

It is an oft-repeated truth that in organizations “culture eats strategy for breakfast.”

This is as true when it comes to a company’s efforts to meet its responsibility to respect human rights – that is, the basic dignity and equality of all people – as it is for any other business objective.

Companies are increasingly developing policies and processes to identify and manage severe risks to people that are connected with their operations and value chain. Yet these are worth little if the organization’s primary culture is at odds with the purpose of these documents: if there is no real intent behind commitments made; little empathy or sense of accountability for how people may be harmed; no instinct for learning lessons if they are. Where this is the case, short-term commercial interests will inevitably and repeatedly trump consideration for the people whose welfare is at stake. And the fact of having policies and processes will do only so much to shield a company from the reputational, operational, even legal and financial risks that can result.

Yet culture is intangible and hard to measure and, so, it is too often overlooked. The leadership and governance indicators set out in this resource are designed to meet this challenge. They reflect another corporate truism: that “tone at the top matters.” In other words, how leaders act – from the board level to site level – is a powerful leading indicator of whether a rights-respecting culture is in place. As experience repeatedly shows:

- where business leaders are not attuned to how their decisions and actions may negatively impact lives, view any such consequences as the necessary result of

doing their job, and transfer those assumptions to their employees, they embed significant risk into the way the business runs – risks to individuals and their basic human rights, but also risk to their company’s reputation, operational and financial success. Where the company’s governing body provides no accountability for such results and itself fails to model respect and empathy, these risks can run unchecked.

- conversely, where business leaders foster a culture in which all people – near and far, similar and different – are treated with respect, they build default behaviors across the organization that help surface risks to people so they can be addressed, lead to dilemmas being debated rather than problems being suppressed, and encourage new ways of doing business that protect the welfare of others. Where their governing body mirrors, incentivizes and rewards these behaviors, they help hard-wire the organization for success.

These indicators therefore focus in on leadership behaviors. They can help company executives and boards stress-test how well their culture reflects respect for people. They can help investors and lenders identify those companies most likely to be advancing business success by systematically reducing the risks of harm to people. We hope they will be used for both ends and contribute to building companies that are fit for a sustainable future.

- **Caroline Rees, President of Shift**