

Supported by

twentyfifty<sup>®</sup>



# Tips on effective grievance mechanisms for businesses



---

**Published:** July 2025

---

## Acknowledgements

This was co-authored by British International Investment (BII) and twentyfifty.

---

## Purpose of this document

This document does not seek to replicate or supersede the breadth of guidance on grievance mechanisms, and rather serves as a consolidation of tips from established guidance and our experience.

---

## Disclaimer

This document is presented “as is” without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. BII does not make any warranties or representations as to the accuracy or completeness of this document. BII may change, improve and/or update this document without notice. Under no circumstances shall BII be liable for any loss, damage, liability or expense incurred or suffered which is claimed to have resulted from use of the document, including without limitation, any fault, error, omission, interruption or delay with respect thereto. Use of the document is at a user’s sole risk. Under no circumstances, including, but not limited to, negligence, shall BII be liable for any direct, indirect, incidental, special or consequential damages, even if BII has been advised of the possibility of such damages.

Users of the document specifically acknowledge and agree that BII is not liable for any conduct of any user.

The document may contain advice, opinions and statements of various information providers and content providers. BII does not represent or endorse the accuracy or reliability of any advice, opinion, statement or other information provided by any information provider or content provider, or any user of this site or other person or entity. Reliance upon any such opinion, advice, statement or other information shall also be at each user’s own risk. Neither BII nor any of its agents, employees, information providers or content providers shall be liable to any user or anyone else for any inaccuracy, error, omission, interruption, timeliness, completeness, deletion, defect, failure of performance, computer virus, communication line failure, alteration of or use of any content herein, regardless of cause, for any damages resulting therefrom.

As a condition of use of this document, users agree to indemnify BII from and against any and all actions, claims, losses, damages, liabilities and expenses (including reasonable legal fees) arising out their use of this document, including without limitation any claims alleging facts that if true would constitute a breach by the user of these terms and conditions. If a user is dissatisfied with the contents of the document or with any of the terms and conditions of use of the document, his or her sole and exclusive remedy is to discontinue using the document.

Nothing in this document shall be construed, implicitly or explicitly, as containing any investment recommendations or be considered as investment advice.



---

## Contents

<b>01</b>	<b>What are grievance mechanisms and why are they important?</b>	<b>4</b>
<b>02</b>	<b>What makes for an 'effective' grievance mechanism?</b>	<b>5</b>
<b>03</b>	<b>Why stakeholder engagement is the first step to designing effective grievance mechanisms</b>	<b>7</b>
<b>04</b>	<b>What should the grievance mechanism contain?</b>	<b>8</b>
<b>05</b>	<b>How to assess the effectiveness of the grievance mechanism</b>	<b>11</b>
<b>06</b>	<b>How to maintain effective grievance mechanisms in challenging and high-risk environments</b>	<b>12</b>
	<b>Annex 1: Checklist for designing and implementing a GM</b>	<b>13</b>



# 01

## What are grievance mechanisms and why are they important?

Grievance mechanisms (GMs) are channels for people who are or may be adversely affected by an Investee company's project or operations to voice their concerns and seek solutions to problems that can be linked to the company. Affected people that can use GMs can range from employees, workers, suppliers, and contractors, to communities and their representative organisations, as well as any other individual who is or may be impacted.

An effective GM gives companies a structured process to receive, investigate, and address stakeholder feedback and concerns. GMs ensure complaints are taken seriously and can allay tensions between companies and their stakeholders. GMs can and should be used to build trust and relationships with stakeholders, rather than being limited to receiving complaints. Common channels include complaint hotlines, community liaison officers, and complaint or suggestion boxes.

Stakeholder concerns and complaints are part of any business. Where stakeholder concerns are effectively identified, addressed, and resolved, companies are more able to maintain their social license to operate, reduce their exposure to regulatory or reputational risks, and avoid potentially costly disruptions to their business activities or even the threat of litigation. Effective GMs help avoid social disruption, work stoppages, workforce turnover, and other adverse outcomes for all stakeholders.

Recent research conducted by Shift and the Equator Principles highlighted the financial benefits of implementing robust stakeholder engagement and GMs to prevent costly adverse impacts.<sup>1</sup> Based on a review of 137 projects, research conducted by ODI Global estimated potential financial losses of inaction – not conducting stakeholder engagement and having GMs – to be \$25-40 million.<sup>2</sup> GMs also highlight early warning signs of underlying issues, allowing interventions to be put in place. Therefore, 'zero complaints' is not the objective of a GM. Instead, it can indicate that stakeholders are unaware of, or do not trust, existing channels for raising concerns and finding solutions.

Having an effective GM is an important tool for companies to commit to respecting human rights, in line with the [United Nations Guiding Principles on Business and Human Rights](#) (UNGPs). GMs support human rights by offering ways to report and resolve violations, ensuring access to remedies, and empowering vulnerable individuals to defend their rights.

<sup>1</sup> Equator Principles, "[Tools to enhance access to effective grievance mechanisms and enable effective remedy](#)", p9.

<sup>2</sup> ODI, "[The financial costs of mitigating social risks: costs and effectiveness of risk mitigation strategies for emerging market investors](#)"



## 02

### What makes for an 'effective' grievance mechanism?

Principle 31 of the UNGPs<sup>3</sup> sets out the following effectiveness criteria for grievance mechanisms, which are explained in the table below. The effectiveness criteria should be used as guiding principles during the development of a GM, or the review of an existing one, and should be applicable to the GM as a whole.

**Table 1:** UNGPs effectiveness criteria for non-judicial GMs<sup>4</sup>

<b>Legitimate</b>	Enable trust from stakeholders and be accountable for the fair conduct of grievance processes
<b>Accessible</b>	Put in place adequate provisions to ensure that the existence of the GM is known and accessible to all target stakeholders, including providing adequate assistance to those who may face barriers to access (e.g. having all relevant language options or having a way to lodge grievances orally for those who cannot write)
<b>Predictable</b>	Provide a clear and known procedure to ensure consistency in the GM process, and clarity on the types of processes and outcomes available. This can be done with a decision flow diagram with indicative time frames
<b>Equitable</b>	Ensure that the aggrieved parties have reasonable access to information, advice, and expertise to engage in the grievance process on fair, informed, and respectful terms (e.g. making sure the process is culturally appropriate and free from cost or other potential barriers)
<b>Transparent</b>	Keep the aggrieved parties informed about the progress of the grievance and provide sufficient information about the GM's performance (e.g. through statistics or case studies)
<b>Rights-compatible</b>	Ensure that the outcomes and remedies are aligned with the internationally recognised standards for human rights. GMs should have a rights-compatible process, meaning that the processes of the GM should be based on the human rights principles of inclusion, participation, transparency, attention to vulnerable people, and non-retaliation. A rights-based GM will also ensure that remedies should be adequate, effective, prompt, culturally appropriate, and gender-sensitive, and that the GM should not impede access to judicial or administrative remedies
<b>Source of continuous learning</b>	Allow the business to identify opportunities for improvement and prevent future or recurring harm (e.g. grievance trends identified and used to make changes and improvements)
<b>Based on engagement and dialogue</b>	Consult stakeholder groups on the GM's design and performance and use dialogue to address and resolve grievances

<sup>3</sup> [UN Guiding Principles on Business and Human Rights](#), Principle 31.

<sup>4</sup> UN Global Compact and Harvard, "[Rights compatible grievance mechanisms: A guidance tool for companies and their stakeholders](#)"

## Additional considerations for stakeholder-centered GMs

In order to align with the UNGP criteria, a GM should be stakeholder-centred. It should be based on engagement and dialogue with affected stakeholders, making it accessible, while building trust and cooperation. A GM can be made more stakeholder-focused in several ways:

### Accessibility:

An accessible and relevant GM should address common barriers such as language differences, limited access to technology and the internet,<sup>5</sup> varying literacy levels, and the physical distance between communities and the GM. Understanding and integrating cultural sensitivities is also crucial. This includes considering power dynamics, group interactions, and attitudes towards raising complaints. For example, in some contexts, women may prefer speaking to women employees who recognise and are sensitive to the role of women in the local culture, and the issues they might face.<sup>6</sup> Stakeholders should also be given the option for a companion during meetings or hearings related to their grievance (e.g. village head, family member). To improve accessibility during the design or review of the GM, the company could distribute surveys or open up discussions for different stakeholder groups to share their preferred grievance channels and any barriers they might encounter.

### Anonymity:

An anonymous grievance lodging process helps make the GM legitimate as it builds trust with the stakeholders. However, it can also make resolving grievances more complicated. The company should consider the most effective way of responding to grievances that come through anonymously, and if a direct response is not possible, it should clearly communicate to stakeholders if and where they can receive a general response. In some cases, difficulties arising from anonymous complaints can be resolved by engaging a trusted third-party that offers confidentiality and a channel for communication with the aggrieved party.

### Non-retaliation:

Some stakeholders, particularly vulnerable groups, can be hesitant to lodge a grievance due to fear of retaliation. Along with anonymity, ensuring that raising a grievance will not lead to sanctions against the grievance maker is key to developing a legitimate GM, building trust, and ensuring stakeholders feel confident raising grievances. Mistrust in the process leads to grievances being unreported or undetected, which could prolong or exacerbate the situation. If stakeholders fear retaliation, they may also seek channels outside the organisation (e.g., non-governmental organisations (NGOs), civil activists, media, or other outlets) to ensure anonymity of their grievance, which can inhibit resolution, disrupt business operations, or lead to reputational damage.

---

<sup>5</sup> For more information on how technology can be leveraged in grievance mechanisms, see BII's "[Enhancing workforce engagement with technology](#)".

<sup>6</sup> See BII's "[Short guide on integrating GBVH considerations into a worker grievance mechanism](#)" for practical guidance for companies seeking to integrate gender-based violence and harassment considerations into a grievance mechanism.



## 03

### Why stakeholder engagement is the first step to designing effective grievance mechanisms

Given the need for a stakeholder-centred GM, engaging local stakeholders early in the development process is key. At British International Investment (BII), we've found companies that engage early and regularly with stakeholders to understand risks and impacts are better able to build a stakeholder-centred GM. This helps them handle concerns, pre-empt complex grievances, and lower the cost of dealing with complaints.

The nature and management of the GM may need to evolve based on the company's main activities and the stakeholders affected. For example, during the construction phase of an infrastructure project, an Engineering, Procurement, and Construction (EPC) contractor may lead on the implementation of the GM for its workers, contractors, and suppliers, with support and oversight from the company. At the same time, the company may operate a parallel GM dedicated to its own employees and community concerns. For this reason, there is no 'one-size-fits-all' for GMs, and it is critical for GMs to sit within a broader stakeholder engagement approach to build trust and offer multiple opportunities for stakeholders to raise concerns and provide feedback.

To design an effective GM stakeholder engagement model, the company should:

- 1. Identify the key stakeholders that need to be engaged.** This can be done by creating a stakeholder map of people potentially affected by the activities of the organisation, both directly and indirectly. A sample stakeholder map can be found on p21 of [Worth Listening – Understanding and implementing human rights grievance management](#) by Global Compact Network Germany (2019).
- 2. Understand whether any existing credible grievance channels are already in use.** Relying on accepted local dispute resolution mechanisms could save time and effort (e.g., local and national government bodies and NGOs), since they are often highly credible.
- 3. Engage relevant stakeholder groups,** including the most vulnerable (e.g., women, elders, migrant workers) to determine which grievance channels can be most effective. These engagements will help to build credibility and trust in the various GM channels, including informal systems (e.g., churches, youth groups, elders' councils, women's cooperatives, informal employee delegates, trusted civil society organisations, etc.). Particularly in Fragile and Conflict Affected Situations (FCAS), this can be undertaken in collaboration with local consultants or NGOs equipped to engage with various stakeholder groups in a context-informed and safe manner, especially in the light of potential challenges such as the fear of retaliation, security threats, discrimination and/or local conflict dynamics.



## 04

### What should the grievance mechanism contain?

Having predictable processes in place is foundational for making a GM clear and easy to use.<sup>7</sup> Key elements should include:

#### Channels:

Different channels that stakeholders can use to raise grievances, taking into consideration the unique barriers stakeholders may experience. Setting up informal channels for feedback can help filter out easy-to-resolve operational questions and reduce the volume of complaints directed to the formal GM.

#### GM scope:

Classifying what the GM can and cannot handle (the latter can be referred to appropriate stakeholders better equipped to manage them).<sup>8</sup> This should be based on insights gathered from stakeholder engagements about potential risks and impacts linked to the company's activities and inherent business risks.

#### Internal governance system:

A documented procedure to receive, classify, and respond to grievances with associated timelines and responsible parties.

#### Monitoring of GM effectiveness:

Setting key performance indicators (KPIs) and key milestones to review process efficiency and GM capacity. KPI examples are on page 11.

#### Implementation and communication plan:

A plan detailing how the GM will be rolled out, including a plan for training and awareness-raising campaigns.

#### Continuous feedback loop:

Regular analysis of the frequency, patterns, and causes of grievances to identify lessons for improving the GM and preventing future grievances and harms.

#### Disclosures as best practice:

Disclosing the GM's performance to wider stakeholders, for example, through high-level status updates and case studies of successful outcomes, can demonstrate legitimacy and retain stakeholder confidence and trust. However, advanced disclosure (especially details on individual cases) may not always be possible, such as where there is commercial sensitivity or an overriding need to protect the complainant.

<sup>7</sup> See BII's "[Grievance procedure templates](#)", which contains a template grievance procedure, template grievance reporting form, and sample grievance log.

<sup>8</sup> See IFC's "[Good Practice Note on Addressing Grievances from Project-Affected Communities](#)" (box 4, page 21).

## How to set up the internal governance of the GM

When establishing a GM, it is important to have a robust internal governance framework in place, which can include:

- **A process flow:** A standardised process flow diagram outlining the steps to be consistently followed when grievances are raised and setting out clear timeframes for each stage.<sup>9</sup> This should be tailored to be aligned with internal policies, processes, and procedures.
- **A data collection system:** A centralised system to collect, consolidate, and monitor grievance information and data. This can be managed internally using tools like Excel or through an external platform provider for real-time management, tracking, and reporting. See [Tool 4 on our External Stakeholder Engagement page](#) for a grievance log example.
- **Roles and responsibilities:** A document detailing the roles and responsibilities of the individuals who will manage the GM and respond to grievances.
- **Standardised response approach:** Guidelines for responding to grievances of varying types and severity with clearly-outlined procedures for escalating cases the GM management team are unable to address. This ensures consistency in handling grievances and builds GM credibility.

By implementing these components within the internal governance system, the GM can operate efficiently and ensure grievances are managed effectively and transparently.

## How to set up and manage different GMs

Companies can establish separate GMs for different stakeholders, because the nature of grievances and appropriate responses can vary significantly between stakeholder groups. For example, a company may have an internal GM for employees to raise concerns about workplace issues, and a separate external GM for external stakeholders (e.g. affected communities) to raise concerns about the human rights or environmental impacts of their operations. A company may also implement a two-level GM with different governance mechanisms to allow for less severe concerns to be handled internally, and more serious grievances (e.g., gender-based violence and harassment (GBVH), concerns about resettlement or severe environmental damage, material fraud allegations) to be handled by independent experts.

Funds, financial institutions (FIs), and other investors (including development finance institutions) should have a GM at the fund/FI-level, and also check that their portfolio companies and clients have their own GMs in place.<sup>10</sup> If grievances are managed well at the portfolio company and FI client level, they may not need to be escalated to the fund and FI-level. Funds, FIs, and other investors may agree with their portfolio companies and clients to be sighted of certain GM KPIs (listed on p11) or be notified of severe or unresolved grievances and support their portfolio companies and clients with resolution.

The table below shows examples of grievance channels associated with different GMs:

**Table 2:** Grievance channels associated with different types of GMs

Type of GM	Examples
Workplace mechanism	<ul style="list-style-type: none"> <li>• Employee hotline</li> <li>• Employee ombudsman / human resources complaints processes</li> <li>• Open-door / speak-up policies</li> <li>• Suggestion / feedback boxes / worker voice tools</li> <li>• Worker committees / trade unions / industrial relations processes</li> </ul>
External mechanisms	<ul style="list-style-type: none"> <li>• Community and/or customer-facing mechanism</li> <li>• Business-to-business contract clauses with dispute resolution provisions, Code of Conduct, and/or requirements to make company GM available</li> <li>• Multi-stakeholder initiative / sector initiative / certification body complaint mechanism</li> <li>• Supply chain mechanism</li> </ul>
State-based mechanisms	<ul style="list-style-type: none"> <li>• OECD National Contact Points</li> <li>• National ombudsman</li> <li>• National hotline (e.g., UK modern slavery helpline, Indian National Consumer Helpline in India)</li> <li>• National court system / labour dispute body / human rights institution</li> </ul>

<sup>9</sup> Examples of a standardised process flow include: [Reference Materials | BII ESMS Training Site](#) (scroll to the bottom of the page and select 'Internal Grievance Policy Example'); [World Bank Document – Grievance Redress in Projects](#) (page 3); and [World Bank – Guide to Designing and Implementing Grievance Mechanisms for Development Projects](#) (page 4).

<sup>10</sup> For FI-specific guidance, see FMO's "[Guidance on External Grievance Mechanisms](#)" and "[External Grievance Mechanism for FIs](#)".

## How to promote and communicate on GMs

There are three dimensions of communication that are important for an effective GM: (1) promoting and raising awareness of the existence of the GM; (2) communicating how the GM works to the relevant stakeholders; and (3) communicating with complainants throughout the lifecycle of the complaint.

To be effective, GMs should be made visible and transparent. Companies should identify the most effective and impactful ways to disseminate information, detailing how stakeholders can use GMs (e.g. public notice boards, pamphlets in local languages, regional media announcements, videos, radio announcements, and formal and informal consultations). This will help ensure that all stakeholders are aware of the GM and understand how they can raise concerns to allow for potential issues to be identified as early as possible.

Incomplete or ineffective communication of the GM may result in individuals being less likely to readily express their concerns. To be inclusive, companies may consider rebranding GMs using more approachable terminology such as 'customer care', 'concern channel', 'community voice', 'supply chain voice', or 'worker voice', and demonstrate their commitment to an open communication culture. Companies should avoid language that emphasises strict disciplinary actions for false reporting or intimidating procedures that might discourage employees from speaking up.

Companies should provide protection for the complainant and appropriate disciplinary action for anyone found to harass them. To let stakeholders voice their concerns without fear of reprisal from either the company, other workers or community members, the GM should have a balanced mix of anonymous, confidential, semi-public,<sup>11</sup> and public ways to access it, such as any of the following examples:

Figure 1: Different ways to access GMs



Communication to stakeholders to promote the GM may include:

- **A description of the GM** and the various channels available for submitting a complaint, including information about who may be contacted to lodge the complaint (e.g., Human Resources, Community Liaison Officer, manager, union representative, dedicated WhatsApp channel or hotline managed by the company or third-party).
- **A non-retaliation statement** clearly indicating complainants will be protected and specifying the measures taken for safeguarding complainants.
- **Indicative timelines** for acknowledging a complaint and its handling.
- **Different avenues/options offered** by the company to handle complaints (e.g., grievance committee meetings, external investigations).
- **Potential outcomes and types of redress** (e.g., disciplinary sanctions against at-fault employees, negotiated settlements, etc.).

To help resolve grievances, it may be useful to communicate to stakeholders that they are encouraged – but not obliged – to include the following information:

- **Description of the situation:** Provide as much information as possible about the situation, while maintaining confidentiality/anonymity where relevant (e.g., Where? When? What?).
- **Impacts:** How they believe they have been, or could be, harmed by an individual or a project, and the current or potential impacts on them.
- **Attempt at resolution:** Information about any potential steps taken to address the reported impacts before submitting the grievance, including any outcome.
- **Desired outcome:** What resolution would look like.

A prompt response is crucial to reduce risks, address unfair adverse impacts, and ensure continued stakeholders trust and confidence. After receiving a grievance, it is essential to maintain ongoing communication with the complainant throughout the handling process. This transparency helps clarify decision-making processes, promote predictability and legitimacy, manage expectations, and prevent potential escalations.

<sup>11</sup> A semi-public GM does not guarantee that grievances will be dealt with in a confidential manner, such as a generic e-mail address or complaints box.



# 05

## How to assess the effectiveness of the grievance mechanism

It is important for companies to conduct regular periodic GM reviews to ensure they are working, fit for purpose, and that stakeholders know about and trust them. Companies can test the effectiveness of the design, usage, and overall impact of their GMs and how adequately they address complaints either directly through their staff or through a third-party. Setting KPIs that measure the outputs, outcomes, and impacts at regular intervals is another effective approach. A comprehensive checklist for designing and implementing a GM is in [Annex 1](#).

The table below includes examples of KPI and the desired outcomes and impacts that the KPIs are a measure of.

**Table 3:** KPIs for GMs and the desired outcomes and impacts that the KPIs are a measure of<sup>12</sup>

KPIs	Outcomes and impacts
A significant number of grievances are brought to the mechanism in the pilot period after its establishment	There is both awareness of the mechanism's existence and confidence that it provides a credible first avenue of recourse
Grievances are consistently resolved within the predetermined timeframe	The internal process is effective
Independently conducted stakeholder surveys indicate that stakeholders are aware of the mechanism's existence and believe that it is a credible process	There is effective publicising of the mechanism and high potential it will be used by stakeholders where they have a grievance
Decrease in the number of grievances of the same or similar nature recorded over time	The company is learning from past mistakes and adapting practices and/or operating procedures where appropriate
Audits show a reduction in incidents of non-compliance with applicable standards	Grievance processes are contributing to the identification and remediation of non-compliance incidents
Standard operating procedures (SOPs) are reviewed and amended as a response to significant and repeat grievances	Lessons regarding management systems are being learnt and acted upon to reduce the likelihood of the same kind of grievances recurring
Decrease in the number of appeals against the outcome of grievances	Reduced likelihood of dissatisfaction with the responses based on lessons learnt

<sup>12</sup> Adapted from: [Ethical Trade Initiative: Access to Remedy Practical Guidance for Companies](#) (2019), and [Worth Listening – Understanding and implementing human rights grievance management](#) by Global Compact Network Germany (2019).



## 06

### **How to maintain effective grievance mechanisms in challenging and high-risk environments**

In FCAS, or in other high-risk environments (e.g., due to the nature of the business or operating context), it can be exceptionally challenging and sensitive for companies to engage with their relevant stakeholders due to the potential fear of retaliation, security threats, discrimination, or local conflict dynamics. In those instances, companies are encouraged to identify local consultants and civil society organisations equipped to engage with various stakeholder groups in a context-informed and safe manner, identify potential grievances, and make recommendations on how they could be sensitively handled. In FCAS, civil society organisations should be seen as key partners in consulting and designing GMs to maximise their effectiveness, as they can be valuable to bridge information and communication gaps between companies and their stakeholders.

---

## Annex 1

### Checklist for designing and implementing a GM

#### 1. Pre-design phase

- Mapped and engaged with stakeholders
- Identified the key stakeholders to be engaged
- Identified any existing credible grievance channels already in use
- Engaged with relevant stakeholder groups to determine the most effective grievance channels

#### 2. Design phase

- Allocated sufficient budget and resources to manage the GM
- Received senior buy-in on the process
- Developed a selection of grievance channels aligned with stakeholder needs that meet the UNGP effectiveness criteria
- Finalised GM scope
- Set up internal governance systems:
  - Designed the process flow
  - Set up a data collection system to record and track grievances
  - Documented roles and responsibilities for GM management
  - Developed a standardised response procedure
  - Developed and delivered training materials
  - Set clear KPIs
  - Identified referral pathways for out-of-scope concerns

#### 3. Implementation phase

- Developed an implementation and communication plan for GM roll out
- Delivered communication plan to raise GM awareness with all stakeholders covering:
  - GM description (including what is a GM and how to use it, what channels are available, what can be raised through the GM, recommended details to include when raising a grievance and what happens after a grievance is lodged and indicative timelines)
  - The non-retaliation policy and how to raise grievances anonymously
  - Avenues offered for handling complaints
  - Potential outcomes and types of redress
- Set date for review of GM and KPIs



---

## For further information:

► **British International Investment plc:**

123 Victoria Street  
London SW1E 6DE  
United Kingdom

T: +44 (0)20 7963 4700

E: [enquiries@bii.co.uk](mailto:enquiries@bii.co.uk)

[bii.co.uk](http://bii.co.uk)

