

Executive Summary

Investors will play a pivotal role in shaping the urgent transition to low-carbon economies. Some already lead the way in divesting from fossil fuels and committing to renewable energy. Many more must follow to meet the climate goals set out in the Paris Agreement. These front-runner investors now also have an opportunity to define the path forward for an energy sector that respects human rights, in order to ensure that our transition is not only fast, but also fair. This task is urgent as allegations of human rights abuse grow globally, putting investments and the transition itself at risk.

This briefing sets out how investors can help tackle the climate crisis while respecting human rights in a just transition.¹ It brings lessons from our surveys of 109 renewable energy companies, our investor engagement over the last three years, and insights from an expert advisory group comprised of representatives from the UN-supported Principles for Responsible Investment, the Interfaith Center on Corporate Responsibility, the Heartland Initiative, Transform Finance, the Investor Alliance for Human Rights, and the London School of Economics.

Evidence shows that there is an urgent need to raise the bar on human rights in the renewable energy sector. Investors will play a pivotal role in this. Since 2010, the Business & Human Rights Resource Centre has identified 152 allegations of human rights abuses related to renewable energy projects, and asked 103 companies to respond to these allegations.² The frequency of allegations has increased in recent years with one third of these allegations having occurred between 2017-2019. Abuse allegations include: killings, threats, and intimidation; land grabs; dangerous working conditions and poverty wages; and harm to indigenous peoples' lives and livelihoods. Allegations have been made in every region and across each of the five sub-sectors of renewable energy development: wind, solar, bioenergy, geothermal, and hydropower.³ The regions with the highest numbers of allegations⁴ are Latin America (91 allegations since 2010, 60% of allegations globally) and Southeast Asia (38 allegations since 2010, 25% of allegations globally).

Companies and investors have a responsibility to respect human rights as per the UN Guiding Principles on Business and Human Rights. However, most renewable energy companies do not currently have in place basic human rights policies and processes, which can help avoid or mitigate abuses and de-risk investment. We surveyed 109 renewable energy companies between 2016 and 2018,⁵ nearly half of which (46%) did not have a basic human rights commitment in place. Only five out of 59 companies included in the most recent outreach met four basic criteria on human rights.⁶

Investors can influence renewable energy companies to do better, using the power of their investment to ask critical questions and push companies to think about these issues before abuses occur. Without respect for human rights through due diligence and adherence to international norms, renewable energy companies not only fall short of moral responsibilities but may also face complications including negative press coverage, project suspension, delays, and litigation that can also set back the transition to low-carbon economies.⁷

Key Questions Investors Can Ask When Investing in Renewable Energy

- Does the company have a publicly available commitment to respect human rights that refers to internationally recognized human rights norms?
- Does the company provide a grievance mechanism to workers and community members when rights abuses occur, as outlined by [Principle 31 of the UN Guiding Principles on Business and Human Rights](#)?
- Does the company have a human rights due diligence process in place to identify and address salient human rights risks before they become abuses?
- Does the company expect its suppliers and business partners to adhere to the same human rights standards, and does it include this expectation in contracts and agreements?



Practical Steps to Ensure Renewable Energy Investments Respect Human Rights

All investors (both individually and in coordination with other investors and alliances) should:

- **Ask renewable energy companies, asset managers, energy purchasers,** or other relevant companies specific questions on human rights (see above) and follow up on any red flags identified (see subsector snapshots for specific examples).
- **Engage with communities and workers:** While companies have a responsibility under the UNGPs to consult with communities and workers, most do not do so effectively, and thus generate distrust. Investors can encourage more meaningful engagement, and can also engage communities and workers directly in order to:
 - **Ensure community and worker voices are heard and acted upon, and their leaders respected, at all stages of a project,** including in defining human rights due diligence, benefit-sharing, and remedy processes.
 - **Ensure that companies have clear policies and processes guaranteeing workers all fundamental labour rights** including freedom of association and collective bargaining, as well as a living wage.
 - **Ensure companies have clear policies and processes to respect indigenous peoples' rights,** including land rights and free, prior, and informed consent over the lifespan of the project, and effective access to grievance mechanisms at the project level.
 - **Act as a conduit to the company for concerns raised by affected communities, workers, and civil society** with regard to these and other human rights related impacts.
- Use divestment as last-resort leverage when companies fail or refuse to adequately identify, avoid, mitigate, or remediate harms associated with human rights abuses. Ideally investors should remain engaged in order to encourage positive behavior change, but when change is not possible or imminent, divestment should seriously considered as a demonstration of the investor's commitment to human rights.
- Urge policy-makers to support a fast and fair transition: Collaborate on joint investor statements or speak out individually to call for a just transition to a low-carbon economy, including strong human rights safeguards in national energy policies and international policy frameworks.

DIRECT INVESTMENTS (PRIVATE OR PUBLIC EQUITY)	PRIOR TO INVESTMENT	DURING INVESTMENT
	<p>Require potential investees to undertake and publicly report on human rights due diligence in line with UNGPs, including by conducting a human rights risk and impact assessment with strong community engagement. Engage with companies to encourage them to undertake human rights due diligence if they do not yet do so.</p> <p>Corroborate the information provided by companies by engaging with affected communities and workers to the extent possible to ensure adequate consultation and risk disclosure was undertaken.</p> <p>Set time-bound action plans as requirements in investment or loan documentation to close performance gaps (e.g. as conditions precedent, covenants, representations or warranties).</p>	<p>Require portfolio companies to undertake human rights due diligence at both the company and project level. Investors should look for disclosure and management of salient human rights risks and follow up with companies about plans to avoid or mitigate them as they arise.</p> <p>Require portfolio companies to conduct ongoing human rights monitoring and reporting in line with UNGPs.⁸</p> <p>Engage with portfolio companies facing human rights allegations to push for access to remedy; work with them to overcome potential obstacles to implement best practices.</p>
RETAIL INVESTORS	PRIOR TO INVESTMENT	DURING INVESTMENT
	<p>Include human rights due diligence in line with UNGPs in investment selection criteria.</p>	<p>Initiate and/or support shareholder resolutions seeking specific information from companies on respecting human rights and mitigating impacts.</p>
PRIVATE EQUITY	PRIOR TO INVESTMENT	DURING INVESTMENT
	<p>As a potential limited partner (LP), condition commitment to a fund on the sponsor's willingness to abide by human rights standards in line with UNGPs.</p>	<p>Call on intermediary institutions to engage with relevant companies facing human rights allegations to encourage respect for rights and work with them to overcome potential obstacles to implementing best practice.</p>
DEBT	PRIOR TO INVESTMENT	DURING INVESTMENT
	<p>Before agreeing to issue a debt, require disclosures demonstrating human rights due diligence was conducted.</p> <p>Conduct own due diligence in advance when considering funding projects in high-risk or conflict-affected areas, in order to complement company due diligence efforts.</p>	<p>When considering renewing debt, review policy and performance throughout the preceding project timeline, and require updated plans for maintaining respect for human rights.</p> <p>Consider pulling funding when projects are discovered to cause or contribute to abuses and companies involved are not taking the necessary steps to mitigate or provide remediation, as outlined under the UNGPs.</p>

Types of Companies Investors Can Work with on Renewable Energy

The renewable energy sector includes a mix of companies at various points throughout project development, down the supply chain and through to energy purchasers. This creates both challenges and opportunities for potential investors to emphasize the human rights considerations with a variety of investees:

- **Project developers:** Companies that directly install and operate wind, solar, or other renewable energy projects
- **Utility companies:** Companies that provide power to national grids, corporate buyers, and individual households; may also operate projects directly
- **Oil & gas companies engaging on renewable energy projects:** Companies traditionally involved in the fossil fuel sector that are beginning to diversify into renewable energy either through own operations or spin-offs
- **Equipment suppliers:** Companies that provide the equipment necessary for renewable energy projects such as wind turbines or solar panels
- **Mining companies:** Companies that extract the key raw minerals required for renewable energy equipment, such as nickel, copper, and manganese
- **Buyers:** Companies that purchase renewable energy, including companies committing to transition to 100% renewable energy (see [there100.org/companies](https://www.there100.org/companies) for examples.)

Human Rights Due Diligence

Under the UNGPs, States have a duty to protect human rights, and companies have a corresponding responsibility to respect human rights. To fulfill this responsibility, companies are expected to undertake a process of human rights due diligence, [defined as](#) an “ongoing risk management process that a reasonable and prudent company needs to follow in order to identify, prevent, mitigate and account for how it addresses its adverse human rights impacts.” Investors also have a responsibility to engage in a similar due diligence, encouraging companies to disclose additional information about their operations with regard human rights and making clear that investment decisions hinge on respect for these principles.

Further Resources for Investors

- **Investing in a Just Transition Project:**
[Just transition investor guide & investor statement](#)
- **The B-Team & Just Transition Centre:**
[Just transition business guide & pledge](#)
- **Business & Human Rights Resource Centre:**
[Renewable energy & human rights company & investor briefings/webinars](#)
- [Right Energy Partnership](#)
- [Principles for Responsible Investment](#)
- [Committee on Workers Capital](#)

1 For additional information on the call for a just transition and associated investor actions, see [this guide](#).

2 For a full data set of allegations and companies, see the accompanying [spreadsheet](#).

3 Hydropower is the subsector with the most allegations. However, there is significant debate about the inclusion of hydropower in the renewable energy sector at all, given the negative ecological and climate impacts of these types of projects. We have chosen to include hydropower in this briefing because many investors and the public more broadly do consider it a renewable energy, so it is necessary to raise the human rights considerations in addition to the environmental considerations that could impact investment decisions.

4 See [Annex](#) for a full table of abuse allegations against companies disaggregated by subsector and region.

5 For a full analysis of company policies and behaviors, see the Resource Centre’s two briefings: [1](#), [2](#).

6 These companies met at least four out of five of the following criteria without being subject to international judicial or semi-judicial proceedings on human rights records: (1) public commitment to human rights, (2) commitment to community consultation, (3) external-facing grievance mechanism, (4) commitment to core labour rights (5) supply chain monitoring on human rights.

7 For more information about company policy and practice, see the graphics included in the [Annex](#) at the end of this briefing.

8 Companies and their investors should apply especially thorough measures when operating in fragile, conflict-affected or otherwise high-risk areas