

# Guidance Note to Auditors on Evaluating Human Rights Impact Assessments for ASI Performance Standard Criterion 2.5

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#### I. Context

Aluminum Stewardship Initiative (ASI) Performance Standard Criterion 2.5 States:

<u>Impact Assessments</u>. The Entity shall conduct environmental, social, cultural and Human Rights Impact Assessments, including a gender analysis,<sup>1</sup> for new projects or major changes to existing facilities. (emphasis added)

This Guidance Note to Auditors addresses the questions of what is a Human Rights Impact Assessment ("HRIA") and whether an Entity has properly conducted one. We provide below some general background information on HRIA and a structured process on how to address these questions.

Note that while this Guidance has been prepared for Auditors, it can also benefit and be used by Members implementing Performance Standard Criterion 2.5.

# II. Human Rights Impact Assessment as a Part of Impact Assessment

"Impact assessment" is a term of art referring to a process for systematically identifying actual and potential impacts of a business operation, capital project, government policy or inter-governmental agreement. The field of "impact assessment" was established largely as part of environmental protection efforts in the 1960s and 1970s. Environmental impact assessments of significant business projects are required by law in most countries. Impact assessments focusing on health and social aspects of corporate actions are also becoming increasingly common. Impact assessment is a field with its own practitioners, theorists, organizations and scholarly journals. Human rights impact assessment ("HRIA") is a relatively new and small part of that field. Translating a tool originally used for environmental measurement into a tool for human rights evaluation has been hindered by the fact that human rights impacts are not as quantitatively measurable as, for example, water quality. Nevertheless, advances have been made in both theory and practice of HRIA in recent years.

Human rights impact assessments originated as an evaluation mechanism for government policies, infrastructure and trade agreements. With the rise of the field of business and human rights, HRIAs have now been performed on business operations in an array of industries. Most of these have been on "large footprint" capital projects such as open pit mines, oil and gas operations, large plantations and factories. HRIAs of planned, future business operations consider potential negative impacts, referred to as "human rights risks." The term refers to risks to **rightsholders**, and not risks to a company arising from those impacts. Rightsholders are a particular category of stakeholders whose human rights are affected by an operation. They may include both employees and members of an affected community and are often individuals in a position of vulnerability rather than authority. Examples are provided in the table below.

<sup>&</sup>lt;sup>1</sup> A gender analysis is inherent to human rights impact assessment. This is difficult to audit, however, because 'women' are not a single and cohesive group of rightsholders. Future resources will provide additional guidance on evaluating the quality of engagement across gender lines.





Rightsholders Civil society members •Employees Contract workers •Worker spouses •Ill or infirm community members Children Impoverished, low-educated, ethnic/religious/cultural minority women and men in the project area •Local job-seekers (men & women)

•Job-seeking women and men from outside the project area\*



Stakeholders

#### Ш. Human Rights Impact Assessment and Human Rights Due Diligence

In 2011, the UN Guiding Principles on Business and Human Rights (the "UN Guiding Principles") was unanimously adopted by the UN Human Rights Council.<sup>2</sup> It has become the leading international standard on business and human rights. It introduced the requirement that companies perform "human rights due diligence," a process by which a business investigates and addresses its own impacts on human rights. While the UN Guiding Principles does not use the term "human rights impact assessment," it does refer to "assessing actual and potential human rights impacts." When conducted by companies, HRIA is one element of human rights due diligence, usually associated with project development but which can be undertaken at any time as part of a regular cycle. The UN Guiding Principles have influenced HRIA practice so that HRIAs are now generally performed with the intention of fulfilling as least part of the UN Guiding Principles requirement of human rights due diligence.

Auditors may be familiar with the concept of impact assessment through their engagement with the IFC Performance Standards. The 2012 update of the IFC Performance Standards makes reference to human rights impact assessments but does not clearly define them. Many financial institutions are moving beyond the IFC Performance Standards to better safeguard their investments against human rights violations. Member banks of the Equator Principles, the European Investment Bank, the

<sup>&</sup>lt;sup>2</sup> https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR EN.pdf

<sup>\*</sup> Job-seekers from outside the project area are a notoriously challenging population group to address in impact assessments. They complicate local life, change the culture, economy and disease profile of project areas, and are often associated with crime (sometimes unjustifiably). They are included as relevant rightsholders because, for industrial operations like bauxite mines, it is genuinely impossible to conduct all hiring locally. Mill and mine operators include scientists with doctoral degrees and managers with decades of experience. The workforce of bauxite and alumina operations cannot be trained up from local populations within a 10-year period, necessitating outside hiring. As such, a pragmatic approach to in-migrating jobseekers is necessary to protect the rights of both longtime residents and the jobseekers themselves.



European Bank for Reconstruction and Development and many others have incorporated "do no harm" clauses into their lending approaches with regard to human rights. The ASI Standard aligns with the UNGPs and the OECD Guidelines for Multinational Corporations, which have clearly laid out requirements for human rights impact assessment.

There is still no agreed upon terminology for different kinds of human rights due diligence, and terms and processes have proliferated, including "human rights assessment," "human rights gap analysis," "human rights risk assessment" and "human rights impact assessment." The differences among these terms, and their corresponding analyses, have not been clearly defined. In the resulting confusion, similar reports have quite different titles, and wildly differing reports have similar titles. Therefore, it is not often easy to determine whether or not a company has actually performed a human rights impact assessment.

A comprehensive HRIA is, in some cases, a company's first focused engagement with human rights issues. As such, companies are not always well equipped to vet consultants or evaluate the quality of the assessment document as benchmarked against the UN Guiding Principles or ASI standards.

## IV. Essential Elements of a Human Rights Impact Assessment

While no single, generally accepted methodology for HRIA exists, all of the available methodologies include common elements. An HRIA addresses conditions at an operation/project/site through the lens of human rights. Unlike all other impact assessment processes, it analyzes impacts as experienced by affected people, using human rights language derived from established, broadly accepted, international human rights instruments. The following 10 key principles of an HRIA have been established collaboratively by leading HRIA practitioners and published by the Danish Institute for Human Rights:<sup>3</sup>

- 1. <u>Participatory</u>: involving the direct engagement of affected rightsholders, or in cases of extreme insecurity, their legitimate representatives
- 2. <u>Nondiscriminatory</u>: comprehensive of the various rightsholders, reflecting diverse ages, genders, ethnicities, religions, employment and health statuses, places of origin, and socioeconomic statuses
- 3. <u>Empowering</u>: enabling rightsholders to advocate for their rights and to understand the assessment process and their role in it
- 4. <u>Transparent</u>: ensuring that information sharing, both about the process and outcomes of the HRIA, occurs both up the chain (from rightsholders to decision makers) and down the chain (from assessors and decision makers back to rightsholders)
- 5. <u>Accountable</u>: assuring that follow-up is both directly planned for and inclusive of the appropriate duty-bearers (decision-makers) and rights-holders (affected people)
- 6. <u>Benchmarked</u>: evaluating impacts using human rights language and established human rights standards of adequacy (at a minimum, this means that all rights listed in the Universal Declaration on Human Rights are evaluated, though most standards also require evaluation of the rights in the ILO Core Conventions and the International Covenant on Economic Social and Cultural Rights as well as the International Covenant on Civil and Political Rights)

<sup>&</sup>lt;sup>3</sup><u>https://www.humanrights.dk/sites/humanrights.dk/files/media/dokumenter/business/hria\_toolbox/introduction/welco</u> <u>me\_and\_introduction\_final\_may2016.pdf\_223791\_1\_1.pdf</u>



- 7. <u>Scoped:</u> scoped to include adverse effects that the operation caused, contributed to, or benefitted from (sometimes referred to as "linked" through "business relationships" such as supply chains or government partnerships)
- 8. <u>Assessed for severity</u>: all human rights impacts are not created equal, and interventions should be prioritized in the order of severity of the impact, not according to what might be most efficacious or affordable for the operation under assessment
- 9. <u>Inclusive of mitigation measures</u>: linked to the assessment hierarchy in point 8, the assessment should provide clear guidance for how adverse human rights effects should be reversed, prevented or mitigated
- 10. <u>Inclusive of access to remedy</u>: if an impact has already occurred, the HRIA should identify the remedy for it. As a corollary to this, rights-holders should be able to report their impacts to companies, through rights-centered grievance mechanisms.

These standards are consistent with the UN Guiding Principles, as well as the recently released OECD Due Diligence Guidance on Responsible Business Conduct.<sup>4</sup>

For the purposes of ASI auditors, these ten key principles can be converted into five primary indicators focused on the process of assessment. As process (rather than outcome) indicators, these can be audited without reading or judging the full HRIA for content, but rather focusing on the methodological processes used in the human rights assessment document. This does not ensure that a company's human rights due diligence is adequate in its entirety, but rather that the processes in place are sufficient to have generated an assessment of impacts that constitutes an HRIA and so meets ASI standards.

The five primary components derived from the Danish Institute ten key principles are:

- 1. Engages diverse rightsholders directly (Participatory and Nondiscriminatory)
- 2. Includes analysis of "business relationships" and encompasses all rights in the Universal **Declaration** (Scoped)
- 3. Includes feedback to/with affected populations (Empowering, Accountable and Transparent)
- 4. Rates impacts by severity (Benchmarked)
- 5. **Prioritizes interventions by severity of human rights impacts** (Provides Mitigation and Remedy)

All five primary components are important and necessary for an effective and complete HRIA. However, the success and effectiveness of any HRIA relies on the successful conduct of the first two primary components:

- Engages diverse rightsholders directly and
- Includes analysis of "business relationships" and encompasses all rights in the Universal Declaration).

<sup>&</sup>lt;sup>4</sup> <u>http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf</u>



Without these two steps, effective conduct of the remaining three components is not possible. Therefore, as will be explained in the next section, the implementation of these first two components takes priority over the remaining three components.

## V. Guidance for Evaluating the HRIA component of ASI Performance Standard Criterion 2.5

In all cases, auditors must consider all objective evidence in making their evaluation of conformance, however, as a means of providing a level playing field for all ASI members ASI has developed the following guidance to aid auditors in making their determination of conformance.

Further, the HRIA makes up one part of the requirements outlined in Criterion 2.5. The Criterion also requires that impact assessments cover environmental and social aspects. Therefore, the overall conformance rating for Criterion 2.5, must consider the objective evidence for the collective requirements of this Criterion. The following guidance, however, provide a means for auditors to determine whether the Human Rights part of the impact assessment, has been adequately covered.

An HRIA that has the first two primary components represents a strong effort towards meaningful assessment. Absence of the first two components may constitute a major failure of the HRIA. Absence of any of the last three components would be more likely to constitute a minor failure of the HRIA, as exemplified in the table below.

Example Type	Country	Project, Company	Comments	Link
HRIA – meets all five requirements	Eritrea	Bisha Mine, Nevsun	A clearly articulated methodology adheres to all five key principles	https://www.nevsun.com/responsibility/human-rights/Nevsun- HRIA-April-2014.pdf
HRIA – meets all five requirements	Liberia	Palm Bay & Butaw Estates, EPO	A clearly articulated methodology adheres to all five key principles	http://www.epol.co.uk/uploads/humanrightsimpact.assessment- executivesummary2017.pdf
Human Rights Report – minor failure	Myanmar	ENI	A clearly articulated methodology clarifies scope (including business relationships to government) and participation (albeit restricted to protect the security of respondents). However, there was no feedback process and impacts were not ranked by severity and recommendations were not prioritized by impact severity. These methodological limitations are clearly stated in the document itself. A return visit is needed.	https://www.eni.com/docs/en_ff/enicom/media/dossier/eni- myanmar/dihr-eni-myanmar-rsf-5-human-rights-report.pdf
HRIA – minor failure in 2 sites; major failure in 2 sites	Rwanda, DRC, Uganda, Kenya	Coffee Suppliers, COOP/ARC	A clearly articulated methodology explains that participation was severely limited in Rwanda and DRC (phone interviews with stakeholders and no rightsholders), and that rightsholder feedback was not conducted	h <u>tts://em.coop.dk/Ulaasi/em.coop.dk/</u> Ansvarlighed/Human%20Right%20Impact%20Assessment_%20 East% 20African%20coffee%20sector.pdf
Human Rights Assessment – major failure	Guatemala	Marlin Mine, Goldcorp	The document expressly explains it is not an HRIA. It was not participatory and did not include feedback or rate impacts or prioritize interventions by severity	http://www.hria-guatemala.com/en/MarlinHumanRights.htm
HRIA – major failure	Global	Imperial Brands	There is no human rights specific methodology. This document represents an analysis of existing data. Additionally, it has five minor non conformances (i.e. it was not participatory, did not involve feedback, did not rate impacts by severity or provide remedial guidance dictated by severity of impacts and was not scoped at all. It would need to be redone even if it had a clearly articulated methodology.	



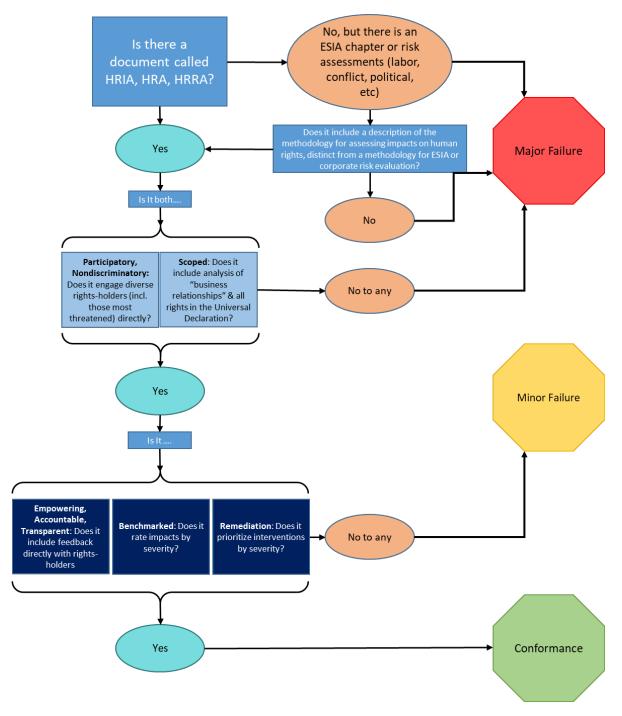
Labor Assessment – major failure	Cote d'Ivoire	Cocoa Supply Chain, Nestle	Assessment only considers labor rights and workforce rightsholders	http://www.fairlabor.org/report/assessment-nestle-cocoa- supply-chain-ivory-coast
HRIA chapter of ESIA – major failure	Guinea	Simandou Mine, Rio Tinto	There is no human rights specific methodology. The document represents an analysis of existing data, not a methodological approach to evaluation.	http://www.riotinto.com/energyandminerals/seia-13651.aspx

In instances where the HRIA does meet the five components however there is opportunity for the entity to improve how this is done, Auditors have the option of making a Suggested Business Improvement (See section 8.13 in the ASI Assurance Manual). An example of a situation where a Suggested Business Improvement may be appropriate could be where a company has included feedback (Component 3) to most of the affected populations but missed one unintentionally (i.e. through a change in staff or a change in contact in the affected population).

ASI's Performance Standard requires an HRIA to be undertaken for new projects or major changes to existing facilities. Below is a decision tree to assist Auditors in determining whether a member seeking ASI certification in these circumstances has an appropriate HRIA, and how to differentiate between a potential major and minor failure. It is available below in both graphic and outline formats.



# Does the Operation Have a Human Rights Impact Assessment?



# Does the Operation Have a Human Rights Impact Assessment?



- a. Does the Company say there is a HRIA?
  - i. No (Easy! Final Answer: major failure)
  - ii. Yes
    - 1. Is there a document called an HRIA?
      - a. No. There is no HRIA document, but the operation provides other documents. They could have various names, but they will fall into three groups:
        - i. The client says human rights is covered in sections of Impact Assessments. (It is unlikely that the full suite of rights is covered under the limited framing of, for example, an ESIA, so the likelihood that this will be sufficient is very low.) *Does the HRIA chapter have a rights-specific methodology?* 
          - 1. Yes. It has a methodology section specific to how human rights are assessed! **Proceed to step b**.
          - 2. No. It doesn't have a methodology  $\rightarrow$  major failure
        - ii. The client has other documents and reports with human rights in the title (e.g. human rights risk assessment, human rights assessment, human rights study). *Does this document have a clear methodology section?* 
          - 1. Yes. It has a methodology section! Proceed to step b.
          - 2. No. It doesn't have a methodology  $\rightarrow$  major failure
        - iii. The client has other documents and reports which, in compilation, are presented as human rights analysis. These include: corporate risk assessment, comprehensive risk analysis, political and conflict risk assessment, labor impact assessment. This fails. A human rights assessment needs to address human rights in human rights terms. → major failure
      - *b.* Yes, there is a document or compilation called **HRIA**: You are not here to determine the quality of the HRIA, but rather to benchmark it against ASI standards. *Are either of the first two primary components missing?* 
        - i. It makes no mention of the people interviewed and engaged → major failure
          - Here are examples of language showing that rightholders were engaged:
            - "[Number of] stakeholders were interviewed for this assessment, including both male and female youth, working-age populations and elders."
            - "In addition to community leaders and company management, vulnerable members of the community were interviewed in their homes and at their place of worship."
            - "Although community members were found to be the most vulnerable rightsholders, interviews were also conducted with [number] of employees, contracted workers and day laborers, who also experience adverse (and positive) impacts from the operation."
        - ii. It only examines a small number of rights (1-4) listed in the Universal Declaration, a small subset of the local population, or a limited recognition of business relationships → major failure
          - Here are examples of language showing human rights broadly considered:



- "The framework for this assessment was the International Bill of Human Rights and the ILO's 8 Core Conventions on the Fundamental Rights at Work."
- "Although the client expressed particular concern about the Right to Security of Person, this assessment was scoped to include the full suite of rights listed in the Universal Declaration of Human Rights; the International Covenant on Economic, Social and Cultural Rights; the International Covenant on Civil and Political Rights, and key conventions from the ILO."
- "The operation exists in partnership with the national government, so assessment considered the state's role in implementation of the project alongside the company's activities."
- iii. It makes no mention of feedback processes for finalizing conclusions  $\rightarrow$  minor failure
  - Here are examples of language showing feedback was present:
    - "Assessors conducted follow-up fieldwork to cross-check their findings with interviewees."
    - "The company has committed to present findings and recommendations to the community to build a jointly-approved human rights mitigation and management plan."
- iv. It does not rate human rights impacts for severity  $\rightarrow$  minor failure
  - Here are examples of language showing decisions made on severity of impacts:
    - "Human rights impacts are scored for the intensity (how adverse) and extent (how many are affected) of their effects. The scoring process is elaborated below."
    - "This assessment considers the breadth, depth and remediability of human rights impacts, with the most severely adversely impacted rights denoted in the organization of this report."
    - "Human rights impacts are color-coded on a spectrum with the most adverse denoted in red and the most positive effects denoted in blue."
- v. It does not prioritize interventions according to the severity of impacts identified (e.g. it prioritizes interventions by cost or ease of implementation) → minor failure
  - Here are examples of language showing interventions prioritized by severity of impacts:
    - "The recommendations provided here are ordered from most essential, corresponding with the most adverse impacts. The most critical remedies may not be the most convenient or lowcost."
    - "The Action Plan provided at the end of this document prioritizes remedies for the impacts rated 'red' or 'orange' through the assessment process. However, the company is



expected to implement remedies and mitigation measures for all adverse impacts over time."

# b. If all five key components are present → the document or compilation is in Conformance with ASI Standards for HRIA

## VI. Determining Conformance

When determining Conformance to Criterion 2.5 Auditors must consider the HRIA along with the other components of the Criterion – the environmental and social impact assessments. Depending on the level of conformity of the impact assessments as a whole the Auditor will find the Member to be either in Conformance or in Non-Conformance (minor or major) with the Criterion.

There are three potential outcomes:

- In the instance of a minor failure in the HRIA and conformance or minor non-conformance of the environmental and social impact assessments the Auditor should consider assigning a Minor Non-Conformance to the Criterion. In the case of a Minor Non-Conformance, the absence of the components should be remedied through follow-up work of human rights consultants or practitioners, to bring the assessment into alignment with ASI standards prior to the commencement of the Surveillance Audit 12-18 months after the initial audit.
- 2. In the instance where there is a major failure in the HRIA and the environmental and social impact assessments are fully in Conformance with the Standard the Auditor should consider assigning a Minor Non-Conformance to the Criterion and again the Member would need to remedy the non-conformance within 12-18 months after the initial audit.
- 3. In the instance where there is a major failure in the HRIA and a failure also with the environmental and social components the Auditor will need to ascertain if there is a total absence of implementation of the Criterion, which would warrant a Major Non-Conformance. Provisional Certification is possible in the presence of a Major Non-conformance, allowing the company one year to put in place corrective action, i.e., to complete a full, standards-compliant HRIA.

However, a situation involving a "critical breaches" such as fraudulent representation of rightsholder engagement or involvement in serious human rights abuses would prevent certification of any kind.<sup>5</sup>

# VII. Further Information, Additional Resources and List of Human Rights

For auditors and others interested in learning more about HRIA, resources are available.

# **Methodologies**

- Danish Institute for Human Rights. Human Rights Impact Assessment Guidance and Toolbox. <u>https://www.humanrights.dk/sites/humanrights.dk/files/media/dokumenter/business/hria</u> <u>toolbox/hria\_guidance\_and\_toolbox\_final\_may22016.pdf\_223795\_1\_1.pdf</u>
- NomoGaia (2012), Human Rights Impact Assessment: A toolkit for practitioners conducting corporate HRIAs, Denver: NomoGaia. <u>http://nomogaia.org/wp-</u> content/uploads/2013/09/HRIA-3.0-Toolkit-December-2013.zip

<sup>&</sup>lt;sup>5</sup> The Assurance Manual lays out the procedure used by auditors for identifying and addressing Critical Breaches. Critical Breaches can also come to light through public reporting, and/or the due process laid out in the ASI Grievance Mechanism.



- Organisation for Economic Co-operation and Development (2015), Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractives Sector, Paris: OECD. <u>https://www.oecd.org/daf/inv/mne/OECD-Guidance-Extractives-Sector-Stakeholder-Engagement.pdf</u>
- Salcito, K., Utzinger, J., Weiss, M.G., Münch, A.K., Singer, B.H., Krieger, G.R., & Wielga, M. (2013). Assessing human rights impacts in corporate development projects. Environmental Impact Assessment Review, 42, 39-50. https://www.researchgate.net/publication/257048660\_Assessing\_human\_rights\_impacts\_i n\_corporate\_development\_projects

# Key Frameworks

- United Nations Human Rights Council (2011), Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework, A/HRC/17/31 (UN Guiding Principles).
  - https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\_EN.pdf
- Organisation for Economic Co-operation and Development (2011), OECD Guidelines for Multinational Enterprises, Paris: OECD Publishing. http://www.oecd.org/corporate/mne/48004323.pdf

# **Overviews and Key Literature**

- World Bank and Nordic Trust Fund (2013), Human Rights Impact Assessments: A Review of the Literature, Differences with other forms of Assessments and Relevance for Development, Washington: World Bank and Nordic Trust Fund. <u>http://siteresources.worldbank.org/PROJECTS/Resources/40940-</u> <u>1331068268558/HRIA\_Web.pdf</u>
- Harrison, James (2013), Establishing a meaningful human rights due diligence process for corporations: learning from experience of human rights impact assessment, Impact Assessment and Project Appraisal, 31:2, 107-117. https://www.tandfonline.com/doi/full/10.1080/14615517.2013.774718
- Kemp, Deanna and Frank Vanclay (2013), *Human rights and impact assessment: clarifying the connections in practice*, Impact Assessment and Project Appraisal, 31:2, 86-96. https://www.tandfonline.com/doi/pdf/10.1080/14615517.2013.782978



# ILO Core Conventions & the International Bill of Human Rights

A compendium of primary instruments key to corporate HRIA

All of these rights should be considered in assessment, even if not all are found to be impacted

ILO 8 Core Conventions on Rights at Work (ILO) (Conventions 29, 87, 98, 100, 105, 111, 138, 182)

The Universal Declaration of Human Rights (UD)

The International Covenant on Civil and Political Rights (ICCPR) The International Covenant on Economic, Social & Cultural Rights (ICESCR)

