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.

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/

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 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).