

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

ensures that performance incentives for top management are in place that reflect the company's salient human rights issues; are supported by relevant KPIs; and are given reasonable weight in compensation schemes.

GOVERNANCE
NO.

8

OVERVIEW

Performance incentives influence the issues that are prioritized for attention and monitored for progress. Key performance indicators related to respect for human rights should focus on leading or lagging indicators of improved outcomes for affected stakeholders, and related outcomes for the business.

Where the governing body uses its oversight role to ensure that performance incentives for top management put appropriate weight – alongside other business success factors – on building the behaviors and practices in the company that support these outcome goals, it is more likely that leadership actions and decisions adequately integrate human rights considerations.

Evidence of attention by the Governing Body to human rights-related performance incentives at the level of top management signals an intent that core business decisions should be shaped by an understanding of potentially significant impacts on people, and a recognition that this needs to start at the highest levels of the company and is important to the success of the business.

APPLICATIONS

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?
- How does the Governing Body consider the appropriate weighting for these incentives in wider compensation schemes?
- What evidence does the Governing Body have that these incentives are supporting and enabling top management to manage human rights risks effectively, including when they are in tension with other business interests?

CONNECTION TO CULTURE



AUTHENTICITY



ACCOUNTABILITY



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

ensures that performance incentives for top management are in place that reflect the company's salient human rights issues; are supported by relevant KPIs; and are given reasonable weight in compensation schemes.

GOVERNANCE
NO.

8

OVERVIEW

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
- Investor engagement

APPLICATIONS

SOURCES OF EVIDENCE



DOCUMENTATION

- Governing Body/ Compensation Committee briefing documents and Minutes
- Relevant compensation policies



CONVERSATIONS

- with Chair of Governing Body / Compensation Committee
- with top management

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

ensures that performance incentives for top management are in place that reflect the company's salient human rights issues; are supported by relevant KPIs; and are given reasonable weight in compensation schemes.

GOVERNANCE
NO.

8

OVERVIEW

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

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.

G3

Reviews and challenges the company's efforts to influence public policy and regulation to ensure they do not undermine human rights.

G9

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.

G10

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

APPLICATIONS

SUPPORTING INDICATOR

RATIONALE

Where the governing body does this, it is more likely to have insight into whether and how human rights considerations inform top management decisions in practice.

Where the governing body does this, it is likely that this will provide some evidence of whether human rights considerations influence decisions and practices endorsed by top management.

Where the governing body does this, it is more likely that their overall mix of performance incentives support respect for human rights in practice.

Where the governing body does this, it is more likely that human rights considerations will be given adequate weight in top management's performance incentives and decision-making.