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APPLICATIONS
SUPPORTING INDICATORS

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

challenges any top management performance incentives that may promote behaviors that undermine respect for human rights.

GOVERNANCE NO. 9

Performance incentives influence the issues that are prioritized for attention and monitored for progress. Some incentives that focus on business goals – such as reducing costs, growth through acquisitions, or increasing market share – can be balanced by human rights-related incentives to avoid them being pursued in ways that undermine people's basic dignity and equality. However, in some cases they cannot, for example in the case of incentives to prevent workers from organizing.

Where the governing body ensures that top management incentives do not preclude or substantially undermine respect for human rights, it is less likely that severe risks to people will be ignored or exacerbated by company decisions and practices.

Evidence that the Governing Body considers human rights in the context of the wider performance incentives set for top management signals an intent that the company should be coherent and consistent in preventing and addressing significant risks to people, starting at the most senior levels.

KEY QUESTIONS FOR LEADERS TO ASK OR BE ASKED

- Does the Governing Body review whether the broader performance incentives agreed for top management may promote behaviors and decisions that undermine respect for human rights?
- What informs any such review?
- Has any such review identified tensions between respect for human rights and certain performance incentives?
- Do top management perceive any such tensions to exist?
- Do middle management and those who report to top management perceive any such tensions to exist?

CONNECTION TO CULTURE

ACCOUNTABILITY

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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
- Investor engagement

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
- with middle management / those reporting to top management

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ADDRESSING LIMITATIONS

The limits of this indicator lie in the fact that it may be hard to distinguish a performance incentive that will necessarily preclude or substantially undermine respect for human rights from one that reflects a legitimate business objective but requires balancing with incentives to ensure respect for human rights.

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

	G1	L9	L10	L11
SUPPORTING INDICATOR	The most senior governing body and/or its relevant subcommittees... reviews and challenges the company's business model and strategy to ensure any inherent human rights risks are identified and addressed.	Senior leaders at corporate, regional, country and business unit levels... encourage the workforce to raise questions or concerns about the company's impacts on co-workers or external stakeholders.	Senior leaders at corporate, regional, country and business unit levels... praise actions and decisions that advance the company's commitment to respect human rights, and call out any that run counter to it.	Senior leaders at corporate, regional, country and business unit levels... collaborate with business peers and other stakeholders to address systemic issues underpinning the company's salient human rights risks, based on clear action plans, agreed targets and accountability measures.
RATIONALE	Where the governing body does this, it is likely this will reduce the scope for top management to be incentivized to act in ways that undermine respect for human rights.	Where senior leaders do this, it is more likely that they are motivated to ensure the company acts with respect for human rights.	Where senior leaders do this, it is more likely that they are motivated to ensure the company acts with respect for human rights.	Where senior leaders do this, it is more likely that they are motivated to ensure the company acts with respect for human rights.