

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

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.

GOVERNANCE
NO.

2

OVERVIEW

A company's governing body cannot have effective oversight of whether and how well a company is managing risks to people without regular discussion of what those risks are, how they are evolving, and how they are being addressed. In order to provide timely oversight, such discussions need to be sufficiently regular: at least annual and more frequent if changes in the business model, operating contexts, acquisitions or other factors suggest a significant change in the company's human rights risk profile. Discussions need to be based on adequate information, including with regard to any incidents or allegations of harm to people inside or outside the company, and leading practices in the industry against which the company may be compared.

Where the governing body has regular and informed discussions of this kind, it is more likely that company leaders will view efforts to address human rights risks as integral to the company's success and feel motivated and supported to embed this understanding across the workforce.

Evidence of these practices provides a signal that the company promotes an open mindset of wishing to uncover significant risks to people, and related risks to the business, so they can be addressed effectively and support continuous improvement.

APPLICATIONS

KEY QUESTIONS FOR LEADERS TO ASK OR BE ASKED

- How regular are board discussions of human rights risks and what triggers them?
- Do board discussions look across the range of salient human rights risks for the company or are they more limited, and if so on what basis?
- What information does the board have at its disposal to inform the discussion?
- What expertise is there either within the board or brought in to brief the board on these issues?

CONNECTION TO CULTURE



ACCOUNTABILITY



LEARNING



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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

- Required disclosure
- Regulatory provision (governance / due diligence)
- Investor engagement

APPLICATIONS

SOURCES OF EVIDENCE



DOCUMENTATION

- Governing Body / Compensation Committee briefing documents and minutes



CONVERSATIONS

- with Governing Body Chair and Company Secretary

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ADDRESSING LIMITATIONS

The limits of this indicator lie in the underlying sources of information that reach the governing body and the rigor of evidence brought to assessments of progress. A lack of complaints or grievances may indicate a lack of trusted channels for providing such feedback and a lack of incidents may be a result of luck rather than due care. Where no clear targets are in place, it may be easy to infer progress based on metrics for activities and outputs and without evidence of improved outcomes for people or reduced risk to the company.

This indicator will therefore be strengthened where there is complementary evidence in relation to one or more of the following indicators:

G4

The most senior governing body and/or its relevant sub-committees... has systems in place to regularly hear the experiences and views of people across the workforce about how they are affected by the business and informs the workforce about how these inputs have influenced company decision making.

Where the governing body does this, it is more likely that its discussions on human rights will be suitably informed.

G5

The most senior governing body and/or its relevant sub-committees... has systems in place to regularly hear the experiences and views of external stakeholders about how they are affected by the business and informs them about how their inputs have influenced company decision making.

Where the governing body does this, it is more likely that its discussions on human rights will be suitably informed.

G7

The most senior governing body and/or its relevant subcommittees... requests and reviews a root cause analysis of any incident resulting in severe human rights impacts, in order to ensure that systems, processes and practices are adapted to avoid their recurrence.

Where the governing body does this, it is more likely that its discussions on human rights will be suitably informed.

G10

The most senior governing body and/or its relevant sub-committees... approves high-level targets for assessing progress in addressing salient human rights risks.

Where the governing body does this, it is more likely that progress is tracked systematically and reported to the governing body.

L3

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.

Where senior leaders do this, they are more likely to have the necessary knowledge of key human rights risks to inform the governing body's discussions.

APPLICATIONS

SUPPORTING INDICATOR

RATIONALE

SUPPORTING INDICATORS