The Center for International Environmental Law (CIEL) and Earthjustice welcome the Working Group’s Report on “Investors, environmental, social and governance approaches and human rights”.

The report confirms that the Guiding Principles apply to all investors and that ‘[t]o fulfill their responsibility to respect human rights, investors require decision-useful data from investees on human rights and alignment with the Guiding Principles across each of the environmental, social, and governance criteria.’ We echo the report’s recommendation that States enact legislation mandating the disclosure of transparent information, and its acknowledgment that ‘[i]mprovements to data provision would require qualitative and, when relevant, quantitative, assessments of investees’ human rights performance and the engagement of affected stakeholders, as well as standardized ESG data and reporting frameworks.’

A lack of uniform global standards on reliable and transparent ESG data disclosure enables greenwashing: corporations often withhold accurate information on human rights and environment-related impacts while simultaneously making misleading and deceptive public statements. In the context of climate change, companies often portray carbon offsets or ineffective/unproven technologies as a method of reducing emissions, which is inherently misleading. This is particularly relevant in the context of fossil fuel companies, which are using carbon-offsetting technologies as a justification for the further expansion of oil and gas production. Carbon offsets and credit-generating activities merely rearrange emissions rather than reduce them, and often result in human rights violations, which is contrary to corporations’ human rights obligations enshrined in the Guiding Principles.

In line with the recommendations of the WG in the ESG Report, it is imperative States advance and enforce regulations that enable investors, in their ESG approaches, to increase alignment with the Guiding Principles, in particular, compliance with the duty to respect human rights and provide transparent information to stakeholders. Human rights-compliant investment is facilitated by States requiring environmental and human rights due diligence by all business enterprises across the value chains, and mandating companies to transparently set real, verifiable emissions reduction targets that do not rely on carbon offsets as well as cease financing and investing in the carbon offsetting industry that drives fossil fuel expansion.

Thank you.