



IN THE SPOTLIGHT



NEW

Aligning the EU Due Diligence Directive with the International Standards: Key Issues in the Negotiations



Shift

Aligning the EU Corporate Sustainability Due Diligence Directive with the UNGPs

The EU is currently negotiating a legal instrument – the draft Corporate Sustainability Due Diligence Directive or CS3D – that will establish new corporate human rights and environmental due diligence duties across the single market. **At the heart of the negotiations is how to ensure the CS3D is meaningful in driving better human rights and environmental outcomes while also being manageable for companies.**

The international standards on sustainability due diligence – the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises – help answer precisely that question. However, while the positions of the Commission, Council and Parliament have increasingly built on the core concepts in these standards, work still remains to bring the directive into step with the UNGPs. Shift is actively working to support these efforts.

Read more in our latest report, [Aligning the Due Diligence Directive with the International Standards](#).

| A SNAPSHOT OF PROGRESS ON THE CS3D NEGOTIATIONS | |
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|  <p>On the positive side, there has been progress in the Council and Parliament positions on:</p> <ol style="list-style-type: none">1 Integrating a true risk-based approach to identifying and taking action on impacts2 Setting different expectations for action depending on how a company is involved with an impact3 Separating the scope of the due diligence duty from the scope of civil liability |  <p>However, key areas for further alignment include:</p> <ol style="list-style-type: none">1 Ensuring that the due diligence duty applies to the full value chain2 Moving from a policing to partnership approach in defining how companies should prevent and address impacts3 Aligning the scope of covered companies, including application to financial institutions, with existing EU reporting requirements |

Demystifying the European Sustainability Reporting Standards

This summer we kicked off our mini-series on the Corporate Sustainability Reporting Directive, aimed at demystifying the European Sustainability Reporting Standards.

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| <p>CSRD REPORTING SERIES</p> <p>PUTTING THE EUROPEAN SUSTAINABILITY REPORTING STANDARDS INTO PRACTICE</p> <p>SEP - OCT 2023</p> <p>Shift</p> | <p>Putting the European Sustainability Reporting Standards into Practice</p> <p>Primers demystifying key aspects of the standards, including:</p> <ul style="list-style-type: none">• Double materiality• The people-centered architecture of the standards• Taking a risk-based approach to the value chain• Governance, strategy and business models• Targets and metrics |
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With companies now bringing together parts of their organizations that rarely met before – finance and internal audit, compliance and legal, environmental teams and human rights specialists - there are questions about how these different experts might work together to apply the standards.

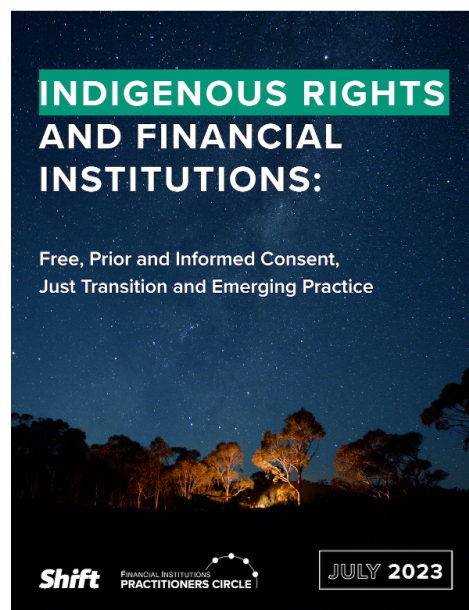
So we've developed these primers for anyone and everyone tasked with putting the standards into practice – whether you're working within a company, or advising one – to help clarify what the ESRS are saying, and support good reporting.

[Check out the series here.](#)

FINANCIAL INSTITUTIONS PRACTITIONERS CIRCLE

Indigenous Rights and Financial Institutions: Free, Prior and Informed Consent, Just Transition and Emerging Practice

Companies, civil society and the finance sector are paying increasing attention to Indigenous Peoples' rights and expertise, particularly in the context of the climate and biodiversity crises. But prevailing approaches to identifying and managing the impacts of business on Indigenous Peoples are falling short.



In our report, Indigenous Rights and Financial Institutions: FPIC, Just Transition and Emerging Practice, we look at how Financial Institutions can overcome key challenges to understanding and carrying out “free, prior and informed consent” (FPIC) processes, building on insights shared by experts Lloyd Lipsett and Mark Podlasly of the First Nations Major Project Coalition, during Shift’s FIs Circle on Indigenous Peoples' rights.

[Read the report here.](#)

Human Rights Defenders and Shrinking Civic Space: A Guide for Financial Institutions

From early warnings to controversy data, investors and lenders are increasingly recognizing their reliance on civil society and human rights defenders for their human rights due diligence.[1] But the civic space necessary for this important work is being increasingly restricted.[2]



So, what role can – and should – financial institutions play in addressing shrinking civic space?

In our latest Financial Institutions Practitioners Circle report, *Human Rights Defenders and Shrinking Civic Space: A Guide for Financial Institutions*, we explore how banks can start to overcome the barriers they may face when engaging with civil society and human rights defenders.

Read the full report, [Human Rights Defenders and Shrinking Civic Space](#).

[1] see [No News is Bad News](#), the product of a collaboration between ABN AMRO, APG, ING, Robeco, and Morningstar Sustainalytics)

[2] see [People Power Under Attack](#), CIVICUS Monitor, 2022

HIGHLIGHTS

UPDATE | Shift's Submission to the ISSB'S Consultation on Agenda Priorities

This summer, Shift responded to the International Sustainability Standards Reporting Board public consultation on its agenda priorities for the next two years, which include both 'human capital' and 'human rights'. While Shift strongly endorses the need for research work that would lay the foundations for a standard on social-related financial disclosures, ISSB's proposed separation between 'human capital'

(centered on workforces) and ‘human rights’ (focused on value chains), risks perpetuating confusion in the marketplace. Our submission proposes an alternative way forward, focusing instead on the development of a cross-cutting social standard that would align with the ISSB’s stated objectives.

[Read Shift’s submission to the ISSB public consultation here.](#)

COMPETITION | Accounting for Sustainability International Case Competition: Adapting Business Models to Support Human Rights for All

Calling all creative, action-oriented students with a passion for business and human rights! Shift is pleased to share that we are an official partner of this year's Accounting for Sustainability International Case Competition. Accounting for Sustainability is a charity that was set up by HM King Charles III in 2004, then Prince of Wales, to inspire action by finance leaders to drive a fundamental shift towards resilient business models and a sustainable economy.

Together, we’re looking for small teams of students to use [Shift’s Business Model Red Flags](#) to:

- Analyze the human rights implications of the business model of one of the world’s most influential companies (as evaluated in the 2022 Corporate Human Rights Benchmark by the World Benchmarking Alliance), AND
- Think up innovative and imaginative ways for the company to change its practices to address these impacts.

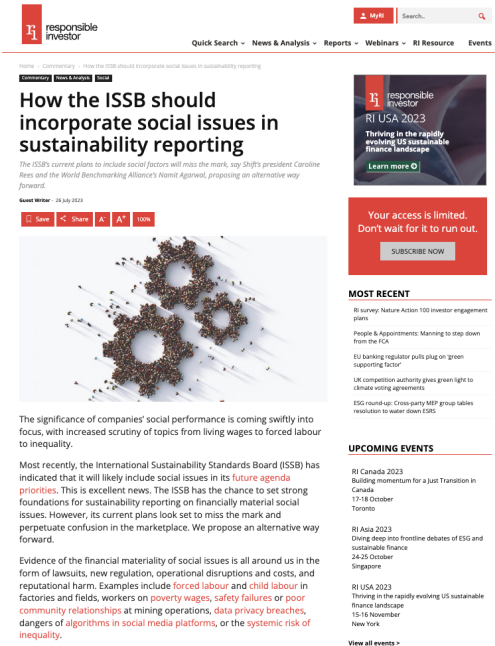
The competition is open to undergraduate and graduate students everywhere. The prize for the winning team is CA\$10,000, with CA\$5,000 for the runners-up. The competition is free to enter.

[Find out about entry requirements, eligibility and competition deadlines here.](#)

IN THE NEWS

Incorporating social issues into sustainability reporting

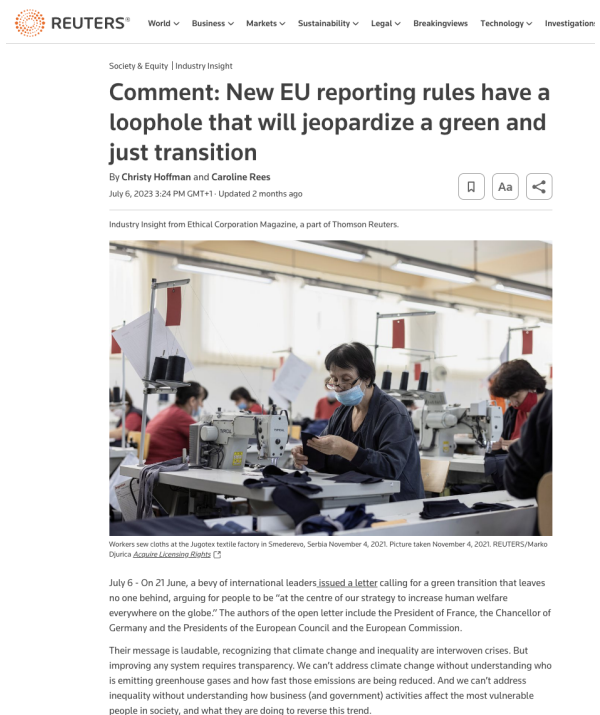
“[The ISSB] has a one-time opportunity to chart a clear path forward on social issues”, say Caroline Rees, President of Shift, and Namit Agarwal, Social Transformation Lead at the World Benchmarking Alliance, in this op-ed for Responsible Investor: [How the ISSB should incorporate social issues in sustainability reporting](#), July 2023.



The screenshot shows the top of a web page from 'responsible investor'. The main article title is 'How the ISSB should incorporate social issues in sustainability reporting'. Below the title is a sub-headline: 'The ISSB's current plans to include social factors will miss the mark, say Shift's president Caroline Rees and the World Benchmarking Alliance's Namit Agarwal, proposing an alternative way forward.' There is a 'Quick Search' bar at the top right. On the right side, there is a sidebar with a 'Your access is limited' message and a 'SUBSCRIBE NOW' button. Below that, there is a 'MOST RECENT' section with several links to other articles. At the bottom, there is an 'UPCOMING EVENTS' section with dates and locations for various events.

Developments in the European Sustainability Reporting Standards

“The European Commission and European Council cannot credibly call for a ‘green transition that leaves no one behind’ while adopting standards that tell markets that certain kinds of workers don’t matter”, argue Caroline Rees, President of Shift and Christy Hoffman, General Secretary of UNI Global Union. Learn more about the importance of including non-employee workers – that is contractors and agency workers – in sustainability reporting standards, in this Reuters op-ed: [Comment: New EU reporting rules have a loophole that will jeopardize a green and just transition](#), July 2023.



The screenshot shows the top of a Reuters article. The main title is 'Comment: New EU reporting rules have a loophole that will jeopardize a green and just transition'. Below the title is the author information: 'By Christy Hoffman and Caroline Rees'. There is a date and time stamp: 'July 6, 2023 3:24 PM GMT+1 · Updated 2 months ago'. Below the article title, there is a photo of workers in a factory. The photo shows several people working at sewing machines in a large industrial setting. Below the photo is a caption: 'Workers sew vests at the Jagatex textile factory in Smederevo, Serbia November 4, 2021. Picture taken November 4, 2021. REUTERS/Marko Djurica /Anadolu LivePhoto Photos'. Below the photo, there is a paragraph of text starting with 'July 6 - On 21 June, a bevy of international leaders issued a letter calling for a green transition that leaves no one behind, arguing for people to be "at the centre of our strategy to increase human welfare everywhere on the globe." The authors of the open letter include the President of France, the Chancellor of Germany and the Presidents of the European Council and the European Commission. Their message is laudable, recognizing that climate change and inequality are interwoven crises. But improving any system requires transparency. We can't address climate change without understanding who is emitting greenhouse gases and how fast those emissions are being reduced. And we can't address inequality without understanding how business (and government) activities affect the most vulnerable people in society, and what they are doing to reverse this trend.'

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