THE CHALLENGE

Investors and lenders are responding to financial incentives and external pressure to better consider human rights impacts connected to their investment and financing activities. These impacts are at the core of a company’s social performance or the “S” in ESG. However, despite increasing internal support for more explicit consideration of social performance, existing “S” data skews heavily towards well known industry and geographic risk profiles and “observable basics” in the form of documented policies and processes, or numbers of audits, issues found, grievances or media stories about a company.

At best these types of information signal minimal compliance with aspects of international standards of business conduct, well-known reporting frameworks and recent legal developments. But they offer little insight into whether a company has made or will make progress towards achieving improvements in its business practices and the resulting outcomes for workers, communities, and consumers. At worst, conclusions drawn from some of the “S” data can mislead financial institutions to allocate money and attention to the most talked about companies, versus those that bring the highest exposure to financial institutions due to the severity of risks to people and business.

TOWARDS BETTER EVALUATION: TOOLS FOR FINANCIAL INSTITUTIONS

For three years, Shift worked with companies, investors, and civil society organizations around the world to research and co-create improved ways to evaluate business respect for human rights. The resulting, publicly available products can be used by investors and lenders in:

- Focusing their screening and engagement activities on whether portfolio companies are wired — at the level of their business model, strategy, and culture - to anticipate and address the most severe risks to people connected to their operations and value chain.
- Designing and measuring the impact of strategies that aim to effect changes in the behavior of investees and clients so as to achieve better outcomes for people and business.

This series provides an overview of the indicators and tools developed, and how investors and lenders are beginning to draw from them to facilitate and strengthen their work.
Shift’s Valuing Respect tools – the Business Model Red Flags, Leadership and Governance Indicators, and Indicator Design Tool – offer a contribution towards addressing different aspects of this challenge. The Business Model Red Flags and the Leadership and Governance Indicators surface the “wiring” that can indicate success or failure in addressing human rights risks, reflecting:

**BUSINESS MODEL RED FLAGS**

The Business Model Red Flags highlight the risks to people inherent in features of the business model that determine company practices.

Start using the Business Model Red Flags, click here.

**LEADERSHIP & GOVERNANCE INDICATORS**

The Leadership and Governance Indicators help users to understand the behaviors and practices of senior leaders and boards that help determine whether respect for human rights becomes part of a company’s culture and routine practices.

Start using the Leadership and Governance Indicators, click here.

**INDICATOR DESIGN TOOL**

The Indicator Design Tool helps investors and lenders take a more systematic approach to exerting leverage with portfolio companies with a focus on what needs to change to create desired outcomes.

Start using the Indicator Design Tool, click here.
ABOUT SHIFT

Shift is the leading center of expertise on the UN Guiding Principles on Business and Human Rights. For over a decade, we’ve worked with global companies, standard setters and financial institutions to put respect for people’s dignity at the center of how business gets done.

Shift is a mission-driven organization, headquartered in New York City.

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