

UN human rights reporting



Our view of the world is enhanced by social media. Not least in 2020, when the coronavirus pandemic emphasised the fragility of the supply chains, and the people we depend on globally. Good business sense includes respecting people's fundamental dignity and welfare.

This informative guidance is designed to increase knowledge, relevant to audit leaders, about the UN Guiding Principles on Business and Human Rights (UNGPs). Including how organisations are required to be accountable and transparent about their commitment to them. It will also cover both a report framework and an assurance framework for internal auditors.

As Richard Kooloos, Head of Sustainable Banking, ABN AMRO (and an early adopter of the UNGP Reporting Framework) observes: "The UNGP Reporting Framework equips us to understand what we may face – it reduces the number of unknown unknowns."

We all know the reach that an internal audit report can have. It is read by the board and provokes discussion with the potential to influence organisational strategy, governance and values.

Understanding the UNGPs provides audit leaders with the knowledge to begin to advise and assure the organisation in playing its part as global citizens. The unintentional consequences of decision-making in a boardroom can lead to human-rights issues. Sometimes a discussion is all that is needed to raise awareness and promote change.

The principles

The UNGPs are a set of **guidelines** for countries and organisations to prevent, address and remedy human rights abuses committed in business operations. They were endorsed by the UN Human Rights Council in June 2011.

This short video provides an overview.

There are three pillars to the guidelines: state duty, corporate responsibility and remedy.

- **State duty:** Pass and enforce laws to prevent human rights violations
- **Corporate responsibility:** Refrain from violating human rights across all aspects of operations, regardless of geography or absence of local laws
- **Remedy:** Victims access to redress through government or corporate mechanisms

Corporate philanthropy such as building a school or having a charity partner cannot be used to offset abuse of rights within the supply chain. The principles are not about the net effect but the absolute effect.

Louise Nicholls, Corporate Head of Human Rights, Food sustainability (Plan A) and Food packaging at Marks and Spencer, makes clear as part of an insightful **interview** what the UNGPs are all about: “when we think about people, whether they’re in our own operations or they are partners, third parties, or in our supply chain, we need to have one overarching approach to thinking about people”.

The UK response

By way of background, the **Human Rights Act 1998** ensures the right to remedy for individuals in the UK. It remains in force. A broad spectrum of employment legislation also covers the State’s duty on matters such as discrimination, working conditions and minimum wage. Other legislation covers related issues including health and safety and data privacy.

In 2013, the UK Government was the first country to formally respond to the UNGPs, setting out clear **expectations** for UK companies. The document also includes details of specific plans under devolved powers.

The Companies Act was updated requiring large companies to report **non-financial information** including disclosures on human rights where such information is necessary for an understanding of the business.

Gaps in existing legislation were addressed with the **Gangmaster (Licensing) Act** targeting forced labour in specific sectors, the **UK Bribery Act** applies significant penalties for breaches and the **Modern Slavery Act** has its own reporting regime.

Reporting framework

The UNGP Reporting Framework is the world's only reporting framework for companies on human rights that is wholly aligned to the UNGPs. A global standard in corporate reporting. The initiative is backed by various global institutions, early adopter organisations and most significantly an investor coalition of 87 investors representing \$5.3 trillion assets under management. The investor community has become a powerful voice in raising the bar on the transparency of corporate reporting.

Detailed **guidance** is available for organisations seeking implementation support for reporting. The framework divides into three parts;

- **Part A:** Two overarching questions with subsections, focusing on commitment and governance
- **Part B:** provision of information to filter the final section for relevance to the organisation
- **Part C:** Six overarching questions with subsections, focusing on management of salient issues

The overarching questions are designed such that any organisation can answer them, regardless of size, sector or maturity of reporting. Organisations that do not follow the reporting framework are encouraged to observe the **seven principles** of reporting upon which they are founded:

1. Setting Human Rights Reporting in the Business Context
2. Meeting a Minimum Threshold of Information
3. Demonstrating Ongoing Improvement
4. Focusing on Respect for Human Rights
5. Addressing the Most Severe Impacts on Human Rights
6. Providing Balanced Examples from Relevant Geographies
7. Explaining any Omissions of Important Information

Reporting assurance

Action speaks louder than words. It is not enough that organisations simply pledge commitment; they must follow through and be genuine in their testimonies. A **report by the Shift Project in 2017** found that 30% of companies demonstrated stakeholder engagement even though 93% had pledged commitment to the UNGPs. The dos and don'ts of reporting on page 38 are also particularly useful for developing an assurance test plan.

Alongside the reporting framework is **guidance** for assurance providers, including specific guidance for internal auditors. The Institute was heavily involved in developing the documents. Richard Chambers, Former President and CEO of IIA Global, provided one of two forwards to internal audit guidance. Internal auditors will find the language familiar, text easy to navigate and content highly relevant including reference to existing standards in this space. The guidance is a useful read generally for any corporate social

responsibility engagements although specifically designed to support UNGP reporting.

Is UNGP assurance on your audit plan? If not, it needs to be. CAEs need to demonstrate leadership in this space by promoting the principles and reporting requirements in addition to assuring on how it is executed.

Prioritising

Respecting human rights whilst operating a cost efficient business can be challenging, particularly for organisations with large, diverse supply chains or multiple geographies. The first step is to prioritise the salient issues - the ones with the most negative impact. Issues with the biggest impact on individuals will also be those that carry the largest reputational damage risk for the organisation.

Saliency cannot be interchanged with materiality. It is not about financial value or determined in relation to stakeholders of the organisation; it is simply about severity of impact on people's human rights. Once identified, salient issues can then be reported and addressed – prioritised. Page 28 of the [assurance guidance](#) helps with this.

- **Scale:** The gravity/extent to which enjoyment of human rights has been impeded by the activity of the organisation. An example of this is Unilever, who in 2015 announced that they had set a global target to eradicate forced labour from within the supply chain. A 2017 [update](#) shared their progress.
- **Scope:** The number of individuals impacted. Think freedom of expression for a communications company.
- **Remediability:** Can the issue be recovered, poor working conditions in garment factories can be put right, however, health issues due to exposure to asbestos are not recoverable as the human rights of the individuals cannot be reinstated.

As part of its human rights reporting, the bank ABN AMBRO shared [details of how it first workshopped and subsequently maintained its salient issues](#). Internal audit are ideally placed to facilitate such a session if issues are still to be ascertained. If they have been, what assurance has been provided over the process and progress on actions?

Due diligence

The responsibility of organisations includes a requirement to undertake due diligence of human rights. All entities are exposed to human rights issues through their own operations and those of their stakeholders; suppliers, investors, service providers and clients.

In March 2021, the EU took a decisive step towards making human rights due diligence mandatory. It is part of ongoing debate within the UK having been regularly debated in recent years. An informative [guidance paper by the Shift Project](#) includes useful due diligence questions that could form part of an internal audit programme or discussion with management.

What risk assessments have been done? What contractual commitments are required regarding the Modern Slavery Act and General Data Protection Regulations for example. Do your investors trade ethically? Does your cloud service provider operate within the human rights principles?

Supplier audits and supply chain due diligence is commonplace but does yours extend to human rights? How broad is the scope, should it be extended? How do findings contribute to decisions on salient issues?

Does internal audit provide assurance that the monitoring process is robust? Are action plans followed up and addressed in a reasonable timeframe?

With effect from 2021, ministerial departments will also be required to publish Modern Slavery statements. To achieve this, the UK Government has outlined the steps it is taking to eradicate inappropriate practices from its supply chain. For more on Modern Slavery, [click here](#).

Internal audit can provide consultancy support to help organisations get started through workshops and process assessments, where more detailed assistance is required, [Shift](#) has a business learning service; they are a not-for-profit organisation partly funded by the UK government.

Remedy

Governments have a duty to ensure that victims of human rights violations have channels of communication open to them to raise complaints and seek remedy. The following extract from the 2016 update of the [Good Business](#) report demonstrates how this operates in practice.

Where organisations are aware of issues, it may be prudent to implement remediation without the need for legal intervention not least from an ethical position but also commercially from a cost, reputation and operational disruption perspective.

What communication channels are available to potentially vulnerable stakeholders within your supply chain? Organisations must be mindful that issues such as [modern slavery](#) are prevalent in the UK not just overseas.

Reporting examples

Commenting on the UNGP framework, Richard Howitt, CEO of the International Integrated Reporting Council, said: “this most authoritative framework that has been brought forward is, for me, the answer. I want companies, not just in Europe but throughout the world, to use it.”

- An automobile company is using the Framework to structure its human rights programme, including in relation to managing human rights in the supply chain
- An oil and gas company is using the Framework to conduct an internal gap analysis, to better understand what processes it already has in place aligned with the UN Guiding Principles, and where the gaps may be
- An apparel company had provided training to those responsible for sustainability and its Code of Conduct, and tailored the Framework questions to the company’s specific salient human rights issues
- An apparel company is using the Framework to identify what they disclose on modern slavery, in response to the UK’s Modern Slavery Act request for further transparency on relevant policies and due diligence
- A food, beverage and agriculture company is using the Framework to determine how to add human rights to its existing risk management system

Is your organisation using the UNGP framework? If not, how could it improve reporting by using it?

Closing thoughts

Internal audit protects organisations in many ways: ensuring financial controls are robust, strategic processes are comprehensive, operations are efficient, and regulations are complied with. Providing assurance on UNGP reporting elevates this protection beyond the organisation to wider society and mankind. Without every organisation assessing their impact and taking remedial action people lives will continue to be damaged or extinguished through abuse of their human rights. Internal audit has an important role to play in helping secure a better future for all.

"Never, never be afraid to do what's right, especially if the well-being of a person or animal is at stake. Society's punishments are small compared to the wounds we inflict on our soul when we look the other way."

Martin Luther King