PEOPLE-CENTERED CLIMATE ACTION

Guidance for Private Capital Investors

December 2025

PCAP People-Centered Climate Action in Private Markets

BSR

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FOREWORD

A couple of years ago, I was asked to cross my hands, notice how it felt, and observe which thumb rested on top. Then I was asked to cross my hands again, this time with the other thumb on top and consider how that felt. Oh, how different, I thought, and how uncomfortable.

This simple exercise has stayed with me. I often think about the power of habits, and how it requires a lot from us to change even the smallest things.

We are living in the age of transition. A transition away from a fossil-based economy that has served us well, but that we must now urgently exit. It is a transition into a climate-resilient economy operating within planetary boundaries, where all people can sustain their livelihoods in a clean, healthy and sustainable environment. As with all change, this transition is both exciting and painful.

The last few years have seen a surge in climate-themed investments within private markets. Whether focused on products and services for climate mitigation or adaptation, on transferring brown assets to green, or on supporting mainstream industrial companies to radically decouple revenues from emissions, investor interest has been notable. Although investment volumes have come down since the peak in 2021, climate investment has developed into a more mature and experienced field in the last few years, with ample opportunities to drive returns. This evolution will continue, propelled by investor demand and increasingly attractive investment opportunities.

Meanwhile, climate change and the transition to a net-zero economy is impacting all sectors and societies. The increasing use of electric vehicles, for example, lowers greenhouse gas emissions and improves air quality; however, climate solutions may be dependent on value chains with negative impacts on people and societies. Similarly, communities built around industries such as coal mining may struggle to sustain livelihoods as industries transition away

Climate change and the transition to a net-zero economy is impacting all sectors and societies. The increasing use of electric vehicles, for example, lowers greenhouse gas emissions and improves air quality; however, climate solutions may be dependent on value chains with negative impacts on people and societies.

from carbon intensive activities. The recent EAT Lancet report reminds us it will still be possible to feed the world's population in 2050 with a healthy diet within the planetary boundaries, but doing so requires change that, while good for human health and for the planet, may in the short-term negatively impact the livelihoods of farmers. How can the food and agricultural sector transition into providing the diet of the future while empowering people dependent on this sector to adapt operations?

Amid these complex and interconnected impacts on sectors and societies, the increasing interest of private markets to meaningfully incorporate social sustainability factors into the investment and ownership process is a welcome development.

The *People-Centered Climate Action: Guidance for Private Capital Investors* will be helpful for any private capital investor that looks to adopt a people-centered approach to the climate transition. With practical tools and assessment frameworks, case studies, and due diligence questions, the guidance will be a friend to consult in the, both exciting and uncomfortable, change that we are living.

The 'People-Centered Climate Action: Guidance for Private Capital Investors' will be helpful for any private capital investor that looks to adopt a people-centered approach to the climate transition.

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Disclaimer

The case studies in this publication do not constitute an endorsement of any specific investor, their approach to people-centered climate action, or their broader business model. Rather, they are included as illustrative examples of how private capital investors may consider human rights in the transition to a low-carbon, climate-resilient economy. All case studies were developed using publicly available information.

EXECUTIVE SUMMARY

Achieving global climate goals will require an estimated $7.4 trillion in annual investment through 2030, underscoring the vital role of private capital in financing the transition across industries and scaling climate solutions. Private capital investors increasingly recognize that investing in the transition to a low-carbon, climate-resilient economy is both a powerful opportunity and a global imperative. When done well, these investments can deliver widespread benefits, including decent work, access to renewable energy, a cleaner environment, improved public health, and a thriving economy.

Private capital investors increasingly recognize that investing in the transition to a low-carbon, climate-resilient economy is both a powerful opportunity and a global imperative.

When done poorly, however, they can generate significant risks for people — from workforce displacement and broader community harms to reduced access to and affordability of essential goods and services — as well as regulatory, transition, and systemic risks for investors. Expanding global norms and regulations, such as the International Court of Justice's advisory opinion and the EU Corporate Sustainability Due Diligence Directive (CSDDD), alongside rising litigation and rapid technological change, are amplifying the material risks associated with inadequate management of climate and human rights issues.

Addressing the social dimensions of emissions, deforestation, physical climate risks, and the deployment of climate solutions across investment portfolios is therefore essential. Doing so not only reduces harm and manages risk but also unlocks investment opportunities that create value and enhance long-term performance in a rapidly evolving global economy.

While understanding and managing impacts on people can be complex, tools from the business and human rights field provide practical guidance for GPs and LPs alike, most notably the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises. These frameworks set clear expectations that companies and investors should respect human rights and environmental standards through proactive, inclusive, and ongoing risk-based due diligence. Internationally recognized human rights standards, including labor rights and the right to development, also provide the goalposts for what a life of dignity and well-being entails, offering vital metrics for investing in inclusive and just climate solutions.

Complementing frameworks such as the Taskforce on Climate-related Financial Disclosures (TCFD), the UNGPs provide a structured approach to identify actual and potential climate-related impacts on people, detect emerging risks early, and prioritize the most severe impacts for action. Private capital investors have long relied on due diligence to assess financial risks. The UNGPs' human rights due diligence approach extends the concept but focuses on risks to people as the entry point. It offers a principles-based framework to help companies and investors navigate situations where climate mitigation or adaptation measures may have adverse human rights implications..

This guidance aims to support private capital investors, including general partners (GPs) and limited partners (LPs) in advancing a just and inclusive transition to a low-carbon, climate-resilient economy through people-centered climate action. This involves addressing climate change across value chains by preventing, mitigating, and remediating adverse impacts on people while maximizing the social and economic opportunities of climate action.

GPs can exercise significant influence over portfolio company strategy, business models, operations, and exits—typically through majority ownership and board representation in private equity, or through minority but strategic roles in venture capital, while LPs can shape outcomes by setting clear expectations for GPs on human rights-respecting climate strategies, stakeholder engagement, and transparent reporting during fund selection, investment, and ongoing monitoring.

While specific actions may differ between GPs and LPs, the following summary highlights the key steps and questions that support a people-centered transition in private markets.

This guidance aims to support private capital investors, including general partners (GPs) and limited partners (LPs) in advancing a just and inclusive transition to a low-carbon, climate-resilient economy through people-centered climate action.

STEP 1

Commit to People-Centered Climate Action

Adopt and publicly communicate a commitment to aligning with the objectives of the Paris Agreement and to advancing a just transition that respects human rights and leaves on one behind. Commitment is aligned with the UNGPs and OECD Guidelines and embedded across investment and climate strategies.

Example Engagement Questions	
Questions for portfolio companies:	**Questions for GPs:**
• Do you have policy commitments to align with global climate goals, respect human rights, and advance a just transition? If so, are commitments aligned with the UNGPs and OECD Guidelines and applicable to the company's operations and business relationships across value chains? • Does the board or senior management have sufficient awareness of the impact that the company's climate action may have on human rights and the environment?	• How are partners/ investment committee involved in overseeing climate- and people-related issues, including climate-related human rights impacts, risks, and opportunities (IROs)?

STEP 2

Identify and Assess Impacts

Conduct enterprise-wide, portfolio-level, and portfolio company-specific assessments to identify and asses actual and potential climate-related human rights impacts arising from both business-asusual practices and deployment of climate solutions. Assessments consider negative human rights impacts and opportunities to advance the inclusion of vulnerable and marginalized groups, and involve stakeholder engagement, including with experts, and, where feasible, directly with affected stakeholders or their legitimate representatives.

Example Engagement Questions	
Questions for portfolio companies:	**Questions for GPs:**
• Have you considered how your value proposition, value chain, and/or revenue model intersect with climate change and risks to and opportunities for people? • Do you assess your Scope 1, 2, and 3 GHG emissions and physical and transition risks? What goals and targets have you set to reduce your direct and indirect carbon footprint and mitigate climate risks? • How do you assess the impact of your climate strategies and plans on people, including vulnerable and marginalized groups, and how have you identified and engaged with potentially affected workers, communities, and/or consumers throughout planning and implementation? • Have you identified climate-related human rights issues that could affect financial returns?	• How do you assess climate-related human rights impacts among existing and potential investees and whether these could affect financial returns and transition outcomes? Give examples of previously identified IROs and emerging ones. • Have you assessed how your political engagement activities and taxation practices align with responsible business conduct and just transition outcomes?

STEP 3

Take People-Centered Climate Action

At both the entity-and investment-levels, set science-aligned targets and allocate time and resources for people-centered mitigation and adaptation. Integrate human rights into climate investment strategies and climate into human rights due diligence in transactions and support investees to design climate measures that avoid, prevent, mitigate, and remedy harm while ensuring that the benefits of the transition are accessible to the workers, communities, and consumers on whom the business depends.

Example Engagement Questions	
Questions for portfolio companies: • What measures are you taking to address risks to—and provide support for—workers, communities, and/or consumers affected by decarbonization and adaptation efforts? • Can you provide examples of how stakeholder input has led to changes in climate strategy and/or project design? • Have you explored potential business opportunities in developing products or services that contribute to global climate goals and advance human rights?	**Questions for GPs:** • What formal commitments related to climate action and human rights have you made, or plan to make, in the Limited Partnership Agreement, side-letters, or other constitutive fund documents? • How are the UNGPs, the OECD Guidelines, and affected stakeholder engagement integrated into climate-related investment decisions and stewardship? • How do you prioritize portfolio segments (e.g., sectors, verticals, business models), climate-related risks to people, and individual companies to engage with? • How are you engaging with peers and/or multi-stakeholder organizations to increase awareness of and leverage to advance a people-centered climate transition? • Please share your responsible exit strategy for planned and unplanned exits.

STEP 4

Track Performance

Monitor performance against climate-related human rights targets using both quantitative and qualitative indicators. Maintain regular dialogue with investees or GPs to review progress, identify challenges, and support continuous improvement.

Example Engagement Questions	
Questions for portfolio companies: • What just transition metrics and KPIs do you use to evaluate the effectiveness of measures to address climate-related impacts on people?	**Questions for GPs:** • How is company management made accountable for their climate-related human rights performance? • How do you track the effectiveness of portfolio company measures to address climate-related impacts on people, including just transition outcomes?

STEP 5

Communicate Performance

A people-centered approach to climate entails communicating how climate-related impacts on people are identified and addressed. Be prepared to communicate this externally, particularly when concerns are raised by or on behalf of affected stakeholders, and adopt a double materiality approach to reporting, ensuring that climate-related disclosures capture risks to people and to investors.

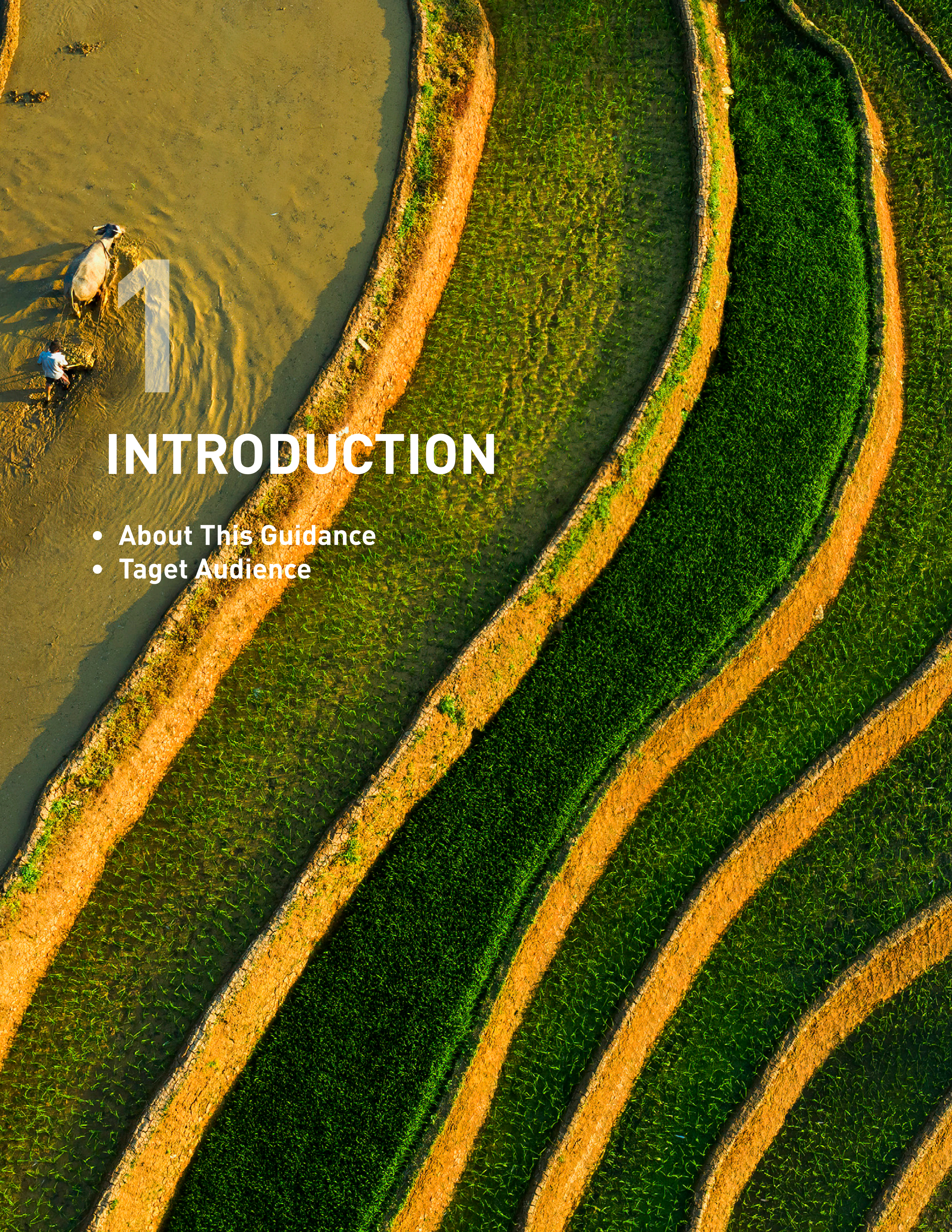
Example Engagement Questions	
Questions for portfolio companies: • How do you disclose your performance on climate change and climate-related impacts on people? • How do you respond to affected stakeholders and/or civil society organizations who request additional information on how the company addresses climate-related impacts on people?	**Questions for GPs:** • How do you report on climate-related human rights IROs and portfolio company performance to LPs and other stakeholders? • Do you report against TCFD recommendations? If so, do you account for the transition and physical risks and opportunities associated with human rights impacts? • How do you respond to affected stakeholders and/or civil society organizations who request additional information on climate-related impacts on people associated with portfolio companies?

STEP 6

Enable Access to Remedy

Ensure that individuals and communities adversely affected by climate action can seek and obtain remedy. Use leverage with portfolio companies or GPs to enable redress, strengthen grievance mechanisms, and support an enabling environment for access to remedy in the climate transition.

Example Engagement Questions	
Questions for portfolio companies: • What is your process/mechanism for receiving and addressing grievances from affected stakeholders? • Have there been incidents of climate-related impacts on people? If so, what were they and how have they been addressed?	**Questions for GPs:** • What is your process/mechanism for receiving and addressing grievances from stakeholders affected by investee activities? • How do you ensure companies have effective grievance mechanisms in place?



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INTRODUCTION

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Climate change presents systemic risks that threaten the stability of financial markets, economies, and societies.

Beyond the physical consequences of a changing climate and the economic implications of policy shifts and stranded assets, these risks are fundamentally social, as climate threatens the full spectrum of human rights, including lives, livelihoods, health, housing, food, and clean water.

As the climate crisis accelerates, action to transition to a net-zero economy and adapt to climate change becomes an urgent imperative for financial markets. The transition requires transforming nearly every sector to reduce greenhouse gas (GHG) emissions and halting the destruction of carbon sinks while unlocking resources for climate resilience, nature restoration, and the safeguarding of people. This requires not only public policy and international cooperation, but also private sector action and capital because it is estimated that US$7.4 trillion is needed each year through 2030 to achieve climate goals.

Private capital investors recognize that there are climate-related risks and opportunities in almost every sector, including clear investment opportunities in climate solutions. Such opportunities include investments in the energy transition, electrification, transport, food, and sustainable agriculture. In this guidance, we call these efforts "climate investment strategies."

Private capital investors see growing climate-related opportunities across sectors such as energy, transport, food, and agriculture. When managed responsibly, these investments can lower energy costs, create quality jobs, and strengthen public health and prosperity. However, neglecting the social dimension carries serious risks, including job losses, community harm, and reduced affordability. For example, the International Labour Organization (ILO) estimates up to 78 million jobs could be lost by 2030, while sourcing critical minerals and deploying renewable energy projects in high-risk contexts can lead to human rights abuses and supply chain disruptions. These challenges create financial and systemic risks for investors.

For private capital investors, then, people-centered climate action is essential to reduce harm and unlock positive outcomes for people, mitigate risk, and drive long-term value in a rapidly evolving global economy marked by market volatility and growing demand for asset diversification and active management.

Private capital investors recognize that there are climate-related risks and opportunities in almost every sector, including clear investment opportunities in climate solutions.

While understanding and managing impacts on people is complex, tools from the business and human rights field offer robust, well-established, and pragmatic approaches for investors. The UN Guiding Principles on Business and Human Rights (UNGPs) and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises (OECD Guidelines) frameworks clarify that companies and investors have a responsibility to respect internationally recognized human rights and environmental standards in their operations and value chains. They provide an operational road map to navigate the full spectrum of climate-related impacts on people, including how they manifest across industries, value chains, and operating contexts, and support investors and investees in the process.

About This Guidance

This guidance aims to support private capital investors to advance a just and inclusive transition to low-carbon, climate-resilient economy by taking people-centered climate action in line with global standards on responsible business and investment conduct—namely, the UNGPs and OECD Guidelines.

Recognizing that people-centered climate action in private markets is in its infancy—and human rights and climate strategies are largely siloed across industries—the report outlines key steps for integrating a human rights lens in General Partner (GP) and Limited Partner (LP) climate plans, including portfolio decarbonization and climate adaptation. It highlights climate-related transition and physical risks and opportunities that intersect with risk to people and shares examples of emerging practices in private markets. To inspire action and innovation, due diligence questions are provided and good practice case studies from other sectors are mentioned.

To support investors in applying these concepts, this guide is accompanied by a suite of practical tools and resources, which are referenced throughout.

Defining Just Transition

The concept of a just transition originated in 1980s North American labor and environmental movements. Enshrined in the ILO Guidelines for a Just Transition and the Paris Agreement, it has become a key concept to ensure climate action supports workers and communities without leaving anyone behind in the transition to a net-zero economy. It is both an outcome—a net-zero, climate-resilient economy with shared benefits—and a process, requiring meaningful engagement with affected groups.

The UK's Transition Plan Taskforce definition: "anticipating, assessing, and addressing the social risks and opportunities of the transition to a low-GHG emissions and climate-resilient development, as well as ensuring meaningful dialogue and participation for impacted groups (including workers, communities, supply chains, and consumers) in transition planning."

A Suite of Practical Tools and Resources

Step 1
Commit to People-Centered Climate Action

- **People-Centered Climate Action: Guidance for Private Capital Investors**
- **People and Climate Action Maturity Framework** (forthcoming)

Step 2
Identify and Assess Impacts

- **People-Centered Climate Action: Guidance for Private Capital Investor**
- **Portfolio-Level Just Transition Tools** (beta)
- **Bringing a Climate Lens to Business Model Red Flags,** Shift and BSR
- **People and Climate Action Maturity Framework** (forthcoming)

Step 3
Take People-Centered Climate Action

- **People-Centered Climate Action: Guidance for Private Capital Investors**
- **People-Centered Climate Action in Food Systems**
- **Engagement Guidance: Energy** (forthcoming)
- **Stakeholder Engagement Guidance (beta), HREDD Tools,** Rights Colab
- **People and Climate Action Maturity Framework** (forthcoming)
- **Bringing a Climate Lens to Business Model Red Flags,** Shift and BSR

Step 4
Track Performance

- **People-Centered Climate Action: Guidance for Private Capital Investors**

Step 5
Communicate Performance

- **People-Centered Climate Action: Guidance for Private Capital Investors**

Step 6
Ensure Access to Remedy

- **People-Centered Climate Action: Guidance for Private Capital Investors**
- **Introduction to Effective Grievance Mechanisms**
- **People and Climate Action Maturity Framework** (forthcoming)

This guidance and accompanying resources complement other publications on just transition finance, such as the Just Transition Finance Tool by the ILO, the London School of Economics and Political Science, and the Graham Research Institute on Climate Change and the Environment, *Incorporating Just Transition Considerations into Financial Sector Planning* by UNEP FI and the ILO, and *Climate Change and the Just Transition: A Guide for Investor Action,* also by the Grantham Research Institute on Climate Change and the Environment. It does so by expanding the focus to private markets investors, emphasizing the practical steps for integration of human rights and science-based climate action in alignment with the UNGPs and OECD Guidelines.

Target Audience

As stewards of trillions of dollars in global assets and active shapers of corporate governance and innovation pathways, private equity (PE) and venture capital (VC) have the power to accelerate the development of climate solutions and reshape business models across high-emitting sectors.

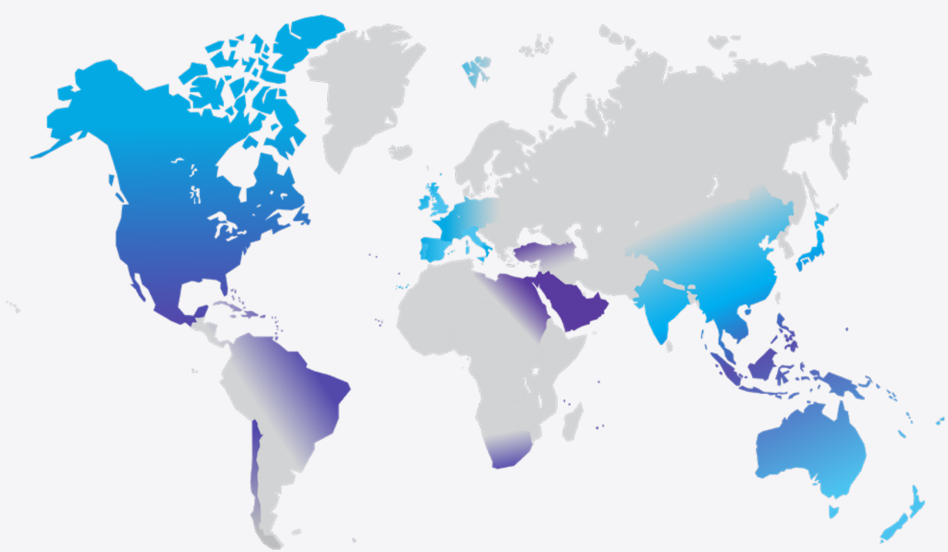
We distinguish between GPs—who manage funds, make direct investment decisions, and often exercise control over portfolio companies—and LPs, who provide capital but do not control investment decisions beyond selecting the GP. GPs play a vital and active role in shaping a company's strategic direction, operational performance, and eventual exit. In turn, LPs have unique influence over GPs and companies when selecting funds to invest in. LPs can set expectations on human rights-aligned climate action, meaningful stakeholder engagement, and transparent reporting at the GP and investee levels during the selection process, and can continue to monitor, evaluate, and follow up on expectation after investment.

Throughout this document, "investors" or "private markets investors" refers to both direct and indirect investors in private equity and venture capital assets. The guidance is directed at majority or control investors as well as at minority and co-investors where applicable. References to "investees" or "investments" refer to the underlying or potential portfolio companies or assets. We further define impacts as actual and potential impacts on people, climate, and/or the environment more broadly. Risks and opportunities are primarily used to refer to financial risks and opportunities unless otherwise noted (e.g., risks to people, OECD Guidelines' risk terminology).

Finally, the guidance is applies to all sectors and geographies in which PE and VC invest in. While PE and VC investment remains heavily concentrated in the U.S. and Western Europe, Asia continues to grow as a major hub for investment. The Middle East, Latin America, and Africa are emerging growth zones.

Sectors and Geographies

- Technology, Media and Telecom
- Industrial Manufacturing
- Energy and Natural Resources
- Infrastructure and Transport
- Consumer and Retail
- Healthcare
- Life Sciences
- Financial Services



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THE CASE FOR PEOPLE-CENTERED CLIMATE ACTION

- Value Creation Opportunities
- The ‘S’ in Climate-Related Risks and Opportunities
- Applying a Human Rights Lens to Climate-Related Risks and Opportunities

The Climate Policy Initiative estimates that $7.4 trillion is needed each year through 2030 for climate mitigation and adaption to achieve climate goals.

Society's ability to urgently address climate change depends on private capital's capacity to decarbonize portfolios, build the resilience of investee companies, and scale catalytic investments in climate solutions.

Together, VC and PE can play a vital role bridging the climate financing gap by supporting both the development of breakthrough technologies and the deployment of proven climate solutions.

Value Creation Opportunities in Climate Action

Acting on climate change is not only good for people and the planet, it is also a business imperative. The World Meteorological Organization and NASA found that 2024 was earth's hottest average surface temperature on record. As climate change intensifies, inaction threatens business assets through physical disruptions, stranded assets, rising insurance costs, regulatory risks, and shrinking access to capital. For example, J.P. Morgan estimates that large companies will face US$1.2 trillion yearly in physical risk costs in the 2050s if we maintain the current trajectory toward a 2.7°C world by 2100.

Climate action reduces energy costs across sectors and creates long-term value. Opportunities lie in scaling clean technologies, including in renewable energy and carbon removal, investing in sectors like renewable energy, green buildings, regenerative agriculture, alternative proteins, and low-emission transport, and transforming high-emitting assets. In 2021, the International Energy Agency (IEA) found that the historical performance of publicly traded renewable power versus fossil fuel companies across global markets in five- and ten-year periods consistently delivered higher

Opportunities lie in scaling clean technologies, including in renewable energy and carbon removal, investing in sectors like renewable energy, green buildings, regenerative agriculture, alternative proteins, and low-emission transport, and transforming high-emitting assets.

total returns and, in most regions (globally and in advanced economies), lower volatility compared to fossil fuel counterparts.

Despite political headwinds and a surge of PE and VC investments in fossil fuel companies in recent years, many private capital investors remain committed to addressing climate in their investment strategies. They recognize the long-term financial and operational costs of climate inaction, including rising operating expenses, stranded assets driven by regulation and shifting demand, legacy clean-up liabilities, and exit risks. Moreover, GP business models characterized by high leverage and limited transparency can exacerbate these exposures, amplifying climate-related risks for LPs.

In response, GPs and LPs are engaging portfolio companies on climate risks and investing in climate solutions. In 2024, investments in renewables saw a 64 percent increase to US$25.91 billion. Many are setting science-based net-zero targets, and using climate tools and frameworks, such as the Private Markets Decarbonisation Roadmap 2.0 to guide and track progress toward low-carbon portfolios.

The 'S' in Climate-Related Risks and Opportunities

A people-centered transition recognizes that the financial success of these investments ultimately depends on people, including the well-being of workers, communities, and consumers. The Taskforce on Inequality and Social-related Financial Disclosures (TISFD) notes that human capital accounts for around 60 percent of global wealth. For investors, this means companies' ability to deliver returns hinges on a healthy and skilled workforce, a prosperous and stable consumer base, and strong, trusted relationships across the value chain. More broadly, sustained economic growth—and thus stable investment environments—relies on cohesive and inclusive societies, underscoring the need for a transition that safeguards people's rights and livelihoods and ensures no one is left behind.

Responsible Business Conduct and Financial Performance

Analysis from the World Benchmarking Alliance shows that responsible business conduct is positively associated with financial performance. Companies that meet core social expectations, such as respecting human rights, providing decent work, and acting ethically, show modestly stronger operational efficiency, growth, and resilience. Firms with higher scores on socially responsible business report slightly higher revenue, return on capital employed (ROCE), and return on assets (ROA), and over the 2019–2023 period they also experienced marginally stronger stock price growth.

Value Creation Opportunities

Products and services: Creating investment funds focused on climate solutions that support a just transition is a significant source of long-term value creation. Private capital investors are developing Just Transition-related investment strategies and establishing Just and Fair Transition funds, as well as funds that strengthen labor rights and support human rights due diligence across supply chains. Adaptation-focused investments are also emerging, such as those in heat-stress monitoring technologies. Adaptation funds promote access to climate insurance for poor and vulnerable communities in emerging economies, while recent research highlights further opportunities in food, health, water security, and community resilience. Embedding ongoing human rights due diligence and stakeholder engagement in the creation and management of funds, including engagements with portfolio companies is key to strengthen GP alignment with human rights standards and just transition outcomes and enhance long-term value creation.

Fundraising opportunities: Integrating human rights into climate investment strategies can open new fundraising opportunities, as LPs consider and assess GPs on their human rights performance. A 2020 study found that investors are seeking private equity funds that back Indigenous-led renewable energy projects delivering market-rate returns.

Access to de-risked markets and to government incentives: Investments in inclusive climate solutions, such as affordable solar microgrids in energy-poor regions and sustainable food, can unlock new markets while supporting the right to access and participate in science. Programs like InvestEU's Just Transition Mechanism aims to mobilize €55 billion to support the transition, including by providing budget guarantees for transferring technologies and research results to the market and supporting startups driving the transition. In addition, incentives are also emerging, including tax credits for businesses and individuals to invest in renewable energy.

Transition and Physical Risks

Policy and Legal: Global recognition of the human right to a clean, healthy, and sustainable environment in 2022 has strengthened the legal foundation linking environmental and social impacts. In 2025, the International Court of Justice and the Inter-American Court of Human Rights affirmed that states are obligated to act on climate change, ensure a just transition, and safeguard human rights—decisions expected to influence public policy affecting companies and expand litigation. The EU has advanced human rights and environmental due diligence, reporting, and deforestation regulations. Similar domestic laws are in place across Europe and are emerging in Asia, including Thailand and South Korea. Meanwhile, climate and just transition litigation continues to grow, targeting sectors and companies over emissions, worker displacement, and land rights.

Physical risks: A 2024 OECD study across 23 advanced economies found that more high-temperature days and heat waves decrease production, while research from Cornell University projects that heat and flooding could reduce fashion industry earnings by nearly 69 percent. In the U.S., an estimated 59,000 heat-related deaths occur annually, with occupational injuries linked to extreme heat expected to rise to 450,000 by 2050. Excessive heat also contributes to labor shortages, displacement, absenteeism, and reduced working hours.

Labor shortages: Technological shifts are reducing demand for labor-intensive or legacy roles, leading to job displacement, while in 2024, the World Economic Forum reported that green jobs are expanding nearly twice as fast as the pool of skilled workers to fill them.

License to operate: Community opposition has become a leading cause in the cancellation and delay of utility-scale wind, solar, and geothermal projects.

Reputational risks: GPs face risks from civil society and public benchmarks over climate inaction and human rights harms linked to the transition. Campaigns targeting fossil fuel investments, greenwashing, and poor labor practices, such as those tracked by Private Equity Climate Risks and the PE Global Energy Tracker, have heightened scrutiny of private capital. GPs have also faced backlash over the negative impacts of renewable energy projects on Indigenous rights.

Market risks: Climate inaction and unjust transitions can fuel polarization and violence in vulnerable regions, as seen in Syria, where climate-exacerbated drought intensified social and economic tensions, contributing to conflict and displacement. Forced labor bans, including the U.S. Uyghur Forced Labor Prevention Act (UFLPA) and the EU Forced Labour Regulation, pose market access risks for companies whose products are linked, or suspected of being linked, to forced labor. Human rights abuses tied to carbon offset projects also pose risks to the integrity of carbon credit markets. In 2025, a Kenyan court suspended the world's largest soil carbon project over the restriction of Maasai ancestral lands.

Systemic risks: Climate inaction or poorly managed transitions risk deepening inequality, disproportionately harming those already facing poverty and exclusion, accelerating environmental collapse, and contribute to rising authoritarianism—all of which undermine long-term financial stability. Growing inequality is increasingly recognized as a systemic risk to the economy and institutional investors, with the International Corporate Governance Network affirming that fiduciary duties must account for such long-term, systemic factors.

While not all outward climate-related impacts are immediately financially material, the dynamic relationship between material impacts on people and financial risks and opportunities in the transition is clear. Taking a people-centered approach to climate strategies, then, is vital to preventing material risks, achieving sustainable returns, and staying competitive in a rapidly changing global economy.

As investors consider how to embed human rights into their climate strategies, they are encouraged to think broadly about the range of relevant present across industries. The following table provides a broad, though incomplete, overview of impacts on people mapped against topics considered financially material by the Sustainability Accounting Standards Board (now part of the ISSB).

Category	Examples of SASB Issues and Climate-Related Impacts on People
Environment	**GHG emissions:** The manufacture and rapid deployment of AI brings soaring GHG emissions that drive climate change, with severe impacts on people that are disproportionately felt by vulnerable groups. **Air quality:** Health impacts from emissions disproportionately affect workers and communities near industrial sites and landfills. Silica dust from a lithium mine is linked to respiratory illnesses among local community. **Energy management**: Energy retrofits for real estate investments increase rents ("green gentrification"), displacing low-income tenants. **Water and wastewater management**: Water use by AI data centers contribute to or exacerbate water scarcity in water-stressed regions, undermining the right to water and climate resilience of local communities. **Ecological impacts:** The expansion of climate nature-based solutions such as clean tech solar and wind farms undermine Indigenous People's right to free, prior, and informed consent (FPIC) and contribute to habitat destruction and biodiversity loss, critical ecosystem services for communities.
Social Capital	**Human rights and community relations:** Critical mineral extraction practices (so-called "green extractivism") or unplanned or abrupt exits (e.g., mine closures, plant retirements) lead to community harms or loss of critical tax revenue, undermining public services and livelihood. **Access and affordability:** Essential low-carbon goods and services, such as clean energy, transport, climate-resilient buildings, and alternative proteins, become unaffordable for low-income households. **Selling practices and product labeling**: Climate or ESG labeled funds have been found to not align with Paris goals and/or overlook human rights impacts (e.g., forced labor in supply chains of EV and energy storage batteries).
Human Capital	**Labor practices:** Workers transitioning out of high-emission activities face lack of requirements to respect freedom of association and collective bargaining in green jobs, undermining social dialogue around the company's plans for worker reskilling opportunities, social security benefits, and access to living wages. **Employee health and safety:** Workers handling renewable materials or recycling of batteries are exposed to injury and health hazards. **Employee engagement, diversity, and inclusion**: Green job opportunities for women, including in renewables sector, largely exclude women, exacerbating gender inequality in the transition.

Category	Examples of SASB Issues and Climate-Related Impacts on People
Business Model and Innovation	**Product design and life cycle management:** Consumer goods company adopts circular economy model that impacts informal waste workers who may lose access to vital income. **Enterprise Design:** In renewable energy projects co-ownership models and benefit-sharing approaches are emerging to respect Indigenous rights regarding lands, territories, and resources. **Supply chain management:** Studies suggest that 75 percent of global battery supply chain is exposed to severe human rights harms (e.g., electric vehicle batteries using minerals, including cobalt and lithium, linked to child labor, unsafe conditions, and violations of Indigenous land rights). **Materials sourcing and efficiency:** The biopharma supply chain, which relies on natural raw materials sourced globally, is vulnerable to extreme weather-related disruptions that may jeopardize the accessibility of essential medications for human health. **Physical impacts of climate change:** Infrastructure project aimed at preventing flooding displaces fishing communities, harms livelihoods, and is completed without adequate consultation or compensation.

Applying a Human Rights Lens to Climate-Related Risks and Opportunities

Common ESG approaches in private markets follow a formula: GPs identify material risks to business based on a limited set of pre-determined criteria. The scope of social and human rights issues considered tends to be narrow (e.g., modern slavery) or else not considered relevant to human

What Are Human Rights?

A just transition is grounded in human rights. Human rights are universal standards ensuring dignity for all, with states obligated to protect, respect, and fulfill them. Labor rights are human rights, and businesses share a responsibility to respect human rights by avoiding harm and addressing negative impacts in their operations and value chains.

rights, for example, data privacy (right to privacy), corruption (right to participate in public affairs through freely chosen representatives), and climate (right to a clean, healthy, and sustainable environment). If GPs go ahead with an investment, they encourage the investee to address gaps, often focusing on reducing financial risks rather than the root causes of risks to people.

While this approach is relatively easy to scale and fits within a "traditional" understanding of fiduciary duty, is unlikely to produce adequate results for investors or society in the climate transition. Social issue assessments can be opaque, "check the box" exercises that reduce complex issues to overly simplistic KPIs (e.g., modern slavery policy). As a result, investors can miss business risks and opportunities at the intersection of governance, business models, value chain relationships, and, crucially, the full range of real-world business impacts on people in the transition.

GPs and LPs can address these shortcomings by applying a human rights lens to their climate strategies by conducting human rights and environmental due diligence in line with the UNGPs and the OECD Guidelines. Private capital investors have long engaged with the concept of due diligence to identify financial risks associated with potential investments. Human rights due diligence is a continuation of those risk management systems but with a lens of risk to people, recognizing that where actual or potential human rights harms are most severe, business risks often follow.

This **complements frameworks like the Taskforce on Climate-related Financial Disclosures (TCFD)**[1] by identifying potentially affected individuals and groups and uncovering the full spectrum of climate-related impacts on people that manifest in private markets portfolios. This enables:

Human rights due diligence is a continuation of those risk management systems but with a lens of risk to people, recognizing that where actual or potential human rights impacts are most severe, business risks often follow.

- **Early detection of hidden risks:** Spotting climate-related transition and physical risks to people strengthens investment decisions. For example, a GP focused solely on emissions may treat a company that automates warehouse operations and eliminates hundreds of jobs the same as one that invests in upskilling workers for green jobs, overlooking serious human capital and reputational risks.
- **Efficient use of resources:** The UNGPs and OECD Guidelines help investors prioritize the most severe and likely human impacts, focusing attention and resources where they matter most.
- **Regulatory preparedness**. Despite uneven political momentum, legal and judicial trends indicate a continued expansion and integration of human rights due diligence and climate action requirements, with tangible implications for companies and investors ahead.

A successful transition to a low-carbon, climate-resilient economy requires transforming high-risk business models to align with the goals of the Paris Agreement. Private capital investors can shape climate-friendly and inclusive business models—through VC at the startup phase or PE investment during growth and expansion—by applying a human rights lens to business models to assess how business activities interact with climate transition dynamics, physical climate impacts, and social risks.

The following tables outline climate-related human rights impact pathways, illustrating how business models can affect people, the material risks involved, and the green flags that signal potential for people-centered value creation.

Aligning Business Models with People-Centered Climate Action

A company's value proposition, value chain, and revenue model can drive both climate-related risks and opportunities. Understanding inherent business model risks to people helps GPs and LPs identify red flags and strengthen climate strategies. In 2025, Shift and BSR published *Bringing a Climate Lens to Business Model Risks to People*, which builds on Shift's *Business Model Red Flags Tool*. These resources support just transition efforts and long-term value creation.

1 Climate Impacts
Business-as-usual exacerbates climate change and related impacts on people

Business Model Red Flags

Red Flag 25: Greenhouse gas-intensive activities, products, and services that contribute to negative impacts on people's rights.

Risks to People

Livelihoods: Company expands operations that significantly drive GHG emissions and expand their contribution to global temperature rise and the resulting physical climate change impacts (e.g., extreme heat, floods, droughts, storms), withdevastating consequences for lives and livelihoods.

Material Risks

Stranded assets: Risk that investee assets suddenly lose value or become obsolete due to shift in climate policy, litigation, technological disruption, or community resistance.

Litigation: Companies that fail to address their climate-change impacts increasingly face legal challenges. These may include lawsuits over their contribution to climate harm or pre-emptive actions to stop projects perceived as harmful to communities or other stakeholders. Since 2016, climate-related litigation and legislation have grown significantly worldwide.

Green Flags for Value Creation

Business model transformation: Ørsted, the Danish energy company, was one the largest emitters of GHG emissions in Europe, due to its focus on coal-fired power. Since 2009 it has undertaken a transition to become a leader in green energy, reducing GHG emissions by 98 percent (from 2006 levels, scope 1 & 2 only) and aims to be net zero across its value chain (scope 3) by 2040.

Climate solution: Oath was recognized by the Exponential Roadmap Initiative as the world's first "Climate Solutions Company" in the food and beverage sector. Its oat- based products generate over 50 perfect less greenhouse gases compared to dairy alternatives, and the company has committed to maintain its decarbonization trajectory action.

2 Vulnerability Impacts

Business-as-usual increases people's vulnerability to climate change

Business Model Red Flags

Red Flag 19: Sourcing commodities that are priced independent of farmer income

Red Flag 4: Privatized access to public goods with risks to quality of services.

Risks to People

Poverty: Company does not pay a living wage or support the payment of living wages and incomes in its supply chain, increasing the vulnerability of small-holder farmers and informal workers to respond to climate shocks.

Limited access to water: Privatized water company provides water in in country experiencing drought conditions for several years, leading to increased prices and reduced access to water for poorcommunities as well as increasing tensions between residents, farmers, and companies.

Material Risks

Reduced productivity and resilience: Workers, including migrant and informal workers, are more vulnerable to extreme heat, floods, and other climate-related disruptions, which can reduce productivity, trigger supply chain breakdowns, and lead to costly delays. Conversely, proactively addressing human rights risks related to farmer incomes strengthens supply chain resilience and reduces supply disruptions.,

Brand reputation: Companies that proactively source commodities in ways that minimize harm to people can gain stronger consumer trust. In a 2023 survey, 79 percent of consumers said seeing the Fairtrade International mark would improve their perception of a brand.

Reputational risks: Companies providing water infrastructure face heightened risks due to climate-related water stress and the essential nature of water as a human right. Public backlash arises from price hikes, shutoffs, pollution, or poor service, especially when low-income or marginalized communities are affected.

Green Flags for Value Creation

Supporting Living Incomes: Nestlé identified living income as a salient human rights issue and launched a plan to close the income gap for cocoa-farming families. By 2024, the program supported 30,000 households in Côte d'Ivoire and Ghana, with a goal of reaching 160,000 by 2030. As of June 2025, participating families saw a 38 percent increase in net household income, a 32 percent rise in cocoa productivity through improved climate-| friendly and resilient farming practices, and a 10 percent increase in school attendance among children.

Accessibility of services: In Senegal, private company Senegalaise des Eaux, a subsidiary of Saur International, has been the private partner in a public-private partnership for water management since 1996. The company extended services to reach low-income settlements, with social tariffs available to ensure affordability, and offers detailed customer surveys and a complaints system.

3 Transition Impacts

Climate mitigation measures impact people

Business Model Red Flags	**Red Flag 25:** Greenhouse gas-intensive activities, products, and services that contribute to negative impacts on people's rights. **Red Flag 14:** Commodities with unclear provenance and visibility to impacts on workers or communities.
Risks to People	**Job displacement:** Company exits from carbon-intensive projects in rural areas without transition planning and stakeholder engagement, leading to job losses and loss of vital tax revenue for communities. **Community conflicts**: Company sources flex crops for biofuels from palm oil plantation involved in deforestation and land grabs, displacing local communities. .
Material Risks	**Reputational risks:** Public, media, and stakeholder backlash is common in "cut and run" strategies that harm people and communities, especially in low-income, rural regions and in the Global South. **Regulatory pressures:** Governments are raising the bar on high-emitting companies through carbon pricing and stricter emissions standards, and are adopting bans on forced labor and deforestation-linked commodities.
Green Flags for Value Creation	**Engaging affected stakeholders on project closure:** The Italian company, Enel, engaged workers, unions, and communities in site-level consultations on the closure of thermal plants and negotiated just transition plans that included retraining and local redevelopment initiatives, consistent with established criteria for engaging affected stakeholders. **Innovating to address human rights risks**: OpenSC, a portfolio company of Working Capital Fund, uses blockchain and Internet of Things to provide companies with traceability and transparency in food and agriculture supply chains.

4 Adaptation Impacts

Climate adaptation measures impact people

Business Model Red Flags

Red Flag 23: Markets where regulations fall below human rights standards

Risks to People

Community vulnerability: A company develops flood protection infrastructure without prior engagement or consultation with local authorities and communities, increasing neighboring communities' exposure to flood risk.

Material Risks

Legal and reputational risks: Maladaptation wastes resources and heightens communities' vulnerabilities, which can spark conflict and expose companies to litigation and reputational risks. Research shows that an unfavorable court decision in a climate case can reduce a firm's value by an average of 0.41 percent.

Business continuity: Investing in adaptation measures that deliver co-benefits for communities helps sustain workforce productivity and supply chain stability, while innovation in adaptation-focused products and services can unlock new markets and foster resilient, long-term growth.

Green Flags for Value Creation

Incorporating communities in climate adaptation: An energy company developed an adaptation plan for its hydroelectric assets considering local communities, including Indigenous and quilombola groups, as well as energy needs in the region. The company developed a Climate Vulnerability Index for Indigenous Peoples in the Amazon, which measures exposure, sensitivity, and adaptive capacity to prioritize adaptation actions in the most at-risk territories. As part of this effort, the human rights and climate teams closely collaborated. An independent human rights impact assessment was conducted and merged with an environmental impact analysis.

3

HOW TO MANAGE CLIMATE-RELATED IMPACTS ON PEOPLE IN PRIVATE MARKETS

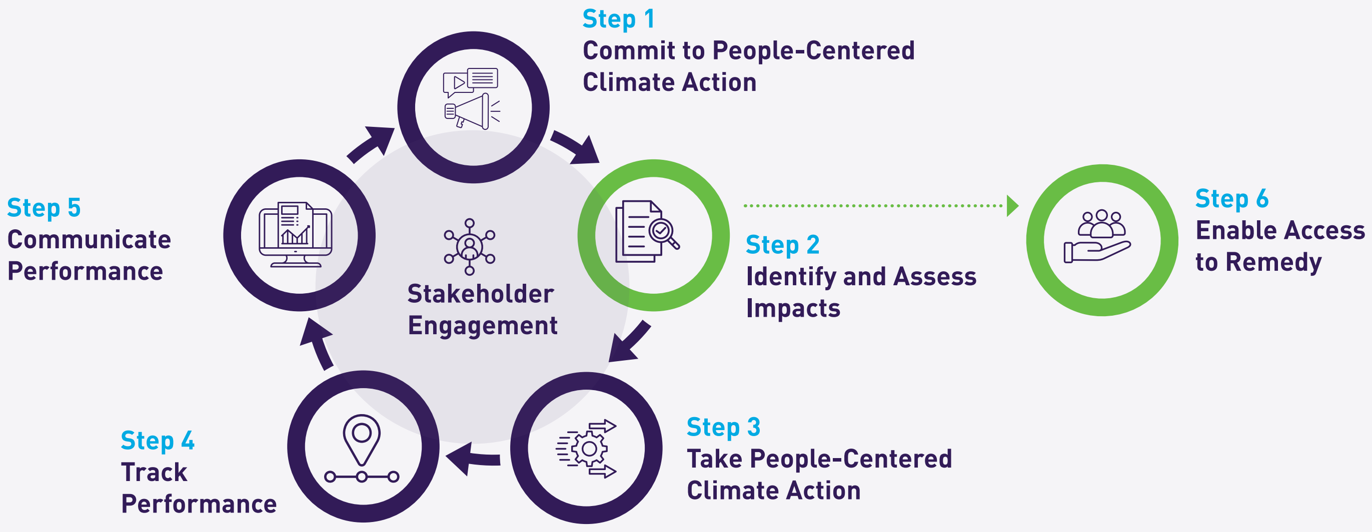
- Steps of People-Centered Climate Action

A people-centered transition involves tackling climate change across value chains while preventing, mitigating, and remediating negative impacts on people and maximizing the social and economic opportunities of climate action.

Despite growing attention to human rights and just transition, the financial sector remains largely unprepared to drive a people- centered transition. In 2025, the World Benchmarking Alliance found that among 400 major financial institutions, including private equity firms, only 3 percent have transition plans and just 1 percent disclose processes to address worker or stakeholder concerns. While 35 percent have human rights commitments, only 6 percent conduct UNGPs-aligned due diligence. In private capital markets, human rights and environmental efforts often remain siloed, creating blind spots that heighten risks to people in the transition.

For climate action to deliver meaningful environmental and social benefits alongside sustainable financial returns, GPs and LPs should embed human rights and environmental due diligence at the heart of their climate investment strategies. The UNGPs affirm that all businesses have a responsibility to respect human rights by identifying, assessing, and addressing adverse impacts across their operations and value chains. In the climate context, this includes managing impacts linked to both climate change and climate action.Building on this foundation, the OECD Guidelines elaborate on expectations for institutional investors and apply an impact-oriented due diligence approach to climate that prioritizes prioritizes addressing harm to people and the planet in support of global climate goals. While the specific actions may differ for GPs and LPs, the due diligence approach outlined in the UNGPs and the OECD Guidelines remains consistent for both.

Steps of People-Centered Climate Action



COMMIT TO PEOPLE-CENTERED CLIMATE ACTION

A foundational element of people-centered climate action is publicly committing to align with Paris Agreement goals and the ILO Guidelines for a just transition by respecting internationally recognized human rights (at minimum, the International Bill of Human Rights and the ILO core conventions as set out in the Declaration on Fundamental Principles and Rights at Work) and leaving no one behind. This may be done through a single integrated policy or separate but aligned commitments. To be credible, commitment(s) should:

- Cover the investor's activities and business relationships, including investees.
- Be approved and owned by the highest governing body (e.g., managing partners).
- Be developed with input from appropriate internal or external climate and human rights expertise.
- Outline the governance structures responsible for oversight and implementation.
- Commit to conducting ongoing human rights and environmental due diligence across operations and value chains, engaging affected stakeholders, and enabling access to remedy.
- Stipulate expectations of personnel, business relationships (e.g., investees, LPs, and GPs), and others directly linked to operations, products, or services.
- Be communicated to employees, business relationship, and others (e.g., to LPs via private placement memorandums or data rooms).
- Be embedded across the business and in corporate culture, including by being reflected in climate transition plans, investment strategies, and public policy engagements.

Resources

Responsible Business Conduct for Institutional Investors: Key Considerations for Due Diligence under the OECD Guidelines for Multinational Enterprises, OECD

Managing Climate Risks and Impacts Through Due Diligence for Responsible Business Conduct: A Tool for Institutional Investors, OECD

The Chairperson's Guide to a Just Transition, Briefing Paper, World Economic Forum

Leadership and Governance Indicators of a Rights Respecting Culture, Shift

Commit to conducting ongoing human rights and environmental due diligence across operations and value chains, engaging affected stakeholders, and enabling access to remedy potential.

CASE STUDIES

Permira Commitment to Human Rights and Climate Action: In 2023, Permira, a British global investment firm, reviewed its sustainability approach against the UNGPs to identify key human rights due diligence gaps and prioritize actions to integrate human rights into due diligence, investment decision-making, and investee engagement. Permira later updated its Sustainability Policy to include an explicit commitment to respect human rights. The GP also recognized the intersection of climate change, climate transition, and human rights and committed to applying a human rights approach to investments in the transition to a low-carbon economy.

APG's Human Rights Expectations on Climate and Biodiversity: In 2024, APG, a Dutch pension fund with investments in private equity, published its updated approach to human rights, stating that respect for human rights is "a fundamental requirement for addressing the major transitions the world is undergoing, particularly concerning climate change and biodiversity, in a just and equitable manner." By 2050, the LP expects that all investments demonstrate respect for human rights in line with the UNGPs.

STEP 2

IDENTIFY AND ASSESS IMPACTS

In line with the UNGPs and OECD Guidelines' risk-based climate due diligence approach, identify and assess actual and potential **climate- related human rights impacts across impact pathways**, including those arising from business- as-usual and from the design and implementation of climate strategies. This involves conducting **enterprise-wide, value chain (including portfolio-level), and company-specific assessments** to identify and assess:

- **Climate impacts**[1] including areas of significant GHG emissions (Scopes 1, 2, and 3), deforestation, insufficient adaptation measures, and actions that undermine climate-resilient development; and

- **Climate-related human rights impacts,** including where exposure to high emissions, climate solutions, and physical climate risks overlaps with risks to human rights and opportunities for inclusion.

Most climate-related impacts on people-whether from emissions, physical climate risks, or the consequences of mitigation and adaptation measures-occur within the operations and value chains of real-economy companies (i.e., Scope 3 financed emissions). Pinpointing portfolio segments and assessing companies where the most severe impacts are likely to occur is key to advancing a just transition. This can begin by identifying where business models (e.g., commercial success substantially depends upon lobbying for laws or regulations that fall below international human rights and environmental standards), sectors, and geographic footprints are likely to intersect with adverse climate-related human rights impacts, such as job displacements, land grabs, and unaffordable essential products and services. Investors can conduct standalone human rights assessments and/or include potential climate-related human rights impacts when conducting portfolio stress testing and scenario analysis.

Once companies have been identified and prioritized, it is important to review company or GP documentation to gauge their awareness of climate-related human rights issues. Consult litigation records, civil society reports, media sources, and other credible information to identify real-world impacts and assess the company's maturity on human rights and climate action, including to evaluate the quality of affected stakeholder engagement underpinning their climate action.

Considerations

- **Business models**: Understanding how a company's business model may drive climate-related risks to people and to business-either by contributing to climate change or because of climate action-is essential. A business model lens

[1] From the perspective of climate science, climate impacts refer to the effects on natural and human systems of extreme weather and climate events and of climate change, according to the OECD climate due diligence guidance for institutional investors.

enables investors to see whether risks to people are "hard-wired" into business as usual (e.g., aggressive t-minimization strategies),mitigation adaption plans, regardless of whether plans include just transition measures.

- **Assess affordability of essential products and services:** Where portfolio companies provide essential products and services, such as renewable energy, nutritious and climate- resilient, water, and green housing, it is important to assess not only the potential negative impacts associated with their business, as with all companies, but also how they enable affordable access to these vital goods and services vital to meaningfully contributing to meeting basic human needs in the climate and transition context.

- **Pay special attention to marginalized and vulnerable groups:** Special attention to groups or populations that may be at heightened risk of vulnerability or marginalization is an essential element of human rights due diligence. This includes understanding differentiated impacts on women and men, children, persons with.[2]

- **Tailor country assessments:** Climate-related human rights impacts vary across countries depending on factors such as reliance on carbon-intensive industries, the presence of climate transition and adaptation plans (including national just transition plans), and the strength of human rights protections. While many country-risk datasets exist, human rights indicators should be tailored to reflect climate transition and adaptation dynamics. Risks to people are often heightened in contexts with severe physical climate impacts, weak human rights protections (e.g., limited social safety nets, restricted trade union rights, insecure tenure), high levels of deforestation and biodiversity loss or conflict.

- **Assess human rights when taking responsibility for ongoing emissions:** Beyond value chain decarbonization efforts, the Science-Based Targets initiative (SBTi) expects companies to neutralize their residual as well as their ongoing emissions (with high-integrity carbon removals). For the latter, companies and investors often use carbon

Tools and Resources

Effectiveness Criteria of Stakeholder Engagement, Investor HREDD Precision Tools

Bringing a climate lens to business model risks to people, Shift & BSR

Just Transition Methodology, WBA

Just transitions in national climate frameworks and climate policies, UNFCCC

Managing Climate Risks and Impacts Through Due Diligence for Responsible Business Conduct, A Tool for Institutional Investors, OECD

The impact of climate change on the rights of people in vulnerable situations, UN Human Rights

2 UNGP 18, Commentary

credits, including nature-based solutions (NBS). NBS credits are meant to complement deep emission reductions by contributing to both climate and nature outcomes, however, nature-based credits have been associated with concerns over permanence and human rights harms. GPs and LPs should conduct human rights assessments of their approach to managing ongoing emissions and assess investee approaches to ensure NBS respect human rights, including of Indigenous Peoples and communities, and involve inclusive participation and fair benefit-sharing.

- **Engage stakeholders:** While investees bear primary responsibility for directly engaging rightsholders, GPs and LPs should not rely solely on self-reporting or third-party ESG data. Engaging and consulting with civil society, trade unions, Indigenous Peoples, and human rights and just transition experts can help identify and deepen understanding of impacts, risks, and opportunities and uncover context-specific solutions, tools, and resources. This is essential for GPs with controlling stakes as they may contribute to human rights harm through their investees.

Affected Stakeholders in the Climate Transition

A wide range of stakeholders, or rights-holders, are impacted by climate change and the transition, with some individuals and groups, such as women, children, Indigenous Peoples, and people with disabilities, facing disproportionate risks across these categories:

Own workforce: Workers directly employed or engaged via contractors/gig platforms may be exposed to various risks (e.g., job dislocation automation and restructuring, occupational health and safety risks).

Workers in the value chain: Upstream and downstream workers may be subject to human rights abuses (e.g., forced labor in solar supply chain, especially informal workers lacking social protection or access to reskilling (e.g., waste pickers).

Affected communities: Local communities across the value chain affected by physical climate impacts, decarbonization efforts, and climate solutions (e.g., forced displacement, attacks on human rights defenders, and livelihood loss).

Consumers and end-users: Low-income end-consumers may struggle to access affordable renewable energy and other climate-related products or services. Pensioners also risk losing social security due to systemic risks.

Special attention to groups or populations that may be at heightened risk of vulnerability or marginalization is an essential element of human rights due diligence.

STEP 3

TAKE PEOPLE-CENTERED CLIMATE ACTION

GPs and LPs are expected to prioritize and address climate impacts for prevention and mitigation, set science-aligned targets and adaptation goals, and identify concrete actions to achieve them. This involves reducing Scope 1 and 2 emissions from offices, owned buildings, vehicles, and purchased electricity, heating, and cooling, while addressing physical climate risks. It also means reducing Scope 3 financed emissions by lowering exposure to carbon- and deforestation-intensive assets—for example, avoiding new investments in high-impact sectors, setting deforestation-related requirements for investees, engaging and support portfolio company transition efforts, and allocating capital toward climate solutions.

Taking people-centered climate action is a twofold process: integrating social and human rights considerations and approaches into climate transition and adaptation plans and strategies, and conversely, integrating climate change, goals, and targets into human rights action plans, systems, and processes. Climate change should be understood as a salient human rights issue given its widespread impact on human rights, including the right to a clean and healthy environment, health, water, food, housing, livelihoods, and life.

Considering People in Transition Plans

The International Labour Organization (ILO) and the UN Office of the High Commissioner for Human Rights (OHCHR) emphasize that the **UNGPs provide a blueprint for managing human rights impacts in just transition strategies**. Businesses are urged to ensure that the benefits of the transition are accessible to and shared with the workers, communities, and stakeholders on whom their portfolio companies depend.

Considerations

- **Cross-functional collaboration and resource allocation:** Climate and human rights teams (or external experts where in-house capacity is limited) jointly identify interventions and allocate budgets for people-centered climate mitigation and adaptation measures. Drawing on appropriate human rights, labor, and just transition expertise, review and assess the potential negative and positive human rights impacts of proposed portfolio-wide

Resources

Making Transition Plans Just: How to Embed the Just Transition into Financial Sector Net Zero Plans, Grantham Research Institute on Climate Change and the Environment

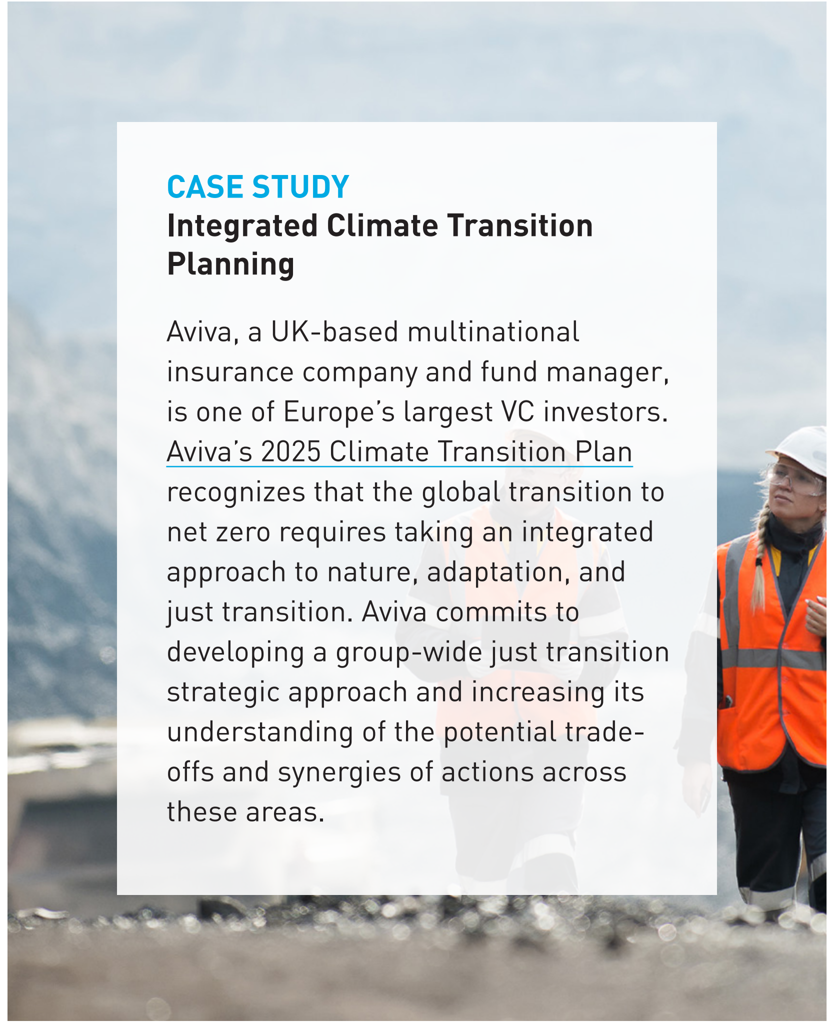
Putting People at the Heart of Transition Plans: Key Steps and Metrics for Issuers, Transition Plan Taskforce climate strategies as well as of the decarbonization levers and adaptation measures typically deployed in priority portfolio sectors to establish a robust foundation for integrated climate strategies and stewardship.

- **Prioritize salient negative impacts:** Where potential impacts cannot be addressed simultaneously, investors and portfolio companies should focus on those impacts where the risks to people are most severe, based on an impact's scope, scale, and irremediability, and regardless of leverage (e.g., GP board seat vs.minority shareholding).

Integrating People and Climate Action Across the Investment Lifecycle

Advancing people-centered climate action involves deliberately **integrating climate-related human rights considerations into investment strategies, fund design, and decision-making** across the investment lifecycle:

- **Investment selection:** All investments should be assessed for climate-related negative human rights impacts, including investments in climate solutions and investments designed to have positive just transition impacts. While the risk of negative climate-related human rights impacts do not automatically rule out an investment, they should be evaluated for severity and the feasibility of mitigation. Investments should be avoided if the risk of climate inaction and/or harm is high and the company or the GP lacks the willingness or capacity to address it (e.g., solutions are too costly, severe risks are inherent to the business model, or there is no buy-in for climate and human rights action).



CASE STUDY

Integrated Climate Transition Planning

Aviva, a UK-based multinational insurance company and fund manager, is one of Europe's largest VC investors. Aviva's 2025 Climate Transition Plan recognizes that the global transition to net zero requires taking an integrated approach to nature, adaptation, and just transition. Aviva commits to developing a group-wide just transition strategic approach and increasing its understanding of the potential trade-offs and synergies of actions across these areas.

- **Structuring deals:** To manage climate-related human rights impacts, risks, and opportunities, GPs can integrate expectations into term sheets and shareholder agreements, including corrective actions tied to due diligence findings, either as preconditions or post-closing covenants; responsible exit clauses, requiring buyers in planned exits to uphold climate and human rights commitments, with preference given to mission-aligned acquirers; and unplanned exit triggers, enabling withdrawal in cases of severe climate-related human rights harm.

- **Ownership/stewardship:** GPs can agree with the investee on post-investment action plans (e.g., 100-day plan, value creation plan) where corrective actions tied to due diligence findings are included. GPs can also enact processes for continuous climate and human rights due diligence (e.g., through integration in standard operating procedures and playbooks).
- **Exiting responsibly:** In planned exits, responsible approaches should begin early in the investment life cycle to ensure that climate and human rights commitments endure. In cases of severe harm, where the investee is unwilling or unable to act, GPs may need to divest. Due to the illiquidity of private markets, unplanned exits are complex and require careful consideration of the risks to people from exiting. If leverage and engagement fail to change the investee's behavior, GPs may consider withholding capital, stepping back from governance, or ultimately divesting as a last resort.

Supporting Portfolio Companies

GPs should provide the space, tools, and resources needed to support portfolio companies across sectors—including those offering climate solutions—to respect human rights and advance a just transition in line with the UNGPs and OECD Guidelines. This includes conducting human rights and environmental due diligence, engaging affected stakeholders, developing integrated climate transition plans grounded in human rights and just transition principles, and transforming business models where necessary.

CASE STUDY

Supporting a Just Transition Through Fund Design

Working Capital Fund (WCF) is a venture capital firm advancing responsible business practices and innovation across global supply chains. Managing 16 investments across two funds, WCF supports early-stage companies developing technologies and data-driven solutions that help buyers and suppliers make responsible sourcing decisions. Portfolio companies address challenges faced by marginalized workers, including forced and child labor, gender inequality, substandard wages, and unsafe working conditions. WCF's approach to just transition is grounded in ILO standards and eleven portfolio companies specifically explore the connection between climate change and workers' experiences.

Considerations

- **External stakeholders:** Support may also involve connecting investees with experts, advisors, civil society organizations, and others with relevant insights on priority issues such as decent work and worker reskilling, Indigenous rights, and affordable and climate-resilient housing.

- **Navigating trade-offs:** Where portfolio companies encounter real or perceived trade-offs between climate objectives and human rights during transition planning, GPs should expect investees to work collaboratively with affected stakeholders to co-develop solutions. The UNGPs also provide a useful framework for navigating these dilemmas. They emphasize the importance of prioritizing actions on those impacts that are most severe and likely—including human rights impacts from both climate action (e.g., job displacements) but also climate inaction—and they offer hierarchy of actions to guide companies in navigating such situations:

  » **Avoid:** Refrain from decisions that cause or contribute to harms, e.g., an energy company integrates a human rights impact assessment into its feasibility study alongside environmental assessments and based on findings, relocates or redesigns a solar project to avoid displacing local communities

  » **Prevent:** Take proactive steps so harm does not occur, e.g., a company transitioning out of high-emitting activities engages in early dialogue with workers and unions to co-create reskilling and redeployment programs to avoid layoffs.

  » **Mitigate:** Where adverse impacts cannot be fully avoided or prevented, reduce severity to the greatest extent possible, e.g., a coal mine closure operator co-designs phased transition with workers and local government, provides income bridging, retraining, and economic diversification.

  » **Remedy:** Where harm has occurred, provide or cooperate in remediation, e.g., a company addresses past flooding of Indigenous lands without FPIC by offering compensation, land restoration, cultural rehabilitation, and embedding FPIC in all future projects.

Collaborate and Use Leverage in Support of a Just Transition

Peer and multi-stakeholder engagement are essential for building GP and LP capacities and increasing leverage to address root causes of climate change and unjust transitions. This involves participating in peer and multi-stakeholder initiatives and engaging standard-setters and policymakers to create enabling environments that set the right incentives for businesses across industries and asset classes.

Resource

Strong Policies can Accelerate Business Action on the Just Transition, We Mean Business, BSR

CASE STUDIES

Integrating Human Rights into Renewable Energy Investments: Quinbrook, a UK based PE firm investing in renewable energy infrastructure, partnered with the Gemini project, the largest solar and battery project in the U.S., to manage human rights risks in the transition to green energy. The collaboration focused on strengthening human rights and supply chain standards through robust codes of conduct, improved supplier transparency, and measures to eliminate links to forced labor in Xinjiang and child labor in cobalt mining.

Tackling Inequality Through Worker Ownership: While not designed for the transition, KKR's worker ownership initiative provides an example of GP efforts to address socioeconomic inequality, which is essential in the transition. The initiative has led to 65 KKR investees sharing equity with over 160,000 non-senior management employees.

Using Leverage for a Just Transition as a Minority Shareholder: In 2019, Royal London Asset Management (RLAM) engaged SSE, one of the UK's largest renewable energy producers, on just transition. In 2020, SSE published a Just Transition Strategy focused on good green jobs, fairness for consumers, support for high-carbon workers, and community benefits. By 2023, SSE had hired and retrained 1,773 workers from high-carbon sectors, embedded worker protections in supply chain contracts, co-created business plans through community consultations, and published a report on fair access to smart grids and shared ownership of wind farms. This case shows how minority shareholders, such as venture capital GPs without controlling stakes, can effectively influence investees to advance people-centered climate action.

Raising Peer Awareness on the Just Transition: Aberdeen, a UK-based investment company with private equity investments, published a paper that explains why the agenda is material for investors and offers a framework to assess company performance along with engagement questions.

STEP 4
TRACK PERFORMANCE

To track progress on just transition and human rights integration, GPs and LPs should develop indicators to assess both their own and their investees' performance. **Just transition metrics** should measure the effectiveness of actions taken, track advancement toward climate and human rights goals, and assess just transition outcomes using both quantitative and qualitative data.

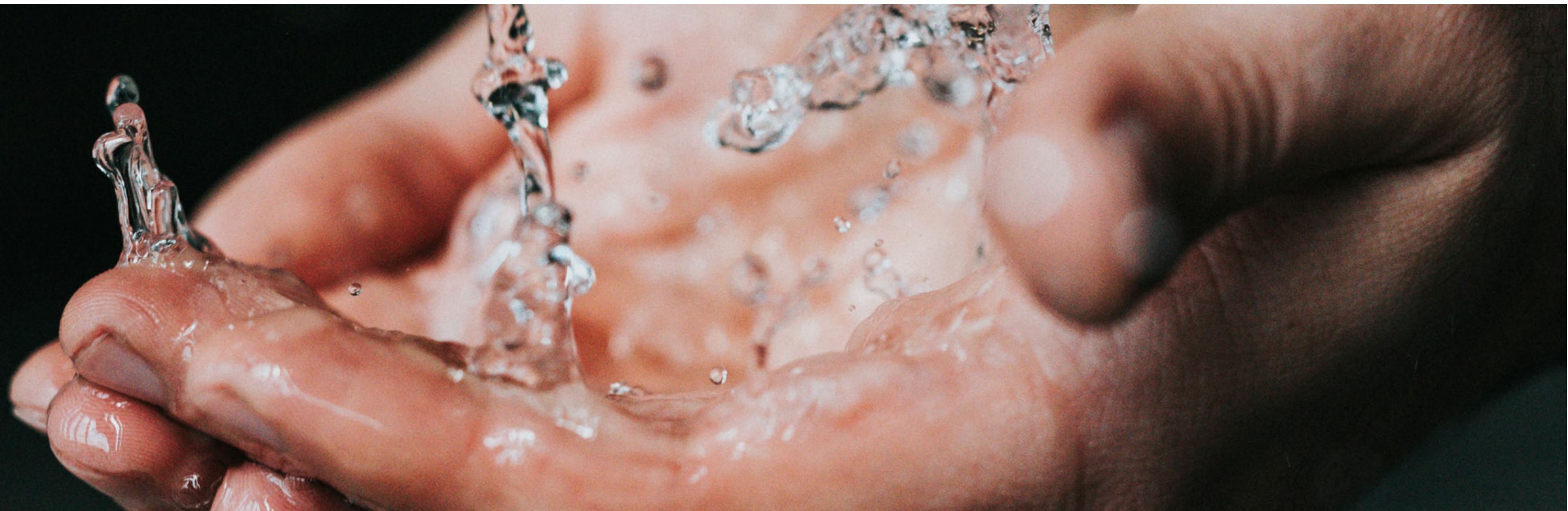
Where portfolio companies provide products and services that are essential for the realization of economic, social, and cultural rights (e.g., climate-resilient seeds, food, housing), just transition metrics should consider outcomes for consumers and end-users to ensure these services help meet the needs of the most vulnerable and marginalized in society. In its final report on the Social Taxonomy, the EU Platform on Sustainable Finance proposes the Availability, Accessibility, Acceptability, and Quality (AAAQ) framework to assess whether companies providing basic goods and services help meet essential needs in order to guide capital toward situations where essential goods, services, or infrastructure are unmet, inaccessible, or at risk of not being met. nerable and marginalized in society.

Tools

Indicator Design Tool: Shift has developed a tool that provides financial institutions with a structured way to design and measure their efforts to use leverage with portfolio companies.

AAAQ Indicator Design: The Danish Institute for Human Rights developed the AAAQ Toolbox with indicators to assess whether water service providers meaningfully enable access to water. The approach is broadly applicable to other human rights, including health, housing, food, and education.

Transition Plan Taskforce (TPT): In 2024, the TPT Just Transition Working Group published a compendium of just transition metrics across 13 disclosure frameworks.



The TCFD—now incorporated into the IFRS Sustainability Disclosure Standards—provides a key framework for reporting on climate-related financial transition and physical risks and opportunities. However, its scope remains limited to issues deemed inwardly financially material to the reporting entity.

By contrast, a people-centered approach entails a double materiality approach aligned with the EU Corporate Sustainability Reporting Directive (CSRD). This entails disclosure of impacts on people, capturing how business-as-usual and climate strategies affect workers, communities, consumers, and other stakeholders, even when those impacts are not (yet) financially material. This broader perspective ensures that climate disclosures reflect both risks to investors and risks to people, aligning transparency with human rights and just transition standards.

In line with the UNGPs and OECD guidance, investors are expected to disclose:

- **Climate, human rights, and just transition policy commitments.**

- **Measures taken to embed climate-related human rights considerations** into policies, due diligence processes, and management systems.

- **Significant climate risks and impacts**, as well as **significant climate-related human rights impacts** identified, prioritized, and assessed, including the criteria used for prioritization.

- **Actions taken to prevent or mitigate climate- related human rights impacts**, including investment strategies, engagement activities, engagement outcomes, and any divestment decisions.

- **Climate transition plans, including just transition actions**, metrics and targets, timelines and benchmarks for improvement, and measures to track implementation, results, and progress.

- **Any provision of or cooperation in remediation** for negative impacts, where applicable.

Numerous reporting frameworks have emerged to guide organizations on climate-related disclosures. Only recently, however, have frameworks begun to incorporate the just transition explicitly. In 2025, the Global Reporting Initiative introduced its first **just transition reporting standards** as part of the revised Climate Change Standard, providing guidance for reporting how climate change affects operations, how transition strategies impact people and the environment, and how stakeholders, including rights-holders, are engaged in transition planning. Just transition is also embedded in the European Sustainability Reporting Standards under the CSRD, with impacts on people that arise from the transition to a climate-neutral economy covered under ESRS S1 Own Workforce, ESRS S2 Workers in the Value Chain, ESRS S3 Affected Communities and ESRS S4 Consumers and End-users.

In addition to formal reporting, investors are encouraged to **communicate internally**

and externally with stakeholders, including staff, beneficiaries, civil society, and local communities, regarding their climate-related human rights and just transition commitments and performance, particularly when concerns are raised by or on behalf of affected stakeholders.

STEP 6

ENABLE ACCESS TO REMEDY

Under the UNGPs and OECD Guidelines, **when investors cause or contribute to an adverse impact, they should provide or co-operate in remediation**. In the climate context, access to remedy ensures that people harmed by climate change or climate action, such as workers losing jobs in high-carbon sectors or communities displaced by renewable energy projects, can seek and obtain redress, including compensation, restitution, non-repetition guarantees, and participation in decision-making.

Remedies can be provided through state mechanisms (e.g., courts) and non-state mechanisms, such as such as effective operational-level grievance mechanisms, Global Framework Agreements between companies and Global Trade Unions, multi-stakeholder grievance mechanisms, community grievance mechanisms, and collective bargaining agreements.

Determining the degree of investor responsibility for providing remedy for harms associated with a portfolio company depends on several factors, such as the type of investment or financial instrument, the degree of control or ownership, and the level of influence over company decisions (e.g., board representation—common among GPs).

Self-Assessment Questions for GPs and LPs:

- To what extent have our actions or inaction enabled, encouraged, or motivated adverse impacts of climate action on human rights by the portfolio company?
- Could or should we have known about the harm?
- What was the quality of our mitigation measures prior to the impact or in response to address the harm?

Under certain conditions, GP investment strategies may put financial pressure on investees, heightening the risk of contribution to lead to climate-related impacts. However, even when only linked to harms through their investees, GPs are expected to use leverage to mitigate impacts, prevent future harm, and ensure remedy.

GPs and LPs are encouraged to adopt a remedy ecosystem approach to effectively enable access to remedy and helps investors address grievances and reduce related financial risks associated with unresolved grievances:. GPs should:

- Establish investor-level grievance mechanisms that meet UNGP effectiveness criteria. and address climate-related harms.
- Communicate remedy expectations to investees and monitor their performance.
- Encourage investees to participate in dialogue or legitimate remediation processes regarding climate-related human rights impacts where issues are raised by stakeholders or other actors.
- Engage affected stakeholders to understand climate-related human rights concerns.
- Use leverage, including board influence, to ensure adequate resources for remedy.
- Support policy measures that strengthen access to remedy, such as mandatory human rights and climate due diligence laws and social protections.

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4

ENGAGEMENT QUESTIONS

- GP Questions for Portfolio Companies
- LP Questions for GPs

GP Questions for Portfolio Companies

When deciding whether to invest in a company, GPs are encouraged to evaluate how companies approach climate change and understand the implications of climate action for people. The following questions offer a starting point to evaluate whether a company is well positioned to manage the human rights implications of climate action

Step 1
Policy Commitment and Governance

Example Questions

- Do you have policy commitments to align with global climate goals, respect human rights, and advance a just transition? If so, are commitments aligned with the UNGPs and OECD Guidelines and applicable to the company's operations and business relationships across value chains?
- Does the board or senior management have sufficient awareness of the impact that the company's climate action may have on human rights and the environment?[3]
- How is the board of directors involved in oversight climate-related human rights impacts, risks, and opportunities (IROs)?
- Who is responsible for implementing the sustainability strategy, and how is responsibility shared across sustainability, procurement, legal, HR, community relations, public affairs, and/or others?
- Do you have internal climate-, human rights-, and/or nature-related expertise? If not, do you engage and consult with external experts?
- How do you ensure that your public affairs and public policy activities do not undermine climate goals and human rights in the transition?

[3] Climate Action & Human Rights: How the UN Guiding Principles can help companies respect human rights when responding to climate change, Shift, February 2023.

Step 2
Identifying and Assessing Impacts

Example Questions

- Have you considered how your value proposition, value chain, and/or revenue model intersect with climate change and risks to and opportunities people?
- Do you assess your Scope 1, 2, and 3 GHG emissions and physical and transition risks? What goals and targets have you set to reduce your direct and indirect carbon footprint and mitigate climate risks?
- Have you undertaken scenario analysis to assess resilience of the company's operations, as well as the people the company's operations and value chains may impact, under various warming pathways (e.g., 1.5°C or 4°C)?[7] If so, please describe outcomes and potential effects on decision-making.
- How do you assess the impact of your climate-related strategies and plans on people, including vulnerable and marginalized groups, and how have you identified and engaged with potentially affected workers (including those across the value chain), communities, and consumers throughout planning and implementation?
- Have you identified climate-related human rights issues that could affect financial returns?

Step 3
Acting on Climate-Related Impacts on People

Example Questions

- Can you provide examples of how stakeholder input has led to changes in climate strategy and/or project design?
- What measures are you taking to address risks to—and provide support for—workers, communities, and/or consumers affected by decarbonization and adaptation efforts in your operations and value chain?
- To what extent have you explored potential business opportunities in developing products or services that contribute to global climate goals, in ways that respect and advance human rights?

Step 4
Tracking Progress

Example Questions

- What types of metrics and KPIs do you use to evaluate progress on actions to address climate-related impacts on people?

Step 5
Disclosure and Reporting

Example Questions

- How do you disclose your performance on climate change and climate-related impacts on people?
- How do you respond to affected stakeholders and/or civil society organizations who request additional information on how the company addresses climate-related impacts on people?

Step 6
Remedy

Example Questions

- What is your process/mechanism for receiving and addressing grievances from affected stakeholders?
- Have there been incidents of climate-related impacts on people? If so, what were they and how have they been addressed?

LP Questions for GPs

When evaluating whether to invest with a GP or monitoring their performance over time, LPs are encouraged to consider the full range of GP tools, how they may differ across asset classes, size, and strategy, and set clear expectations, including expectations to consider climate-related impacts on people across portfolio value chains. The following questions offer a starting point to evaluate whether a GP is well positioned to manage impacts on people in the transition to an inclusive, net-zero, resilient economy:

Stage 1
Policy and Governance

Example Questions

- Do you have climate and human rights policy commitments in place? If so, do they reflect international climate and human rights goals and standards?
- How are partners/investment committee involved in overseeing climate- and people-related issues, including climate-related human rights impacts, risks, and opportunities?
- Who implements the sustainability strategy and how is responsibility shared across relevant teams?
- Do you have internal climate-, human rights-, and/or nature-related expertise? If not, do you engage and consult with credible external experts?
- Have you assessed how your political engagement activities and taxation practices align with responsible business conduct and just transition outcomes?

Stage 2
Fundraising

Example Questions

- What formal commitments related to climate action and human rights have you made, or plan to make, in the Limited Partnership Agreement (LPA), side-letters, or other constitutive fund documents?xpertise? If not, do you engage and consult with credible external experts?

Stage 3
Pre-Investment

Example Questions

- How do you identify material (or salient) climate-related human rights impacts, risks, and opportunities (IROs) for potential invitees and assess whether these could affect financial returns and transition outcomes?
- To what extent does the investment committee consider these IROs and affect the selection of your investments?
- How are climate and human rights issues, including the impacts of climate action on people, integrated into deal documentation, such as shareholder agreements, during deal structuring?

Stage 4
Post-Investment

Example Questions

- How much of your portfolio do you assess on Scope 1, 2, and 3 emissions and on physical and transition climate risks, and how much of your portfolio do you set science-based targets for?
- How do you prioritize portfolio segments (e.g., sectors, verticals, business models), climate-related risks to people, and individual investees to engage with?
- How do you use your board seats or interaction with the board and/or other co-investors to monitor, influence, and incentivize the investees management of climate-related human rights IROs?
- How do support investees on credible transition planning that considers impacts on people and reflects human rights standards and frameworks?
- How do you ensure meaningful affected stakeholder engagement at the investee level (e.g., with workers, trade unions, local communities, Indigenous peoples, civil society, and relevant experts)?
- What is your process/mechanism for receiving and addressing grievances from stakeholders affected by investee activities?

- How do you ensure companies have effective grievance mechanisms in place?
- How is company management made accountable for their climate-related human rights performance?
- How do you track the effectiveness of portfolio company measures to address climate-related impacts on people, including just transition outcomes?
- How are you engaging with peers and/or multi-stakeholder organizations to increase awareness of and leverage to advance a people-centered climate transition?

Stage 5
Exit

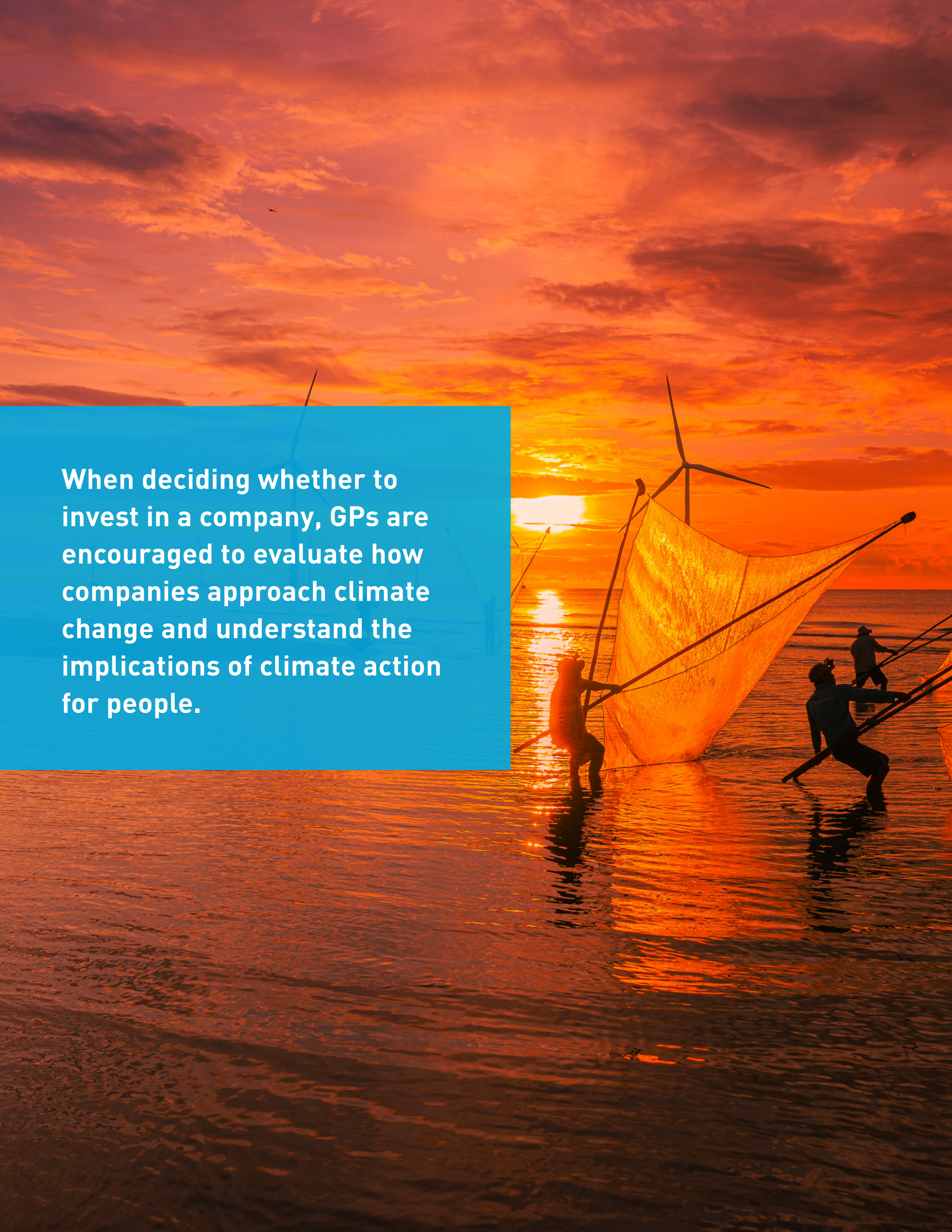
Example Questions

- How do you incorporate consideration of climate-related human rights impacts in preparation for exit?
- Please share your responsible exit strategy for planned and unplanned exits.

Stage 6
Reporting and Disclosure

Example Questions

- How are your public disclosures aligned with relevant standards such as the UNGPs, OECD Guidelines, and relevant just transition frameworks?
- If you have reported in line with the TCFD recommendations, have you considered how impacts on people may be relevant?
- How do you respond to affected stakeholders and/or civil society organizations who request additional information on climate-related impacts on people associated with portfolio companies?



When deciding whether to invest in a company, GPs are encouraged to evaluate how companies approach climate change and understand the implications of climate action for people.

5 CONCLUSION

The transition to a low-carbon, and climate-resilient economy requires a society-wide effort in which every organization plays a vital and distinct role. Achieving global climate goals requires an economy-wide transformation and unprecedented levels of investment, underscoring the critical role of private capital as a driver of innovation, transformation, and long-term value creation.

When pursued responsibly, climate investments can help build a future grounded in shared prosperity, decent work, improved public health, and resilient communities. When mismanaged, they risk fueling workforce displacement, social exclusion, and conflict while amplifying regulatory, transition, and systemic risks for investors on a scale not yet seen. Integrating human rights and just transition considerations is therefore not only a societal and ethical imperative for generations to come, but also a strategic and financial one.

Transformative change is challenging, but private capital markets have the agility and influence needed to shape business models and steer economies toward a more sustainable future. The UNGPs and OECD Guidelines offer GPs and LPs a globally recognized and actionable blueprint for embedding human rights and inclusion at the heart of climate action and investment portfolios. When people are at the center of economic transformation, the transition is accelerated, more equitable, and generates lasting value—delivering long-term benefits for people, the planet, and the portfolios that depend on them.

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Annex: Glossary

Climate Adaptation: Climate adaptation is action taken to prepare for and adjust to actual or expected climate change impacts to mitigate or avoid harm.

Climate Due Diligence: The assessment and management of climate-related risks and impacts related to business operations and value chains, which includes evaluating physical risks and transition risks.

Climate Mitigation: Climate mitigation is action taken to reduce or eliminate greenhouse gas emissions or to enhance the capacity of carbon sinks to absorb GHG.

Cumulative Impacts: Cumulative impacts are the successive, incremental, and combined impacts from multiple activities or projects located in the same region or affecting the same resource. The combined impacts may be slow to develop but may result in harm that is more severe than individual impacts.

Double Materiality: Double materiality is the process by which companies assess material topics for reporting, including both how sustainability issues affect their financial performance (outside-in) and how their activities and value chain relationships impact people and the environment (inside-out).

Financial Materiality: Sustainability issues or factors that affect a company's financial performance or value (the "outside-in" perspective).

Free, Prior, and Informed Consent: Free, prior, and informed consent (FPIC) is a principle that protects the rights of Indigenous Peoples to give or withhold consent to projects that may affect their lands, territories, or resources. If consent is given, it must be voluntary, informed, and prior to any commencement of activities. FPIC is grounded in international human rights standards and is enshrined in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

General Partner: In private equity, General Partners (GPs) are the active managers of the fund and are personally liable for the fund's obligations.

Human Rights: Human rights are rights inherent to all human beings, regardless of nationality, sex, national or ethnic origin, color, religion, sexual orientation, language, or any other status. These rights are universally recognized and include a broad range of civil, political, economic, social, cultural, and environmental rights.

Human Rights Due Diligence: Human rights due diligence (HRDD) is a process that businesses undertake to identify, prevent, mitigate, and account for how they address potential and actual adverse human rights impacts related to their operations and value chains. HRDD is a core requirement of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Impact Materiality: Impact materiality focuses on the positive and negative impacts on people, society, and the environment linked to a company's operations and value chain (the "inside-out" perspective).

Impacts: The positive or negative effects a company has on the environment and society.

Just Transition: A people-centered concept, grounded in human rights standards and approaches, to ensure that the shift to a net-zero economy does not harm people or the environment and supports workers and communities without leaving anyone behind.

Limited Partner: Limited Partners (LPs) are investors in a venture capital (VC) or private equity fund who contribute capital to the fund but do not manage its operations. LPs have limited liability for the fund's obligations.

Net-zero: A state in which the greenhouse gases emitted into the atmosphere are balanced by those removed or offset, preventing further increases in atmospheric warming.

Opportunities: Potential prospects that could positively impact a company's financial performance.

Private Equity: Private equity is an alternative investment class consisting of investments in companies that are not listed on a public exchange. Funds and investors acquire and manage privately-held companies or take public companies private, resulting in the delisting of public equity. Typically, private equity as an asset class contains buyout, growth capital, and venture capital, but private equity can also refer to the buyout segment specifically.

Physical Risk: The risk of damage and loss to property and infrastructure due to the impacts of climate change.

Risk-based Due Diligence: A due diligence approach that prioritizes identifying and managing a company's impacts on people and the environment based on saliency (severity and likelihood), in line with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Risks: Potential negative consequences that could impact the company's financial performance.

Saliency: The prioritizing of negative human rights issues based on the severity and likelihood of potential or actual impacts. The concept of salience places the focus on risk to people, rather than on risk to the business.

Systemic Risks: Risks that can disrupt or destabilize entire systems, including the stability of financial markets, economies, and societies.

Transition Risks: Transition risks are financial and economic risks associated with the pace and extent to which a business manages and adapts to the shift to a net-zero economy. Transition risks include regulatory changes, market shifts, technology disruption, and reputational damage.

Venture Capital: A type of private equity that specifically invests in startup companies with high-growth potential.

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