

Shift

Social Performance Measurement

Practical Insights and
Tips for Financial
Institutions



Shift is widely recognised for its thought leadership and practical expertise in advancing meaningful measurement within human rights due diligence (HRDD). Shift supports business leaders, standard setters, and financial institutions to use indicators that offer credible insight into whether changes in business behavior are leading to better outcomes for people. Using robust indicators to strengthen HRDD can help companies build more resilient operations and supply chains.

*This resource distils insights from Shift's work on this topic with investors and lenders and provides **eight tips** for financial institutions looking to build more effective measurement approaches.*



Part A / Background and context

A1 / Introduction

Shift's work with practitioners across financial institutions (FIs) shows demand for stronger approaches to **social performance measurement** (See **Box 1**). It is through measuring social performance that institutions can determine whether their human rights commitments are translating into meaningful changes in business practice and outcomes for people. When done well, measurement can help to improve investment decisions, engagement strategies, and organizational learning aimed at preventing, mitigating or remedying harm. Analogous to financial portfolio monitoring, tracking drives continuous improvement and course correction: no FI would invest capital without systematically assessing performance against expected risks and returns.

Box 1. What is Social Performance Measurement?

Social Performance Measurement refers to the assessment of how governments, companies or financial institutions manage the impacts on people that are connected to their activities and relationships, as well as the associated organizational risks and opportunities. For the purposes of this document we are focused on:

- social performance measurement for companies and financial institutions, and;
- human rights impacts on people because these tend to be the most significant and material of social impacts.

FIs can contribute or be linked to adverse human rights impacts through their portfolios and therefore need credible insight into how client and investee business strategies and activities may pose risks to people - and whether those risks are being effectively managed. Several jurisdictions have or are considering mandatory HRDD and reporting regulations requiring companies to identify, prevent, mitigate, and account for how they manage potential and actual human rights impacts. Alongside these regulatory drivers, there is also growing commercial interest in how social performance relates to risk management and long-term value.

Effective HRDD - within FIs and within the companies they finance - depends on the ability to track progress using decision-useful indicators and metrics. Yet practitioners still struggle to move beyond input and activity-based metrics, toward measurement that provides meaningful insight into business practices and outcomes for people. Despite growing convergence, standards, disclosure frameworks and data products still create fragmented expectations about what constitute good indicators, further complicating the task for FIs.

In 2025, with support from the Generation Foundation, Shift convened a series of practitioner clinics that helped to identify strategies and good practices to strengthen social performance measurement in banking, insurance, and investment activities. This resource highlights the key insights from that work and provides **eight tips** that can help FIs in building more decision-useful measurement approaches.

A2 / Why Is Social Performance Measurement Important for Investors and Lenders?

Measurement drives effective decision-making and shapes practice: “what gets measured, gets managed.” Done well, social performance measurement can inform investment decisions, stakeholder engagement, corporate learning, and continuous improvement, while also preventing or mitigating harms to people.

Some specific reasons why social performance measurement is rising in importance among financial sector human rights practitioners include:

- The UN Guiding Principles on Business and Human Rights (UNGPs) and OECD Guidelines are the authoritative, global frameworks that apply to financial institutions (FIs) and to which many FIs have publicly aligned. These frameworks articulate clear expectations around HRDD, which includes tracking effectiveness (**Figure 1**). Tracking can help to understand how commitments and activities lead to meaningful changes in practices and behaviors, as well as which interventions succeed, which need adjustment, and where scaling or redesign is required.
- The regulatory environment increasingly mandates human rights disclosures. Some focus on specific issues, like modern slavery in the UK, Canada, and Australia, while others are broader, such as the EU’s Corporate Sustainability Reporting Directive (CSRD) or the EU’s Sustainable Finance Disclosure Regulation (SFDR). Stakeholders, including FIs, are pushing for standardized disclosures through the [Taskforce on Inequality and Social-related Financial Disclosures](#).
- Effective disclosure requires understanding and addressing human rights risks via robust due diligence. Parallel regulatory trends, notably the EU Corporate Sustainability Due Diligence Directive (CSDDD), emphasize measuring an institution’s capacity to manage human rights impacts and progress¹. Though not in scope of the EU’s CSDDD, FIs stand to benefit from clearer impact and risk management expectations for in-scope companies that are largely aligned to the international standards (UNGPs and OECD Guidelines).
- There is a keen interest in understanding the link between [impact materiality and financial materiality](#), driven by both compliance obligations (e.g., CSRD)

Figure 1. The elements of HRDD



and interest in how social performance informs value creation and capital allocation.

- For sustainability teams within FIs, there is a need for evidence to justify resource allocation for human rights risk management and to assess the effectiveness of actions in improving outcomes for people.
- As a result of progress in other domains, especially climate change, there is demand for comparable and insightful social and human rights indicators, either on their own or in service of understanding interdependencies across climate, nature, and human rights, for example how social indicators can influence the success of decarbonization strategies.
- Stakeholders (investors, civil society, regulators, clients) increasingly assess how FIs identify and address human rights risks, as reflected in benchmarks like the [World Benchmarking Alliance Financial System Benchmark](#) and the [BankTrack Human Rights Benchmark](#), which track progress on managing risks and impacts.

¹ Annex 1 of *Mandatory HRDD Laws: Key Design Features and Practical Considerations* (Danish Institute for Human Rights, September 2025) provides an analysis of relevant laws in select jurisdictions. Additional references are also provided for other jurisdictions. See: <https://www.humanrights.dk/publications/mandatory-human-rights-due-diligence-laws-key-design-features-practical-considerations>

Box 2. Unpacking key measurement terminology

Targets represent goals for what you want to achieve, for whom and by when, with regards to outcomes for people. Targets can be qualitative (e.g., By the end of 2028, revise procurement standards to exclude exploitative labor recruitment agencies) or quantitative (e.g., By December 2028, at least 70% of the workforce across all regions will be covered by collective bargaining agreements.)

Indicators are simple and reliable measures used to reflect change or assess project performance. Indicators can be qualitative (e.g., the company has proactive engagement processes with affected stakeholders which inform the company's strategic

decision-making) or quantitative (e.g., % of human rights grievances that are resolved to the satisfaction of the affected stakeholder within 6 months).

Metrics are specific, quantitative, and directly measurable values that reflect change or project performance that is relevant to outcomes for people (e.g., # of employee jobs that are created and # of employee jobs that are eliminated within a reporting year as a result of the organization's climate change transition plan). From Shift's perspective, a "quantitative indicator" and a "metric" are equivalent.

A3 / Shared Challenges and Misperceptions

Despite the increasing appreciation of the business value of robustly measuring social performance, human rights practitioners have encountered some challenges and misperceptions in trying to develop their institutional approaches in this domain. During Shift's clinics for financial institutions (FIs), human rights practitioners reported three key challenges and explored four commonly held misperceptions.

Challenges

1. Measurement efforts in data-driven environments can lead to disproportionate focus on aspects of social and human rights issues, such as Diversity, Equity and Inclusion or Occupational Health and Safety, for which there is a longer trend of quantifying performance and outcomes. This can skew attention away from impacts and risks that are more material: to people, planet and business.
2. The drive for quantitative data has also led to a preponderance of indicators that, while easier to measure, offer limited, if any, insight into behavioral changes or outcomes for people or worse, for which evidence of their limited effectiveness exists (e.g., # of trainings, frequency of audits).

3. The quality or insight provided by commercial data providers, on whom many FIs rely for human rights and social-related data, often create opaque, composite social performance indicators that limit comparability, are difficult to validate, and are therefore of little utility in offering a reliable assessment of clients'/investees' performance.

These challenges are supported by findings from Shift's recent research findings, as well as work undertaken by others such as the OECD². Shift's analysis of 1,300 ESG indicators and metrics, led Shift to publish a series of guardrails³, which are summarized in Annex, that can help practitioners from FIs to identify and avoid using indicators that demonstrate these common weaknesses.

Commonly held misperceptions

Practitioners also highlighted issues with which they are grappling that underscore four commonly held misperceptions about the measurement of social performance. The clinics hosted by Shift afforded time to interrogate these views and to build responses that practitioners can use in their engagement – with colleagues, clients and external stakeholders.

² OECD (2025) [Behind ESG ratings: Unpacking sustainability metrics](#)

³ Shift (2024) & (2025) [Strengthening the S in ESG: Guardrails, Guidelines and Thematic Recommendations for designing better social indicators and metrics](#)

Misperception 1

Standardization is limited by a lack of common vocabulary, taxonomy, scope, and definitions around human rights and social risks.

Response

A globally recognized foundation exists in the form of the UN Guiding Principles on Business and Human Rights (UNGPs). The UNGPs provide shared conceptual language and terminology, such as “salient human rights risks”, “due diligence”, and “remedy”.

Standardization is constrained less by absent definitions and more by the complex, context-specific nature of human rights impacts, which can resist overly rigid taxonomies.

Misperception 2

The standards and regulatory landscape is fragmented.

Response

While progress may not always be as quick or as linear as we would like to see, there is growing regulatory convergence around the UNGPs and OECD’s MNE Guidelines as the foundational international standards upon which human rights-related regulations can and should be built, for example, in the context of the EU’s CSDDD and CSRD.

Further, initiatives like the Taskforce on Inequality and Social-related Financial Disclosures (TISFD), in which Shift has played an active role, are explicitly designed to harmonize and bring greater standardization to social-related disclosure frameworks, over time.

Misperception 3

Human rights and social issues have to compete with other sustainability priorities, diverting resources needed to develop robust social performance indicators.

Response

Sustainability priorities can be treated as interdependent, rather than competing agendas. For example, ignoring social risks can undermine climate or nature outcomes (e.g., through community opposition, labor disruption that delay low carbon or nature-positive initiatives).

The challenge is not so much about resource competition, but about organizational silos. A human rights-based approach to sustainability priorities, such as climate and nature, can improve the effectiveness of efforts to address them.

Misperception 4

Social issues rarely lend themselves to headline targets like “net zero,” which limits internal buy-in.

Response

Simple corporate headline targets for both environmental and social issues can be misleading, including headline “net zero” targets.

Most sustainability issues, across both environmental and social domains, are multidimensional and focused on actual real-world impacts, making them difficult to reduce to a single metric.

A “theory of change” approach (see **Tip #7**) that makes use of layered indicators that track whether adverse impacts on people are being addressed can be an effective, meaningful and persuasive way to discuss outcomes for people.

Part B / Practical Tips for Financial Institutions

Shift's work with human rights practitioners within a range of financial institutions (FIs) has helped us crystallise **eight tips** on how to improve social performance measurement. These are shared below to assist other practitioners, whether they are just starting out or are looking to advance their social performance measurement work into new dimensions.

Box 3. Overview of practical tips

B1. Getting Started

Tip #1 Make the business case for why social performance measurement matters

Tip #2 Know what you want to measure, for which audience and for what purpose

Tip #3 Build incrementally

B2. Measuring HRDD maturity

Tip #4 Focus on how the organization is set up and run

Tip #5 Make your analysis systematic, consistent and repeatable

B3. Measuring progress or impact on a salient issue

Tip #6 Define a manageable scope

Tip #7 Apply a theory of change and root cause logic

Tip #8 Be selective and strategic when trying to quantify at scale

B1 / Getting Started

Tip #1. Make the business case for why social performance measurement matters

Practitioners can highlight numerous potential benefits of effective social performance measurement, many of which are already inspiring FIs to take action. Practitioners participating in Shift's clinics articulated six of the most effective business case arguments that have been used internally within their organizations to help them build internal buy-in and support for this work. Effective social performance measurement can enable the:

- i. Meaningful demonstration of the impact of FIs' leverage in motivating changed corporate practices and behaviors that matter to affected stakeholders.
- ii. Development of an evidence base for further refinement of HRDD systems.
- iii. Analysis of human rights issues at scale across lending and investment portfolios.
- iv. Prevention or mitigation of impacts on people resulting from (and potentially undermining) corporate climate mitigation and adaptation or nature-related activities.
- v. Availability of more robust data illustrating the connections between social and financial performance including, where possible, the financial materiality of human rights impact.
- vi. Comparative analysis across clients/investees in assessing "what good looks like" for effective HRDD.

Tip #2. Know what you want to measure, for which audience and for what purpose

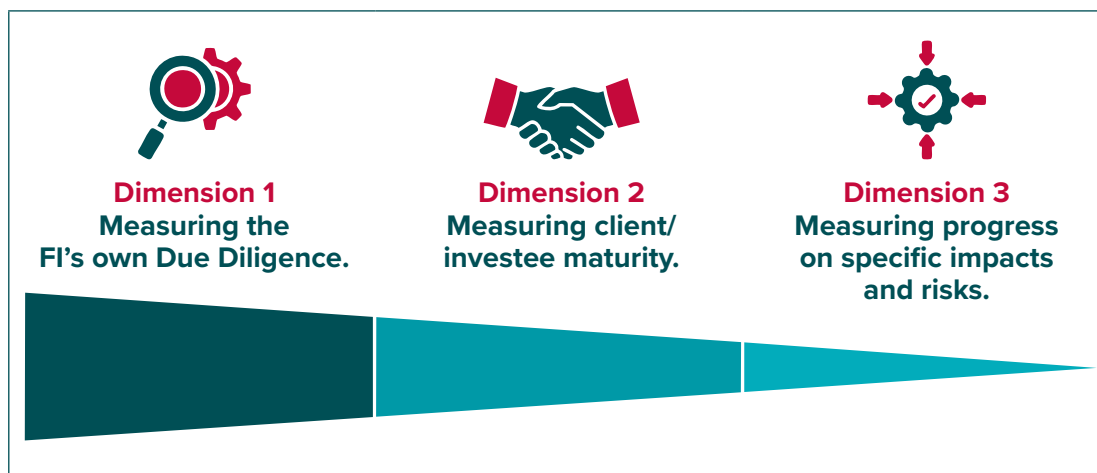
FIs are exposed to human rights-related risks across multiple sectors and geographies, have multiple financial products and services with varying characteristics, and need to respond to a wide range of internal and external stakeholders.

To make measurement effective, it is critical for practitioners within FIs to clarify what they want to measure, who will use the information and insights generated and for what

purpose. Many social performance measurement efforts stall because indicators are selected for “reportability” rather than because they serve a clear purpose, such as investment and credit decision-making, client engagement and leverage strategies, internal learning and competence building, risk governance, or regulatory disclosure.

A useful way to focus early efforts is to clarify which of three measurement dimensions is driving the work.

Figure 2. A three-dimension framework for social performance measurement



What is being measured?	The strengths and weaknesses in the FI's approach to managing social risks/opportunities	The strengths and weaknesses in the approach of the FI's clients/investees in managing social risks/opportunities	Progress on a specific thematic human rights impact or risk (e.g., living wage, land rights, or forced labor).
For who?	Internal stakeholders, such as the FI's Board, leadership or due diligence program owners	Internal (e.g., FI's due diligence program owners) and/or external (e.g., client/investee representatives)	Internal and/or external stakeholders
For what purpose?	Insight into internal competence, capacity & competence building needs, resource prioritization and allocation, as well as the quality of due diligence processes and systems.	Insight into which partners are likely anticipating and addressing social impacts and risks, and the degree to which leverage is contributing to improved client/investee performance.	Insight into progress (what is working) and setbacks (what is not working) in addressing prioritised human rights impacts and related business risks. This can be used to inform resource allocation and program design.

Tip #3. Build incrementally: Choose your starting point and be prepared to test, iterate, and evolve your Performance Measurement Framework over time

Building on **Tip #2**, the three measurement dimensions are not mutually exclusive, and they do not imply a required sequence. For example, measurement in Dimensions 1 & 2 may be most useful to FIs that are currently looking to bring greater rigor and consistency to how they assess their own due diligence efforts or those of their clients/investees. Tips for tackling these dimensions are elaborated in **section B.2**. In contrast, Dimension 3 may be most useful to those that are currently looking to measure progress on one (or more!) of their salient issues, for which tips are addressed in **section B.3**. Where an FI focuses at different stages of building out their performance measurement framework depends on their needs (focus, audience and purpose, as articulated by **Tip #2**), as well as their institutional priorities and resources.

FIs can begin to develop their approach to social performance measurement by starting with the highest-priority topics, audiences or uses and layering in additional dimensions, with associated indicators, over time. Further, FIs can and should expect the indicators and metrics they use to improve as their approaches mature. The quality of and insight provided by indicators often evolve through testing, feedback, and iteration, especially as internal competence grows and data quality improves. An iterative, “learning by doing” approach supports continuous improvement and helps avoid paralysis in a fragmented social data landscape.

A mature performance measurement approach will typically include indicators across all three dimensions. However, being intentional and explicit about which dimension is primary at the outset can help prioritize effort, consolidate resources and avoid over-engineering.

B2 / Measuring HRDD maturity (Dimensions 1 & 2)

This section provides **two tips** for FIs looking to measure the maturity of HRDD processes – either their own or those of their clients/investees (Dimensions 1 and 2).⁴

For an FI, understanding its own internal HRDD performance can help its leadership assess whether the institution’s policies, competencies, and processes are effectively embedded and functioning as intended, and where additional resources or improvements may be needed (Dimension 1).

An FI will also be interested in understanding the maturity of the HRDD of the companies its financing (Dimension 2) in order to inform its risk assessment, leverage and engagement efforts. For example, financing an apparel company with immature HRDD processes operating in a country with limited labor safeguards will represent higher human rights risk for a prospective financier than an apparel company with very mature HRDD processes operating in a similar context. Assessing the maturity of clients and investees helps an FI to understand where they should focus their engagement and leverage efforts, as well as whether those efforts are contributing to improved practices over time.

Tip #4. Focus on how the organization is set up and run

To understand the maturity of HRDD processes - whether internally within the FI or within the companies they finance - it is important to understand the degree to which an organization is set up and run in ways that support leaders and employees across diverse functions and levels to anticipate and address the most significant impacts on people and related business risks.

Indicators capable of offering the greatest insight into the organizational features that block or enable these types of behaviors are therefore of high decision-making value to investors, business leaders, regulators and other stakeholders. Examples of these types of behaviours⁵ include, for senior leadership to:

- Ensure a named, sufficiently senior person has principal responsibility for human rights matters and brings these issues to the board and executive team with authority and regularity.

⁴ These tips build on insights elaborated in Shift’s [Strengthening the S in ESG](#) guidelines.

⁵ Additional examples of these types of behaviors can be accessed here: <https://www.ohchr.org/en/calls-for-input/2026/call-inputs-report-corporate-governance-business-and-human-rights-81st-session>.

- Consider human rights performance (both positive and negative actions) as part of performance evaluations (and potentially remuneration decisions, where relevant), for directors, senior executives, and others, using contracts, bonuses, or other appropriate mechanisms.
- Advocate - through internal messaging and resourcing - for the critical importance of structured, meaningful consultation with affected stakeholders (for example, local communities, women, Indigenous Peoples, and people with disabilities) as part of due diligence, and not treating consultation as a tick-box exercise.
- Proactively identify and address commercial incentives or cultural norms that risk undermining managers and employees identifying and managing human rights impacts on workers, communities and/ or Indigenous Peoples.

It is not straightforward, or even feasible, to measure such everyday practices. This is certainly the case when seeking insight into client or investee practices. What is possible is for FIs to prioritize indicators that:

i. **Are strong predictors of business decision making and behavior.**

Because risks to people from business activities are borne of diverse functions and levels within a company, metrics and indicators that reflect how a company is organized and run can offer insight as to the likelihood that HRDD is being implemented in practice. Examples include:

For governance

- # of formal updates to the Executive Committee/ Board (in the last 12-months) about progress and setbacks in a) establishing or executing the company's human rights due diligence implementation roadmap; b) addressing priority (salient) impacts on human rights and related business risks and opportunities (including findings from human rights impact assessments)
- # and % of Board-level business strategy or operational decisions for which inputs about human rights implications have been requested and provided
- Frequency of Board and executive-level agenda items dedicated to human rights risks and performance

For stakeholder engagement

- Evidence that stakeholder engagement is embedded in human rights due diligence processes (including ahead of significant business changes such as entry into new markets or locations) and that engagement findings are systematically documented and demonstrably reflected in subsequent decisions and practices
- Evidence of results from engagement being used to inform a company's decision-making and practices

For target-setting

- Evidence of social targets, and the proportion of social targets that directly measure outcomes for people (e.g., share of workforce paid a living wage)
- # and % of targets aimed at systemic or structural change (e.g., industry-wide collective bargaining commitments, embedding land rights protections in high-risk sourcing contexts)
- Proportion of targets explicitly referenced against recognised external frameworks (e.g., UN SDGs, ILO core labour standards, or equivalent)

ii. **Offer insight into the quality of due diligence – either that of a client/investee or its own.**

For clients/investees, assessing capacity to manage impacts and risks helps make analysis at scale easier by focusing attention on clients or investees where evidence of mature processes and practices may be lacking. Similarly, for the FI's assessment of its own due diligence practices, this can reveal where its strengths and weaknesses reside and where further focus or investment is needed. Examples of useful indicators include:

For risk identification

- Evidence that the organization has established a formal, credible process for the routine review of identified and prioritized human rights impacts, which:
 - specifies the frequency of review and clear accountabilities;
 - defines the triggers that should prompt an off-cycle review (such as changes in business strategy, new acquisitions, or shifts in operating context); and

- integrates input from relevant external subject-matter experts as a standard part of the process.

- # and % of business functions that have a credibly developed view of human rights impacts and their root causes, for the relevant value chain segment, prioritized based on their relative severity

For risk mitigation

- # and % of prioritized potential and actual human rights impacts in the value chain segment covered by a credible action plan to mitigate or remediate harms to people
- Y/N mitigation measures are designed to address root causes and systemic drivers of identified risks, rather than symptoms alone
- Y/N existence of a formal process for applying human rights considerations at key business decision points (e.g., due diligence checklists embedded in M&A, supplier/client onboarding, or new product design processes)

Tip #5. Make your analysis systematic, consistent and repeatable

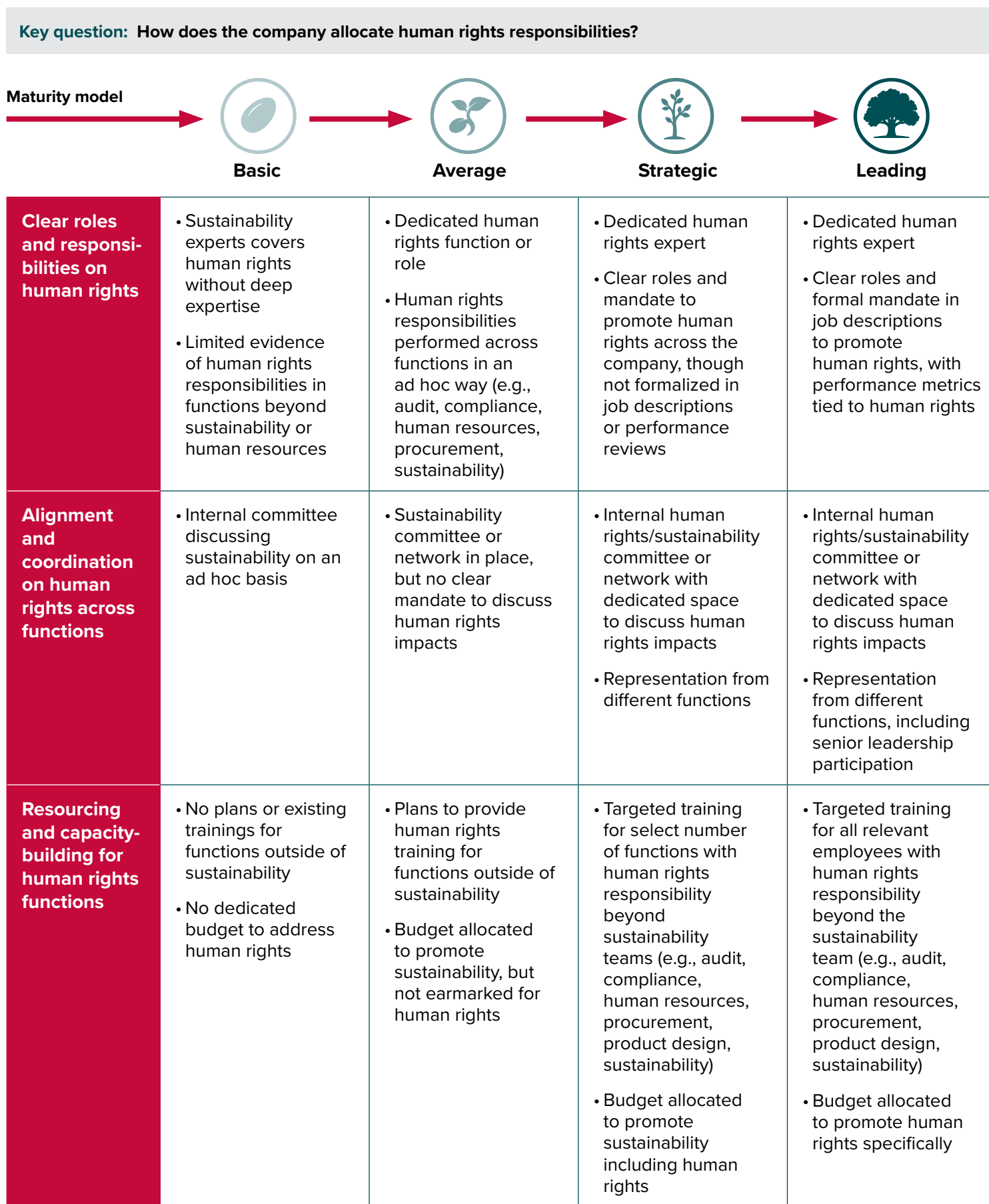
FIs have found it valuable to develop practical tools to support them in undertaking a structured analysis of the maturity of their own or their clients/investees HRDD systems and processes. Such tools can enable credible comparisons across time or across organizations.

One increasingly utilized tool is a maturity model or framework, which can help institutions assess performance in a way that is systematic, consistent, and repeatable. By defining progressive levels of practice across key elements of due diligence, a maturity model provides a clear basis for evaluating current performance, identifying gaps bringing specificity to requests as part of engagement efforts, as well as tracking improvement over time.

As an example, Redwheel - a specialist, independent, investment organisation – has developed a series of indicators (e.g., evidence of dedicated human rights capacity; see **Figure 3**) that they use to assess human rights performance of its prospective or existing investees. Each indicator is underpinned by a framework that helps Redwheel to evaluate the maturity of its investee and to develop a focused engagement strategy.



Figure 3. Maturity model excerpt based on Redwheel’s human rights framework



B3 / Measuring progress or impact on a salient issue (Dimension 3)

Financial institutions (FIs) are exposed to human rights-related risks across a range of sectors and geographies, in the context of various financial products and services. Measuring progress on salient issues across different sectors, geographies and/or financial products is likely to require different approaches. An additional challenge in this dimension is that FIs are often one or more steps removed from real-world impacts. This section offers practitioners **three tips** for building out metrics and indicators in this dimension⁶.

Tip #6. Define a manageable scope

If the FI is looking to focus social performance measurement efforts on management of a specific salient issue (e.g., related to community engagement or forced labor), careful scoping and setting of boundaries is critical. In cases where impacts can be very context specific (e.g., indigenous rights), a practical approach requires that the FI be precise on these five elements:

1. the salient issue (or relevant aspect thereof) on which they wish to focus
2. the relevant financial product(s)
3. the sector(s)
4. the geography or jurisdiction(s)
5. the affected stakeholders most likely to be at risk

Overly broad ambitions (for example, “addressing indigenous rights”) can make it difficult to define meaningful indicators that drive better outcomes for people. A much more practical - and credible - approach is to narrow the scope by being more specific about what FIs are trying to track and achieve. For example, rather than stating “ensure indigenous rights are respected” bring greater specificity to what is being tracked, for example “evidence of achieving Free, Prior and Informed Consent within the Latin American mining sector in the bank’s project finance portfolio”. This type of scoping

increases the possibility of being able to track impacts within the portfolio and drive better outcomes.

Tip #7. Apply a Theory of Change and Root Cause Logic

FIs can use a disciplined theory of change approach to specify the causal pathway through which inputs and activities are expected to translate into improved practices, behavior change, and outcomes for people. A well-expressed theory of change can anchor strategies, targets, and key performance indicators to a common understanding of causation of outcomes. A deliberate expression of the causal pathway creates the opportunity for an FI to test the logic of its understanding of how outcomes are shaped, and ultimately, how its leverage can be effective in improving outcomes for people.

Root cause analysis offers insights to identify the practices and behaviors that are most likely to drive better outcomes. This potentially helps both the FI and investee/client understand what contributes to outcomes to people, the roles of different actors, and perspective on what works - and what doesn’t - in achieving better outcomes for people. This generally involves considering root causes relating to the:

- operating context⁷
- business model
- business relationships⁸; and
- vulnerability of affected groups⁹.

For example, in considering an issue such as land rights and access to natural resources, the FI or investee/client can think through the potential root causes linked to these four elements. **Figure 4** provides an illustrative example of what that could look like in practice. The depiction allows for clearer understanding of the underlying drivers of rights issues associated with land, as well as potential leverage points.

⁶ These tips build on insights elaborated in Shift’s [Strengthening the S in ESG](#) guidelines and Shift’s [Indicator Design Tool](#).

⁷ For diagnostic questions relevant to identifying higher risk contexts, see, e.g., Annex A of Shift’s HRDD in High Risk Circumstances: Practical Strategies for Businesses (2015). Available at: https://shiftproject.org/wp-content/uploads/2015/03/Shift_HRDDinhighriskcircumstances_Mar2015.pdf

⁸ On identifying higher risk business relationships, see e.g., Shift’s Business Model Red Flags, Red Flag 15, “Business relationships with limited influence to address risk to people” at <https://shiftproject.org/resource/redflag-15/> and Red Flag 7, “Financial or advisory services that enable high-risk clients to cause harm” at <https://shiftproject.org/resource/redflag-07/>

⁹ Shift’s Dissecting Disclosure series supports investor analysis of portfolio company disclosures and provides examples of engagement with vulnerable groups: https://shiftproject.org/wp-content/uploads/2020/03/Shift_Dissecting-Disclosure_Vol.1-Engagement-with-Stakeholders.pdf

Figure 4. Illustrative root cause analysis: Land rights and access to natural resources

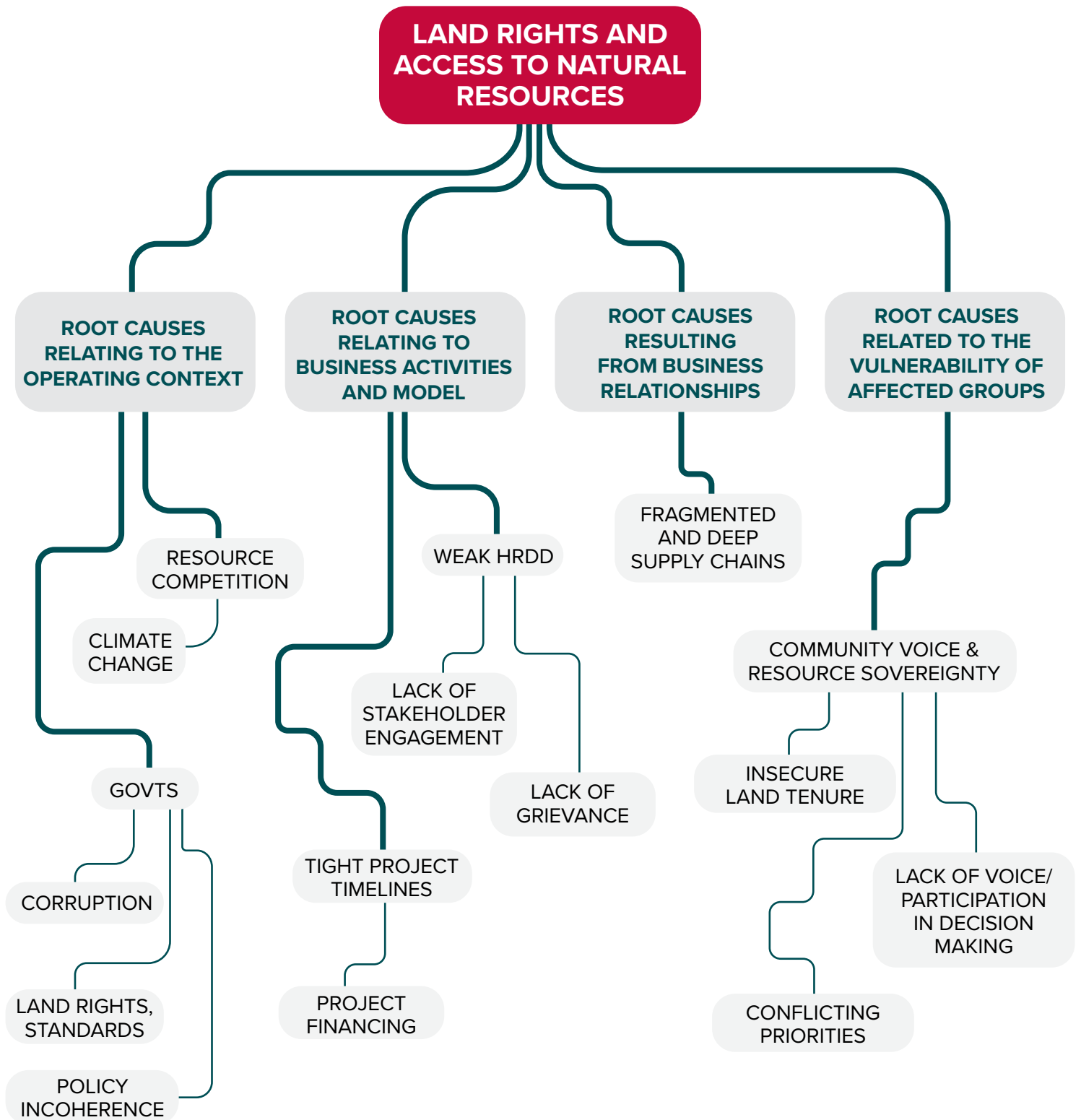
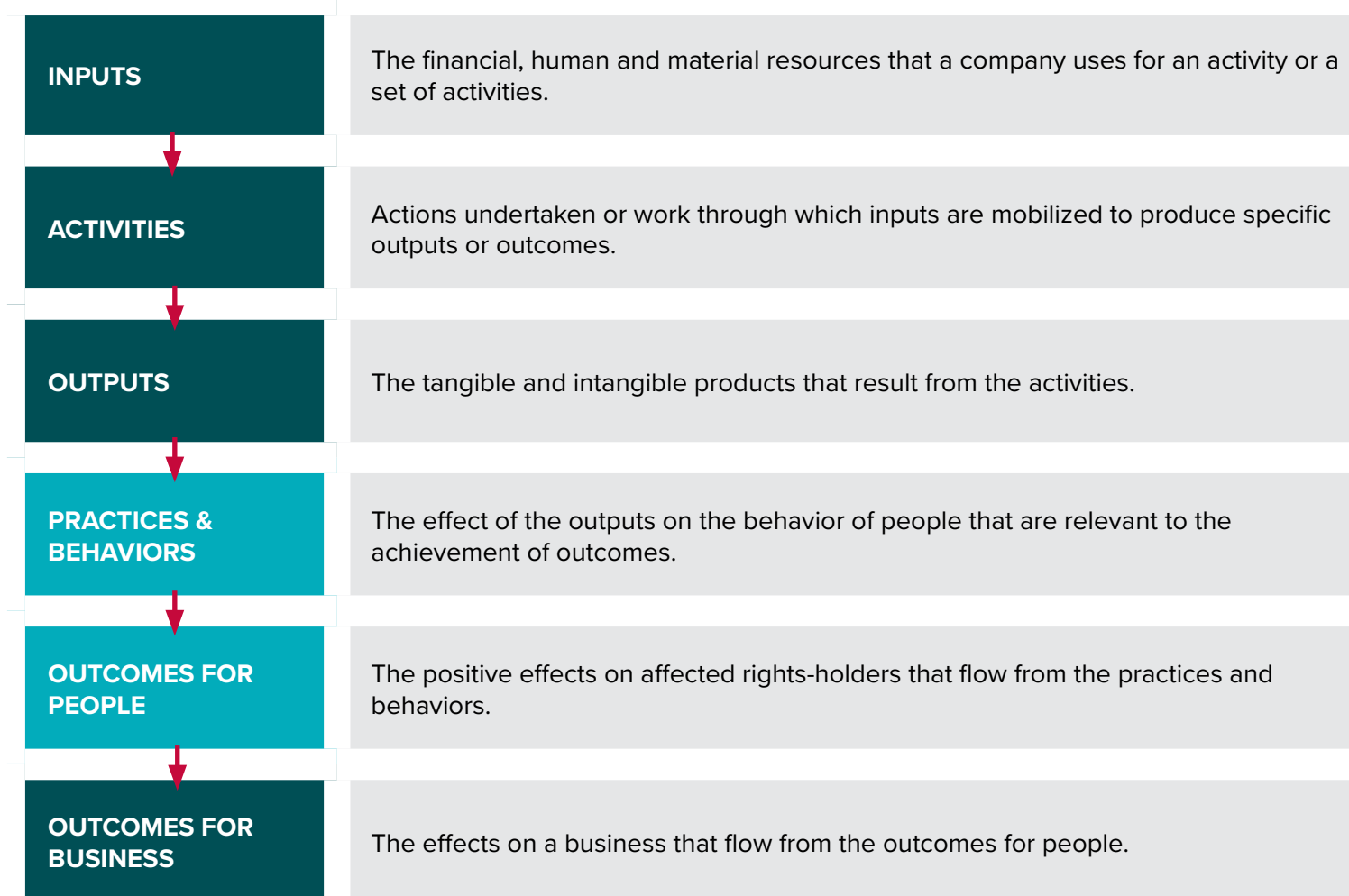


Figure 5. Articulating a Theory of Change



Root causes will in turn suggest the inputs, activities, outputs, and changed behaviors and practices that can lead to changed outcomes for people, which creates the framework for a theory of change (see **Figure 5**). As the causal pathway takes shape, contextual risks should also be identified so that strategies can be developed to protect desired impact pathways from being derailed. **Figure 6** elaborates on how the theory of change could be developed when it is applied to the illustrative root cause analysis undertaken on land rights issues associated with a client/ investee company in **Figure 4**.

Figure 5 Note: Shift's version of a theory of change adapts the typical model in three ways: (1) the focus is on outcomes for people not on general impacts, (2) we've added practices and behaviors between outputs and outcomes as a midpoint of evaluation that focuses on the desired changes in human behavior, (3) we've emphasized the distinction between outcomes for people and outcomes for business. For more information, please refer to Shift's [Indicator Design Tool](#).

Figure 6. Illustrative Theory of Change - Land Rights & Natural Resources

<p>INPUTS</p>	<p>What financial, human and material resources are needed to implement the activity or activities?</p>	<ul style="list-style-type: none"> • Budget allocation for stakeholder engagement • Time commitment of representatives participating in multistakeholder initiative (MSI), e.g., steering committees, working groups
<p>ACTIVITIES</p>	<p>What do we need to do? Who can we work with (leverage!)?</p>	<ul style="list-style-type: none"> • MSI outreach and engagement with financial institution • MSI creates key advocacy messages on land rights and access to natural resources for governments • Project approval framework revised
<p>OUTPUTS</p>	<p>What new knowledge, resources or systems need to be in place to change attitudes or behaviors?</p>	<ul style="list-style-type: none"> • Lenders have greater knowledge of free, prior and informed consent (FPIC) • Cross-functional teams created and have implemented robust stakeholder engagement strategies • Regular meetings between government & MSI
<p>PRACTICES & BEHAVIORS</p>	<p>What do we want people to start, stop or keep doing?</p>	<ul style="list-style-type: none"> • Financial institutions start providing capital with adequate time for robust stakeholder engagement • Client/investee engineering teams to continue integrating feedback from stakeholders • Governments implement fair land & resource use policies
<p>OUTCOMES FOR PEOPLE</p>	<p>What impact will this have on affected people?</p>	<ul style="list-style-type: none"> • Communities have access to land and natural resources enabling their right to food, housing, water, etc.
<p>OUTCOMES FOR BUSINESS</p>	<p>What financial, reputational, operational, legal or other outcomes for business will occur once the outcomes for people are achieved?</p>	<ul style="list-style-type: none"> • Reduction in portfolio exposure to high-risk land/resource conflicts that would otherwise delay or derail projects, informed by MSI-shared data and early warning systems • Increased effectiveness of client engagement on land/resource issues (e.g., higher rate of client commitments or corrective actions when engagement is done collectively vs. individually)
<p>ASSUMPTIONS & RISKS</p>	<p>What assumptions are we making? What obstacles are there?</p>	<ul style="list-style-type: none"> • Increased awareness among financial institutions will result in changes in practice • Multistakeholder Initiatives are effective in catalyzing change

This process can help FIs (or their clients/investees) avoid building indicator sets that over-weight activities and under-weight characterizations of how practices and behaviors are changing in ways that matter.

Tip #8. Be selective and strategic if you are looking to quantify at scale

Through our work with FIs, we often hear that they are in search of quantifiable human rights data that can be easily aggregated across sectors and different financial products within their portfolios to provide insight into overall portfolio performance on human rights (e.g., “We’d like to have something equivalent to greenhouse gas emissions portfolio data in the human rights domain”). It is important that FIs be both selective and strategic when attempting to quantify human rights performance at scale. The UNGPs require companies to track progress on their most salient human rights risks and impacts, not simply those that are easiest to measure. While quantification can support consistency and comparability, the degree to which an issue lends itself to straightforward metrics should not determine whether it is tracked.

Many severe human rights impacts - such as community harm - may not translate easily into standardized metrics across companies, sectors, geographies, or financial products. This does not diminish their importance; rather, it highlights that while such issues should still be assessed and monitored, aggregating them meaningfully at a portfolio level is challenging and that, at least for now, progress on them may be better tracked by using the careful scoping discussed in **Tip #6** and/or more qualitative, context-sensitive approaches (e.g., such as those that explore maturity in managing the issue – see **Tips #4 and #5**).

Box 4. Measuring Living Wage

In Shift’s clinics, we explored an example of a human rights issue with genuine potential for quantification at scale - **Living Wage**. Ensuring a living wage is one of the most impactful actions a company can take to help tackle social inequality. Further, the issue is global and cross-sectoral in scope.

Shift and the Capitals Coalition have developed dedicated methodologies to standardize decision-useful metrics (e.g., living wage thresholds, deficits, and progress) which are available to financial institutions and their clients/investees looking to aggregate data across their portfolio to track progress and identify hotspots requiring greater attention.

That said, there are a growing number of human rights-related issues (including Living Wage¹⁰, see **Box 4**) that can lend themselves more readily to quantification at scale, provided that work has been done to develop robust, standardized methodologies and there is an impetus for/commitment to data collection and disclosure.

¹⁰ A living wage is the amount necessary to afford a decent standard of living for workers and their families. In most countries, a living wage is higher than the statutory minimum wage set by governments, meaning that compliance with minimum wages is no guarantee that workers are paid a living wage. Over recent years, significant progress has been made by a number of organisations in producing credible living wage estimates that can be used by companies, investors, standard setters and other users of data to understand whether employees are being paid a living wage. Living wage is also sometimes referred to as a ‘fair wage’ or – notably in the EU – an ‘adequate wage’.

Part C / Conclusion

Investors, lenders, and other financial institutions (FIs) share the challenge of how to track performance on social issues in an effective and efficient way. Tracking is a core element of human rights due diligence and helps institutions and companies understand what is - and isn't - working in efforts to prevent or mitigate harms to people linked to business activities.

As FIs often have complex and varied portfolios comprised of various financial products and services with exposure across many sectors and geographies, human rights issues across portfolios are similarly broad and diverse. This can pose challenges for developing a strategic and coherent social performance measurement strategy. Readily available data often focuses on “observable basics” that reveal intentions but rarely capture whether behaviors and practices affecting outcomes for people are actually changing. Commercial data reflects similar limitations, compounding the challenge: FIs must demand and, where necessary, design better indicators while also determining how to source reliable data.

During Shift's sustainability clinics for FIs, participant application of guardrails, guidelines, and core design

principles, helped elucidate **eight practical tips** that can help FIs more broadly to clarify and advance their measurement objectives. Understanding the three dimensions of measurement - the institution's own due diligence capacity, the capacity of investees/clients to manage human rights risks and impacts, and performance on specific social issues - helps identify appropriate tools and techniques, such as maturity assessments for risk management capacity, root cause analysis or theory of change approaches for specific risks. It also helps to understand when and why quantification at scale may (or may not) be appropriate.

Most importantly, our work confirmed that better measurement is achievable when innovation is anchored in the discipline of international standards, as well as insights from emerging tools and practice. Over time, as practitioners develop stronger indicators across more social contexts and create the demand, better data should become available. The evolving regulatory environment and continued work by standard setters will also help drive progress.





ANNEX / Summary - Guardrails

What to avoid in indicator design

	Guardrail	Description	Examples of this type of indicator
1	Avoid indicators that create perverse behavioral consequences	Indicators should not incentivize companies to “game” the metric or prioritize appearances over improving outcomes for people.	<ul style="list-style-type: none"> • Number of grievances reported • Number of incidents or complaints • Number of suppliers audited • Number of volunteering hours • Money spent on community-building activities
2	Avoid indicators that encourage unjustified conclusions	Indicators should not oversimplify complex human rights issues or allow conclusions that are not supported by the underlying data.	<ul style="list-style-type: none"> • Composite indicators that are comprised of many different social issues • Claims of alignment with human rights frameworks (e.g., UNGPs, OECD Guidelines) without supporting evidence of how they implement in practice • Assertions regarding provision of supplier training • # of controversies
3	Avoid indicators that offer insight into a company’s intentions but no insight into whether this is followed-through in practice	Indicators should capture actual implementation in practice, not only commitments or policies.	<ul style="list-style-type: none"> • Existence of policies or commitments • % of workforce receiving human rights training • Presence of due diligence processes without evidence of use

Additional details can be found at: <https://shiftproject.org/resource/strengthening-the-s-in-esg/>

About **Shift**

Shift is a non-profit, mission-driven organization working globally to embed respect for human rights into business. We leverage the UN Guiding Principles on Business and Human Rights to shape the standards, incentives and practices that are needed for a fairer economic system in which everyone, not just the few, can thrive.

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Social Performance Measurement

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