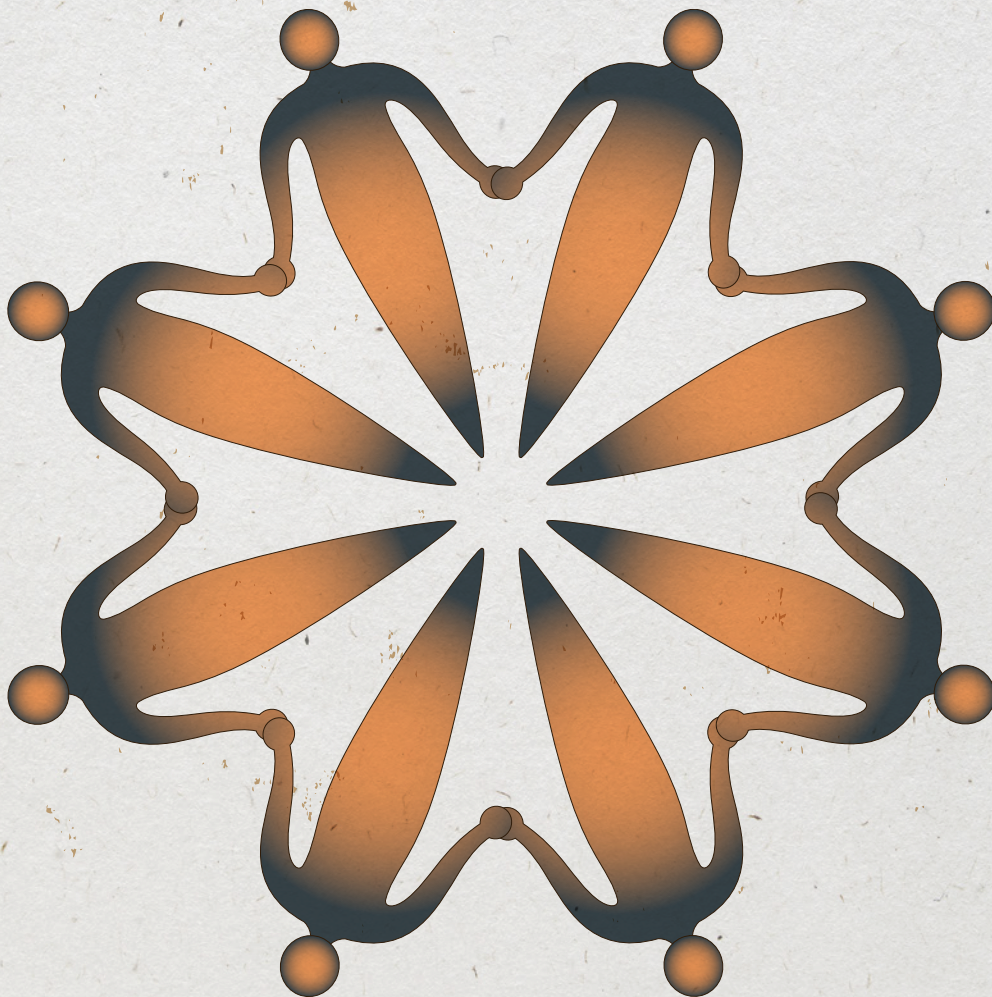


CGMA®

# BUSINESS AND HUMAN RIGHTS: EVOLUTION AND ACCEPTANCE

CGMA guidance for assessing and protecting human rights





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This guidance is laid out in two sections. The first outlines how human rights has evolved as an important business issue, specifically through the introduction of the Guiding Principles on Business and Human Rights, as well as outlining specific areas management accountants should both be considering and acting upon.

The second section outlines in more detail the acceptance of integrating human rights concerns into business operations and how organisations are applying and adapting the Guiding Principles according to their geographical, sectoral or operational remit. When considering actions to take, management accountants should take into account these influences.

## FOREWORD

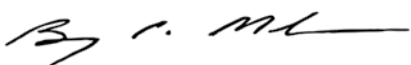
The operating environment for business has changed irreversibly in recent years. Change is still underway – additional issues that pose very serious threats to business include forced labour, child labour, dangerous working environments, land clearance, environmental degradation, harassment and the misuse of data.

Due to the confidence and trust placed in them and the professional codes they follow,<sup>1</sup> management accountants are responsible for identifying risks and safeguarding their organisations to create value.

This guide, written in partnership with the Global Compact Network UK, sets out the context for the importance of human rights issues to business. It also identifies the human rights-related areas that management accountants should consider in relation to their organisations. This will help to inform short-

term key actions and processes and to support long-term corporate objectives and overall reputation.

AICPA and CIMA are united in their views. They recognise the importance of understanding the value of intangible assets such as customer and employee relationships, engaging and collaborating with external stakeholders, and integrating insight from relevant and material data into decision making.<sup>2</sup> Identifying, implementing and reviewing salient human rights risks and processes is an important aspect of all these priorities.



BARRY C. MELANCON CPA, CGMA  
President and Chief Executive Officer, AICPA



CHARLES TILLEY FCMA, CGMA  
Chief Executive, CIMA

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As financial stewards, management accountants are responsible for helping to devise business strategies, analysing the consequences of business decisions, forecasting performance and suggesting improvements to the business, among other activities. In light of the UN Guiding Principles on Business and Human Rights and new legal requirements, such as the Modern Slavery Act 2015, understanding how adverse human rights impacts a business has now become an important part of a management accountant's role. This briefing is a call to action for CGMAs and provides a roadmap showcasing how they can pursue their new professional responsibilities. We are delighted to have co-authored this publication and commend all management accountants to take up the mantle and consider human rights in their role.”

Chris Harrop,  
Chair of Global Compact Network UK



## CONTEXT

Since 2008, when the UN Human Rights Council unanimously endorsed the UN Protect, Respect and Remedy (PRR) Framework,<sup>3</sup> it has been globally accepted that businesses have a responsibility to respect internationally recognised human rights. The human rights in question address social, economic, cultural, civil and political concerns. They are expressed in the International Bill of Human Rights<sup>4</sup> and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO).<sup>5</sup>

Divided into three pillars, the PRR Framework sets out the complementary roles of the private and public sectors regarding business and human rights:

1. States have a duty to protect, respect and promote human rights
2. Companies have a responsibility to respect human rights
3. Victims of business-related harm should have access to remedy.

In establishing the ‘corporate responsibility to respect human rights’, Pillar 2 describes a fundamental responsibility of all enterprises irrespective of their size, purpose of business or where they operate. Importantly, this responsibility exists irrespective of a government’s ability to protect, respect and support citizens’ rights (Pillar 1).

### **The Guiding Principles on Business and Human Rights**

The UN PRR Framework was enhanced in 2011 when the UN Human Rights Council unanimously agreed the Guiding Principles on Business and Human Rights (which are henceforth called the Guiding Principles). They detail how the UN Framework should be interpreted and provide top-level guidance on implementation. Today, they are the de facto standard for what constitutes good corporate behaviour. Many different types of organisations around the world, including large and small enterprises representing diverse industry sectors, accept, endorse and use them in their day-to-day activities.

The PRR Framework and Guiding Principles mark a significant moment in history. For the first time, it is globally accepted that companies should consider and proactively assess the human rights impacts associated with their business actions, activities and relationships. Where relevant, they should address how they impact the lives of all their stakeholders, irrespective of the national laws where they operate.

### **Putting the Guiding Principles into practice**

The expectation that organisations must ‘know and show’ is central to both the PRR Framework and the Guiding Principles. Companies should be able to demonstrate that they understand their impact on the human rights of their stakeholders. Both instruments outline a practical framework of human rights due diligence, which should dovetail with the existing risk-management processes that businesses operate.

A human rights due diligence process is intended to identify, prevent, mitigate and account for how a company addresses its adverse human rights impacts. It is based on four key steps:

1. Assessing actual and potential human rights impacts
2. Integrating and acting on the findings
3. Tracking responses
4. Communicating about how impacts are addressed

While management accountants may not be directly focused on conducting a human rights due-diligence process, they should still be aware of what it is and its key role in identifying the company's human rights risks and impacts.

Depending on the organisational structure, the actual process may be undertaken by sustainability/corporate responsibility teams, internal or external risk assessors or specialist consultants. It should, however, include input from people and functions from across the business. Management accountants have a major role in considering how a due diligence process can be adequately resourced and managed to complement existing risk-management systems. They should also be involved in reviewing findings and acting on any issues that come to light.

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“Respect for human rights is critical for businesses, and hence for CGMAs, on many levels. For Unilever it is fundamental for the way we do business, for our own operations, our value chain and the communities where we operate. Only when we look at our entire footprint are we able to set and implement the appropriate standards that you would expect of Unilever.”

Roger Seabrook, FCMA CGMA, VP Finance Marketing & Sustainability, Unilever

## CASE STUDY

### Unilever creates value from human rights reporting

In 2015, Unilever became globally recognised as the first company to publish a stand-alone human rights report based on the UN Guiding Principles Reporting Framework. The company's longer-term aim is for every employee and supplier to have an appropriate understanding of the Guiding Principles. However, with 172,000 employees, 76,000 suppliers and sales in more than 190 countries, this ambition presents a number of challenges.

The report highlights Unilever's efforts to embed and promote human rights practices in the business. It identified the salient issues faced by the company as discrimination, fair wages, forced labour, freedom of association, harassment, health and safety, land rights and working hours.

With potentially millions of stakeholders in the organisation's value chain, Unilever operates an eco-system in which it can control some parts and only influence others. It also recognises the need for continuous improvement, with transparency and accountability being the critical drivers. And it understands that identifying problems in the value chain, then seeking feedback and sharing the knowledge gained, helps it to address those problems.

Unilever identified issues of harassment as the issue that was most often reported internally in 2014, particularly in the agricultural sector. In response, the company launched three initiatives to combat sexual harassment in the Kericho tea plantation in Kenya. Community outreach, safety talks and targeted training exercises led to positive results and ongoing progress will be publicly reported.

While Unilever understands the importance of quantitative and qualitative data collection and interpretation across multiple geographies, it has found gaps in readily available information. To bridge these gaps, the company is involving cross-functional teams, from procurement and finance to investor relations and human resources (HR), in assessing risk and identifying the value proposition. By compiling this first report, Unilever has committed itself to building frameworks for improved data collection, verification and analysis. This will feed into how the company continues to identify and remediate human rights challenges.

[See Unilever report](#)

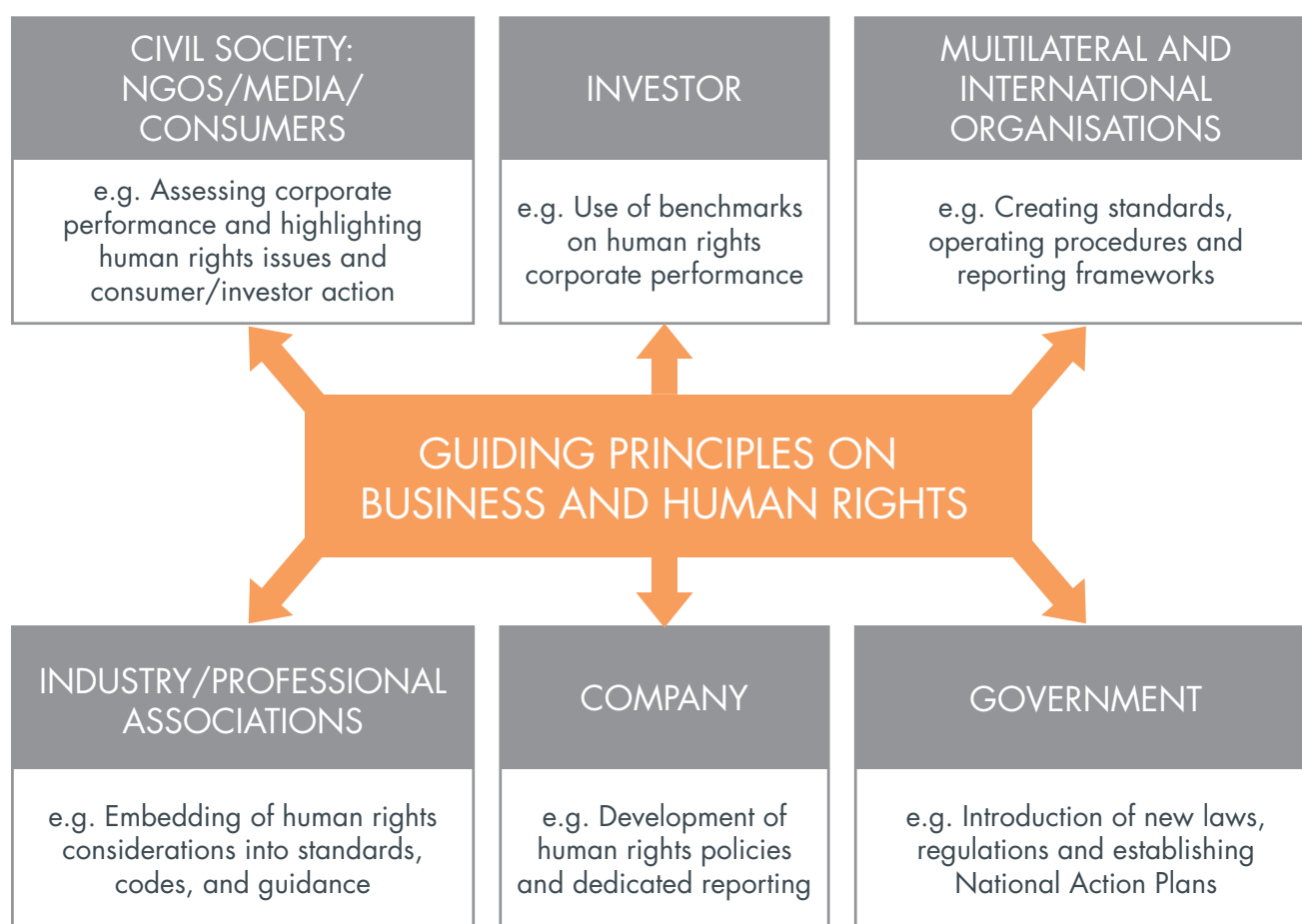
## Acceptance in practice

Since 2011, there have been increasing signs of diverse and influential organisations around the world accepting the Guiding Principles. These are manifested in various ways, from adoption, adaptation and implementation to use as the inspiration behind similar initiatives to guide and influence the actions of others. Evidence of action indicates a move towards alignment and convergence.

To underscore ‘acceptance in practice’, various organisations have taken steps to either apply or adapt the Guiding Principles according to their geographical, sectoral or operational circumstances.

*For more detail on the influence of the Guiding Principles and their acceptance in practice see [page 11](#).*

FIGURE 1: Influence of the Guiding Principles



## THE ROLE OF THE MANAGEMENT ACCOUNTANT

Management accountants have the skills to develop risk reviews and corporate processes, often working with multiple and complex scenarios. With their professional objectivity, they are well placed to contribute to auditing and monitoring policies and actions. They can also help in the execution of strategic initiatives. When it comes to safeguarding reputation, such scrutiny is crucial.

Management accountants can map out risk and opportunities, enabling them to engage with the Guiding Principles and identify both how their business might impact human rights and how human rights abuses might impact their business.

To do so, they must manage and draw insight from corporate information and metrics. Companies already engaging in responsible business practices and applying human rights frameworks will gain significant advantage over those failing to recognise their importance. Companies also need to be confident in explaining new priorities to a wide range of stakeholders, supported by metrics that clearly justify their decisions.

Having a clearer understanding of the implications of human rights to the business will also help financial decision making by highlighting areas where investment is required and enabling the evaluation of procurement options and performance.

In recent years, non-financial factors have become a required element of corporate reporting. Finance professionals have a key role in identifying, measuring and analysing information that helps explain how their business creates value, both for itself and for wider society. As qualified accountants, CGMA designation holders recognise their ethical and professional responsibilities, both to the codes of their professional bodies and particularly in relation to delivering objectivity, independence and integrity. Using this lens, they are well placed to review human rights impacts and determine how prepared their organisations are in terms of applying the Guiding Principles.

Finance professionals play a crucial role in supporting and enabling long-term sustainable business success. They have an equally important obligation to ensure that their employers recognise the relevance of human rights in business, and that the success of their business operations should not come at the expense of the human rights of other people.





# KEY POINTS FOR MANAGEMENT ACCOUNTANTS TO CONSIDER

The following guidance highlights actions that finance professionals should consider in relation to their organisation's activity. It covers areas where they can inform and influence practice and learn from others in upholding human rights.

## 1. Enquire:

- Has the organisation made a public commitment to respecting human rights? This may take the form of a human rights policy, or the inclusion of a human rights statement within its policies on sustainability, corporate responsibility or other matters. It may also take the form of a public endorsement of the Guiding Principles.
- Has the organisation signed up to a responsible business standard or initiative that includes a commitment to observing human rights (such as the UN Global Compact)?
- Has the organisation signed up to a sectoral initiative that has its own responsible business standard including a commitment to observing human rights? (An example is the International Council on Mining and Metals [ICMM].)
- Has the organisation's HR function developed systems to monitor issues such as gender equality in the workplace or beyond?
- Is the procurement function aware of any requirements for companies to respect human rights? Or does it undertake human rights due diligence?
- How does the internal communications function share messages and help embed practices on the companies' position, policies and processes relating to respect for human rights?

## 2. Keep apprised of:

- Changes in the regulatory and legal landscape concerning business and human rights-related issues, such as new legislation (for example, the Modern Slavery Act 2015) or the development of National Action Plans on Business and Human Rights by either host or home governments. A good resource is the Business and Human Rights Resource Centre, which provides up-to-date information on laws, regulations and other matters concerning business and human rights.
- New and relevant developments in the business and human rights field regarding business reporting and performance, such as the Corporate Human Rights Benchmark,<sup>6</sup> the UN Guiding Principles Reporting Framework<sup>7</sup> and the Business and Human Rights Assurance Framework<sup>8</sup>.

## 3. Review:

- Any existing business strategy or plan. Look for strategic priorities that may adversely impact the human rights of stakeholders. If these are not apparent, make the case for considering how the company will address and manage its impact on the human rights of its stakeholders as one of the business's ongoing strategic objectives.
- Research gathered from different teams – look for any potential or actual human rights risks to the company, or impacts on stakeholders. Either of these may signal a 'red flag'<sup>9</sup> (a legal risk that will require urgent action).

- Reports addressing the human rights risks or impacts relating to relevant aspects of the organisation's business (such as a project, operation or relationship). Upon reviewing, determine how any impacts to stakeholders and risks to the business that you identify may affect the organisation's financial position.
- Contracts – look for opportunities to insert the organisation's human rights responsibilities into contracts with third-party suppliers, contractors and other players. The wording should unequivocally state the organisation's commitment to upholding respect for internationally-recognised human rights, elaborate on how it conducts its business and convey to third parties the need for them to adhere to the contract.
- Insurance policies – seek any clauses that have a crossover with human rights impacts. If the wording is vague, consider asking the insurer to include specific clauses that safeguard the organisation's activities, actions or relationships with respect to human rights. Alternatively, ask for the wording to be strengthened to ensure that your organisation is covered regarding any violation of human rights.

#### 4. Be alert to:

- Existing or legacy human rights issues in any merger, acquisition or divestiture prospect or related partnership. If these are not apparent, ensure that the due diligence process includes consideration of existing or legacy human rights issues.

#### 5. Ensure:

- That new business/business development teams thoroughly assess the human rights situations in countries where the company may be embarking on a merger, acquisition or other investment.
- That, when placing orders, the buying function considers the organisation's responsibility to respect the human rights of its suppliers and associated contractors.

#### 6. Consider:

- Adding human rights risks into existing risk-management processes.
- Adding human rights impacts by stakeholder into existing risk registers.
- Developing KPIs that will help the company measure and track how it respects human rights and does not adversely impact on the rights of stakeholders.

#### 7. Work with:

- Corporate reporting/responsibility/sustainability/HR or other related business functions to:
  - Develop relevant KPIs that will help the organisation determine how it respects human rights in all of its activities
  - Establish and agree on the company's management-reporting systems addressing non-financial issues such as human rights
  - Develop and use appropriate non-financial KPIs that relate to the relevant business function's interaction with human rights issues
  - Encourage training and development to improve understanding and awareness of relevant processes and policies, particularly for the functions that are most affected.

## 8. Allocate funding for:

- Human rights country-risk analysis – this may be carried out internally if there is appropriate in-house human rights expertise, or externally via an expert independent consultant or consultancy. Free resources such as the Human Rights and Business Country Guide<sup>10</sup> are helpful first guides to in-country human rights situations.
- Stakeholder engagement, which may be needed to ascertain that a project or operation is not adversely impacting stakeholders' rights. (Effective stakeholder engagement requires specific expertise and skills and ideally should be carried out by an independent provider to help engender trust in the process.)
- Human rights impact assessment – assessing an organisation's adverse impacts on the human rights of its stakeholders requires specialist expertise and skills. Similar to stakeholder engagement, the impact assessment process would be more trusted if carried out by a reputable, independent third party, potentially working alongside the organisation. The Guide to Human Rights Impact Assessment and Management<sup>11</sup> provides a good overview of an assessment process.
- Remediation and reparation – it is advisable to ring-fence funds for any corrective actions that may need to be addressed and for situations that could potentially trigger a reparation or compensation claim.
- Learning and development – your business may benefit from engaging with organisations that consider and address business and human rights issues and offer peer-to-peer learning opportunities (such as the Global Business Initiative on Human Rights). Some organisations offer sector-specific support on human rights (e.g. ICMM), while others, such as the 80+ Local Networks of the UN Global Compact, convene based on geography.
- Training – ensuring that relevant employees understand that concern for human rights is an important commitment of the company. Training on business and human rights is becoming more sophisticated, ranging from online courses to bespoke sessions tailored to an organisation's needs. Your organisation will need to decide what type of training is needed (awareness-raising or capacity-building) and who should be trained (all employees or specific teams).
- Specialist advice – it is important to consult an individual or group of people that are experienced and knowledgeable about business and human rights, enabling you to confidently identify any human rights risks to the business and assess any adverse impacts on the rights of your organisation's stakeholders.

## 9. Challenge:

- Information and data compiled by business functions such as the corporate responsibility/sustainability teams. Ensure that this effectively identifies the organisation's human rights risks and impacts associated with its business.
- Action plans drafted by the corporate responsibility/sustainability and other relevant teams. Discuss solutions with them to ensure that the agreed approaches are cost-effective and meet the needs of the affected stakeholders.

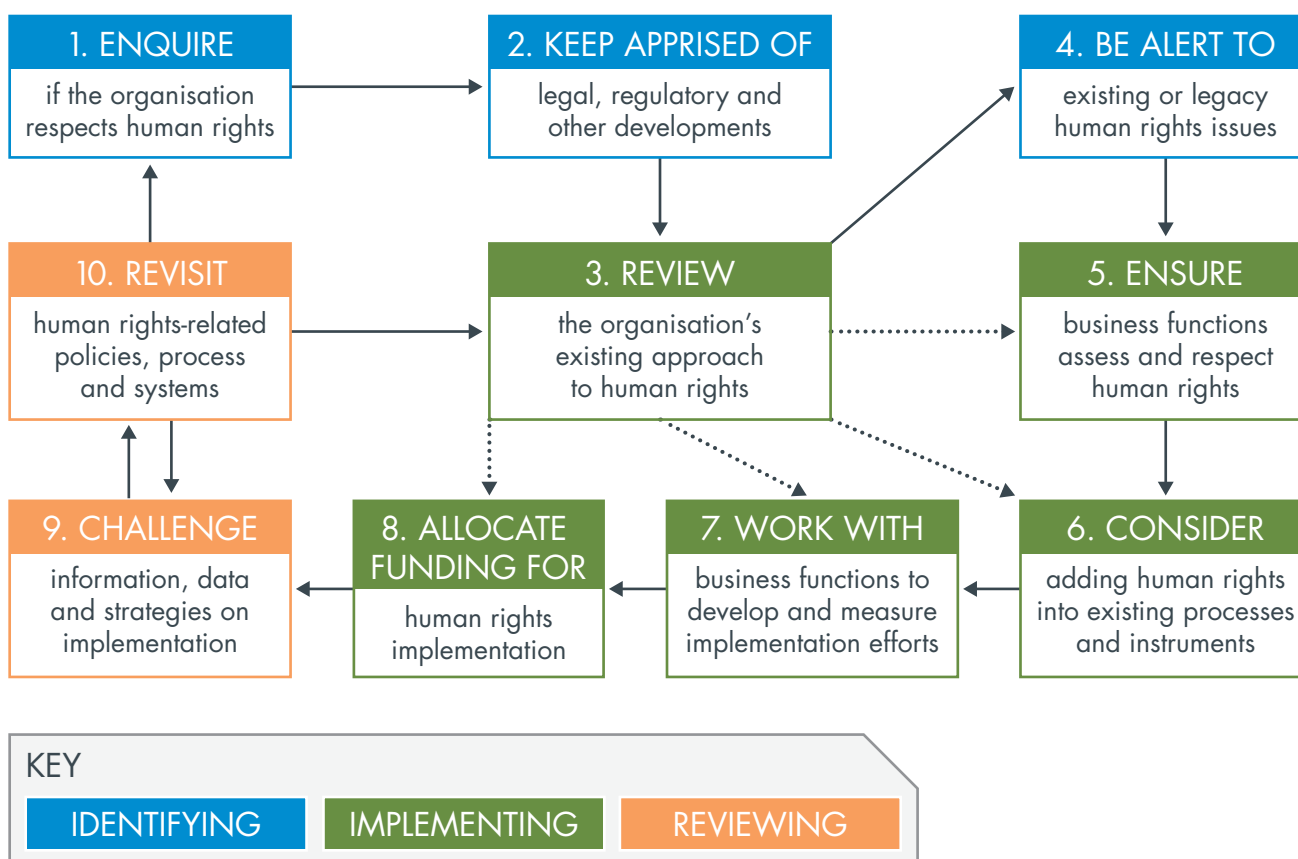
## 10. Revisit:

- All human rights-related policies, processes and systems that have been developed and implemented; ascertain their effectiveness and make all appropriate adjustments.

## NEXT STEPS ROAD MAP

The human rights and business road map encapsulates the 10 areas for consideration, related to identifying, implementing and reviewing/re-evaluating policies, practices and processes related to human rights concerns within the organisation and the wider operating environment:

FIGURE 2: CGMA Human rights and business road map – the next steps



Embedding human rights considerations into the business, particularly in complex organisations, is an incremental process. However, the sooner the journey begins the faster will progress be made towards mitigating risks and realising opportunities. The key to progress is enabling relevant and material information to be incorporated into

management reporting, analysis and decision making. Management accountants will contribute to enabling responsible business and respect for human rights by collaborating, responding to stakeholders' legitimate interests, and assessing performance in a transparent manner to improve future outcomes.



# ACCEPTANCE IN PRACTICE

## Governments

The Guiding Principles call on governments to use appropriate policies, regulation and adjudication to protect against human rights abuses by third parties, including business. The following examples highlight a number of different approaches.

### National Action Plans

Many governments have signalled their commitment to adopting the Guiding Principles through the development of strategic National Action Plans (NAPs). As of May 2016, eight governments have issued NAPs, the UK being the first in 2013. More than 25 governments, including those of Italy, Jordan, Malaysia, Mozambique and the USA,<sup>12</sup> have either publicly committed to developing such plans or are in the process of developing them. The USA's plan is due to be released during 2016.

### New forms of legislation combined with mandatory reporting

In 2015, the Modern Slavery Act came into effect in the UK.<sup>13</sup> Section 54 of the Act obliges all commercial organisations supplying goods or services and with an annual turnover in excess of £36 million to prepare an annual 'slavery and human trafficking statement'. This should outline the steps the organisation has taken during the financial year to ensure that slavery and human trafficking are not taking place in any of its supply chains or in any part of its own business. While the Act directly concerns UK businesses, it is also applicable to foreign-owned companies that have a UK presence.

In the US, under Section 1502 of the Dodd-Frank Act,<sup>14</sup> businesses must submit an annual report detailing their supply chain due diligence process (this being a process that requires them to assess and, if identified, to act on any adverse human rights impacts in the supply chain).

Section 1502 of the Dodd-Frank Act is an example of a regulation that addresses how businesses impact a specific human rights issue (forced labour in a supply

chain). Other governments have sought to influence corporate behaviour through wider approaches, such as mandatory reporting.

Since early 2015, Corporate Responsibility reporting, which may include non-financial issues related to human rights, has been mandatory in countries including India, Indonesia, Malaysia, South Africa, France, Denmark, Taiwan and Norway, and through Stock Exchange rules in Brazil, Malaysia and Singapore.

For example, companies in France have been required since 2012 to report each year on how they 'take into account the social and environmental consequences of [their] activity and [their] social commitments in favour of sustainable development'.<sup>15</sup> France was one of the first European countries, following the UK and Denmark, to introduce mandatory reporting on companies' non-financial issues in response to the associated European Directive.

## Multilateral and international organisations

Since 2011, many international organisations have been influenced by the Guiding Principles and have incorporated aspects of them into their international standards and operating procedures. Such interventions reaffirm the Guiding Principles as the pre-eminent standard on business and human rights.

### European Commission

The EU Directive on disclosure of non-financial and diversity information<sup>16</sup> came into force in December 2014. This requires large public-interest enterprises to report on a number of sustainability matters, including human rights, environmental, social and employee issues, and anti-corruption and bribery matters. Member states have until 2017 to transpose it into national law.

In 2015, the European Commission issued a document<sup>17</sup> specifically outlining how it had addressed the implementation of the Guiding Principles since 2011. This included acknowledgement of three practical forms of guidance that it commissioned to help companies in the employment and recruitment,<sup>18</sup> information and technology<sup>19</sup> and oil and gas<sup>20</sup> sectors address human rights.

### Organisation for Economic Co-operation and Development (OECD)

The OECD updated its Guidelines for Multinational Enterprises<sup>21</sup> in 2011, introducing new recommendations on human rights that are consistent with the PRR Framework and the Guiding Principles.

### Global Reporting Initiative and ISO 26000

Both the Global Reporting Initiative (GRI) and the International Organization for Standardization (ISO) have updated their tools to align them with the Guiding Principles. In doing so they provided companies with indicators that assist with benchmarking.

GRI issued the updated G4 Guidelines in 2013. Two years later, the organisation stressed that adherence to G4's human rights indicators is a tangible way for companies to demonstrate their compliance with the Guiding Principles.<sup>22</sup>

While ISO 26000 on Social Responsibility was launched in 2010, the drafters ensured that it was aligned with the Guiding Principles. This was publicly acknowledged by John Ruggie, the former UN Special Representative on Business and Human Rights and developer of the Guiding Principles.<sup>23</sup>

### The UN Guiding Principles Reporting Framework<sup>24</sup>

The UN Guiding Principles Reporting Framework is the first comprehensive guidance to help companies report on human rights issues in line with their responsibility to respect human rights. This was developed through the Human Rights Reporting and Assurance Frameworks Initiative (RAFI), co-facilitated by Shift and Mazars in an open, global, consultative process involving representatives from over 200 companies, investor groups, civil society organisations, governments, assurance providers, lawyers and other expert organisations from across the world. The Reporting Framework provides a concise set of questions to which any company should strive to have answers that ensure and demonstrate it is meeting its responsibility to respect

human rights in practice. It offers companies clear and straightforward guidance on how to answer these questions with relevant and meaningful information about their human rights policies, processes and performance.

## Industry associations

Many industry-specific and professional associations have been influenced by the Guiding Principles to integrate relevant aspects into their operating procedures, standards and activities. Examples of such industries include agriculture, retail, mining, oil and gas, telecommunications and tourism.

### Telecommunications: establishing standards for the industry

The Telecommunications Industry Dialogue (TID) issued its ID Guiding Principles<sup>25</sup> in 2013. These focus on issues of privacy and freedom of expression relating to the telecommunications sector and specifically explore the corporate responsibility of telecommunications companies to respect human rights. The ID Guiding Principles are available in eight languages and have been adopted by leading companies in the sector. In 2014, nine companies issued reports on how they implemented the ID Guiding Principles in 2013.

### Oil and gas: enhancing knowledge and capabilities

Following the endorsement of the Guiding Principles in 2011, IPIECA (formerly the International Petroleum Industry Environmental Conservation Association) launched a three-year business and human rights project,<sup>26</sup> which has since served as an authoritative reference body for the oil and gas industry on business and human rights issues. A dedicated human rights task force was established, comprising 38 members from 20 member companies and associations. The project has fostered collaborative learning on specific areas within the Guiding Principles, including human rights due diligence and grievance mechanisms. Over the project's three-year span, IPIECA organised various technical and learning workshops and developed practical guidance and tools on how to address and manage human rights risks and impacts in the oil and gas industry.

## CASE STUDY

### Mining: Newmont – formalising commitment to human rights

Headquartered in the US and a founding member of the ICMM, Newmont is the first mining company to adopt the Guiding Principles Reporting Framework. Newmont is one of the world's largest producers of gold, with active mines in Nevada, Indonesia, Australia, New Zealand, Ghana and Peru. ICMM is committed to advancing industry good practice on human rights and was deeply engaged in the development of the PRR Framework and the Guiding Principles.

Newmont engaged internally across regions and functions and externally with human rights experts and key stakeholders to identify the most salient human rights risks it faced. This work included holding a cross-functional corporate workshop to identify an initial set of potential human rights issues, followed by sessions with regional and site teams to determine the severity and likelihood for each issue.

Human rights grievances can be reported via various means, including corporate and governance routes, the HR department or the company's online Ethics Solutions Tool. During 2015, a total of 24 grievances or allegations related to human rights were reported of which 23 were resolved during the year.

The company has engaged an independent assurance provider to assess its reporting for inclusivity, completeness, responsiveness and accuracy on material and significant sustainability matters. Furthermore, as an early adopter, Newmont has committed to helping others in the sector and the wider corporate community. It is therefore using the Guiding Principles Reporting Framework to report publicly, and is sharing lessons learned about its reporting experience.

See more on [Newmont's activities related to human rights](#)

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“Now more than ever, the mining industry is more responsive to social issues associated with mining. Integrating human rights risks and issues into the business helps us become more responsible and is key to securing the social license to operate. At Newmont, we believe our purpose as a business is in creating value and improving lives through sustainable and responsible mining.”

Joshua Mortoti, CGMA,  
Mine Manager – Newmont Ahafo Mine, Ghana.

## CASE STUDY

### Rana Plaza and the extended value chain: workers' safety spotlight

In April 2013, the Rana Plaza building in Savar, Bangladesh, collapsed. The building housed several factories, one of which produced low-cost garments for Primark, the clothing retailer that operates across Europe. A Bangladeshi Government investigation found that poor-quality construction materials and building code violations were among the 'series of irregularities' that caused the collapse, killing over 1,000 people and injuring more than 2,500 others.

Rapid communications generated significant consumer awareness and accusations of driving poor working conditions to maintain low garment costs, which undoubtedly contributed to Primark's response to the disaster. The company stepped in to provide assistance to people affected by the building collapse, including those working for suppliers to other companies.

Significantly, Primark then went on to carry out building surveys in Bangladesh to assess the structural integrity of factories supplying its stores. It also became an early signatory to the Accord on Fire and Building Safety in Bangladesh, which has now been signed by over 200 garment brands and retailers together with trade unions and NGOs. Under the scrutiny of the world media, this aims to ensure sustainable improvements to working conditions in the Bangladeshi garment industry, including in 1,600 factories.

In January 2016, Primark announced the start of a new partnership with the UK's Department for International Development (DFID) to improve working conditions for garment workers in developing markets across the world.

## Professional associations

### Legal profession: a multi-pronged approach

The legal profession has been influenced by the Guiding Principles in a number of ways. For example, the American Bar Association officially endorsed them in 2012.<sup>27</sup> In 2013, the Law Society of England and Wales (the Law Society) established a Business and Human Rights Advisory Group that considered how it would address and implement them. Following consultation and a report,<sup>28</sup> the Law Society launched its Business and Human Rights Programme in 2015, offering members the opportunity to attend CPD-accredited workshops on business and human rights. At an international level, the International Bar Association published guidance for bar associations and business lawyers on implementing the Guiding Principles, offering distinct guidance<sup>29</sup> to those practising as in-house counsel in law firms.

### Procurement and supply chain: embedding business and human rights in training

The UK's Chartered Institute of Procurement and Supply has updated its Professional Diploma in Procurement and Supply to include a section addressing the Guiding Principles.<sup>30</sup>

### Finance: highlighting human rights risks

Exams for CIMA professional qualifications often include issues around human rights challenges. For example, in recent strategic-level case studies, the rights of indigenous people and worker-safety issues in the supply chain have been incorporated into acquisition or new-venture proposals. CIMA students need to show how they can consider and respond to such situations and risks.

## Financial institutions

### International Finance Corporation (IFC)

In 2012, the IFC updated its Performance Standards and Sustainability Framework,<sup>31</sup> both of which require clients to address any identified human rights risks and impacts through approaches that include effective social and environmental risk assessments.

### Equator Principles

The Equator Principles updated its Code of Conduct in 2013 to include a clause on human rights.<sup>32</sup> Echoing the IFC Performance Standards, project sponsors who receive finance from EP Financial Institutions are now expected to undertake human rights due diligence if the project is considered high risk. The strengthened principles apply to over 80 financial institutions operating globally.



## Investors

Banks, insurance companies, private equity funds and other institutional investors increasingly consider the sustainability performance of the companies in which they invest and actively carry out Economic Social and Governance (ESG) assessments. Social reporting is increasingly considering the potential for and impact of human rights violations, material to the organisation's business and activities. Signatories to the UN Principles for Responsible Investment<sup>33</sup> (UNPRI) initiative have US\$59 trillion assets under management, illustrating the growing interest in such disclosure. The commitment by Norway's US\$810-billion sovereign wealth<sup>34</sup> fund to integrate human rights within its operating standards also signals the recognition by important economic players that the consideration of human rights is a positive indicator of a sound and sustainable business.

The Corporate Human Rights Benchmark<sup>35</sup> will be launched in late 2016. This will rank the top 100 companies in the agricultural products, apparel and extractive industries, using a rigorous methodology that has been developed over two years in consultation with over 400 companies, industry associations, investors, governments, civil society representatives, academics and lawyers. It will be used by investors, governments, consumers and other stakeholders keen to understand how companies are integrating human rights concerns into their business. This comes on the back of KnowTheChain,<sup>36</sup> a benchmark developed in 2013 that ranks the performance of companies' efforts to address forced labour in their supply chain.

## CASE STUDY

### Marshalls: Human rights set in stone

Marshalls is a member company of the FTSE4Good Index, which assesses corporate responsibility practices based on the principles of Socially Responsible Investment (SRI). The company has been supplying natural stone and innovative concrete products to the construction, home improvement and landscape markets since the 1890s. It operates quarries and manufacturing sites throughout the UK. It also has operations in Belgium, major supplier partnerships in India and China and representation in other international markets including the USA.

Given the nature of its work, Marshalls has been actively engaged in human rights issues since 2005, when it became the first company in the hard landscaping industry to join the Ethical Trading Initiative (ETI). It is also a signatory to and an active participant in the UN Global Compact and is committed to GRI monitoring and reporting.

It conducted its first human rights assessment in 2009.

In partnership with UNICEF, Marshalls is working on tackling child labour in India, where it is estimated tens of thousands children are still working in stone quarries across the country. From the sale of every square metre of its ethically sourced range of natural stone, Fairstone, the company currently donates £1 to UNICEF-supported projects. These products combine the attributes of fair trade and ethical sourcing by incorporating regular independent supply chain audits. Marshalls has seen a notable increase in sales since the launch of Fairstone and continues to experience significant year-on-year growth while raising awareness of labour and human rights issues.

[www.marshalls.co.uk](http://www.marshalls.co.uk)

## Integrated reporting

The International Integrated Reporting <IR> framework aims to create a more cohesive and efficient approach to corporate reporting, one that communicates the full range of factors that materially affect an organisation's ability to create value over time. The Guiding Principles focus specifically on one of those factors – how companies manage risks to human rights and enable more meaningful reporting on this issue to be embedded within an integrated report. The <IR> framework leaves it to the judgement of reporting organisations to determine what information to disclose, focusing on those matters that substantively affect organisations' ability to create value over time. Evidence shows that a company's salient human rights issues tend to converge strongly with risks to the business in the medium to long term, often affecting a company's ability to create value over time.

See [The UNGP Reporting Framework and Integrated Reporting](#)

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“Management accountants have a key role to play in identifying the salient human rights risks and responses in an organisation. This is in addition to providing information in context for use in internal decision making and external reporting utilising the UN Guiding Principles Reporting Framework leading to integrated reporting.”

Paul Druckman, Chief Executive Officer,  
International Integrated Reporting Council (IIRC)

## CASE STUDY

### Illovo Sugar: integrated reporting and land rights

Illovo Group is Africa's largest sugar producer. Operating across six countries, it employs nearly 13,000 full-time staff and more than 20,000 seasonal workers. The group's investment case is set against the background of achieving sustainable, balanced and integrated economic, social and environmental performance. In line with the UN Global Compact and the Guiding Principles, Illovo has adopted policies and practices to protect against human rights abuses. These are encapsulated in the Illovo Group Code of Conduct and Business Ethics, which extends to all suppliers. Performance and progress are outlined in the group's annual integrated reports, with financial and non-financial metrics highlighting its socio-economic impact.

In 2015, Illovo became the first African company to adopt guidelines on land and land rights, with requirements for its suppliers to do the same.

Coca-Cola, PepsiCo, Nestlé and Unilever have all previously committed to respecting community land rights. The guidelines were formulated in consultation with local and international experts, including Oxfam. The guidelines outline how the company will work with local communities and include a plan for holding suppliers to account. Key projects arising from the guidelines include working with local stakeholders to establish secure community land rights in Mozambique and resolving ongoing land disputes in Malawi. Illovo is taking a leadership position in Africa, encouraging others to follow. To be successful, Illovo acknowledges the need to work in partnership with others. Through such collective action, Illovo aims to create lasting change while positively influencing others.

See [Illovo's integrated report](#)

## FURTHER GUIDANCE AND RESOURCES

### UN Global Compact – Human Rights

The United Nations Global Compact is a United Nations initiative to encourage businesses worldwide to adopt and report on the implementation of sustainable and socially responsible policies. It is a framework for responsible business based on 10 principles in the areas of human rights, labour, the environment and anti-corruption. The UN Global Compact's human rights principles (Principles 1 and 2) are derived from the Universal Declaration of Human Rights. The UN Global Compact promotes tools and resources aligned with the UN Guiding Principles on Business and Human Rights. It also offers engagement opportunities to help businesses respect and support human rights.

[www.unglobalcompact.org/what-is-gc/our-work/social/human-rights](http://www.unglobalcompact.org/what-is-gc/our-work/social/human-rights)

### UN Guiding Principles Reporting Framework

Launched in February 2015, this is the first comprehensive guidance for companies to report on human rights issues in line with their responsibility to respect human rights as set out in the UN Guiding Principles on Business and Human Rights. The Reporting Framework provides a concise set of questions to which any company should strive to have answers so that it can know and show that it is meeting its responsibility. It has been developed through the Human Rights Reporting and Assurance Frameworks Initiative (RAFI).

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

### Business & Human Rights Resource Centre

A non-profit organisation, the Business & Human Rights Resource Centre draws attention to the human rights impacts, both positive and negative, of companies all over the world. It has established a global network of close contacts with grassroots NGOs, local businesspeople and others. The website tracks and makes public the human rights policies and performance of over 6,000 companies in more than 180 countries. When civil society raises concerns about

a company, it provides a platform where companies may respond. This is the only global business and human rights knowledge hub, delivering up-to-date and comprehensive news in eight languages.

[business-humanrights.org](http://business-humanrights.org)

### Global Business Initiative on Human Rights (GBI)

GBI's mission is to advance human rights in a business context through cross-industry peer learning, outreach and capacity building, and by informing policy. It is a not-for-profit organisation and is led by a core group of corporations from different industries.

[www.global-business-initiative.org](http://www.global-business-initiative.org)

### International Chamber of Commerce (ICC) – Business and Human Rights

ICC provides a forum for businesses and other organisations to examine and better understand the nature and significance of the major shifts taking place in the world economy. Among its many areas of work, ICC recognises the importance of international business and human rights and is a pioneer in helping companies develop their own approach to supply chain responsibility by developing and issuing a suite of publications, private sector rules, guidelines and other tools.

[www.iccwbo.org/advocacy-codes-and-rules/areas-of-work/corporate-responsibility-and-anti-corruption/international-business-and-human-rights](http://www.iccwbo.org/advocacy-codes-and-rules/areas-of-work/corporate-responsibility-and-anti-corruption/international-business-and-human-rights)

### International Organization of Employers (IOE) – Business and Human Rights

With more than 150 business and employer organisation members, the IOE is the largest network of the private sector in the world. It supports and represents the worldwide business community in international labour and social-policy forums across the multilateral system and in other high-level forums such as the G20. The IOE welcomed the UN PRR Framework because it clearly defines the responsibilities of the various players and clarifies the complex interface between human rights and companies.

[www.ioe-emp.org/policy-areas/business-and-human-rights](http://www.ioe-emp.org/policy-areas/business-and-human-rights)

### Office of the United Nations High Commissioner for Human Rights (OHCHR) – Business and Human Rights

The OHCHR represents the world's commitment to universal ideals of human dignity. It has a unique mandate from the international community to promote and protect all human rights. OHCHR's work on the issue of business and human rights is focused on four areas: advocacy by the High Commissioner; guidance on the interpretation of the UN Guiding Principles; support to the working group on the issue of human rights and transnational corporations and other business enterprises; and active involvement in the UN Global Compact.

[www.ohchr.org/EN/Issues/Business/Pages/BusinessIndex.aspx](http://www.ohchr.org/EN/Issues/Business/Pages/BusinessIndex.aspx)

### CGMA Managing Responsible Business 2015

This CGMA report draws on insight from nearly 2,500 CGMA designation holders and CIMA students working in the private and public sectors to review how the ethical landscape has changed since 2012. Various trends indicate that human rights is a growing concern for businesses. For instance, human rights has risen as an ethical issue of relevance from 55% of organisations in 2008 to 68% in 2015.

[www.cgma.org/responsiblebusiness](http://www.cgma.org/responsiblebusiness)

### CGMA Code of Ethics

#### The Code of Ethics for CGMA Designation Holders

The Code of Ethics for CGMA designation holders is aligned with the requirements contained in the AICPA Code of Professional Conduct and 2015 CIMA Code of Ethics for Professional Accountants. Accordingly, CIMA and AICPA members (in business and industry) who hold the CGMA designation and are compliant with the respective AICPA and CIMA codes will also be in compliance with the CGMA code.

[www.cgma.org/AboutCGMA/Pages/code-of-ethics.aspx](http://www.cgma.org/AboutCGMA/Pages/code-of-ethics.aspx)



## ENDNOTES

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