

REPORTING AND ASSURANCE FRAMEWORKS INITIATIVE (RAFI)

Synthesis Report of a Consultation Meeting in New Delhi 25 March 2014

On 25 March 2014, JSL Stainless Limited hosted a consultation on the Reporting and Assurance Frameworks Initiative (RAFI) in New Delhi, organized in collaboration with the Centre for Responsible Business, and RAFI project team members from Mazars and Shift. The meeting was attended by participants predominantly from the business sector, but with a number also from investment, government and civil society backgrounds. All contributed to a full and vibrant day of discussions. A full list of participants is available at Annex A.

Opening remarks

Mrs. Deepikaa Jindal, Chairperson of Jindal Stainless Foundation, opened the meeting. Mrs. Jindal emphasised that the United Nations (UN) Guiding Principles on Business and Human Rights (UNGPs) are imperative in business: the rights of an individual should be respected. At the same time, the implementation of the Guiding Principles is challenging in today's business environment and one has to distinguish business responsibilities from state duties. There is a compelling need to find a mechanism to make implementation more effective. The Guiding Principles can help both large and small companies in this regard, and help increase people's faith in business.

Setting the Context

Brig. Rajiv Williams Corporate Head of CSR at JSL Stainless Limited set the context of the dialogue, emphasising the importance of developing a framework on the lines proposed under the Reporting and Assurance Frameworks Initiative, in order to provide more clarity in the understanding of business and human rights. He further highlighted the need for companies to carry out assessments of human rights risks and the risks to corporations in not carrying out such an exercise and added how good reporting is aligned to the UNGPs. Finally Brig. Williams discussed the importance in the Indian context and the measures undertaken by the Government – after holding detailed consultations from various stakeholders – resulting in the issue of the Company's Bill 2013 with the construct of Schedule VII, highlighting the CSR dimension and its relationship to the UNGPs.

The UN Guiding Principles: A Review of Some Key Features

Caroline Rees and David Vermijs of the RAFI project team set out the history behind the UN Guiding Principles, and their core content, with a focus on the corporate responsibility to respect human rights. Discussions raised the following issues:

- Many participants noted that the lack of awareness of human rights is a major problem, starting with citizens and employees who are often unaware of their own rights. Equally, human rights are often poorly understood within business, where they are typically seen not to be relevant to core business operations, but rather to be a topic for philanthropy. It was noted that even philanthropy might itself not always be respectful of human rights due to a lack of awareness of how projects can themselves have a negative impact on the human rights of some people – particularly the most marginalised in society.
- It was noted that many companies see human rights issues first – sometimes solely – in relation to their employees, and that companies also have a moral obligation to address abuses in their supply chains, first identifying problems and then working in collaboration with suppliers to address them.
- It was noted that it can be difficult for an individual company to get out ahead of its industry in acknowledging – and even more so, in addressing – human rights risks. In some sectors, companies' factories/plants were closely co-located, and it would make particularly strong sense for them collectively to acknowledge the industry's challenges in this regard, and to build joint responses.
- Problems were highlighted with the current emphasis on auditing factories for human rights, including recent instances where factories that had been certified under recognised standards soon afterwards had fires that killed hundreds of workers. The Rana Plaza building collapse was another much-discussed example. Some participants underlined that audits and the metrics that fuel them were misleading, and that human rights performance could not be reduced to a balance sheet or to data that could be directly compared across companies. It was noted that companies could cease working with a supplier to make an auditor happy, but that this often did not lead to improvements for workers.
- The importance of access to remedy within the UN Guiding Principles was underlined, and the need for improved processes and practices to provide redress for those negatively impacted by company activities.
- It was underlined that employees should be made aware of their rights and how and whom to approach in case of infringements on these rights. It was suggested that the model of the Public Information Office for handling information

- requests regarding the public sector might be replicated in the private sector as a way to bridge the information gap.
- While most large Indian companies are involved with philanthropy or CSR activities, it was stressed by many participants that these activities, or having a philanthropic foundation, does not mean that they have succeeded in respecting human rights. The need for a clear distinction between the ‘responsibility to respect’ and philanthropy was widely endorsed.
 - Some participants underlined the need to be able to prioritise action to address human rights risks, while basing this on the level of risk to human rights, and not to the company. Companies can face multiple issues at any given time, which cannot be addressed simultaneously. It was felt that clear time lines/action plans were needed to address the issues.
 - At the same time, it was noted that a media or NGO campaign could sometimes highlight an issue that, while relevant, was not the most significant risk to human rights for a company, and this could make it difficult to focus on priorities in the face of this kind of targeted pressure.
 - Since many of the largest Indian companies are extensive corporate groups with many companies across different industries within those groups, it was suggested that reporting on human rights should be broken down by sector to provide more clarity to the person preparing the report and also to those reading it.

The Reporting and Assurance Frameworks Initiative (RAFI): Gaining an Indian perspective

On behalf of the RAFI project team, Caroline Rees set out the rationale and process for the Reporting and Assurance Frameworks Initiative, and progress to date, including conclusions drawn from the first round of stakeholder consultations held in 2013.¹ The views of participants were sought on the range of issues highlighted. In discussion, the following points were raised:

- It was noted that creating a reporting framework could not be a panacea: a company’s commitment to respect for human rights should be the starting point. This would then need to be followed by increased awareness and understanding of good reporting among internal managers, as well as engagement with communities

¹ A summary of the project’s rationale and process can be found at: <http://business-humanrights.org/media/documents/rafi-framing-document-2013.pdf>. A review of key ‘take-aways’ from consultations held in the second half of 2013 can be found at: http://www.business-humanrights.org/media/documents/take-aways_from_rafi_consultations_2013.pdf

and other stakeholders about what reporting (or other forms of communication) is needed and expected.

- Participants underlined that transparency is key in meeting the mounting expectations of communities. At the same time, it was noted that companies should be given time to implement the actions needed to address any non compliance; however, a timeline for doing so should be communicated to all stakeholders.
- Participants noted that some stakeholders – such as farmers or the marginalised/poor – do not have access to a company’s annual report, and cannot wait for an annual output when their concerns are urgent. One suggestion was that there could be separate narratives, or supplements, which could be shared weekly or monthly. It was also noted that companies can use technology to share information with such stakeholders, for example through mobile apps. The project team underlined that under the Guiding Principles companies need to communicate on their human rights performance far more broadly than simply through an annual report, in particular with regard to affected stakeholders. They also noted that the kinds of information collected under the planned RAFI reporting framework might provide relevant input to many different forms of communication, beyond annual/sustainability reports alone.
- There was a brief discussion of the need to ensure that enough people are qualified to carry out an audit/assurance process. Experience to date focused mostly around supply chain audits, which were seen as having a useful role in identifying ‘red flags’. At the same time, it was also stressed by some that small businesses have grown and gained experience in countries such as India, China and Brazil, and that the supplier/buyer relationship dynamic should also change accordingly, and be based more on partnership and shared responsibilities. The RAFI project team noted that the kind of assurance envisaged under RAFI related to a review of the accuracy and quality of a company’s report, rather than a certification of its overall performance, which experience had shown to be particularly difficult in practice.
- The issue of company lobbying was raised, noting that some companies were proponents of responsible business conduct and respect for human rights in one forum, but then had representatives lobbying in relation to legislative and other measures that would constrain respect for human rights in another forum. It was suggested that a reporting framework could help highlight this issue.

Reporting in the Indian Context

Mr. Rajeev Saxena of the RAFI project team presented on the Indian context for reporting, including with regard to the National Voluntary Guidelines (NVGs) – of which Principle 5 reflects the responsibility to respect human rights – and Stock Exchange

Board requirements for the top 100 Indian companies to report against the NVGs. Discussions also included the requirements on companies for social responsibility activities listed in Schedule VII of the Companies Act, 2013. There was a group discussion of the implications of these Indian regulatory developments and their relationship to the implementation of the corporate responsibility to respect human rights.

Developing a Meaningful Reporting Framework

Caroline Rees then introduced some of the emerging thinking around what might constitute some 'smart questions' for the reporting framework to be developed under RAFI: questions that would be open enough to enable tailored responses from very different kinds of company, yet targeted enough to avoid irrelevant or evasive responses. Participants provided a number of reflections:

- It was underlined that a reporting framework should avoid eliciting generalisations or statements based on broad assumptions. A human rights policy at the corporate group level could be very sound, but quite remote from the actual issues happening on the ground in different regions. Local realities needed to be recognised and reflected in reporting. It was therefore seen as important for the reporting framework to enable reporting to focus on certain geographies, while ensuring these were selected on the right basis and not just for 'good stories'.
- It was noted that the senior-most management of large companies would have to become comfortable with reporting on issues that were not fully resolved or solely in their control, and sharing results that are representative but may not reflect exactly quantifiable outcomes. Such 'buy-in' would be needed in order to move away from 'rosy reporting' to reporting on realities. Companies would need to find a way to communicate that they are sensitive to the issues and know that problems exist and that they are looking for possible solutions.
- The question was raised as to whether it was too early to start reporting if a company was still in the process of uncovering human rights issues. Many noted that implementing respect for human rights is an on-going challenge for any company. This led to a discussion of the need for flexibility within a reporting framework so that companies are encouraged to demonstrate progress, rather than label tasks, or human rights due diligence, as 'complete'.
- It was noted that the reporting framework should be relevant and workable also for suppliers and other smaller companies. The question was raised whether there might be some kind of assurance of such reports that a buyer would be able ultimately to accept as more meaningful than the current reliance on audit metrics.

- It was suggested that since many company staff were unaware of, or unclear about, the range of human rights issues that a company could impact, the reporting framework should include a list of them as a reminder – perhaps in an introduction or appendix.
- The importance of questions focused on company leadership was underlined, framed by one participant as the ‘tone at the top’ and whether and how the leadership was championing respect for human rights.
- Specific suggestions for questions in the reporting framework included:
 - Whether meeting the responsibility to respect human rights was reflected in the CEO’s own scorecard.
 - How the company understands its influence along its supply chain, and how it addresses challenges in situations where it lacks the necessary leverage.
 - How the company’s human rights policy evolves over time in response to its changing operations and operating contexts.
 - Who is responsible for relationships with each group or category of stakeholders – that is, how accessible the company is on a daily basis, and not just whether it has a grievance procedure.
 - To what extent employees are engaged on the issue of business and human rights – for example as champions/ambassadors
 - What are the dilemma areas/constraints for companies in meeting their responsibility to respect human rights and how they are handled.

Wrap up and Vote of Thanks

Mr. Bimal Arora of the Centre for Responsible Business thanked all participants for their valuable contributions to the discussion and JSL Stainless Limited for hosting the event. He highlighted the need to continue to raise awareness of the UN Guiding Principles on Business and Human Rights within India, as well as Principle 5 of the National Voluntary Guidelines, and to support their implementation by all companies, large and small. On behalf of the RAFI project team, Caroline Rees expressed the hope that those involved in the day’s consultation would remain engaged in the project’s discussions going forward and continue to contribute their insights.

List of participants:

No.	Name	Organisation
1	Mrs. Deepika Jindal	Mrs. Deepikaa Jindal, MD, JSL Life Style Limited and Chairperson Jindal Stainless Foundation
2	Mr. David Vermeijs	Shift
3	Ms. Caroline Rees	Shift
4	Ms. Vikas Goswami	Vedanta
5	Ms. Amrin Sultana	Indian Institute of Corporate Affairs
6	Mr. Viraf Mehta	Independent Advisor
7	Mr. Rajeev Batra	Hindustan Unilever Ltd.
8	Ms. Kavita Bharti	Pepsi
9	Ms. Mridula Lall	Stockmann Group
10	Mr. Rakesh Kapoor	Ex Director IFCI, an expert on Sugar Industry
11	Mr. Rajeev Saxena	Mazars
12	Mr. Bimal Arora	Centre for Responsible Business
13	Mr. Martin Delaroche	Alstom India
14	Mr. Vicky Singh	CSR Analyst, Varner South Asia
15	Ms. Lindsay Black	Ethical Trade Controller, PRIMARK
16	Ms. Veena Sharma	JSL
17	Brig. Rajiv Williams	JSL
18	Mr. Amitabh Akhauri	JSL
19	Mr. Amit Kumar	Indian Institute of Corporate Affairs
20	Ms. Akriti Kalia	Indian Institute of Corporate Affairs
21	Mr. Akshay Bhatia	Indian Institute of Corporate Affairs
22	Ms. Anita Sharma	GIZ
23	Ms. Anuradha Bhavnani	Shell Foundation
24	Mr. James Evans	British High Commission
25	Mr. Arvind Mathur	Chairman- Association of PE Funds in India