the UN Guiding Principles Reporting Framework for further guidance; see also UK Equality and Human Rights Commission, ‘Business and human rights guidance for Board directors’, available at <https://www.equalityhumanrights.com/en/advice-and-guidance/business-and-human-rights-guidance-Board-directors>

The conclusions drawn by the expert practitioner from this review of the company's salient human rights issues will have a number of important implications for the engagement, including:

- ✓ the ability to form a view of whether the scope of the engagement is appropriate (see section C.1)
- ✓ insight into potential weaknesses in the company's existing risk assessment processes that require further scrutiny
- ✓ insight into human rights risks and impacts that may be under-recognized and require further scrutiny

During the conduct of the assurance process, expert practitioners should keep under constant review whether the salient human rights issues identified by the company are appropriate. This assessment should be informed by the practitioner's conclusions about the robustness of the company's own processes, and any gaps or concerns identified. The practitioner will need this clarity in order to have confidence that other aspects of the assurance process are addressing the right human rights risks and related controls. Wherever possible, this assurance of the salient human rights issues will be further informed by the practitioner's own consultations with key stakeholders (see C.6 on page 30).

## BOX E

# SALIENT HUMAN RIGHTS ISSUES

## HOW DO SALIENCE AND MATERIALITY DIFFER?

There are various definitions of materiality in law and voluntary standards, but, at root, the term refers to something that is of **significance**. In the context of reporting and accounting, materiality refers to information that is of such significance as to influence the decision-making of the intended audience.

The intended audience may include investors focused solely on returns, investors interested in responsible business conduct, or it may include other stakeholders with a focus on responsible conduct as well.

The idea of salience is also focused on issues of significance. But salient human rights issues, unlike material issues, are not determined in relation to any audience. Salient issues are determined based on the severity of impacts on people's human rights. The following page outlines the basic steps to this type of risk assessment.

## WHY DOES A 'SALIENCE LENS' HELP?

### 1. It helps companies be coherent and consistent.

The UN Guiding Principles on Business and Human Rights state that when a business cannot address all potential impacts on human rights at the same time, it should first address those that would be most severe. These are the company's salient human rights issues. Since companies should prioritize their salient human rights issues for action, it makes sense that these should also be the focus of their human rights reporting.

### 2. It removes blind spots of risk to both people and the business.

Materiality analyses typically adopt the lens of risk to the business. This often brings a range of assumptions, for example, that risks in the supply chain are greatest where the company has the largest spend, that the greatest risks will arise overseas in developing countries, or that asking a few stakeholders what they consider material will pick up the relevant issues.

These assumptions repeatedly prove to be false. Today, the greatest risks to human rights associated with a business converge strongly with material risks to the business itself. This can include losses in business continuity, business opportunity, reputation, staff retention and productivity, as well as litigation. Such risks are growing in frequency, scale and profile through increased public awareness and communication about human rights impacts, with increasing materiality to companies, particularly in combination and over time.

Salience, therefore, provides a method for companies to eliminate common blind spots in their risk analyses, and to gain a clearer view of *both* the most significant risks to people *and* potentially material risks to the business as well.



## HOW CAN COMPANIES IDENTIFY THEIR SALIENT HUMAN RIGHTS ISSUES?

The Implementation Guidance to the UN Guiding Principles Reporting Framework provides the following explanation of the basic process for identifying salient human rights issues in line with the UN Guiding Principles:

“An understanding of a company’s salient human rights issues is built on a process by which the company:

- A. Identifies the full range of human rights that could potentially be negatively impacted by its activities or through its business relationships:
  - a. involving all relevant functions and units across the business;
  - b. informed by the perspectives of those who may be negatively impacted;
- B. Prioritizes potential negative impacts for attention:
  - a. primarily based on their potential severity, as defined in the UN Guiding Principles, namely:
    - how grave the impact would be;
    - how widespread the impact would be;
    - how hard it would be to put right the resulting harm;
  - b. secondarily based on their likelihood, retaining due attention to high-severity, low-likelihood impacts;
- C. Engages with internal and external stakeholders to explain its conclusions and check whether any considerations have been missed.

If the number of salient issues initially identified is too large for the company to report on concisely, it may use the defining elements of ‘severity’ set out above to reduce the number further, for example, by focusing on those impacts that are most widespread in the company’s operations or value chain.

Companies’ processes to identify their salient human rights issues should encompass:

- A. Not only their activities but also their business relationships, understood as including their business partners, businesses in their value chains (including those that are one or more tiers removed) and any other business, government or other entity that is directly linked to their operations, products or services.
- B. The full range of individuals or groups that may be impacted as a result of these activities and relationships, including:
  - i. the company’s own employees and contract workers;
  - ii. employees and contract workers of companies that contribute to its operations, products or services through its value chain;
  - iii. communities affected by the company’s operations;
  - iv. end users or consumers of its products or services;
  - v. any other stakeholder groups that may be impacted through its activities or business relationships.

Some groups may be particularly vulnerable to impacts in certain circumstances, for instance, indigenous peoples, children, women or ethnic groups.

- C. Negative impacts that the company could cause, contribute to or which could be directly linked to its operations, products or services, without contribution on its part. For more on understanding these different ways the company can be involved with human rights impacts, see the commentary to UN Guiding Principle 19 and *The Corporate Responsibility to Respect Human Rights: An Interpretative Guide*.”

## 6. ENGAGEMENT WITH EXTERNAL STAKEHOLDERS<sup>19</sup>

In the context of human rights performance and reporting, engaging directly with the company’s external stakeholders is critical to test assumptions and triangulate information. Expert practitioners should, therefore, plan for a sufficient level of engagement with these groups for the purposes of gathering evidence, and seek clarity that they will be able to engage with them unimpeded.

By engaging with a cross-section of the company’s external stakeholders, expert practitioners are able to inform themselves as to whether the right matters are being reported, gain additional insights into how well they are being managed, and test whether the organization has in place appropriate and effective processes for their own engagement with stakeholders as part of their ongoing human rights due diligence. The competencies required by expert practitioners for good engagement with stakeholders are discussed further in Part II.B of this guidance.

The ISAE 3000 and AT-101 standards are relevant for an assurance provider to arrive at a conclusion on the reliability of the non-financial information they have been asked to assure, but these standards do not directly address stakeholder engagement. The AA1000 Stakeholder Engagement Standard contains valuable additional guidance in this regard.

Due attention should be paid to the different kinds of stakeholder and the different types of insight they can typically offer. Broadly speaking, there are three key types of stakeholder most relevant to human rights issues:

- directly affected stakeholders (and their legitimate representatives)
- proxies for affected stakeholders
- human rights experts

The table below outlines how these groups differ from one another.

Type	Definition
<b>Directly affected stakeholders</b>	<p>People whose human rights are, or could be, directly affected by the company, and any individuals that hold a clear mandate from those individuals or groups to represent them.</p> <p><i>E.g., employees, workers in the supply chain, local populations, vulnerable groups, trade unions, traditional community leaders</i></p>
<b>Proxies for affected stakeholders</b>	<p>People who cannot speak for affected individuals, but who know the groups concerned, or similar groups, and their perspectives, interests and concerns, and can bring those to a conversation.</p> <p><i>E.g., some academic researchers, anthropologists and NGOs</i></p>
<b>Human rights experts</b>	<p>People who do not interact on a consistent basis with affected stakeholders, but are experts in specific human rights issues or impacts, how they can arise, related standards, high-risk regions, how companies have handled them, and so forth.</p> <p><i>E.g., academics, lawyers, NGOs, individuals from peer companies, socially responsible investors and consultants</i></p>

The expert practitioner will need to critically review the company’s understanding of who its stakeholders are with regard to human rights risks and impacts, differentiating between these three broad categories of stakeholder and paying particular attention to whether any groups of affected stakeholders have been omitted.

In the case of internal audit, limitations may be imposed on the extent of expert practitioners’ engagement with external stakeholders, depending on the focus of the audit. However, this should be avoided if such a constraint is likely to lead to a misleading conclusion, and any such limitation should be clearly articulated in the internal auditor’s conclusions.

For expert assessments or external assurance processes, any limitations on whom the expert practitioner can communicate with may render the process misleading or even meaningless and, hence, the expert practitioner should question whether such an engagement should proceed with this restriction.

<sup>19</sup> AA1000SES 2015 – AA1000 Stakeholder Engagement Standard 2015

In all cases, the expert practitioner must provide sufficient protection to interviewees such that information they share cannot be attributed back to them unless they freely and expressly agree otherwise. At the same time, the expert practitioner should be clear about their role when interviewing stakeholders: that they are obtaining evidence, not expressing an opinion on the company other than what will appear in its final expert conclusions. Moreover, the expert practitioner will – as with other information sources – need to seek corroboration for any stakeholder inputs that could substantively affect their conclusions. This may come in the form of independent inputs from other stakeholders and/or from other sources.

## 7. LIMITED VERSUS REASONABLE ASSURANCE IN THE CONTEXT OF EXTERNAL ASSURANCE PROCESSES

A key factor when providing external assurance on a company's human rights reporting is whether the company that is seeking assurance is requesting 'limited'/'moderate' assurance or 'reasonable'/'high' assurance.<sup>20</sup> The limited/moderate assurance results in a negative opinion, for example, "nothing has to come the attention of the assurance provider that would lead them to believe that the assertions made by the company are not fair and balanced." A reasonable/high assurance leads to a positive opinion, for example, "in the opinion of the assurance provider, the assertions made by the company are fair and balanced."

It is important to recognize that all information on which assurance is to be provided must be capable of reasonable/high assurance. However, this can be genuinely challenging in practice, in particular, in relation to information about how human rights risks are managed (Part C of the UN Guiding Principles Reporting Framework).

The key output difference between the two opinions is the level of confidence that a stakeholder can have in the assertions made by the company. The input difference, in terms of work undertaken by the external assurance practitioner, is that less work is required to provide the negative assurance opinion than a positive opinion.

Consequently, whilst it is of less cost to the company to obtain a limited/moderate opinion, it is potentially of less value to stakeholders. Moreover, a higher level of assurance may help decrease the cost of capital for the company. These potential pros and cons should be clearly articulated and carefully considered by investors, companies and practitioners.

While reasonable assurance for the entirety of companies' human rights reporting may currently be cost-prohibitive, this should remain the ultimate objective for companies, over time – in particular, those with significant human rights risks. Moreover, it is likely to be achievable already in certain areas of companies' human rights reporting, such as information related to Parts A and B of the UN Guiding Principles Reporting Framework, which address the governance of the company's human rights policy and the identification of its salient human rights issues. The expert practitioner might consider proposing the higher assurance level on those parts of the company's disclosure.

Regardless of the decision made about the level of assurance to be provided, it is important that the practitioner be clear on any limitations that result in terms of the confidence that should be placed in their expert conclusions. A potential concern would arise if limited assurance practices were applied in the context of an engagement for which limitations are also proposed on its scope. In such situations, assurance providers will need to take considerable care to ensure that these combined constraints would not be likely to result in misleading conclusions.

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**20** ISAE 3000 and AT-101 use the concepts of 'limited' and 'reasonable' assurance. AA1000AS uses 'moderate' and 'high' assurance to make the equivalent distinction.

## 8. RETENTION OF EVIDENCE<sup>21</sup>

The evidence required to support expert conclusions from any of the assurance processes addressed through this guidance will arise from the triangulation of several factors, which may include:

- observation
- inspection
- documentation
- surveys
- interviews

As set out in existing standards, documenting the basis for the expert conclusions and retaining such evidence is of paramount importance. Since human rights assurance processes are likely to involve greater levels of interviews, observation and inspection than many processes focused on other subject matter, particular attention needs to be paid to how this will be documented.

The expert practitioner should ensure that he or she has appropriate means by which to retain this evidence in a manner that respects individuals’ confidentiality and meets their human right to privacy as well as related legal requirements. In the case of external assurance, such evidence may need to be accessible to an independent reviewer covered under the terms of the assurance engagement or by regulatory or legal provisions.

## 9. SUBSEQUENT EVENTS<sup>22</sup>

Carrying out human rights assurance will often require a longer period between the end of the evidence-gathering phase and the completion of the expert conclusions than many other such processes due to:

- the analysis and triangulation of highly qualitative findings that may or may not substantiate internal documents or assertions in the company’s disclosure
- detailed discussions with management of the key findings across what may be a broad scope of the company’s operations and value chain
- the preparation of practical recommendations across what may be a broad scope of the company’s operations and value chain
- in the case of external assurance, agreement on management representations<sup>23</sup> (i.e., written confirmation of management’s considered views) to the extent that the assurance practitioner has relied on them in forming its conclusion

During this period of completion, it is important that the expert practitioner be alive to the possibility of further evidence arising that is relevant to the process, including the occurrence of new human rights impacts.

Prior to approval of the expert conclusions, the expert practitioner should take steps to ensure that no further evidence has arisen that would alter the expert conclusions and that no severe negative impacts have taken place which, if omitted from the expert conclusions, could render them misleading.

Steps that the expert practitioner could take to identify any new, significant developments since their initial evidence gathering and analysis include:

- ✓ reviewing appropriate media, including social media
- ✓ reviewing relevant civil society websites
- ✓ reviewing publications from organizations that have previously reported on the company
- ✓ receiving management representations regarding their awareness of any subsequent events

In the event that any further such review is impractical – for example, if issues arising in specific countries are unlikely to be captured through these sources – the expert practitioner should make clear when the assurance work was conducted and that their conclusions were valid at that date.

In the case of external assurance, if the company identifies additional severe negative impacts after the reporting period but before the report is published, then they should add this to their report. If the assurance provider identifies a severe impact that has not been disclosed, they should discuss with the company its inclusion in their report. If the company does not wish to include it, the expert practitioner should consider qualifying their conclusions.

**21** IPPF – sections 2310–2330; ISAE 3000 – paragraphs 48–54; AA1000AS – section 4.2.4; AT-101 – paragraphs 51–58

**22** Relevant sections for standards are: ISAE 3000 – paragraph 61; AT-101 – paragraphs 95–99

**23** As part of the evidence that an external assurance provider relies upon to substantiate their conclusion, they will require management to make written representations on specific areas on which it may not be possible to obtain any other evidence or to otherwise substantiate a management opinion.



**PART III:**  
**EXPERT**  
**CONCLUSIONS**

# A

## INTRODUCTION

Building upon existing internal audit, external assessment and assurance standards, the practitioner's expert conclusions will, in most cases, be addressed to management, the Board or a particular oversight committee such as the audit committee. In the case of external assurance, it will be made public. In the case of an expert assessment, management may sometimes choose to disclose it in part or in whole.

The expert conclusions are likely to be different in the detail and substance of their content depending on whether they are for internal or external purposes and what type of expert practitioner has produced them.

External assurance is likely to result in conclusions that are constrained for several reasons:

- External assurance reflects an assessment of a company's public reporting on its human rights performance, whether as part of an annual integrated or self-standing sustainability or human rights report. It does not assess the general human rights performance of the company.
- There are restrictions on the external assurance provider due to their own risk and liability principles, which constrain the type of information on which they feel comfortable providing a public and accountable opinion.
- The necessity of conciseness of findings to be included in published assurance conclusions.
- The requirement on professional firms to comply with existing assurance frameworks, which can limit the content and framing of conclusions.

This said, the external assurance provider must state a view on whether the company's reporting provides a fair and balanced picture of its human rights performance. This will often require looking beyond the strict limits of what has been reported to identify whether critical issues have been omitted, such as a salient human rights issue or severe impacts. The handling of omissions or misstatements is addressed in section C below.

Expert conclusions that are for internal management alone can be more tailored to the specific needs of the company than those that must meet the requirements of external assurance standards. Guidance for internal auditors on how to communicate internally is set out in the IPPF sections 2400 to 2600. When setting out, in their expert conclusions, the exact scope of their work, practitioners should be clear on these specificities.

Whilst the detail of the expert conclusions from human rights assurance processes may differ according to their purpose and use, this guidance proposes that similar general headings be followed by all expert practitioners. Section B, below, includes recommendations for the content of expert conclusions from any of the three types of assurance process discussed in this guidance. Section C highlights additional information that would be relevant to include in expert conclusions from an external assurance process.

# B

## CONTENT OF EXPERT CONCLUSIONS – GENERAL CONSIDERATIONS

The ISAE 3000 and AT-101 standards for external assurance providers set out a number of requirements regarding the content of expert conclusions, such as the standards that were applied, who can or can't rely on the opinion, a statement that the expert practitioner complies with relevant ethical standards or frameworks, the scope of the assurance, any limitations on the scope, a summary of work performed, and the assurance provider's opinion. The IIA Global Standards set out a number of requirements regarding the content of the internal audit conclusions, for example, a statement that the audit was conducted in accordance with the Standards, that the objectives of the audit are clearly defined, what is in and out of scope, the key risks, the expected controls, and how the findings and the level of assurance provided will be communicated (reported) to internal audit stakeholders, for example, the Board, audit committee and senior management.

In addition to such requirements, it is recommended that the expert conclusion from a human rights assurance process include the following among its principal headings:

### **The competencies of the expert practitioners**

It is useful for the expert conclusions to provide a summary overview of the competencies included among the team that conducted the process, and of any third-party experts used or relied upon by the team to arrive at its conclusions.

### **The stakeholders/stakeholder groups engaged**

It is important to reflect the different types of stakeholder with whom the assurance team engaged in obtaining evidence, such as workers, management, NGOs, suppliers, local communities, local government etc. This information should be provided with due attention to the protection of confidential identities and vulnerable individuals. It may also be relevant to identify those stakeholders who didn't want to participate, either through mistrust or reluctance to participate, and how their perspectives could be taken into account even without direct engagement.

### **The salience of the human rights issue(s) reviewed**

If the expert practitioner is specifically reviewing the process by which the company identified its salient human rights issues, he or she should also provide commentary on the reasonableness of the conclusion of that process: in other words, does the expert practitioner believe the company arrived at an appropriate conclusion as to what its salient human rights issues are?

The expert practitioner may also want to identify if any other human rights issues were considered by the company but not deemed to be salient, and assess whether he or she agrees with this conclusion. If not, the practitioner should report the reasons in his/her expert conclusions.

### The appropriateness and effectiveness of the company's policies and processes

Central to any assurance process will be an examination of the extent to which the company's policies or processes are appropriate and effective.

- The appropriateness of a policy or process reflects whether it is *in principle* capable of helping the company advance respect for human rights.
- The effectiveness of a policy or process reflects whether, where it has been tested, it has *in practice* proven capable of advancing respect for human rights.

The indicators set out in Part IV of this guidance will help expert practitioners to make these assessments.

If the expert practitioner arrives at the conclusion that certain processes are not appropriate or not effective, he or she should discuss this with the company's management. This process of dialogue, between management and the expert practitioner, is a critical opportunity to help the company understand areas of weakness and identify ways in which it can start to address them in order to improve its overall human rights performance. In the context of an external assurance process, it also provides management with an opportunity to correct any misleading impressions in its public report.

### Areas of particular progress

The expert conclusions should highlight areas of particular strength or progress for the company, based on the practitioner's assessment of the appropriateness and effectiveness of the policies and processes it has in place, or on which it is reporting.

### Areas of weakness

The expert conclusions should highlight areas of particular weakness for the company, based on the practitioner's assessment of the appropriateness and effectiveness of the policies and processes it has in place, or on which it is reporting.

### Recommendations for improvement

Where areas of weakness are identified in the expert conclusions, it will be helpful for the reader to understand potential measures for improvement that the company could implement. These can then be referred to in subsequent years as an important means of tracking the company's journey of continual progress.

The external assurance provider will be focusing on those policies and processes that are addressed in the company's public report that is being assured. There should be a rebuttable presumption that where a company reports on a policy or process, it is appropriate and effective, subject to any limitations reported by the company.



# EXPERT CONCLUSIONS OF EXTERNAL ASSURANCE – ADDITIONAL CONSIDERATIONS

The expert conclusions resulting from an external assurance process are likely to be more constrained than those from an internal audit or external assessment that are made available only to the company's management. They are limited to areas of the company's human rights performance about which it makes assertions in its public reporting, and assurance providers generally have to be particularly concise in their conclusions, so that only the most important issues are raised. However, more detail may be included in their letter to management, which is purely internal and supplements their published conclusions in order to guide management on their journey of continual improvement.

An external assurance provider is likely to be reporting under an existing standard and will typically refer to the standard(s) under which the assurance work has been performed (ISAE 3000, AA1000AS, AT-101). If assurance is being provided on the human rights-related elements of the report in line with this guidance, then the expert conclusion should refer both to the relevant standard and to this guidance.

In accordance with existing assurance standards, if the assurance provider identifies that an omission or misstatement in a company's human rights reporting would potentially mislead a reader, then he or she will first need to raise this with management so that it can be addressed. In the event that management does not amend its reporting, then the assurance provider should comment in his or her conclusion on that omission or misstatement, together with the basis for that opinion.

**In writing their expert conclusions, assurance providers should have in mind that the content needs to be relevant, balanced and readable to deliver the greatest value to stakeholders, bearing in mind that the array of interested stakeholders is likely to range beyond investors alone.**

Existing external assurance standards set minimum requirements regarding the format and content of an expert conclusion. Within these parameters, the assurance provider's conclusions provide an opportunity to highlight key findings and other issues discussed with management – subject to reasonable confidentiality constraints – so as to provide insight into the company's progress in meeting its responsibility to respect human rights.

Information on a company's human rights performance is more qualitative than quantitative and needs to be understood within the context of the company's sector, operating contexts, value chain, and specific human rights challenges. A very brief expert conclusion that the information reported is a "true and fair" representation or "fair and balanced", or similar, can, therefore, mask a broad-ranging and nuanced set of qualitative findings. An external assurance provider can, therefore, add greater value to the reader of the expert conclusions by offering additional specific and concise narrative commentary that provides insight into the basis for their opinion.

In addition to the elements proposed above, it is recommended that the external assurance provider consider the following supplementary content:

### Minimum level of content

The UN Guiding Principles Reporting Framework sets a basic threshold for companies to use the Reporting Framework, which consists of:

- responding to the two overarching questions under Part A (Governance of respect for human rights)
- stating what the company's salient human rights issues are, how they were determined and any additional severe impacts that occurred in the reporting period, outside of the salient issues, under Part B (Defining the focus of reporting)
- responding to the six overarching questions under Part C (Management of salient human rights issues)

It will be relevant and helpful for the assurance provider to indicate whether the company has met this minimum threshold for reporting on how it respects human rights in line with the UN Guiding Principles.

### Choice of focal geographies

Where a company has focused its reporting on a specific geography or geographies, the assurance provider may wish to comment on the decision. To the extent that a company has adopted a geographical focus but has not explained why and how it did so, the expert practitioner should identify whether there was a robust process that guided this decision. If the selected geography or geographies are not ones where the company's salient human rights issues are significant, this would be cause for scrutiny and, potentially, for concern.

This is distinct from situations where the company reports specific examples of how it is addressing impacts and risks, which will, typically, be based on particular locations. However, the principle remains relevant, in that the expert practitioner may wish to comment on reporting where the examples are drawn exclusively or predominantly from contexts where human rights risks and impacts are not severe, and, therefore, not representative of the challenges the company faces.

### Additional severe impacts

By definition, the company's salient human rights issues will, typically, include its most severe impacts, or risks of impacts. The UN Guiding Principles Reporting Framework recognizes that there may be instances where additional severe impacts have occurred in the reporting period that are isolated in nature and, therefore, not linked to a salient human rights issue.

The company should include in its reporting any additional severe impacts that have arisen in the reporting period. If the assurance process has brought

any to light that the company has not reported on, the assurance provider should make the recommendation to the company that they do so. If the company does not do so, the assurance provider should qualify their opinion or consider withdrawing from the engagement. However, there may be appropriate reasons for not reporting, such as legitimate legal reasons or confidentiality constraints in line with Reporting Principle G of the UN Guiding Principles Reporting Framework. Where feasible, the expert practitioner may also comment on whether it was appropriate for the company not to disclose this information.

### The maturity of the company's reporting

Implementing the UN Guiding Principles on Business and Human Rights is rarely straightforward. It takes time to put in place the necessary policies and processes and make them part of the company's way of doing business. It is also an evolving process, as a company's own operations, products, services, operating contexts and business relationships change, and the human rights risks associated with them change as well.

A company's disclosure on its human rights performance will also, typically, evolve over time, both as it undertakes more work in this area and, therefore, has more to report, and as its capacity and processes for reporting this information in a meaningful way develops.

Recognizing this evolution, it will be helpful for the assurance provider to articulate a view on where the company is in terms of the maturity of its reporting, distinct from the performance of its reported policies and processes. It should be set out clearly that this assessment of the maturity of the reporting should be read in the context of the level of assurance provided.

For example, one company might be just starting its journey of implementing appropriate and effective policies and processes, having been involved with some severe negative impacts. However, it may report very clearly and transparently on its current position, the impacts and its intentions.

Another company that is substantially further along its journey of implementing human rights risk management processes may report less transparently and in a less meaningful way than the first company. It is, therefore, important for the expert practitioner to help the reader understand these different areas of progress: the one in relation to actual respect for human rights and the other with regard to the quality of its reporting.

The maturity of reporting will be determined by a number of factors. Some will reflect the range of questions in the UN Guiding Principles Reporting Framework to which a company is providing a response; others will relate to the nature of the information provided.

## KEY FACTORS IN THE MATURITY OF COMPANY HUMAN RIGHTS REPORTING

**Governance:** Does the reporting explain how the company's governance structures support the management of human rights risks?

**Specific processes:** Does the reporting go beyond high-level statements of policy and commitment and discuss specific processes for implementing respect for human rights?

**Specific impacts:** Does the reporting refer to specific impacts that occurred within the reporting period and are associated with its operations or value chain?

**Balanced examples:** Does the reporting provide relevant examples of how the company's policies and processes have influenced practice and outcomes within the reporting period, that reflect not only achievements but also challenges or areas for improvement?

**Stakeholder perspectives:** Does the reporting explain how the company gains the perspective of stakeholders who could be negatively impacted?

**Challenges:** Does the reporting discuss complex or systemic human rights challenges and how the company grapples with them?

**Metrics:** Does the reporting include specific data, key performance indicators or other metrics that offer clear and relevant evidence to support the narrative?

**Forward focus:** Does the report include information about the company's plans for advancing its efforts to respect human rights?

**Strategic initiatives:** If the reporting references particular initiatives, for example, projects, third-party assessments or participation in industry or multi-stakeholder organizations, does it make clear how they help it advance its own management of human rights risks?

**Improving disclosure:** Where this is not the first year of human rights reporting for the company, does the reporting show improvements in the quality of its disclosure in comparison with previous years, taking into account the indicators set out above?

# D

## VISUAL REPRESENTATION OF EXPERT CONCLUSIONS

Given the various, distinct elements of a human rights assurance process that together build a picture of the company's progress, the expert conclusions will often be enhanced by providing a visual representation of the findings. For example, this might take the form of a wheel or spiderweb diagram that shows the level of maturity reached in various aspects of the company's performance or of its reporting, depending on the nature of the assurance provided.

It should be noted that the existing standards referred to in this guidance do not comment on visual representations of conclusions. Indeed, an external assurance provider may be limited in the extent of their conclusions, on account of their mandate to provide an opinion solely on the company's assertions. A visual representation may be particularly valuable as part of the conclusions to an internal audit, or an expert assessment provided by a third party, enabling the company to focus on the key findings, on which the supporting narrative then elaborates. In all instances, any use or inclusion of a visual representation will need to be discussed and agreed between the engaging party and the expert practitioner.

### 1. BENEFITS OF A VISUAL REPRESENTATION OF THE EXPERT CONCLUSIONS

A visual representation of the expert practitioner's conclusions will enable the reader, at a glance, to gain an overview of the company's progress towards aligning its performance with the expectations set out in the UN Guiding Principles on Business and Human Rights. In the context of the external assurance of a company's human rights reporting, it can offer the following additional benefits<sup>24</sup>:

- A. enabling the reader to assess, at a glance, the practitioner's conclusions on the position of the company
- B. making comparability between companies that much clearer

- C. facilitating an understanding of the company's progress through consistent comparability across successive years
- D. enabling the company to see where it needs to concentrate its efforts in the future
- E. helping enhance the trust stakeholders have in the company given that visual representations can be clearer to understand and provide more insight than simple one-sentence conclusions

### 2. LIMITATIONS OF A VISUAL REPRESENTATION OF THE EXPERT CONCLUSIONS

It has to be recognized that visual representations also have limitations and have to be viewed as such:

- These views are based solely on the sample testing that was performed during the engagement and are the views of the expert practitioner based on his or her professional judgment.
- They are inevitably a simplification of more complex and nuanced findings.
- The position as set out by the expert practitioner is not a certification that the company is human rights compliant.
- It does not mean that the company was not involved with human rights impacts other than those addressed in the expert conclusions and/or the company's own reporting.
- It does not mean that the company may not be involved with severe human rights impacts in the future.

On account of these limitations, the visual representation should not be viewed in isolation from the accompanying narrative. The narrative can also provide more insight into areas where particular strengths and weaknesses can be found, which will be important for targeting further efforts to make progress.

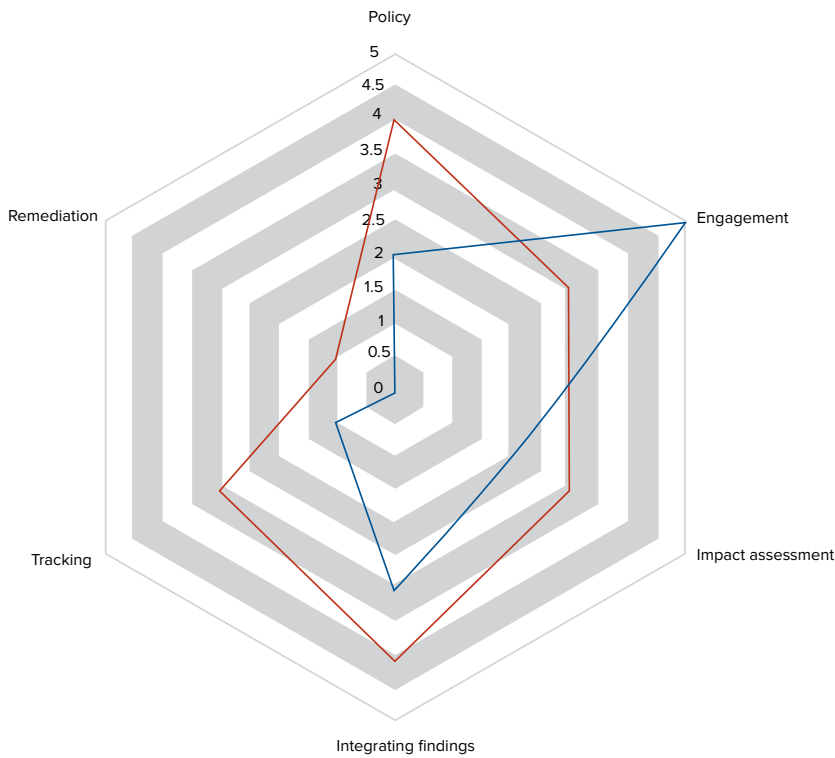
On the following page we provide some examples of what visual representations of expert conclusions may look like.

**24** For one example of the use of a visual representation see PwC's Insight Report for The Crown Estate, available at: <https://www.thecrownestate.co.uk/insight-report/index.html>



# ILLUSTRATIVE VISUAL REPRESENTATION OF CONCLUSIONS

## SALIENT ISSUE PERFORMANCE

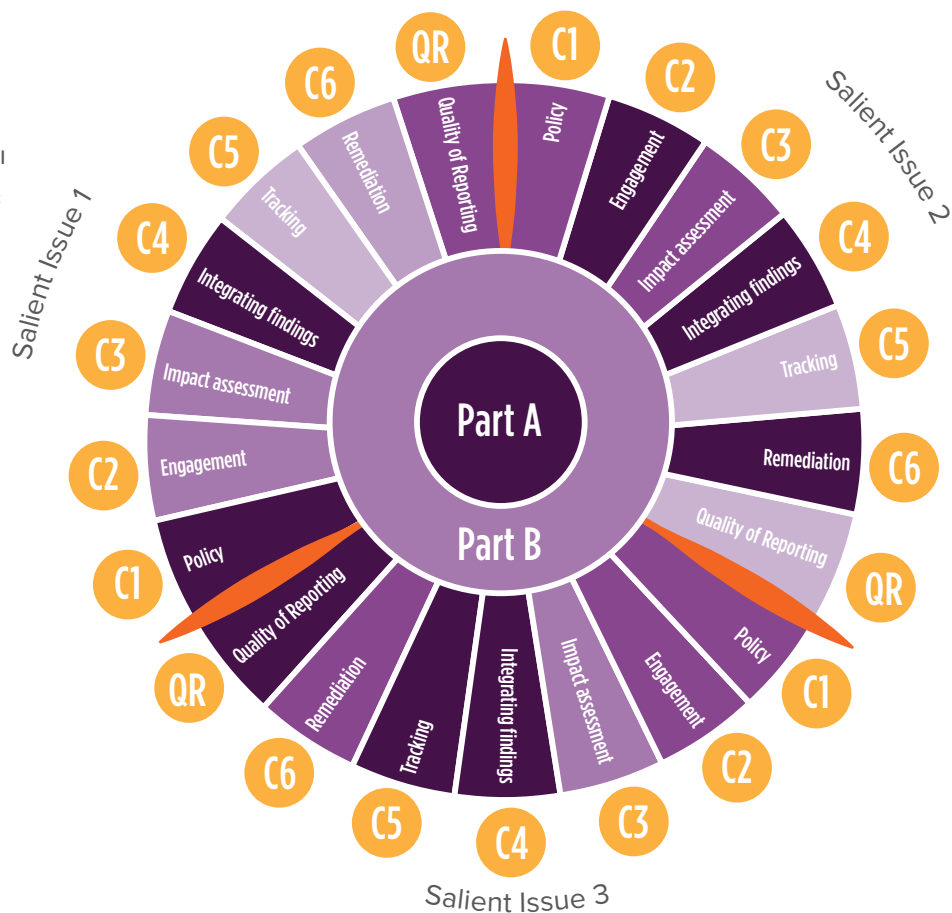


	Salient issue 1	Salient issue 2
Policy	2	4
Engagement	5	3
Impact assessment	2	3
Integrating findings	3	4
Tracking	1	3
Remediation	0	1

— Salient issue 1 — Salient issue 2

### Key

- Mature
- Maturing
- Entry level
- Embronic



# **PART IV:**

## **THE INDICATORS**

# A

## STRUCTURE AND CONTENT OF THE INDICATORS

This part of the guidance is designed as a practical tool to help practitioners identify the relevant types of evidence for assuring a company's human rights performance or reporting. Section A sets out three factors that define the structure and content of the indicators and which should inform their use. Section B provides further implementation guidance. This includes guidance specific, on the one hand, to internal auditors and expert assessors looking at a company's human rights performance, and, on the other hand, to external assurance providers looking at a company's disclosures in relation to its human rights performance. The indicators are available separately in either Microsoft Excel or PDF format.

The Excel format displays a table with the following structure:

- Section Header:** A. GOVERNANCE OF RESPECT FOR HUMAN RIGHTS
- Indicator A.1:** What does the company say publicly about its commitment to respect human rights?
  - Assurance Tiers:** TIER ONE ASSURANCE, TIER TWO ASSURANCE, TIER THREE ASSURANCE
  - Content:** Describes the public commitment, its nature, and its relationship to the company's business strategy.
- Indicator A.1.1:** How has the public commitment been developed?
  - Assurance Tiers:** TIER ONE ASSURANCE, TIER TWO ASSURANCE, TIER THREE ASSURANCE
  - Content:** Details the process of developing the public commitment, including stakeholder engagement and internal approvals.
- Indicator A.1.2:** Whose human rights does the public commitment address?
  - Assurance Tiers:** TIER ONE ASSURANCE, TIER TWO ASSURANCE, TIER THREE ASSURANCE
  - Content:** Lists the specific human rights and stakeholder groups addressed by the commitment.
- Indicator A.1.3:** How is the public commitment disseminated?
  - Assurance Tiers:** TIER ONE ASSURANCE, TIER TWO ASSURANCE, TIER THREE ASSURANCE
  - Content:** Explains the communication channels and methods used to disseminate the commitment.
- Indicator A.2:** How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?
  - Assurance Tiers:** TIER ONE ASSURANCE, TIER TWO ASSURANCE, TIER THREE ASSURANCE
  - Content:** Describes the internal processes and resources dedicated to implementing the commitment.

EXCEL FORMAT

The PDF format displays a table with the following structure:

- Section Header:** A. GOVERNANCE OF RESPECT FOR HUMAN RIGHTS
- Indicator A.1:** What does the company say publicly about its commitment to respect human rights?
  - Assurance Tiers:** TIER ONE ASSURANCE, TIER TWO ASSURANCE, TIER THREE ASSURANCE
  - Content:** Describes the public commitment, its nature, and its relationship to the company's business strategy.
- Indicator A.1.1:** How has the public commitment been developed?
  - Assurance Tiers:** TIER ONE ASSURANCE, TIER TWO ASSURANCE, TIER THREE ASSURANCE
  - Content:** Details the process of developing the public commitment, including stakeholder engagement and internal approvals.
- Indicator A.1.2:** Whose human rights does the public commitment address?
  - Assurance Tiers:** TIER ONE ASSURANCE, TIER TWO ASSURANCE, TIER THREE ASSURANCE
  - Content:** Lists the specific human rights and stakeholder groups addressed by the commitment.
- Indicator A.1.3:** How is the public commitment disseminated?
  - Assurance Tiers:** TIER ONE ASSURANCE, TIER TWO ASSURANCE, TIER THREE ASSURANCE
  - Content:** Explains the communication channels and methods used to disseminate the commitment.
- Indicator A.2:** How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?
  - Assurance Tiers:** TIER ONE ASSURANCE, TIER TWO ASSURANCE, TIER THREE ASSURANCE
  - Content:** Describes the internal processes and resources dedicated to implementing the commitment.

PDF FORMAT

The indicators may be downloaded at [www.ungpreporting.org/assurance](http://www.ungpreporting.org/assurance)

## 1. SEQUENCE OF INDICATORS

The sequence of the indicators follows the logic of the three parts of the Reporting Framework:

**Part A:** Governance of respect for human rights

**Part B:** Defining the focus of reporting (that is, the company’s salient human rights issues)

**Part C:** Management of salient human rights issues

- Sections A and C each contain a small number of overarching questions with further supporting questions, while section B solicits four key assertions regarding the focus of a company’s reporting, which should also mirror the focus of its human rights risk management processes.
- Indicators are labelled first of all by the question in each part of the Reporting Framework to which they most closely relate (A1, A1.1, A1.2, A2, A2.1, A2.2 etc.).
- Since most questions have more than one indicator, the label then adds a lower-case letter so that it can be uniquely identified (A2.2/a, A2.2/b etc.).
- While questions in the Reporting Framework refer to the ‘reporting period’, that language is adjusted here to refer to the ‘period covered by the assurance’, recognizing that for internal audit and expert assessments, other time frames may be relevant.

## 2. APPROPRIATENESS AND EFFECTIVENESS INDICATORS

The indicators were developed so as to cover both:

- A. the appropriateness of policies and/or processes, and
  - B. the effectiveness of policies and/or processes
- While most appropriateness indicators have an equivalent effectiveness indicator, this is not always the case. For example, effectiveness indicators for a company’s public commitment to respect human rights are, in practice, the indicators that relate to various processes, behaviours and outcomes.
  - The label for each indicator ends with an ‘APP’ or ‘EFF’ to show which type of indicator it is (A2.2/a – APP, A2.2/a – EFF etc.).

**Indicators of the appropriateness** of policies and processes focus on evidence of whether they *in principle* should contribute to helping the company meet its responsibility to respect human rights, including whether:

- they are suitable for the size and human rights risk profile of the company
- they are designed to be able to meet their objective
- they can be understood and implemented by those to whom they apply

**Indicators of the effectiveness** of the policies and processes focus on evidence of whether they *in practice* have contributed to helping the company meet its responsibility to respect human rights, including whether:

- there is evidence that they have achieved their objective in practice
- there is evidence that they have helped mitigate risks to human rights and/or address actual impacts

## 3. INDICATOR TIERS

The indicators are presented in three tiers, as a practical guide for practitioners and companies looking at the resources likely to be demanded for the assurance process. In practice, the resources needed for certain indicators may vary also by sector and context, such that these divisions need not be regarded as rigid but as a guideline. The tiers are defined as follows:

- **Tier one:** This information can be readily assured based on written information available through the company or bilateral interviews with internal staff; or it is foundational to any human rights assurance process (notably, an assessment of the appropriateness of the salient/priority human rights issues identified by the company).
- **Tier two:** This information requires more extensive research or interviews with internal staff and/or an increased level of professional judgment; or it requires a limited number of external interviews on a foundational issue for human rights assurance (notably regarding perceptions of the appropriateness of the human rights issues identified as salient/priorities).
- **Tier three:** This information requires more complex research, and/or a high level of professional judgment, and/or broader engagement with external stakeholders.

The tiers are designed to be used cumulatively. That is, tier two assurance would entail the examination of evidence against indicators in both tier one and tier two; tier three assurance would entail the examination of evidence against indicators in all three tiers. In some instances, a tier three or tier two indicator does not have a direct equivalent in the lower tier(s) given the particular resource challenges of assuring that aspect of the company's human rights performance. However, the section within which it appears (e.g., A2, C3 or C6) will have lower-tier indicators that should be addressed to provide the more basic assurance on that general area of the company's performance.

The tiers are intended solely to help expert practitioners and companies requesting their services to identify the likely levels of resource required to assure aspects of their human rights performance or reporting. They recognize that the level of resources required will often determine the ability or readiness of a company to pursue that assurance. The tiers should not be viewed as:

- A. representing what aspects of human rights risk and impact management it is easier or harder for the company to implement: the focus here is on the level of effort and the resources required by the expert practitioner and, while there may be some overlap, this is by no means always the case, or
- B. representing the steps companies might begin with or introduce later in a process to implement the UN Guiding Principles: there are many possible starting points for implementation, which may be equally appropriate or necessary
- C. determining exactly which indicators the expert practitioner will need to cover to reach the confidence level required for a 'limited'/'moderate' or 'reasonable'/'high' level of assurance; this will be situation-specific and necessarily part of the professional judgment of the practitioner

# B

## GUIDANCE ON IMPLEMENTATION OF THE INDICATORS

### 1. GENERAL GUIDANCE

Practitioners can also refer to the ‘UN Guiding Principles Reporting Framework – Guidance Part I: Strengthening Human Rights Reporting and Performance’ (‘implementation guidance’) to see, for each question, which excerpts from the UN Guiding Principles on Business and Human Rights are relevant in terms of defining the global normative standard and the objective towards which the company should be working.

Practical guidance is provided to the assurance practitioner in relation to many of the indicators that are not self-explanatory or where further background may be useful. This can be found in the digital formats of the indicators, but not in the print-ready format. They take three forms:

- **Notes:** providing clarification on how a particular term or provision should be understood in relation to the UN Guiding Principles on Business and Human Rights, or offering examples by way of further explanation.
- **Cross-references:** showing where an indicator in one part of the guidance relates to an indicator in another part of the guidance. Care has been taken to avoid duplication across indicators, which means that distinct aspects of the same or similar issues may be addressed at different points in the list of indicators.
- **Citations:** where relevant, excerpts from ‘The Corporate Responsibility to Respect Human Rights: An Interpretive Guide’, issued by the Office of the UN High Commissioner for Human Rights, are included to provide further clarification.<sup>25</sup>

A small number of indicators are highlighted as being solely relevant for external assurance, for instance, when considering the appropriateness of examples selected by the company for inclusion in its public reporting.

### 2. SPECIFIC GUIDANCE FOR INTERNAL AUDITORS AND EXPERT ASSESSORS

The indicators are designed to cover, in a comprehensive manner, the general types of policy, process or practice that can be important for a company to implement respect for human rights in line with the UN Guiding Principles.

An internal audit or expert assessment process may have a specific scope that means some of the indicators are not relevant. For example, the engagement may focus on how well the company is addressing forced labour in its supply chain, in which case indicators about how human rights risks are assessed and prioritized are not relevant.

The expert practitioner can, therefore, draw from the indicators as is appropriate to the scope of the engagement. This does not diminish the importance of reviewing whether the scope of the engagement may be inappropriate if it excludes issues or activities that would result in its conclusions being misleading. For more on limitations on the scope of an engagement, see Part II, Section C of this guidance.

<sup>25</sup> See [http://www.ohchr.org/Documents/Publications/HR.PUB.12.2\\_En.pdf](http://www.ohchr.org/Documents/Publications/HR.PUB.12.2_En.pdf)

### 3. SPECIFIC GUIDANCE FOR **EXTERNAL ASSURANCE PROVIDERS**

External assurance practitioners will be focusing, by the nature of their engagement, on information that a company has disclosed in its public reporting. This will often not include all the general types of policy, process and practice covered by the indicators.

The indicators should, therefore, be read by external assurance providers as being relevant:

- a. to the extent that the company reports information pertaining to the policy/process or practice that is the subject of the indicator
- b. to the extent that the disclosure does not make clear that the conditions set out in the indicator are not, in fact, met

The UN Guiding Principles Reporting Framework asks companies to identify their salient human rights issues: those human rights at risk of the most severe negative impacts through their activities and business relationships. This reflects the UN Guiding Principles, which make clear that these are the risks that companies should address first when they face a need to prioritize

Assurance providers will need to:

- review the extent to which the human rights risks identified as the focus of the company's reporting can reasonably be concluded to be its salient human rights risks
- identify whether any human rights risks that would appear to be salient are not reported, and whether this omission means that the reporting is not a fair and balanced representation of the company's human rights performance
- identify whether any severe impacts on human rights have occurred (within or beyond the salient issues) that are not adequately reflected in the reporting, and assess whether their omission is justified (See Principle G of the UN Guiding Principles Reporting Framework), or would mean that the reporting is not a fair and balanced representation of the company's human rights performance
- use the indicators to assure the information reported on the human rights issues selected by the company, regardless of their salience

To view the indicators, please visit [www.ungpreporting.org/assurance](http://www.ungpreporting.org/assurance)

# **PART V:**

## **GLOSSARY OF TERMS**



## **AFFECTED STAKEHOLDER(S)**

An individual (or individuals) whose human rights have been or may be affected by a company's operations, products or services.

## **ASSURANCE ENGAGEMENT**

An engagement in which an expert practitioner aims to obtain sufficient appropriate evidence to express a conclusion about a company's human rights performance or reporting, in order to provide readers of that conclusion with confidence regarding the company's actual performance and/or the credibility of its reporting.

## **ASSURANCE PROCESS**

The methods and processes employed by an expert practitioner to evaluate a company's performance or disclosures about its performance.

## **BUSINESS ACTIVITIES**

Everything that a company does in the course of fulfilling the strategy, purpose, objectives and decisions of the business. This may include activities such as mergers and acquisitions, research and development, design, construction, production, distribution, purchasing, sales, provision of security, contracting, human resource activities, marketing, conduct of external/government relations (including lobbying), engagement with stakeholders, relocation of communities, social investment and the activities of legal and financial functions, among others.

## **EXPERT ASSESSMENT**

An assessment of some or all aspects of a company's human rights performance provided by an expert assessor, which has been commissioned by the company.

## **EXPERT ASSESSOR**

An individual, organization or other legal entity that is appropriately competent and qualified to perform a review of some or all aspects of a company's human rights performance.

## **EXPERT CONCLUSIONS**

The public or private opinion expressed by the expert practitioner following the work performed in accordance with the assurance engagement. If the expert practitioner has applied this guidance, it should be referred to within the expert conclusion together with any other guidance or standard applied.

## **EXPERT PRACTITIONER**

An individual, organization or other legal entity that performs internal audit, external assessment or external assurance engagements.

## **EXTERNAL ASSURANCE**

An assurance engagement to evaluate a company's public reporting on its human rights performance, performed by an external assurance provider, which results in a public expert conclusion.

## **EXTERNAL ASSURANCE PROVIDER**

An expert practitioner, which is likely to be an organization with sufficient and appropriate competence and qualification to perform external assurance resulting in a public expert conclusion.

## **HUMAN RIGHTS**

International standards aimed at securing dignity and equality for all. Every human being is entitled to enjoy them without discrimination. They include the rights contained in the International Bill of Human Rights – meaning the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights. They also include the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. For more, see Annex A of the UN Guiding Principles Reporting Framework's implementation guidance.

## **HUMAN RIGHTS DUE DILIGENCE**

An ongoing risk management process that a reasonable and prudent company needs to follow in order to identify, prevent, mitigate and account for how it addresses its adverse human rights impacts. It includes four key steps: assessing actual and potential human rights impacts, integrating and acting on the findings, tracking responses and communicating about how impacts are addressed.

## **HUMAN RIGHTS PERFORMANCE**

The extent to which a company achieves the objective of effectively preventing and addressing negative human rights impacts with which it may be or has been involved.

## **HUMAN RIGHTS REPORTING**

The information a company discloses publicly with regard to its human rights performance, whether in response to regulatory reporting requirements or voluntarily.

## **INTERNAL AUDIT**

The internal audit function is usually provided in-house in larger or listed companies as well as companies that are required to have such a function, for example, banks and regulated companies. Some companies may outsource their internal audit function to maximize benefit and minimize costs. Whether in-house or outsourced, the key requirement for internal audit is that it is able to provide an independent assurance that the company's risk management, governance and internal control processes are operating effectively.

## **INTERNAL AUDITOR**

An employee of a company charged with providing independent and objective evaluations of the company's financial and operational business activities, including its corporate governance. Internal auditors also provide evaluations of operational efficiencies and will report to the highest levels of management – i.e., the Board and audit committee – on how to improve the overall structure and practices of the company.

## **REBUTTABLE PRESUMPTION**

A rebuttable presumption is an assumption that is taken to be true unless there is a good reason for this not to be the case.

## **RESPONSIBILITY TO RESPECT HUMAN RIGHTS**

The responsibility of a company to avoid infringing on the human rights of others and to address negative impacts with which it may be involved, as set out in the UN Guiding Principles on Business and Human Rights.

## **SALIENT HUMAN RIGHTS ISSUES**

Those human rights that are at risk of the most severe negative impacts through a company's activities or business relationships. They, therefore, vary from company to company, but typically share common features within sectors. For more on salient human rights issues, see Box E on page 28.

## **SEVERE HUMAN RIGHTS IMPACT**

A negative human rights impact that is severe by virtue of one or more of the following characteristics: its scale, scope or irremediability. Scale means the gravity of the impact on the human right(s). Scope means the number of individuals that are or could be affected. Irremediability means the ease or otherwise with which those impacted could be restored to their prior enjoyment of the right(s).

## **STAKEHOLDER**

Any individual or organization that may affect, or be affected, by a company's actions and decisions. In the UN Guiding Principles, and in the UN Guiding Principles Reporting Framework, the primary focus is on affected or potentially affected stakeholders, meaning individuals whose human rights have been or may be affected by a company's operations, products or services. Other particularly relevant stakeholders in the context of the UN Guiding Principles are the legitimate representatives of potentially affected stakeholders, including trade unions, as well as civil society organizations and others with experience and expertise related to business impacts on human rights.

## **STAKEHOLDER ENGAGEMENT**

An ongoing process of interaction and dialogue between a company and its stakeholders that enables the company to hear, understand and respond to their interests and concerns, including through collaborative approaches.

## **RAFI**

The Human Rights Reporting and Assurance Frameworks Initiative: the global, consultative process, facilitated by Shift and Mazars, through which the UN Guiding Principles Reporting Framework and this guidance for assurance practitioners were developed.

## **UN GUIDING PRINCIPLES REPORTING FRAMEWORK**

The first comprehensive guidance for companies to report on how they respect human rights in line with the UN Guiding Principles on Business and Human Rights. The UN Guiding Principles Reporting Framework was developed through RAFI (see above) and is used by many companies to advance their human rights disclosure as part of integrated or sustainability reporting, or for stand-alone human rights reports.

## **UNITED NATIONS GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS**

A set of 31 principles that set out the respective roles of states and companies in ensuring that companies respect human rights in their business activities and through their business relationships. The Guiding Principles were endorsed by the UN Human Rights Council in 2011.

UN GUIDING PRINCIPLES

# REPORTING FRAMEWORK

*an initiative of*

## Shift



Shift is the leading center of expertise on the UN Guiding Principles on Business and Human Rights. Shift's global team facilitates dialogue, builds capacity and develops new approaches with companies, government, civil society organizations and international institutions to bring about a world in which business gets done with respect for people's fundamental welfare and dignity. Shift is a non-profit, mission-driven organization.

Shift was established following the 2011 unanimous endorsement of the Guiding Principles by the UN Human Rights Council, which marked the successful conclusion of the mandate of the Special Representative of the UN Secretary-General for Business and Human Rights, Professor John Ruggie. Shift's founders were part of Professor Ruggie's core advisory team that helped develop the Guiding Principles. Professor Ruggie is the Chair of Shift's Board of Trustees.

[www.shiftproject.org](http://www.shiftproject.org)

Mazars is an international, integrated and independent organisation specialising in audit, advisory, accounting and tax services.

As a global organisation, we believe it is both our privilege and responsibility to help create a better world by contributing to the business community and wider society through our reach and areas of expertise.

Through Mazars' Business. For Good™ initiative, we encourage business leaders to 'think and act long-term' in order to enhance business performance and pursue profit responsibly for the benefit of companies, their stakeholders and wider society. The initiative not only underpins our purpose but it also brings together a number of services that help organisations respond to emerging sustainability issues in the global marketplace including Anti-Corruption and Whistleblowing, Culture and Human Rights.

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