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Assurance insights: Innovating in human rights assurance





Innovating in human rights assurance

Mazars provides human rights assurance for Jindal Stainless Limited.

The demand for more transparent and accountable disclosure of human rights risks and impacts has never been greater: business partners, investors, institutions and other stakeholders want corporate social responsibility (CSR) reporting that reflects companies' consideration of human rights.

But for this reporting to have credibility it must be backed by rigorous due diligence processes. 'Human rights reporting must be more than a marketing and communications exercise. It should reflect culture within a company, demonstrate its actions to mitigate against its human rights impacts, and be a fair representation of the company's position in this area', says Richard Karmel, a partner at Mazars LLP UK and head of social performance and human rights reporting.

It's an area where the firm is a pioneer. Mazars has developed an assurance methodology on human rights, based on the United Nations (UN) Guiding Principles on Business and Human Rights that can help companies increase their accountability and transparency. 'As part of the initial due diligence process we consider the formal policies, procedures and controls that a company has in place to assess its impact on human rights using five core indicators', explains Karmel. These indicators cover:

1. impacts on company workers, including agency workers (employment and workplace conditions);
2. impacts on supply chain workers, including agency workers (employment and workplace conditions);
3. impacts on local communities and the public (including the impact of the environment on communities);
4. impacts relating to products and services; and
5. impacts relating to security (ie, the impact of a company's security arrangements).

Mazars is also co-leading on the Reporting and Assurance Framework Initiative (RAFI) to develop a twin set of frameworks for human rights reporting and assurance (see box opposite).

'We are proposing that companies include human rights disclosures within their non-financial reporting and that auditors provide assurance on this', explains Karmel. 'Although the intention is for this to address all five core areas, for many companies this would be a large undertaking to apply in one year', he adds, so many companies start by focusing on one core area or jurisdiction. 'It is about engaging with stakeholders to identify where their greatest risks are and then moving to the next level', says Karmel. 'The due diligence and the assurance are part of a journey.'

It's a journey that Indian steel producer Jindal Stainless Limited (JSL) started some years ago. As a signatory to the UN Global Compact (UNGC) Network and Global Compact Network India, JSL has championed the cause of human rights and it makes deliberate efforts to preserve the environment and respect communities. Choosing to undergo a voluntary human rights review reinforces its commitment to being a socially responsible corporate. But as time limitations prevent JSL from addressing all of the indicators simultaneously, it began with one set at one location, though the human rights due diligence process included input from various geographies and visits by Mazars to JSL plants in Hissar, Jajpur and the JSL corporate office in Delhi.

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'The indicator on communities and the environment were most relevant', says Brigadier Rajiv Williams, YSM (Retd), corporate head of CSR at JSL, as this supports its aim to include communities in its growth perspective. 'It is important to ensure that communities in and around our plant locations and our area of influence are taken care of, by recognising the challenges surrounding them because of the manufacturing process and mitigating their problems in a proactive and sustained manner', explains Williams. This includes the environmental impact on communities and the solutions found to address the associated issues. 'The due diligence process has demonstrated our ethical practices', he says, and identified some gaps.

Williams describes the dialogue during the human rights assurance review as frank and fair. 'The Mazars team was very forthright and convincing in their approach and the process', he says. 'Some aspects were accepted by them and some by our team', and actions are already in hand to address some of the issues raised. 'This exercise has been extremely beneficial in identifying areas which had been overlooked by us and helping us to do things in the right way', says Williams, 'and such gaps as were identified will be plugged over time.'

Mazars delivers its limited assurance using ISAE 3000 (see box), an internationally recognised framework, to assess and report on performance data and control systems. It is a principles-based framework that can be applied to a broad range of underlying subject matters which can be selected to reflect the unique needs of each engagement meaning it can be used for assurance reviews of one set of core human rights indicators or all five of them.

Williams describes the human rights due diligence process as 'a great experience' that strengthened JSL's commitment to being a socially responsible corporate. So the benefits of the human rights assurance and the resulting statement will extend beyond the company – and not just into the communities and environments around its plant locations. 'Many others will receive the highs of the report through media tools such as the websites of JSL, the UNGC and Indian ministry of corporate affairs', he says. It will also be used in talks and seminars, and shared with selected business schools, law colleges and human rights organisations. 'It will support our lead role to try and do things not only the smart way but to do things the right way.'

MORE ON ASSURANCE AND HUMAN RIGHTS

The UN Human Rights Council endorsed the UN Guiding Principles on Business and Human Rights in 2011 after years of multi-stakeholder consultation and research. The Guiding Principles elaborate upon the 2008 UN 'Protect, Respect, and Remedy' Framework on business and human rights.

The Framework describes what companies are required to do (respect human rights in their business operations) and the Guiding Principles detail how they can know and show this in practice. Now, with official support from the UN working group on business and human rights, Mazars are co-leading on a project to develop frameworks that can be used to demonstrate whether a company's policies and processes align with the Guiding Principles.

The project will develop a twin set of frameworks for human rights reporting and assurance:

1. a framework for companies to report on their human rights performance, including their policy commitment and how this is embedded throughout, together with their salient risks; and
2. a framework for independent external assurance providers to provide human rights assurance that attests that the company's human rights disclosures are a fair representation.

A discussion paper (with feedback), a next steps paper, consultation take-aways and various other related documents are available at www.business-humanrights.org/Documents/RAFI.

Mazars has already developed its own proprietary assurance methodology on human rights, based on the United Nations (UN) Guiding Principles on Business and Human Rights. This was used to select the criteria for the human rights assurance engagement with JSL and focus on a set of indicators related to impacts on local communities and the public (including the impact of the environment on communities).

Mazars provided this limited assurance using the framework provided by the International Standard on Assurance Engagements ISAE 3000 (developed by the International Auditing and Assurance Standards Board) and the ICAEW Code of Ethics.

A limited assurance engagement involves performing procedures to obtain sufficient appropriate evidence to give limited assurance over the data. The procedures selected depend on the judgement of Mazars, its understanding of the data and engagement circumstances, and its consideration of areas where material misstatements are likely to arise.

Practical guidance on developing assurance services in accordance with ISAE 3000 can be found in the ICAEW Assurance Sourcebook at www.icaew.com/assurancesourcebook.

The ICAEW Code of Ethics is available at www.icaew.com/ethics

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