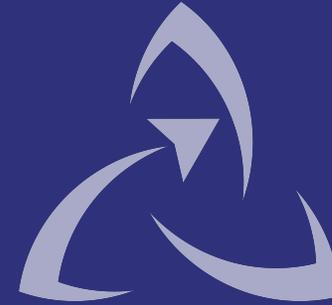




Leadership & Governance
INDICATORS
of a Rights-Respecting Culture

BETA



ABOUT

This resource is a work in progress as part of Shift's Valuing Respect project. It provides a menu of indicators of leadership and governance that help evaluate a company's progress towards building a rights-respecting culture.

The primary intended users of the resource are:

- a.** Business leaders seeking to assess the strengths and weaknesses of their company leadership, governance and culture with regard to respect for human rights;
- b.** Investors and civil society organizations seeking to strengthen their analysis, strategies and engagement with companies regarding progress towards respect for human rights.

Indicators of leadership and governance typically focus on formal systems - codes of conduct, organizational structures, roles, responsibilities and incentives. These help define how things *should* happen in an organization. But they miss the profound influence of senior leaders' behavior on how things *actually* happen: that is, on organizational culture.

The draft indicators suggested here are therefore grounded in four features of a corporate culture that are central to respect for human rights: authenticity of commitment; responsibility and accountability; respect and empathy; and organizational learning.

They look first at formal governance arrangements and processes that support those four features; then at key behaviors of senior leaders that exemplify and reinforce the features; and finally at the perspectives and behaviors that should be observable in the workforce where the right governance and leadership is in place.

The indicators do not have to be used together. Some may be more relevant in certain contexts and less in others. They are intended as a menu from which organizations can draw as appropriate. Yet they will be most robust when used in careful combinations, not least where indicators of governance are backed up with indicators of senior leadership behavior and evidenced in the experience of the broader workforce.

Throughout the indicators, we use the term "senior leaders" to include, but not be limited to, the most senior executives of the company (such as the CEO, COO, CFO, General Counsel etc.). The term also includes other individuals who hold important leadership positions, such as heads of departments or functions, country or regional office managers, or general managers of specific operational sites.

We welcome your feedback as we continue to work towards a polished version of this and other outputs of the Valuing Respect project.



Authenticity of commitment

To embed these features of a rights-respecting culture...

...senior leaders should put in place certain formal governance arrangements and processes...

and

...senior leaders should themselves act in ways so as to show that they value respect for human rights

such that

...these perspectives and behaviors become observable among employees across the organization.

A
Policy Commitment

■ The company has in place a public policy commitment to respect human rights that is approved at the most senior level of the business, and stipulates the company's human rights expectations of personnel, business partners and other parties directly linked to its operations, products or services.

■ Senior Leaders regularly affirm - publicly, in interactions with staff and in their decision-making processes - the company's commitment to address risks to people associated with company's operations and value chain.

■ Senior leaders look for and call out any inherent tensions between respect for human rights and the company's business model or strategic business decisions.

■ Employees and contractors are aware of the views of top management regarding the company's commitment to respect human rights, and find these views to be consistent with other explicit or implicit messages communicated by top management and their direct managers.

B
Addressing Tensions

■ There are known, clear and accessible processes through which people who work for or with the company can raise concerns about pressures they feel to act contrary to the company's responsibility to respect human rights, and which provide for confidentiality and non-retaliation.

■ Senior leaders proactively seek to understand pressures that employees and contractors may feel to act contrary to the company's responsibility to respect human rights.

■ Senior leaders praise behaviors and business decisions that advance the company's commitment to respect human rights, and call out those that run counter to it.

■ Employees and contract workers know what to do when they identify tensions between respect for human rights and other business pressures or performance requirements.

C
Lobbying

■ The company has in place policies that prohibit lobbying activities that undermine human rights protections for people who may be impacted by the company's operations or value chain partners.

■ The CEO / other senior leaders have taken a public position, or lobbied a relevant body, in favor of greater protection of one or more human rights that are relevant to how the business is run. (A "body" might include government agencies, inter-governmental organizations, and business associations).

■ Those individuals within the company with a mandate to conduct lobbying on behalf of the company, or to engage external lobbyists to do so, are aware of the company's public human rights commitment and the constraints it would place on lobbying activities.



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D Cross-Functional Collaboration

■ I The company has a formal cross-functional mechanism mandated to discuss how human rights risks are addressed. This has an executive sponsor and includes representatives of those functions, departments or business units best placed to address human rights risks through their actions.

■ I Senior leaders proactively engage with a formal cross-functional mechanism, structure or process mandated to address human rights risks and explain how its work influence their discussions and decisions.

■ I Staff who take part in any formal cross-functional mechanism, structure or process that is mandated to address human rights risks consider that doing so brings value and influence in improving the company's implementation of respect for people's human rights.

E Performance Incentives

■ I The company has in place performance incentives for senior managers that:

- ✓ reflect the company's salient human rights issues in relation to their own responsibilities;
- ✓ are supported by relevant KPIs for assessing how well the issues are managed;
- ✓ are given reasonable weight in relevant compensation schemes/reward systems.

■ I Senior Leaders making decisions about employees' or contract workers' compensation or other rewards give reasonable weight to their human rights-related performance.

■ I There is evidence that employees and contract workers are positively influenced by human rights-related performance incentives when making decisions that affect human rights risks/

F Empowering Action

■ I The function in which the lead responsibility for human rights performance has been located has a formal mandate to embed respect for human rights across the company's operations and value chain.

■ I Senior leaders regularly express support for the work of the function with lead responsibility for human rights performance in interactions with leadership and staff.

■ I The individual(s) with lead responsibility for human rights issues are formally mandated to engage with managers in all parts of the business where human rights risks are most likely to arise.

■ I Senior leaders allocate financial resources to the functions or business units that need to address human rights risks, commensurate with the severity of those risks.

■ I Senior leaders regularly engage in discussion of the human rights implications of business decisions with the individual(s) responsible for embedding respect across the company's operations and value chain.

■ I The function in which the company has located lead responsibility for human rights performance is regularly consulted by employees seeking support to understand, prevent or mitigate human rights risks in their day-to-day work



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Relationships with Internal Stakeholders

■ I The company has in place known and clear non-discrimination policies that address all aspects of the employment process (including hiring, promotion, harassment, redundancy).

■ I Senior leaders regularly affirm that all employees must be treated with respect and dignity, and are known to model this in their interactions with all company employees.

■ I Employees feel that the company promotes a diverse and inclusive workplace where no one is disadvantaged because of their gender, race, ethnicity, sexual orientation, religion, or nationality

Source: <https://sloanreview.mit.edu/culture500>

■ I The company has in place structures to engage employees through their freely elected representatives in discussions on industrial relations and workplace grievances.

■ I Senior leaders throughout the organization regularly seek out the direct perspectives of employees on whether they are negatively impacted by:

■ I Employees demonstrate consideration and courtesy for co-workers, and treat each other with dignity

Source: <https://sloanreview.mit.edu/culture500>

- i) Business decisions or pressures; and
- ii) the behavior of managers or peers.

H

Relationships with External Stakeholders

■ I At least one member of the most senior governing body is formally mandated to engage regularly with external, policy-level stakeholders about a range of the company's salient human rights issues and to report back on the key issues raised.

■ I Senior leaders throughout the organization regularly listen to the voices of affected stakeholders in order to understand how their day-to-day realities are, or may be, negatively impacted through the company's a) operations and b) value chain.

■ I Employees can cite examples of how company or business partner activities can negatively impact people, and show understanding of what that means for the daily lives of the people affected.

■ I Employees view affected stakeholders as a valuable source of insight about how the company can understand and address risks to human rights, rather than as a threat.

■ I When the company is alleged to be involved in any major human rights-related incidents in its operations or value chain, senior leaders seek to engage constructively with individuals from, or those who represent, affected stakeholder groups.

■ I Employees with responsibility for addressing human rights risks regularly collaborate with policy-level or affected stakeholders to do so.





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Learning from successes and failures

- The company has processes through which it identifies and shares lessons from both successes and failures throughout relevant parts of the organization, to support the improved management of human rights risks and impacts.

- Senior Leaders engage with internal and external stakeholders to identify lessons to support improved management of human rights risks and impacts.

- The company conducts root cause analyses of major human rights-related incidents in its operations or value chain to identify and share lessons throughout the organization, including any necessary changes.

- Senior leaders proactively look across instances of poor management of human rights risks for patterns of business practice that signify a systemic break-down in company commitment and processes.

- The CEO / other top leaders communicate regularly - publicly and with staff - about the company's progress and challenges in addressing its salient human rights risks.

- There is significant evidence of employees or contract workers raising concerns where they observe company decisions or actions that put people at risk or cause actual harms.



ABOUT VALUING RESPECT

Valuing Respect is a global collaborative platform, led by Shift, to research and co-create better ways of evaluating business respect for human rights. Our aim is to develop tools and insights that can help both companies and their stakeholders focus their resources on actions that effectively improve outcomes for people. Valuing Respect is generously funded by the Ministry of Foreign Affairs Finland, the Norwegian Ministry of Foreign Affairs, and Norges Bank Investment Management

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GOT FEEDBACK?

This is a **BETA** version of the **Leadership and Governance Indicators**. Throughout 2020 we will be piloting the application of the indicators with companies and other stakeholders. We welcome your feedback, suggestions and questions as we continue to fine-tune this and other tools and resources of the Valuing Respect project. Please direct your feedback and inquiries to info@shiftproject.org

Learn more at: valuingrespect.org

