reviews and challenges the company's business model and strategy to ensure any inherent human rights risks are identified and addressed.

GOVERNANCE NO. 1

OVERVIEW
APPLICATIONS
SUPPORTING INDICATORS

Various features of company business models can carry inherent risk to human rights (see Shift's Business Model Red Flags resource). When such risks are embedded in the business model or strategy they cannot be effectively mitigated through operational measures alone, but require top level engagement.

Where the governing body reviews the business model and strategy for inherent risks to human rights, and engages with top management on these questions, it is more likely that such risks will be identified and mitigated.

Evidence of these practices provides a signal that respect for people is intended to be central, and not peripheral or incidental, to how business is conducted, and sets the basis for consistency and coherence of action across business decision making, including where tensions with profit-making and other core business motives may arise.

KEY QUESTIONS FOR LEADERS TO ASK OR BE ASKED

- Does the Governing Body review whether top management's performance incentives and related KPIs motivate progress in addressing the company's salient human rights issues?
- Is the review updated when there are any substantive developments in the business model or strategy?
- Is the review conducted before decisions are made, so they may be changed, or only after the fact with a view to mitigating any risks found?

CONNECTION TO CULTURE

AUTHENTICITY

ACCOUNTABILITY

EXPLORE OTHER INDICATORS

OVERVIEW

APPLICATIONS

SUPPORTING INDICATORS

THE MOST SENIOR GOVERNING BODY AND/OR ITS RELEVANT SUB-COMMITTEES...

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GOVERNANCE NO. 1

TYPE OF APPLICATION

The types of use, whether inside a company or by those outside a company, to which this indicator particularly lends itself:

Internal
- Self-assessment / internal audit
- Third party assessment / culture audit

External
- Investor engagement

SOURCES OF EVIDENCE

DOCUMENTATION

- Governing Body briefing documents and Minutes including action points

CONVERSATIONS

- with Governing Body Chair and Company Secretary

OVERVIEW

APPLICATIONS

SUPPORTING INDICATORS

THE MOST SENIOR GOVERNING BODY AND/OR ITS RELEVANT SUB-COMMITTEES...

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GOVERNANCE NO. 1

ADDRESSING LIMITATIONS

The limits of this indicator lie in the fact that there will at times be inevitable tensions between financial or other business targets and human rights objectives, and it may be hard to assess the extent to which human rights considerations weigh in decisions that are made. This indicator will therefore be strengthened where there is complementary evidence in relation to one or more of the following indicators:

	G2	G9	L1	L3	L8
SUPPORTING INDICATOR	The most senior governing body and/or its relevant subcommittees... regularly discusses progress and challenges in addressing the company's salient human rights risks, informed by related complaints or grievances from the workforce or external stakeholders, root cause analyses of major human rights-related incidents and knowledge of current leading practice.	The most senior governing body and/or its relevant subcommittees... challenges any top management performance incentives that may promote behaviors that undermine respect for human rights.	Senior leaders at corporate, regional, country and business unit levels... talk regularly – both internally and publicly – about the company's commitment to address risks to people across the company's operations and value chain, and key challenges and opportunities for achieving this goal.	Senior leaders at corporate, regional, country and business unit levels... pro-actively and regularly seek the insights and critique of credible experts to inform the company's understanding of and responses to human rights issues.	Senior leaders at corporate, regional, country and business unit levels... proactively seek to understand and avoid pressures on employees or contractors to act contrary to the company's responsibility.
RATIONALE	Where the governing body does this, it is more likely they will have sufficient information and insights to identify potential risks inherent in the business model and strategy.	Where the governing body does this, it is more likely that incentives will support action to address risks to human rights inherent in the business model or strategy.	Where senior leaders do this, it is more likely that any risks inherent in the business model or strategy will be identified and shared by top leadership with the governing body.	Where senior leaders do this, it is more likely that tensions between the business model or strategy and human rights will be brought to their attention and shared by top leadership with the governing body.	Where senior leaders do this, it is more likely they will surface instances where such pressures result from the business model or strategy and be motivated to escalate them to top leadership and the governing body.