The London School of Economics and Political Science | Grantham Research Institute on Climate Change and the Environment | Just Transition Finance Lab | World Benchmarking Alliance

How finance can unlock credible, robust and just transition plans

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Key Findings

Several key findings emerge from this input paper that can enhance the SFWG transition finance framework, in particular its principles 6, 8, 16 and 21. These include the following:

1. **Practical approaches to integrating just transition principles in transition plans are emerging, and can be further streamlined across G20 countries.**

Guidance for corporates and financial institutions on the "how" and "what" of embedding the just transition in transition plans provides a vital way of mainstreaming the social dimension. Yet, more is needed to ensure this is done in an internationally interoperable way, while being tailored to national contexts and priorities. Our assessment of 13 frameworks (including ESRS, IFRS, TNFD, GRI) assessed how just transition considerations are included and to what depth in different disclosure frameworks. This work must be regularly reviewed as frameworks are updated and new ones emerge. Yet, our analysis shows that current major frameworks tend to place a primary emphasis on minimising risks, especially regarding workers. However, just transition is not simply a risk mitigation mechanism. More guidance around the identification, enabling environment creation, and maximisation of opportunities and benefits of the transition are required.

2. **The G20 can play a critical role in making transition plans just by advancing common frameworks, sharing examples of emerging good practices, in designing financial policies, and addressing the implications for international value chains.**

The G20 is critical in advancing and mainstreaming sustainable finance principles in the transition to greener, more resilient, and inclusive societies. As the input paper shows, several G20 economies are already first movers in the just transition agenda and are putting forward just transition strategies, environmental justice provisions, or disclosure frameworks with social considerations. Echoing the G20 Sustainable Finance Working Group's (SFWG) stated priorities for this year, the moment is now to mainstream the just transition in transition planning globally.

3. **Just transition assessments can show where gaps exist for companies and in turn support financial actors in their capital allocation and investment engagement activities.**

Only 6% of 399[1] companies[2] assessed in this paper, using insights from the World Benchmarking Alliance's (WBA) Climate and Energy Benchmarks, are partially planning for a just transition. This drops to 0% when looking for full implementation. This requires companies to have social dialogue mechanisms in place and time-bound targets to protect workers, consumers and suppliers from the impacts of a low-carbon transition. It is also key to assess the just transition/wider social strategy of companies in tandem with their transition plans. Our analysis however finds little to no correlation between companies' climate and social performance. This means companies may perform well on

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[1] 30 automotive companies were also assessed by WBA but excluded from this analysis given the analysis is older compared to other sectors and was conducted in 2021.

[2] For further overview of these companies see https://www.worldbenchmarkingalliance.org/climate-and-energy-benchmark/. For an overview of the criteria used for the company selection see: https://www.worldbenchmarkingalliance.org/research/sdg2000-faq/

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climate but with little to no social and just transition strategy in place to mitigate the potential adverse socio-economic impacts of decarbonisation on workers, suppliers and local communities.

4. **Contextual factors are important when assessing how companies are integrating just transition.**

An assessment of company efforts on just transition needs to take into consideration contextual factors that are both internal and external to a company. These include amongst others whether companies are vertically integrated or not, the type of companies assessed (SOE, private, publicly listed), and companies' regional distribution of assets. It is also important to consider external factors such as the type of transition underway (which affects transition risks), the costs of the transition for a given company and wider national planning mechanisms put in place to build institutional capacity for a just transition.

5. **There are a number of levers financial institutions (FIs) can use to drive company just transition implementation.**

Our input paper showcased some of the key levers financial institutions can use to drive corporate just transition implementation. These include shareholder engagement from investors with their investee companies and leveraging the bond market for just transition related issuances. Different financial actors including commercial banks, investors and public finance institutions can also play to their respective strengths using specific levers to drive corporate just transition implementation. Finally, blended finance can also support just transition implementation from corporates by improving their access to domestic and international debt financing. Within the G20 a number of examples of public-private partnerships and blended finance with just transition components exist and are increasingly being set up. These include amongst others Brazil's New Growth Acceleration Program and its ecological transition plan. A number of safeguards can further be put in place to ensure just transition considerations remain central as part of the scaling of blended finance and Public-Private Partnerships (PPPs).

Introduction

The G20 Brazilian Presidency has outlined that supporting the design and implementation of "credible, robust and just transition[3] plans" is a critical task for sustainable finance and a priority of the 2024 G20 Sustainable Finance Working Group. This is indeed a welcome development as we usher in an era that is underscored by the necessity to mainstream the just transition in financial system transformation. This importance is highlighted by the Intergovernmental Panel on Climate Change (IPCC), which has said that "climate finance in support of a Just Transition is likely to be key to a successful low-carbon transition globally." This input paper of the Just Transition Finance Lab at the Grantham Research Institute on Climate Change and the Environment (GRI), London School of Economics and Political

[3] According to the ILO, a just transition means greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind. A just transition involves maximising the social and economic opportunities of climate action, while minimising and carefully managing any challenges – including through effective social dialogue among all groups impacted, and respect for fundamental labour principles and rights. See https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_885375.pdf

Science, and the World Benchmarking Alliance (WBA), have yielded four lessons in monitoring this evolution.

First, there is growing recognition of the need for companies to disclose and implement credible robust and just transition plans to limit global warming to 1.5C, advance efforts towards nature positivity, and address social inequities. This can be seen with the rise in voluntary and mandatory climate disclosure requirements for companies, including across G20 economies. The just transition is of planetary urgency.

Second, the actual adoption of just transition principles in business and financial sector climate efforts is growing, but remains marginal. Insights from WBA showed that out of 399 companies assessed only 6% are partially planning for a just transition. Similarly, the Climate Action 100+ investor initiative, representing 700 institutions with $68 trillion in assets, incorporated just transition expectations into its 2023 net zero benchmark of the world's 170 most carbon-polluting companies, and found that less than a quarter of these companies (24%) had made a commitment to the just transition, and only five (3%) had produced just transition plans with stakeholder involvement. Moreover, there is still a gap in understanding how these disclosure requirements integrate just transition (see table 3) and ensuring companies' low-carbon transition is fair for workers, local communities and the regions most affected. A growing body of research further shows a clear business case for a just transition. A just transition is not only a means of supporting net green job creation. It is also essential to increase social acceptance in the low-carbon transition, reduce inequality in regions that may be left behind, increase wider social cohesion and support long-term resilient and inclusive economic development.

Third, practical approaches to integrating just transition principles in transition plans are emerging and provide a vital way of mainstreaming the social dimension while being internationally interoperable and tailored to national contexts and priorities. The UK Transition Plans Taskforce has been one of the first movers in this area, embedding social considerations in its sector-neutral and sector-specific frameworks. The latest independent advisory report provides a compendium of just transition-relevant metrics to support preparers and users of transition plans. Above all, this shows that achieving a substantial level of indication of just transition progress should not accrue additional reporting burdens.

Fourth, companies that fail to integrate just transition principles across their value chain may face the prospect of increased just transition-related litigation[4]. Even though this is still an emerging trend compared to climate litigation, there are several cases involving real economy companies. Existing cases relate to different aspects of just transition, for example linked to a company's due diligence obligations, procedural justice and the lack of free, prior and informed consent when building low-carbon projects. The OECD's Guidelines for Multinational Enterprises (MNE) inclusion of just transition can also serve as soft law mechanisms under which companies' failure to address just transition considerations is brought forward to National Contact Points at a country level. In the long run, the rise in just transition-related litigation could impede companies' social license to operate with material effects on companies' balance sheets for low-carbon projects that are delayed or suspended and through reputational harm and disengagement of key stakeholders. It is, therefore, crucial that just transition frameworks and data

[4] While just transition litigation can involve a number of different grievances and forms of perceived injustice both from the point of view of public authorities and the private sector, there has been a number of cases of just transition litigation specifically relating to corporates.

serve as a means of accelerating company just transition implementation and the integration in transition finance[5].

The aims of this input paper are threefold. It provides a landscape assessment of the state of play of just transition efforts from real economy companies. It also shows what frameworks and data on just transition already exist, why this information is important and how it can be used by regulators[6] and financiers to assess the credibility of company efforts. Finally, in section 2 the paper dives into some of the levers different financial actors can use to drive credible, robust and just transition plans. As such, the paper can enhance the G20 Sustainable Finance Working Group (SFWG) transition finance framework, in particular its principles 6, 8, 16 and 21.

State of play of just transition frameworks for corporates

Existing just transition frameworks for corporates

While there is no one-size-fits-all all to a just transition, several frameworks exist and can be used by financial actors to incorporate just transition-related data in transition finance (see table 1 below for an overview). While the frameworks presented in the table are by no means exhaustive nor prescriptive, they provide an overview of how evolving disclosure expectations are integrating various just transition related components.

- The World Benchmarking Alliance (WBA)'s just transition methodology[7] is an existing frameworks mentioned in Table 1 that provides guidance on how to track and measure the level of just transition implementation by companies with indicators. Informed by experts in the field and a public consultation process and using publicly available information, this methodology shows how companies in different sectors are advancing a just transition across six areas of measurement. These are (1) social dialogue and stakeholder engagement; (2) planning for a just transition; (3) green and decent job creation; (4) retaining and re- and/or upskilling; (5) social protection and social impact management; and (6) advocacy for policies and regulations supporting a just transition.

[5] For further work on this including alignment approaches see https://www.oecd-ilibrary.org/sites/90b694a9-en/index.html?itemId=/content/component/90b694a9-en and https://www.imf.org/external/np/g20/pdf/2023/091323.pdf

[6] The term regulator refers to standard setters and other government or financial regulatory bodies.

[7] For a more in depth overview of WBA's just transition methodology see: https://www.worldbenchmarkingalliance.org/research/just-transition-launch-of-the-methodology/. For each of WBA's six just transition indicators, there are four areas of assessment that show the depth of company just transition integration. For example for green and decent job creation these include (1) company has a public commitment to create and provide or support access to green and decent jobs as part of the low carbon transition (2) company assesses and discloses the risks of employment dislocation caused by the low carbon transition and related impacts on workers and affected stakeholders (3) company demonstrates the measures it takes to create and provide or support access to green and decent jobs for workers and other affected stakeholders and (4) company demonstrates the measures it takes to ensure that green and decent jobs embed equality of opportunity for women and vulnerable groups. For a full overview of all these areas of assessment across the six just transition indicators see: 2022-January_Just-Transition-Assessment_Datasheet.xlsx

- The Climate Action 100+ investor initiative, representing 700 institutions with $68 trillion in assets, incorporated just transition expectations into its 2023 net zero benchmark of the world's 170 most carbon polluting companies. Specifically, its Disclosure Indicator 9 includes a stronger focus on a company's commitment to a just transition, it's just transition plan and the quantified key performance indicators it uses to track progress on the just transition.[8] Beyond WBA and the Climate Action 100+ other frameworks also exist. The Council for Inclusive Capitalism is one example which co-developed a Just Transition Framework for Company Action with support from companies, academic, investor, civil society, and social representatives.
- The UK Transition Plans Taskforce (TPT), similarly, set up its Just Transition Working Group in April 2023 to provide advice to the TPT on the appropriate consideration of just transition in the TPT's work. The latest independent advisory report provides a compendium of just transition-relevant metrics to support preparers and users of transition plans.

The integration of just transition in disclosure requirements

Just transition aspects are also increasingly being integrated into taxonomies, climate standards and wider disclosure requirements across G20 economies. While this does not yet make reporting on just transition mandatory, companies that act now may be better prepared for future climate and social impacts. For an overview of how disclosure requirements are addressing different just transition components across key stakeholders and in implementing priority actions for a just transition see table 1 below.

Table 1 Level and depth of just transition integration across climate disclosure requirements[9]:

		Market-specific financial disclosures			Global voluntary financial disclosure frameworks			Just transition/environmental justice frameworks						
		EU ESRS	EU SFDR	India BRSR	IFRS	TNFD	GRI	ILO	WBA	III	UNGP	South Africa TIPS	Spain	US IRA
Maximise opportunities	Workers	9	3	8	0	0	7	6	10	8	0	4	9	3
	Suppliers	8	0	3	0	0	1	4	1	2	0	7	3	5
	Communities	10	0	3	0	2	1	2	1	3	0	10	4	22
	Consumers	9	0	0	0	0	1	2	0	2	0	2	1	8
Minimise risks	Workers	48	24	22	1	4	26	1	31	7	15	0	1	1
	Suppliers	16	7	6	1	6	11	0	16	1	15	0	0	1
	Communities	18	7	3	1	10	4	1	15	7	16	0	2	8
	Consumers	17	1	3	1	0	2	1	14	3	15	0	2	0
Effective social dialogue	Workers	15	2	1	0	0	7	2	4	4	9	0	1	0
	Suppliers	8	0	1	0	0	4	2	2	0	9	0	2	0
	Communities	5	0	5	0	4	4	2	2	15	9	0	3	1
	Consumers	7	0	0	0	0	4	2	2	2	9	0	0	0
Optional Leadership: System-level transformation	Workers	0	0	0	0	0	0	0	0	1	0	1	5	2
	Suppliers	0	0	0	0	0	0	0	0	0	0	0	3	0
	Communities	0	0	0	0	1	0	0	0	2	0	3	3	4
	Consumers	0	0	0	0	0	0	0	0	0	0	0	4	1

[8] See https://www.climateaction100.org/wp-content/uploads/2023/03/Climate-Action-100-Net-Zero-Company-Benchmark-Framework-2.0.pdf

[9] It is important to note that these frameworks are not exhaustive but provide an overview of some of the key disclosure frameworks to date. The darker shading in the figure indicates a higher level and depth of integration for the different priority actions.

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Source: UK TPT Just Transition Working Group

Table 1 shows that existing frameworks (market-specific financial disclosure frameworks, global voluntary financial disclosure frameworks, and just transition/environmental justice frameworks) put different emphasis and prioritization across the stakeholder groups and priority actions.[10] It illustrates the distribution across 13 frameworks. The numbers in each cell are the aggregate quantity each framework has dedicated to a specific stakeholder group under each priority action. The shading in each cell reflects this, where darker shades show a higher number of disclosure requirements at the crossover of the stakeholder group/priority action. The heatmap is not a critique, but a recognition of the different actions and prioritisation[11] that are needed to address place-based concerns in specific geographies.Importantly, what constituted just transition relevance in this mapping was not simply an explicit mention of the term "just transition", but also a description of actions that account for social implications. This can include protecting health and safety and social protection for workers, applying human rights and environmental due diligence along the supply chain, understanding the spillover effects of projects for communities, or prioritising implications for consumers with inadequate access to sustainable goods and services.[12]

This mapping highlights actions taken by several G20 economies and reflects their contextual opportunities and challenges. **Spain**'s Just Transition Strategy explicitly acknowledges the need to support projects and investments that create jobs, particularly in the circular economy, the agri-food industry and rural tourism. It also pays acute attention to challenges around youth unemployment and vocational training. In **India**, the Business Responsibility and Sustainability Reporting (BRSR) includes reporting on human rights grievances and corrective mechanisms, community grievance mechanisms, and rehabilitation and resettlement criteria. BRSR disclosure can form the basis for credible data for investors to start assessing Indian companies for their strategy for a people-inclusive just transition (Selvaraju et al., forthcoming). In the **EU,** the European Sustainability Reporting Standards Disclosure Requirement 4 on social dialogue provides an understanding of institutional prerequisites and the extent to which rights to social dialogue are respected and carried out in the EU/EEA operations of the undertaking. The **United States** Inflation Reduction Act Environmental Justice Provisions deliberately focuses on restorative justice for communities that have been underserved and underinvested in terms of infrastructure and critical services and who are also suffering disproportionately from climate impacts. **South Africa's** Trade & Industrial Policy Strategies' "A Just Transition Transaction Framework" emphasised that a just transition in the country begins with recognising the implications of its colonialist and apartheid history, the marginalisation of non-urban populations, labour-sending area dynamics, and the neglect of poor communities.[13] As such, a just transition entails a system-level change that recognises the need to create opportunities and engage with these communities.

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[10] For an overview of the underlying data in table 1 see UK TPT Just Transition Working Group outputs and detailed metrics.

[11] Prioritisations include actions related to maximising opportunities, minimising risks, effective social dialogue and system level transformation. Under each prioritisation there are a set of actions companies can undertake which are further listed as just transition related metrics as part of the UK TPT Just Transition Working Group outputs. Amongst others, actions include for example access to social safety net programmes available for community members, workers or areas negatively impacted by climate, representation of workers, communities or other vulnerable groups in the management structures of enterprises or transition assistance programs provided to workers affected.

[12] While this needs to be assessed on a case by case basis, research shows that without taking into consideration policy design and complementary social policies, a number of clean energy policies may increase income inequality. See for example https://iopscience.iop.org/article/10.1088/1748-9326/abc11f and https://www.iisd.org/publications/report/covid-19-impacts-on-clean-energy-transition-inequality-poverty

[13] See: https://www.tips.org.za/images/TIPS_Just_Transition_Transaction_Framework_A_Framework_for_Financing_Investments_in_a_Just_Transition_August_2023.pdf

As shown, in terms of priority actions, existing just transition relevant frameworks have placed a primary emphasis on the minimisation of risks, especially as they relate to workers. That said, in some cases addressing risks can lead to positive impacts and open opportunities for vulnerable groups, such as where they are paid a living wage or where rights to free, prior and informed consent for land use are respected. Yet, given that the just transition is not simply a risk mitigation mechanism, more guidance from regulators to reporting firms is required about the identification and maximization of opportunities and benefits, and the creation of an enabling environment for these outcomes. This is not exclusive to employment, such as through the (re)training, (re/up)skilling, capacity development, vocational training, apprenticeship, and job search schemes. It also should include wider social benefits such as increasing access to affordable, safe, and sustainable goods and services.

The analysis also points to the need for more equal emphasis across stakeholder groups. The just transition has now entered an era of proliferation, building on its one-line inclusion within the 2015 Paris Agreement, where the focus was on the role of workers in climate action. In many geographies and circumstances, local communities have the most to lose – and most to gain – in the transition. Renewable projects and infrastructure can lead to the relocation of Indigenous Peoples and Local Communities from their lands and natural resources and require free, prior and informed consent to minimize their impacts on livelihoods. At the same time, mechanisms such as full ownership, co-ownership, financial benefits, revenue-sharing agreements, and others can ensure benefits to Indigenous Peoples and local communities. The mapping in table 1 recognises that different actions and prioritizations are needed to address place-based concerns in specific geographies. It also encourages standard setters, regulators, policymakers, and issuers to factor just transition more holistically in transition planning. In the G20, a number of taxonomies are also increasingly integrating just transition considerations (such as ASEAN's 2024 taxonomy). At a project level this can support the scaling of transition finance that integrates just transition components.

How just transition considerations are being integrated at a company level

WBA's just transition methodology is one of the existing frameworks which shows how just transition is being implemented at a company level (see box-out 1 below for detailed findings).

Box-out 1 Findings from WBA's just transition methodology

The disaggregation of just transition into these different areas of assessment enables a more granular understanding of good company practices and where just transition gaps exist (such as per sector, indicator and type of company). For example, WBA's assessment of 399 companies across multiple sectors (electric utilities, oil and gas, transport and buildings), about 70% of which are based in G20 economies, shows a number of key findings. For an overview of these findings per indicator see table 2 below.

- Across the different indicators and areas of assessment **a full implementation of just transition remains elusive for most companies**. It is also important to note that there are **intersections between the areas of assessment**, for example social dialogue is needed for effective re and or upskilling and just transition planning.

- The level of just transition readiness varies per sector with the highest level of readiness for electric utilities companies. This finding may reflect the fact that until now (although this is starting to evolve) just transition discussions have focused mostly on the energy sector and specifically on coal. It is also likely to be an indication that the low-carbon transition is at a more advanced stage in the electricity sector.
- Currently **only 6% of 399 companies assessed by WBA are partially planning for a just transition**. This **drops to 0% when looking for full implementation**. This requires companies to have social dialogue mechanisms in place and time bound targets to protect workers, consumers, and suppliers from the impacts of a low carbon transition.
- Even in areas where companies tend to perform better such as green and decent job creation, it is **crucial to assess how inclusive and decent these jobs are**. This includes for example vulnerable groups and women amongst other stakeholders who may be excluded from such opportunities. WBA's assessments find that 12% of companies ensure that green and decent jobs embed equality of opportunity for women and vulnerable groups.[14]

Table 2. Level of company readiness on just transition across indicators

Depth of just transition integration	Social dialogue and stakeholder engagement	Planning for a just transition	Green and decent job creation	Retaining and re-and/or upskilling	Social protection and social impact management	Advocacy for policies and regulation supporting a just transition
Companies that meet at least one of four elements	25%	5.3%	30.8%	50%	6.1%	5.1%
Companies that meet two -three of the four elements	6.6%	2%	13.6%	19.9%	2.3%	1.3%
Companies that meet all four elements	1.5%	0%	0%	0%	0%	0.3%

[14] This finding is corroborated by the IEA which shows that women for example represent 15% of the energy workforce today. https://www.iea.org/reports/world-energy-employment-2023/executive-summary

Note: the colour coding in this table shows visually the level of readiness with three categories: red the lowest (0-24%) with a darker shading when readiness is below 5%, yellow the medium (25-49%) and green the highest (50-100%).

When assessing just transition related data from real economy companies, financial institutions should also consider how just transition components interact with companies' decarbonisation strategies. This is important as just transition should not be used as a way to slow the low-carbon transition. This is the case even when taking into consideration common but differentiated responsibilities and the different financial capacities of companies to decarbonise.

Box-out 2 Assessing the credibility of company's transition plans in tandem with just transition

Through the Assessing Low Carbon Transition (ACT) methodology hosted by ADEME (French environment agency) and WBA, WBA is able to shed more light on the interaction between the decarbonisation and just transition strategies of companies. For an overview of this interaction across 399 companies assessed as part of WBA's climate and energy benchmarks see figure 2 below. ACT evaluates the transparency, credibility and consistency of company transition plans along various key dimensions. This credibility is based on a range of information, including the company's past, current and projected future emission trajectory compared to a low-carbon pathway (the IEA's 1.5°C pathway in the case of WBA benchmarks). It also includes the relevant direct and significant indirect (scopes 1–3) emission targets a company sets, its share of investment in low-carbon technologies and the company's locked-in emissions compared to its carbon budget. Finally, ACT measures other, more qualitative information, such as a company's level of climate engagement with suppliers, clients and policies and its level of management expertise on climate or development of new business models. The total ACT score out of 60 includes a performance score along with a trend and narrative score which assess the consistency of a company's transition plan and how companies would perform if they were re-evaluated in the future.

Figure 2 below shows that out of all the companies assessed in WBA's climate and energy benchmarks, only about 1% perform above average on both their social[15] and ACT (decarbonisation) assessments (all of which are electric utility companies).[16] Importantly, there is little to no correlation between a company's decarbonisation and social performance.[17] This means companies may perform well on climate but with little to no social and just transition strategy in place to mitigate the potential adverse socio-economic impacts of decarbonisation on workers, suppliers, and local communities. Figure 2 further shows that about 10% of companies perform above average on ACT but with a lower-than-

[15] The social assessment in figure 2 below is a combination of the just transition assessment and core social indicators which are used across WBA benchmarks to how companies are aligning with human rights, decent work and ethical conduct principles. Both are weighted at 20% respectively with ACT weighted at 60%.

[16] It is important to note that above average on ACT does not imply a company's transition plan is fully robust and credible. For an overview of the types of thresholds that can be used to determine with more granularity the credibility and robustness of company's transition plans based on the overall performance score and different aspects of transition planning see: https://actinitiative.org/wp-content/uploads/documents/act_assessment_categorization_framework_paper_v0.1.pdf

[17] The just transition and ACT methodologies have also been assessed in relation to international frameworks such as the UN SDGs and the UN HLEG net-zero indicators developed to assess the credibility of transition plans. In relation to SDGs and WBA's just transition indicators, there is a link in particular to SDGs 1.3, 3, 4.4 and 5.1. In relation to the ACT methodology, research from the Climate Action Network and WBA shows that there is a 65% direct link with the HLEG criteria or 15 out of 23 of its net zero indicators.

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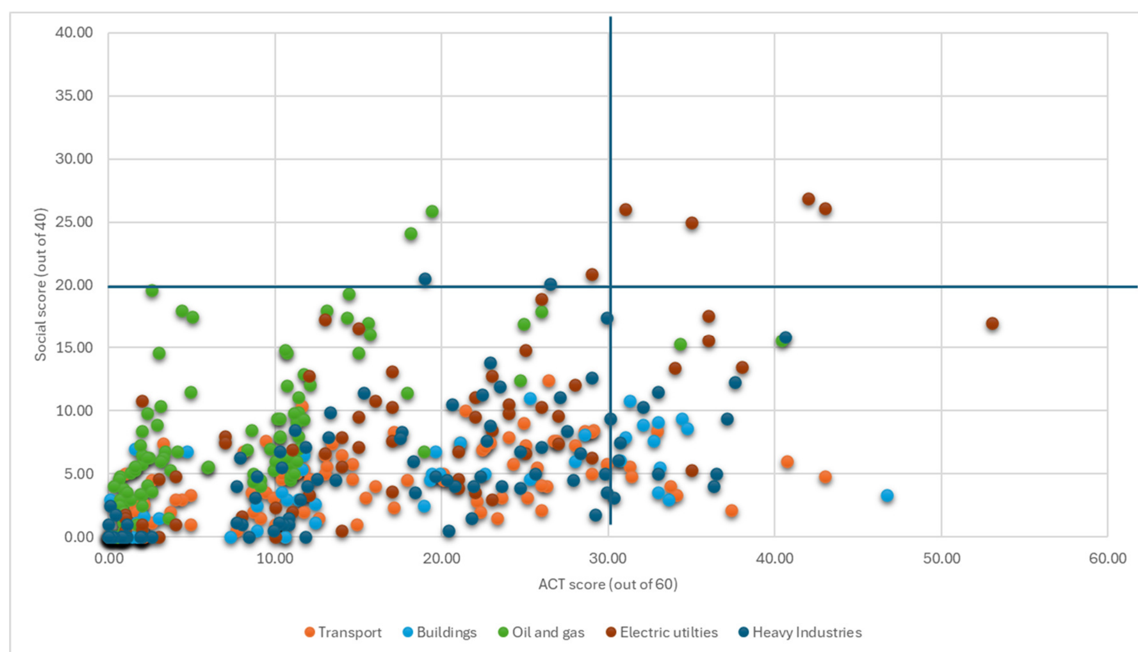
average social score, almost half of which are heavy industry and building sector companies. While it is important to put these results in the context of other internal/external factors (see table 5 for an overview on just transition), this type of categorisation can support a better overall view of how companies are advancing credible, robust, and just transition plans.

Figure 2: How just transition interacts with companies decarbonisation strategies[18]



In addition to the level and depth of inclusion of just transition in climate standards and the interaction with the transition plans of companies (figure 2), contextual factors are important to understand how companies will integrate just transition. In turn, these contextual factors can provide a more nuanced understanding of just transition and support the G20 SFWG in enhancing its transition finance framework. For an overview of some of these factors see table 5 below. For example, it is important to assess the quality of retraining and or re-upskilling programs disclosed by companies, how they respond to local community needs, and whether they are inclusive of groups that may be excluded from the labour market. It is also important to identify whether corporate just transition planning links to national priorities (as may be reflected in country NDCs, LTS or other national/sectoral pathways).

It is important to note that the factors listed below are non-exhaustive and may compound each other. Ultimately other factors may be operating at hand affecting just transition prospects for corporates given the context specificity of just transition.

Table 5 Examples of internal and external factors affecting corporate just transition planning

Factors	Internal/external	How this may affect just transition

[18] For the underlying data and ACT and just transition methodologies used in figure 2 see WBA's Climate and Energy Benchmarks.

What is the type of transition underway?	Internal/External	Depending on the type of transition underway (if technology replacement for green steel or wider industry phase-out) the just transition implications will vary and potentially significantly. In the former case this may involve employees moving from one department to another or some local level impacts but this will be much less significant than in the case of wider industry phase-out where long-term income inequality and economic decline may occur.
What are the sector specificities to the transition in the context in which the company operates in?	Internal/External	While WBA's just transition methodology is sector-agnostic, showing how companies are integrating core just transition principles, just transition implications in addition to being context specific, vary per sector.[19] Most of the work conducted to understand just transition impacts is ex-ante yet shows different job/social related impacts and transition risks per industry/sector.[20]Yet, further work is needed to understand community level impacts and job quality in relation to a just transition. Cross-sectoral

[19] For an overview of some proposed sector specific metrics for key low carbon energy transitions including renewable energy deployment, fossil fuel infrastructure phase out, transportation electrification and residential building decarbonisation see UCSB 2035 initiative.
[20] See for instance work conducted by the IEA on employment related impacts per industry/sector, skill level and data on wages/skill-level for jobs. See also work conducted by McKinsey using NGFS scenarios to assess the different socio-economic impacts of decarbonisation pathways.

		impacts should also be considered given the linkages between for example heavy industries and buildings or capital goods and electric utilities.
How do company efforts on just transition link to national planning (NDC, LTS and wider enabling public policies)?	External	Companies may not disclose much information on just transition but operate in the context of a country that has robust just transition policies in place. Spain is an example within the EU of such a country which has also established public-private partnerships mechanisms for a just transition.
What is the level of value chain integration?	Internal/external	Companies that are vertically integrated may find it easier to establish dialogues with their suppliers on a just transition. While it is important to note that other factors are likely to be operating at hand, WBA's 2023 oil and gas benchmark finds that fully integrated and semi-integrated oil and gas companies have on average a level of just transition readiness that is twice as high than full upstream or midstream players, even if for all companies the readiness remains low.

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How do company characteristics affect just transition? (listed, state-owned, private)	Internal	State-owned enterprises present a case where the government (as full or majority shareholder) may potentially more easily influence company just transition policy. Yet at the same time WBA's just transition assessments and climate and energy benchmarks show an overall lower level of transparency and disclosure from SOEs. It is therefore important to understand better some of the underlying dynamics that may affect just transition for SOEs even if their disclosure on just transition remains low.
What is the level of unionisation, social protection and collecting bargaining across the company's workforce?	Internal	This type of data can inform the challenges some companies will meet if these indicators remain low, even if they are more transparent in disclosing on a just transition.
What factors including relating to the policy environment affect just transition related costs?	Internal/External	A just transition will involve differentiated costs based on components such as reclamation, repurposing, decommissioning, community resilience, labour support and planning and governance amongst others.
What is the regional distribution of company assets?	Internal	The regional distribution of assets can affect how

		companies implement just transition across the markets in which they operate with for example potential higher community impacts in markets where there is less visibility and accountability across global value chains.

Building on some of the contextual factors listed above of relevance to the G20 SFWG , several G20 countries' national decarbonisation and just transition strategies clarify the role that corporate actors can play on just transition. This is the case of France's national low-carbon strategy which includes some indicators to assess how industries are using policy measures to support costs of decarbonisation such as to increase energy efficiency and decarbonise heating/cooling. Similarly, in France sectoral pathways released by ADEME (such as for cement), show what may be the differentiated social impacts for cement industries under several decarbonisation pathways. Canada's 2023 Sustainable Jobs Plan further mentions the need to strengthen data/indicators to track the creation of sustainable jobs across the country. The plan also mentions the need to develop sectoral pathways and linking these pathways to corporate accountability mechanisms to support local decision making and assess how companies can contribute to funding initiatives. Finally, Brazil's New Growth and Investment Plan and Ecological restoration plan will rely on public-private partnerships to support economic diversification and decarbonisation across multiple economic sectors. While non-exhaustive[21], these examples reveal the importance of understanding how corporate just transition planning fits into a national context. In other words, to drive transition finance that incorporates just transition principles, it is essential to ask whether corporate actions contribute to wider national and sectoral efforts to support a just transition. More work is required to further delineate the linkages between corporate, sectoral and national just transition pathways. Yet, such interconnections are crucial to understand for example how the re and upskilling and number, types and quality of green jobs companies provide respond to sectoral and national priorities.

When assessing corporate disclosures on just transition, regulators and financiers should further examine how companies engage with their suppliers. Insights from WBA's assessment of 399 companies benchmarked reveal that below 1% of companies have set time bound targets to mitigate the impact of low-carbon transition on their business relationships. Yet this is a key area that requires focus given the complexity of global value chains and the multiplicity of infrastructure, fuel and service providers companies need to engage with to successfully decarbonise. These companies are also in many cases SMEs and MSMEs with less financial, technical and institutional capacities to deliver on a just transition.

In addition, an assessment by regulators and financiers of the distribution of company assets is important given companies may have more robust just transition principles in place in the main markets in which they operate but not necessarily in other jurisdictions in which they operate. The mapping of company assets can also help identify which regions will likely face most transition and climate risks. In turn, this can support targeted policy interventions and a more effective allocation of transition finance.

[21] See for example pilot work conducted by the ILO in the Philippines building domestic and private sector capacity to implement a just transition through tripartite consultations, accessing skills and data and the developing strategic insights through scenario and policy assessments.

How finance can unlock corporate action on just transition

Within the G20 existing databases could be leveraged to map such regions and assets. These include for example work conducted by the EU Joint Research Centre, which showcases regions most at risk from decarbonisation through several indicators. Global databases such as Climate Trace, which include asset level information on production sites, per company, emissions, production and employment data including at a company level and per project can be useful in this regard. In particular it can be useful in ensuring that the reallocation of company assets abides by responsible exit principles. This is critical in case companies shift, for example, economically unattractive assets to other companies such as state-owned enterprises. The reallocation of assets presents risks both from an environmental and social point of view. The UN Guiding Principles (UNGPs) on business and human rights and OECD MNE guidelines provide guidance to companies on how to disengage responsibly. This includes conducting human rights due diligence and adequately consulting with local communities and rights holders. It also requires companies to understand job losses and local economic impacts that may occur such as through environmental and social impact assessments. Finally, companies should be accountable for the remediation of adverse human rights and wider social impacts that their divestment may cause.

How financial actors can drive corporate just transition implementation

Many businesses and financial institutions have started making pledges and commitments to support just transition, building a global momentum for tangible action. Corporate transition planning in particular serves as a way for companies to integrate just transition endeavours as part of their net zero commitments. A growing number of banks are also stating their commitments to just transition principles. The assessment of 26 banks led by the Transition Pathway Initiative (TPI) at LSE concluded that around 23% of banks have committed to aligning their climate strategies with just transition principles.

Yet, while early action demonstrates the buy-in to the importance of just transition, the next phase is to move from pledges to implementation. This requires moving beyond establishing minimum social safeguards to seizing the social opportunities of the transition, assessing benefits for local communities and ensuring meaningful dialogue and participation with affected stakeholder groups. WBA's Financial System Benchmark assessed 400 institutions, including 165 banks, on a broad range of social indicators. This included identifying the impact of their operations on their stakeholders, as well as engagement with those affected. The assessment showed that less than 7% of financial institutions disclosed processes to identify human rights risks and impacts in their own operations, with less than 3% doing so as part of their financing activities. From 2024, WBA is integrating the just transition perspective in its assessment of 400 financial institutions across banking, insurance, asset management and asset ownership, complementing existing indicators on the financial institutions' social impact. Specifically, from a just transition perspective, financial institutions will be assessed with regard to their consideration of the social effects of their provision of products, services and capital from both a risk and an opportunity perspective. As a first step, the assessment will focus on whether financial

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institutions have established processes for identifying and mitigating social risks in relation to their net zero transition. For such processes, WBA will look into the stakeholders (workers and beyond) that are taken into consideration. Similarly, the assessment will study how financial institutions consider social opportunities in relation to the transition and how this is integrated in their stewardship activities.

The just transition is not free. As estimated by the Independent High-Level Expert Group (IHLEG) on Climate Finance, $75 billion a year by 2030 is needed for dedicated just transition funding to emerging and developing countries (excluding China). Raising finance[22] is one of the key levers to make just transition a reality.[23] There is currently a lack of traction in incorporating just transition into the mainstream financing decisions. Limited policy mandates and incentives and uncertainty over what "good" looks like are key obstacles for private sector action. Allocating and accelerating finance for a just transition requires greater clarity and consistency around just transition reporting, including what to track and report, and how. As part of just transition planning, corporates need to ensure that their metrics and reporting practices are aligned with international disclosure requirements and provide adequate insight into the justness of the results achieved through climate strategies. Although the universal sustainability reporting frameworks such as ESRS do not subset people affected by the transition in their social standards, they can provide a starting point for just transition reporting. Companies should be intent on approaching just transition, considering their individual impact and socio-economic footprint. This requires measuring performance at multiple levels: system, entity, product and place, accounting for impacts on workers, suppliers, communities and consumers. Demonstrating just transition action and planning and incorporating reporting practices can attract capital from private investors committed to a just transition.

The Just Transition Finance Lab at the London School of Economics has identified the following systemic obstacles. It is designed to be a catalyst for experimentation to tackle these obstacles, which are obstructing the process of transforming the financial system towards a just transition.[24]

Obstacles to financing the just transition	Leverage points
Limited traction in mainstream financing decisions	Design and deploy financial instruments and strategies focused on just transition outcomes
Uncertainty over what 'good' looks like and how to	Establish effective metrics to measure

[22] In addition to scaling the supply of just transition related finance it is also important to support the coordination with the demand for just transition related finance and in particular access to finance for stakeholders such as SMEs and MSMEs with less financial, technical and institutional capacity to implement a just transition. For further insights on this see:https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_858855.pdf

[23] It is important to note that legal/regulatory requirements can in certain cases act as barriers to the scaling of just transition related finance to respect fiduciary duty and other obligations that may exist for financial actors in some jurisdictions.

[24] When addressing financing for a just transition it is also important to acknowledge that trade-offs may exist. Reskilling for example may benefit already well off workers while not addressing underlying equity issues for local communities. For more insights on environmental justice considerations in net zero investing see https://assets.nationbuilder.com/intentionalendowments/pages/6052/attachments/original/1648052466/Leading_w_Justice_-_vF_%281%29.pdf?1648052466

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track progress	performance at all levels: system, institution, activity, pace
Inadequate policy rules and incentives to drive substantial action	Identify and achieve necessary policy reforms across the real economy and financial system
Insufficient real-world leadership to raise the bar of expected practice	Stimulate breakthrough innovation and generate case studies to demonstrate just transition realities

Financial system influence on corporate just transition plans

The level of transformation required for a just transition across the financial ecosystem means that change cannot happen through isolated initiatives but requires the engagement of all system actors. Investors, banks, and public finance institutions across the entire spectrum of finance have major enabling roles to play, all of whom can influence and utilize corporate just transition reporting to effect change. Robust just transition plans can improve the information available to investors and lenders, thus enabling them to price risk and make informed capital allocation decisions.[20]

As discussed in the Grantham Research Institute's Making Transition Plans Just report, across asset classes and client groups within the banking sector, just transition can be integrated in the following ways:

- **Banks** have significant levers to advance capital flows for a just transition because of their connection to the real economy actors. The latest UNEP FI report on just transition in banking and the insurance sectors suggests that banks could contribute to a just transition by promoting meaningful stakeholder engagement with clients, service providers and partners. Moreover, they should assess client groups for social impacts, risks and opportunities and develop financial products and lending solutions that enable them to support customers to achieve a just transition. A Just Transition Finance Tool for banking and investing activities published by the ILO and the LSE provides guidance for the structural integration of just transition for financial institutions which recommends reflecting just transition-related issued in screening, due-diligence and investment decisions and lending agreements.
- **Investors** can embed just transition considerations throughout the investment process by using corporate just transition plans as a tool, including screening, due diligence, risk assessment and capital allocation. This can be done across all asset classes, notably in private markets (including infrastructure). Alongside this, active stewardship is required from investors as shareholders and bondholders building on existing investor engagement initiatives such as Climate Action 100+ and Transition Pathway Initiative.

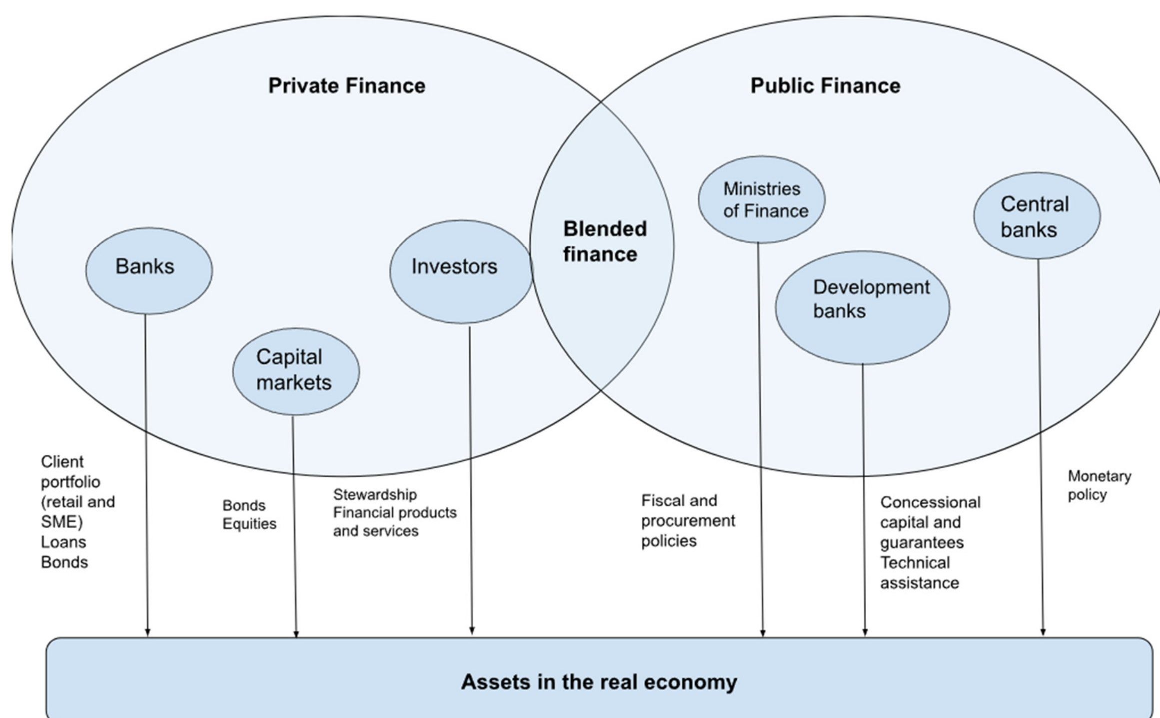
SSE - investor engagement to chart a just transition

An example of a successful investor engagement on just transition is the UK's integrated energy company SSE's Just Transition strategy. The engagement was led by Royal London Asset Management (RLAM) and Friends Provident Foundation (FPF), where RLAM engages with companies to improve their ESG performance and FPF's work originating from the energy sector engagement model. Investors made a just transition a board level issue at SSE. As a result, the company committed to a net zero transition plan in 2019 and became the first company globally to develop a dedicated just transition strategy alongside the plan. The strategy set out assessment of the impacts of SSE's activities on key stakeholder groups, developing just transition principles for transitioning into a net-zero world and transitioning out of high-carbon activities, and detailing the actions SSE has taken to date towards a responsible transition. Since publishing the strategy in 2020, SSE reported against implementation of the principles, disclosing a number of just transition-related metrics and indicators. SSE's example highlights how investors' link to business practice can be instrumental to successful development of just transition pathways by corporates.

- **Public finance institutions**[25] can derive insights from corporate transition plans and better understand the trajectory of the economy-wide transition and the policy actions that are required to support the private sector in delivering climate objectives. Similarly, these plans offer insights into co-investment opportunities between public and private financial institutions, which can unlock blended finance solutions that are important to de-risk parts of the just transition. Moreover, public finance institutions have the capacity to create incentives for firms to act on just transition using fiscal regulation and public procurement policies. In emerging markets, development finance institutions are key to channel finance to places of greater need and where social safeguards may be weaker. ADB's work on building a just transition financing facility, which seeks to streamline just transition across a range of financing instruments while scaling both public and private finance, is one example.

[25] This paper has not delved into all the public finance levers of relevance to a just transition notably the importance of fiscal and monetary policy. For some further insights into these levers see for example https://stg.iisd.org/publications/report/just-transition-green-economy and https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/12/INSPIRE-Sustainable-Central-Banking-Toolbox-Policy-Briefing-Paper-10.pdf

Figure 3: Mapping of financial drivers for just transition[26]



Source: Authors

Financial sector players can play different roles in achieving just transition goals. Figure 3 above shows how each player can influence—or be influenced by—corporate just transition plans to affect system transformation.

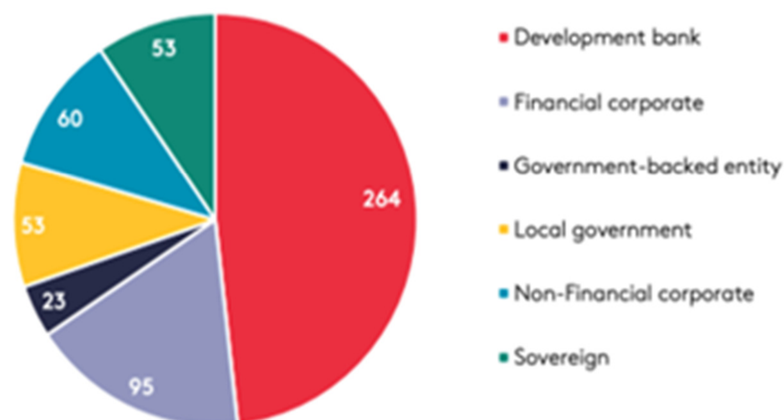
One lever that financial actors have is through shareholder engagement with their investee companies. For example, WBA launched in January 2023 a collective impact coalition with 54 leading investors signing an open letter urging oil and gas companies to improve their just transition readiness. Some of the coalition investors are currently engaging with companies they have ties with to strengthen three core aspects of just transition: 1) fundamentals of social dialogue and stakeholder engagement in a just transition, 2) just transition planning, and 3) creating and providing/supporting access to green and decent jobs for an inclusive and balanced workforce. While the engagement is ongoing, this is one lever that can improve company performance on just transition.

Bonds also have the potential to be an effective financial instrument that businesses and financial institutions can leverage to advance and finance just transition action. They allow the allocation of funds for targeted projects through use-of-proceeds issuances and can be tied to specific environmental and social KPIs as part of sustainability-linked frameworks. Green, social, sustainability and sustainability-linked (GSS+) bonds are available for a range of debt issuers to finance just transition-related projects.

[26] While the figure does list central banks, monetary policy is not an angle that has been delved into in this paper and would warrant further research.

This includes corporates, development banks, local and national authorities, housing corporations and others. An analysis done by LSE Grantham Research Institute and Climate Bonds Initiative looking at energy transition-related sustainability bonds that may have just transition characteristics showed that among issuers, the largest share (48%) of such bonds was issued by development banks, followed by the private sector (including financial and non-financial corporates), issuing 27% of total bonds (figure 4). Social considerations, such as impacts on the entity's own workforce and supply chain, could be incorporated into the existing labelled bond issuances as part of the use of proceeds bond frameworks or KPIs.

Figure 4 Share of bond issuers in the just energy transition dataset by total volume, USD billions



Box out 3: Example of just transition elements in EDF's social bond framework

EDF's Social Bond Framework

As part of its sustainable finance strategy, EDF, a French integrated electric utility company addresses the social impacts of capital expenditures through a Social Bond Framework. This framework supports the company's sustainability goal to drive local economic development and employment generation while transitioning to net zero. As part of the framework, it aims to allocate its Social Bonds proceeds to contract exclusively midsize enterprises (SMEs) within the value chain that contribute to the development and maintenance of EDF's power generation and/or distribution assets in Europe. In 2021, EDF issued inaugural social bonds for a nominal amount of 1.25 billion euros targeted at just transition through supporting SMEs in areas with high unemployment challenges. These funds allocations resulted in procurement contracts with 1,359 SMEs and 3,123 employees supported on an annual weighted average basis. Interestingly, EDF is also one of the few electric utilities that performs above average on both its ACT and social assessments based on data from WBA. More research would be needed to assess the link between the issuance of just transition related bonds and credible, robust and just transition plans at a company level. Yet, both for the bond market and

more generally the assessment of company's decarbonisation and just transition strategies can be a useful tool to channel funds and design just transition related financial instruments.

Source: EDF's social bond framework

The Role of Blended Finance

Blended finance also has a supportive role in attracting commercial financial flows into just transition projects. Blended finance mechanisms can reduce the risk exposure faced by private investors while facilitating businesses' access to domestic and international debt financing. This is accomplished by allocating certain risks to the development finance tranches on non-commercial terms. Blended finance can include a range of instruments such as guarantees, grant funding, and technical assistance. Social dialogue and just transition are a tool for originating and designing just transition projects and public-private partnerships (PPPs) can be useful catalysts in this regard to connect local and national authorities, communities and private sector companies and investors. This can create innovative approaches to advance just transition and attract investments into specific initiatives. Spain's 2019 Just Transition Strategy is one example with a strong focus on PPPs. In the case of Spain, additional loans from the European Just Transition Fund (JTF) are available for private companies that create and maintain employment while contributing to industrial decarbonization. Similarly, in India, public-private collaboration is promoted by the Government through the Skills Council for Green Jobs to identify skills gaps and spur green job creation. It runs training and upskilling programmes for various clean energy solutions.

Box-out 4: example of how just transition can be integrated in blended finance and PPPs

Brazil's New Growth Acceleration Program (Novo Programa de Aceleração do Crescimento/PAC)

Brazil has also unveiled its "growth acceleration" plan (Novo PAC), which foresees a 1.7 trillion reais ($347.5 billion) in investments, with an acute focus on public-private partnerships and the acceleration of the Ecological Transition Plan (ETP). The plan aims to disperse more than USD 280 billion by 2026, with 22% (USD 76 billion) of the total expenditure set to be invested by the federal government, and 36% (USD 126 billion) leveraged through private financing. The ambitious green growth agenda as set out in the ETP, with the adequate financing solution, has deep propensity to generate sustainable jobs, scale investment in low-carbon technologies, and develop Brazil's economy while protecting nature and biodiversity. Specifically, the priority projects, institutional measures and axes in the Novo PAC are embedded with just transition considerations, including "digital inclusion & connectivity" and "inclusive social infrastructure."

The Novo PAC continues a history of integrated large scale infrastructure policy programmes in other G20 members, including the US's Inflation Reduction Act, India's Bharatmala and Sagarmala Program, Japan's Growth and Investment Plan, Canada's Investment in Green Infrastructure, and the EU's Recovery and Resilience Plan. The public-private arrangement of Novo PAC can bring about benefits by deepening collaboration between public and private sectors, wherein the federal government can utilise strategic visions to provide long-term visibility underpinned by policy support, which can boost investor confidence when deploying capital in emerging markets.

Focused efforts are needed to identify and minimise bottlenecks in blended finance deployment to ensure that the just transition remains front and centre in the implementation of Novo PAC. The priorities set out below apply to the Brazilian context and can offer insights for other markets.

1. **Prioritise robust social dialogue and grievance redress mechanisms:** infrastructure developments can often raise concerns about negative environmental and social impacts, including the relocations of communities. Such challenges can undercut public support for projects and impact place-based development immensely. Constructive and iterative social dialogues between capital providers, project owners, and affected stakeholders – as well as adequate grievance redress mechanisms – are critical to minimise "trade-offs" between economic, social, and environmental benefits and move towards a "co-benefits" discussion for communities, economic development, and environmental outcomes. These considerations have been embedded in the IFC Performance Standards and the Equator Principles for banks, and need to be implemented across projects.
2. **Prioritise the price in appropriate just transition risks:** Achieving a just transition requires distributive and restorative justice[27] so as not to place disproportionate burdens on marginalised communities. Particularly for catalytical capital providers, the need to adequately price in just transition risks and benefits remains acute. Blended finance can be lengthy before capital deployment, and embedding social considerations at the inception stage can reduce deployment time and smoothen collaboration across stakeholders.
3. **Prioritise understanding existing challenges of marginalised communities in order to maximise projects' social outcomes:** the volatility of the global geopolitical landscape, escalating climate crisis, and deepening social inequality require policymakers and financial institutions to remain agile and transparent in resource allocation and the streamlining of project implementation processes. Prioritising existing social and environmental challenges would ensure that relevant projects account for the needs of marginalised communities in projects, and deliver outcomes that can also rectify or ameliorate existing situations of disenfranchised or underserved communities. Doing so would ensure that those that have been negatively impacted by the traditional fossil fuel-based economy stand to benefit the most from the transformational change a just transition can bring.

[27] For an overview of the different types and definitions of justice, see: https://www.wiltonpark.org.uk/app/uploads/2023/01/WP3012-Report.pdf

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How finance can unlock corporate action on just transition