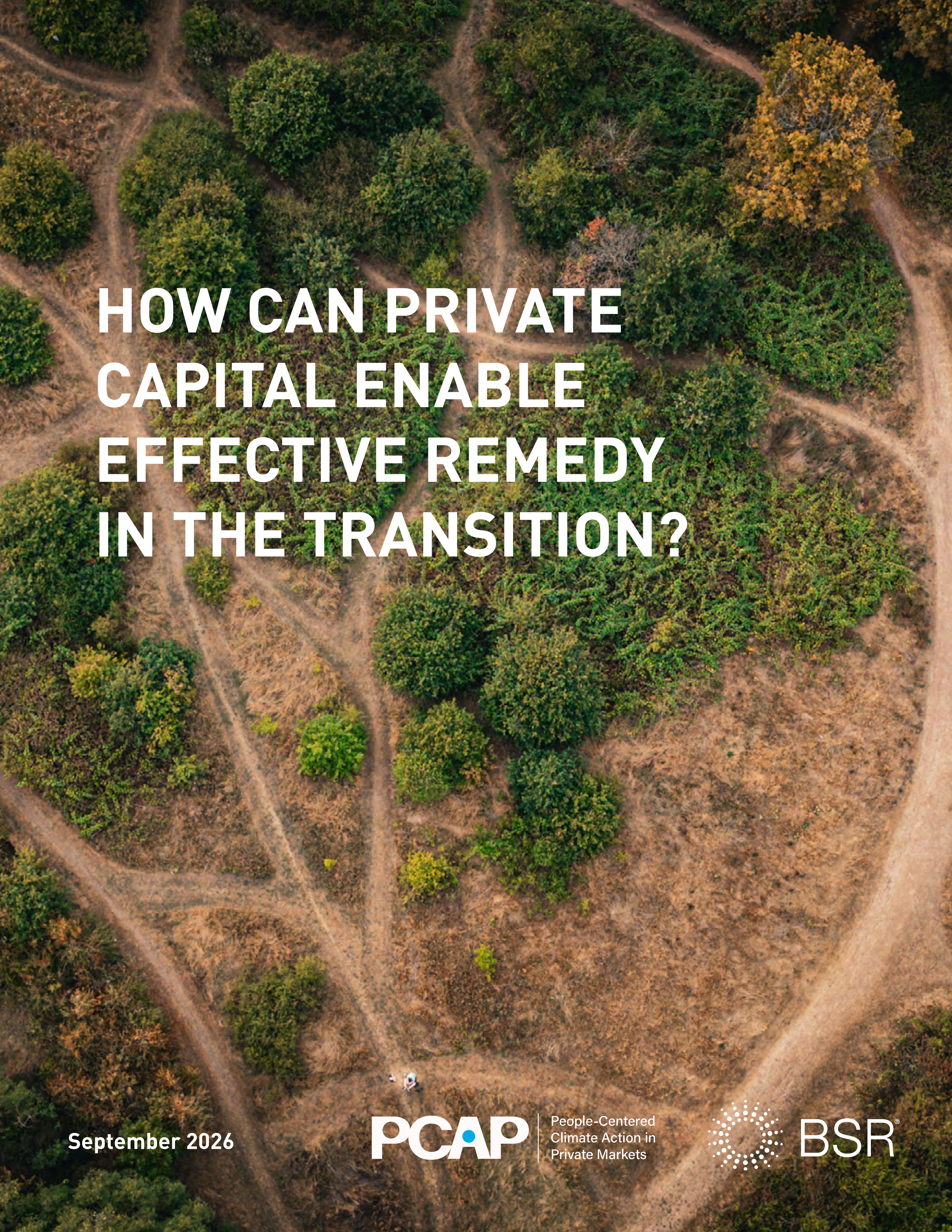

HOW CAN PRIVATE CAPITAL ENABLE EFFECTIVE REMEDY IN THE TRANSITION?

September 2026

PCAP | People-Centered Climate Action in Private Markets

BSR

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Acknowledgements

We would like to thank the Laudes Foundation for its instrumental support of this work.

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Disclaimer

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

INTRODUCTION

Climate change and the rapid scale-up of mitigation and adaptation efforts are generating a wide range of human rights impacts—both from the crisis itself and from the actions taken in response. These impacts are already affecting workers, communities, consumers, and other stakeholders across sectors and geographies.

For private capital investors, these are not only ethical concerns—they are financially material risks. Unmanaged human rights issues can disrupt operations, delay projects, damage reputations, trigger litigation, and erode portfolio value. Many of these risks are foreseeable and preventable through a people-centered approach, including effective mechanisms that allow stakeholders to raise concerns early and safely.

General partners (GPs), as key actors in corporate governance, are especially well positioned to drive accountability across portfolios. By proactively identifying and addressing grievances and adverse impacts, GPs can mitigate risk and protect long-term value.

This briefing helps GPs and limited partners (LPs) understand their role in the remedy ecosystem, which is necessary to ensure the transition to a low-carbon, climate-resilient economy that respects human rights and leaves no one behind. It explains the strategic value of effective grievance mechanisms, including financial risks and opportunities. It concludes with five initial steps and key questions to get started on establishing mechanisms aligned with the UN Guiding Principles on Business and Human Rights (UNGPs), with a focus on investment portfolios.

Human Rights Impacts from Climate Action

- Renewable energy projects undermine Indigenous Peoples' land rights.
- Energy retrofits for real estate investments increase rents ("green gentrification"), displacing low-income tenants.
- Workers mining critical energy transition minerals face excessive working hours and dangerous conditions.
- Infrastructure projects aimed at preventing flooding displace fishing communities.
- Biofuel expansion displaces smallholder farmers and causes food insecurity.
- Carbon credit projects do not adequately consult local communities and disrupt livelihoods.

1

WHAT IS THE REMEDY ECOSYSTEM?

Adverse human rights impacts are harms to people's basic dignity. Under human rights law, affected individuals and communities are entitled to effective remedy—both a process shaped by stakeholder needs and an outcome that restores dignity. Remedy can include restitution, rehabilitation, compensation, apology, and guarantees of non-repetition.

In a climate context, the right to remedy arises from both the physical impacts of climate change and from mitigation or adaptation activities that create or exacerbate harm to people.

Access to remedy depends on a functioning ecosystem of legal frameworks and grievance mechanisms—judicial and non-judicial—where each actor plays their part, including governments, companies, investors, and civil society. An ecosystem approach, then, means that actors responsible for remedy have the commitment, capacity, resources, and mechanisms to deliver it, and that those linked to severe impacts use their leverage to ensure remedy.

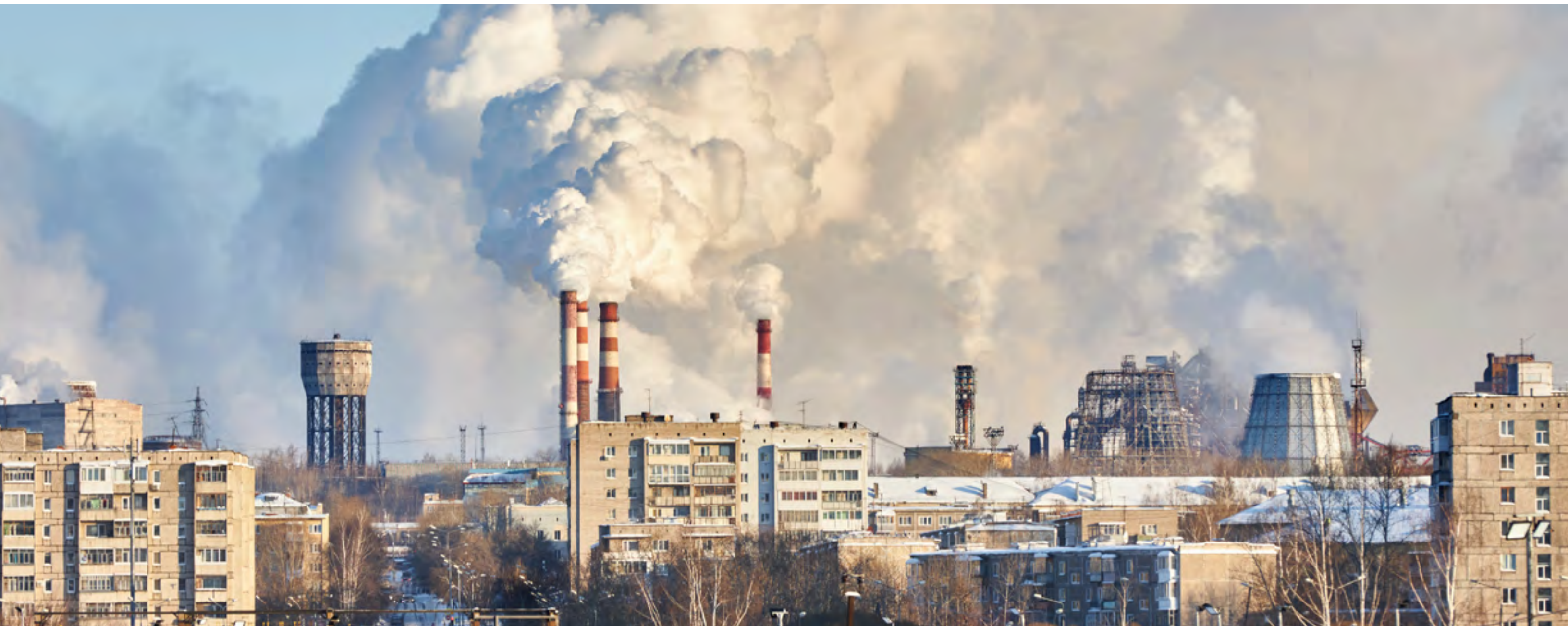
2

WHAT IS A GRIEVANCE MECHANISM?

Company grievance mechanisms, including those of GPs and LPs, are a critical component of a broader remedy ecosystem. They allow individuals or communities to raise concerns about business-related human rights harms and seek remedy.

Under the UNGPs, companies are expected to provide or participate in operational-level grievance mechanisms that are directly accessible to affected people. These can be managed by the company alone or jointly with others, and they allow issues to be addressed without requiring prior use of other complaint channels.

To be effective, these mechanisms should be legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and grounded in affected stakeholder engagement and dialogue (UNGP 31, see Annex).



3

WHY DO EFFECTIVE GRIEVANCE MECHANISMS MATTER FOR VALUE CREATION?

The climate crisis and an evolving legal landscape underscore the need for investors to establish effective mechanisms to identify and address portfolio-level harms early—before they escalate into legal, regulatory, and financially material risks—while supporting market stability, resilience, and long-term value creation.

- **Early warning of emerging risk:** Effective grievance mechanisms act as early warning systems, helping GPs and portfolio companies alike identify issues connected to their portfolios and value chains before they escalate into legal, operational, or reputational risks and/or greater harm. Early action can safeguard brand value, maintain social license to operate, and reduce contingent liabilities that may affect valuations and exit outcomes.

CASE STUDY

Venture Capital GP Elevates Worker Voice

Working Capital Fund, a U.S.-based venture capital firm, invests in solutions that advance responsible business and a just transition. One example is former portfolio company Ulula (acquired by EcoVadis in 2024), which provides a two-way, anonymous grievance mechanism that connects workers to real-time support and remediation. As climate action reshapes supply chains, tools like Ulula help ensure workers and communities have accessible pathways to raise concerns and seek remedy.

- **Strengthened sustainability performance creates value:** Engagement with stakeholders via a grievance mechanism can enable GPs to better understand, validate, and improve the sustainability performance of their portfolio companies by identifying risks, gaps, and areas where additional support is needed—supporting value creation over time.

- **Legal risks and compliance with emerging regulation:** Climate-related litigation is expanding, covering both direct climate harms and transition impacts (e.g., critical minerals mining and renewable energy development), reinforcing the need for proactive and effective mechanisms. Human rights and environmental due diligence laws, such as the EU Corporate Sustainability Due Diligence Directive and national frameworks like the French Duty of Vigilance, also require companies to establish and disclose effective grievance mechanisms, including for climate-related impacts, creating clear compliance expectations and potential liability exposure.

- **Meeting LP and partner expectations:** Establishing robust grievance mechanisms also strengthens GPs' credibility with LPs, lenders, and value chain partners. Investors are increasingly expected to assess how portfolio companies align with the UNGPs and OECD Guidelines, including grievance mechanisms and access to remedy (e.g., EU Corporate Sustainability Reporting Directive, EU Sustainable Finance Disclosure Regulation, and EU Taxonomy). LPs have also begun setting expectations for GPs, including by screening GP grievance mechanism practices as part of due diligence.

CASE STUDY

LP Adopts Remedy Ecosystem Approach for a Just Transition

In its Net Zero Transition Plan, Standard Life, a UK-based retirement-specialist asset owner, commits to advancing a just transition, including by adopting a remedy ecosystem approach to climate. As an LP, the firm plans to engage external asset managers, including GPs, to strengthen their approach to just transition. To learn more, see Standard Life: A Human Rights Approach to Net Zero.

The Financial Costs of Not Mitigating Social Risks

A review of 137 development finance institution investments in emerging markets found that failing to address social risks can lead to major financial losses, estimated at US$25–40 million per project (24–37% of net present value), due to avoidable disruptions and delays. By contrast, investing in preventive measures such as stakeholder engagement and grievance mechanisms costs only about 2% of total project budgets, making early action a highly cost-effective way to reduce risk and protect project value.

4

HOW CAN PRIVATE CAPITAL PLAY ITS PART IN THE REMEDY ECOSYSTEM?

The nature of GPs' or LPs' responsibility in providing remedy depends on their involvement in actual and potential climate-related human rights harms: have they caused, contributed to, or are they otherwise directly linked to the impact?

Causes
The investor's actions or inactions on their own cause the harm

Contributes To
The investor jointly causes, or enables or incentivizes a portfolio company to cause, the harm

Directly Linked
The investor is connected to the harm through its investment in the portfolio company

Cease or Prevent
Take action to cease or prevent the harm, or its contribution to the harm

Remediate
Provide or contribute to remediation for the harm

Leverage
Use leverage to encourage portfolio company to cease, prevent or mitigate the harm and provide remedy

This means providing remedy where they have caused harm, which will be most likely in their own operations. Where they contribute, they are expected to cooperate in providing remedy in proportion to their involvement and to use their influence to ensure harms are addressed and do not recur. Where they are directly linked, they should use their leverage to encourage and support investee companies to provide effective remedy.

While investors are typically only linked to negative impacts, the Organisation for Economic Co-operation and Development (OECD) notes that investors may, in some cases, contribute to adverse impacts—particularly where they exercise significant influence over board decisions or control over an investee company, such as in certain GP roles—and may therefore share responsibility for providing remedy.

Enabling access to remedy includes establishing and participating in effective and trusted grievance mechanisms equipped to receive and address climate-related human rights grievances. For GPs and LPs, this means ensuring that appropriate mechanisms are in place to address grievances associated with their operations and value chains, including portfolio companies and GPs, respectively. They should also use their influence to support the establishment of effective, operational-level mechanisms closest to where impacts occur, while maintaining GP- or LP-level channels for stakeholders to raise concerns involving their investments directly to their attention.

PCAP's People-Centered Climate Action: Guidance for Private Capital Investors includes further guidance on how GPs and LPs can adopt a remedy ecosystem approach (see Step 6).

Grievance Mechanisms in the Financial Sector

1. **Standard Life:** In its Net Zero Transition Plan, the asset owner commits to establishing a grievance mechanism that addresses climate- and nature-related human rights complaints and to engaging portfolio companies on the effectiveness of their grievance mechanisms.
2. **ABN AMRO:** Operates a Human Rights Remedy Mechanism that addresses human rights impacts for harms connected to corporate banking clients.
3. **Green Climate Fund:** Maintains an Independent Redress Mechanism to handle complaints from people negatively affected (or who may be affected) by its projects or programs.
4. **Japan Center for Engagement and Remedy of Business and Human Rights (JaCER):** Provides a third-party platform that receives human rights-related complaints against member companies (including financial sector members) and supports the handling of grievances in line with the UNGPs.

Five Steps to Establish an Effective Grievance Mechanism

The OECD encourages investors across investment strategies and asset classes to collaborate with parties that raise concerns in grievance channels, including external third-party grievance mechanisms.

The following steps provide a high-level guide for GPs to get started on establishing a UNGP-aligned grievance mechanism:

Steps			GP Application
1	**Identify who may be affected and need access to the mechanism.** Understand which external stakeholders may be impacted by the GP's investments and business relationships—and may need to raise concerns.	**Accessible** UNGP 31(b)	• Map the portfolio by sector, geography, and business model to identify potential human rights risks and affected groups. • For climate-related risks, focus on higher-risk sectors (e.g., mining, renewable energy, agriculture, construction) and vulnerable groups (e.g., migrant workers, local communities affected by land use).
2	**Engage stakeholders in design and improvement.** Design the mechanism with input from those who may use it and continue engaging them to improve it over time.	**Based on Engagement & Dialogue** UNGP 31(h)	• Prioritize engagement with stakeholders linked to higher-risk investments. • Use focus groups or consultations with civil society, trade unions, industry experts, and companies. • Consider establishing a small multi-stakeholder group to build trust and ensure ongoing effectiveness. • Develop a feedback loop with users and stakeholders to continuously improve the system.

	Steps		GP Application
3	**Define the purpose, scope, and how the mechanism will work.** Be clear about what the mechanism is for, what issues it covers, and how cases will be handled.	**Predictable** UNGP 31(c)	• Define how it fits within existing systems (e.g., standalone or integrated with compliance hotlines). • Clarify the types of issues it will address, the steps in the process, and possible outcomes. • Establish how the GP will assess its role in impacts (cause, contribute, or directly linked) and what this means for providing or supporting remedy.
4	**Establish policies and procedures and ensure safe access.** Put in place clear, practical procedures and ensure the mechanism is trusted and safe to use.	**Legitimate** UNGP 31(a)	• Develop policies supported by appropriate human rights and climate expertise (internal or external). • Ensure confidentiality, anonymity where needed, and protection against retaliation. • Train relevant staff and integrate the mechanism into day-to-day operations.
5	**Clarify how the mechanism connects to the value chain and ensure transparency.** Define how portfolio companies and other partners engage with the mechanism and how outcomes are communicated.	**Transparent** UNGP 31(e)	• Set expectations for portfolio companies and partners to cooperate with the process. • Clarify how the GP-level mechanism interacts with company-level grievance mechanisms. • Establish how information on cases and outcomes will be shared (e.g., with LPs through anonymized public reporting).

Effective Grievance Mechanism Questions for GPs to Ask Portfolio Companies

While GPs are expected to establish their own grievance mechanisms, they also play a critical role in ensuring that effective mechanisms exist at the portfolio company level—closest to where impacts occur. Through investment decisions, governance, and ongoing stewardship, both GPs and LPs can set expectations, provide support, and use their influence to strengthen access to remedy across the value chain.

Many tools and initiatives exist to support companies in developing such mechanisms—including innovative approaches to engage workers and communities in more direct and trusted ways—though these are beyond the scope of this guidance.

The questions below are designed to support this engagement and help assess the effectiveness of portfolio company grievance mechanisms.

1. **Coverage and Design**
   Does the company have a clear grievance mechanism strategy that ensures the right mix of channels (e.g., hotline, operational-level mechanisms, collective initiatives) to cover all potentially affected stakeholders across its operations and value chain?

2. **Stakeholder Identification and Co-Creation**
   How has the company identified affected stakeholders,including vulnerable groups,and to what extent have rights-holders been engaged in designing and improving the mechanism and broader engagement approach?

3. **Accessibility and Usability**
   Is the mechanism tailored to local contexts and accessible in practice (e.g., language, cultural appropriateness, multiple access points, confidentiality), and does it actively address power imbalances that may limit use?

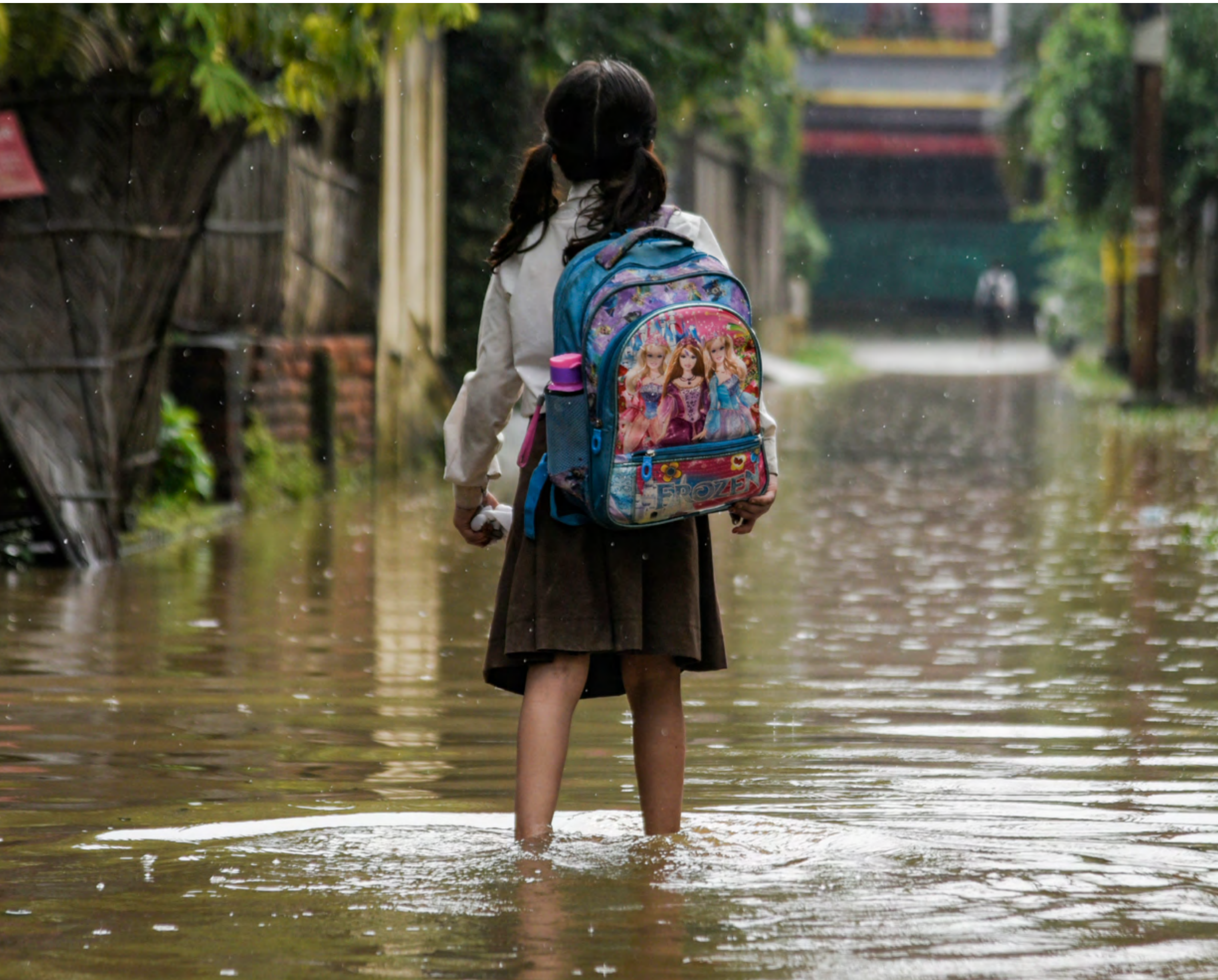
4. **Awareness, Purpose, and Participation**
   How does the company ensure stakeholders understand the purpose of engagement and the mechanism, how information will be used, and how they can safely participate without fear of retaliation?

5. **Fairness, Independence, and Safeguards**
   What safeguards ensure the mechanism is legitimate and trusted, such as independence or neutrality, appropriate expertise, anti-retaliation protections, and no barriers to accessing judicial remedies?

6. **Process, Clarity, and Effectiveness**
   Are there clear procedures, timelines, and responsibilities, and how does the company track whether grievances are actually being raised and resolved in a timely manner?

7. **Transparency and Communication of Outcomes**
   How does the company communicate with users throughout the process (e.g., acknowledgment, updates, outcomes), and what information is disclosed publicly (e.g., complaints data, timelines, outcomes)?

8. **Remedy, Satisfaction, and Learning**
   How does the company ensure outcomes provide effective remedy, involve affected people in determining solutions, and feed lessons back into operations and stakeholder engagement to prevent recurrence?



ANNEX: UNGP 31 EFFECTIVENESS CRITERIA

Effectiveness criteria for non-judicial grievance mechanisms

31. In order to ensure their effectiveness, non-judicial grievance mechanisms, both State-based and non-State-based, should be:

(a) Legitimate	enabling trust from the stakeholder groups for whose use they are intended, and being accountable for the fair conduct of grievance processes;
(b) Accessible	being known to all stakeholder groups for whose use they are intended, and providing adequate assistance for those who may face particular barriers to access;
(c) Predictable	providing a clear and known procedure with an indicative time frame for each stage, and clarity on the types of process and outcome available and means of monitoring implementation;
(d) Equitable	seeking to ensure that aggrieved parties have reasonable access to sources of information, advice and expertise necessary to engage in a grievance process on fair, informed, and respectful terms;
(e) Transparent	keeping parties to a grievance informed about its progress, and providing sufficient information about the mechanism's performance to build confidence in its effectiveness and meet any public interest at stake;
(f) Rights-compatible	ensuring that outcomes and remedies accord with internationally recognized human rights;
(g) A source of continuous learning	drawing on relevant measures to identify lessons for improving the mechanism and preventing future grievances and harms;
(h) Based on engagement and dialogue	consulting the stakeholder groups for whose use they are intended on their design and performance, and focusing on dialogue as the means to address and resolve grievances.

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