ROBECO
The Investment Engineers

Just Transition Engagement Program

Engagement Research

Engagement Report for Professional Investors
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Executive Summary

Just Transition in Emerging Markets

A Just Transition is crucial for achieving a sustainable and climate resilient future

Just Transition

A Just Transition emphasizes the need for a fair and inclusive approach to the decarbonization process. Beyond workers, it considers the impacts on all affected stakeholders including communities, suppliers and consumers along the value chain.

Emerging Markets

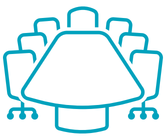
Given a growing population and their strong dependence on high-emitting sectors, emerging markets face a significant risk of unsustainable development. A Just Transition can reshape their economic landscape, create jobs and elevate their global standing by showcasing a proactive response to climate change and social equity.

Just Transition Plan

To manage a Just Transition, we expect companies to publish a Just Transition plan, detailing the risks and opportunities for the company's business, strategy and financial planning over the short-, medium- and long-term.

Focus

Our engagement program on the Just Transition journeys for companies in emerging markets will initially focus on two key emitting sectors: the energy sector (oil and gas, and utilities) and the mining sector. The program aims to ensure that the companies work towards five engagement objectives:



Just Transition Ambition & Governance

Stakeholder Engagement

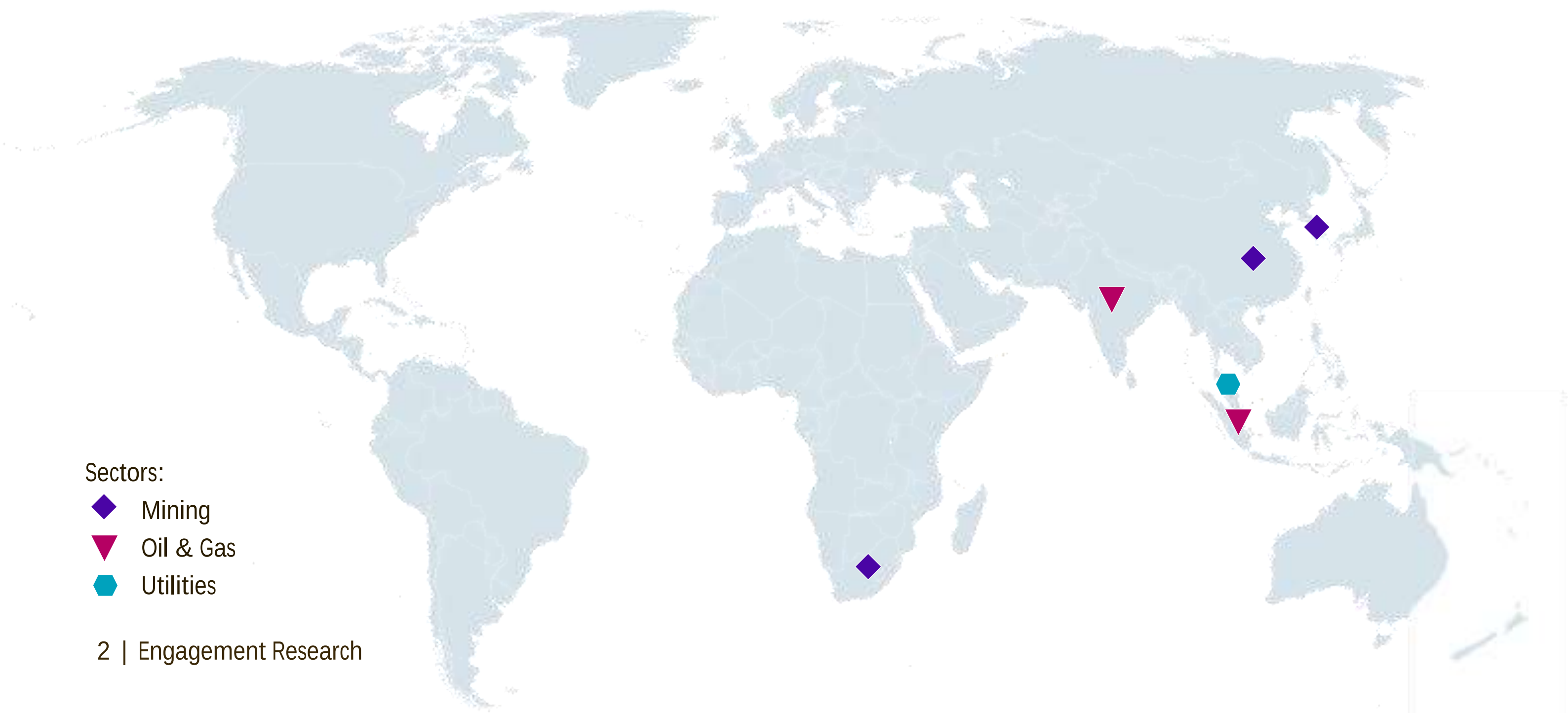
Just Transition Plan

Just Transition Risk Management

Transparency & Disclosures

Scope

From Q3 2023 to Q3 2026, Robeco will engage with six companies across two continents.



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Preface

Introduction

A Just Transition is crucial for achieving climate goals in a manner that respects human rights, promotes social equity, supports economic well-being, and fosters global collaboration. It is a comprehensive approach that acknowledges the complexities of transitioning to a sustainable future and aims to make the process as inclusive and positive as possible. It enhances social equity, economic stability, and global cooperation, creating a more inclusive and sustainable pathway towards a net-zero future.

While the Just Transition is a global challenge, it is especially relevant for emerging markets. Emerging markets account for over 95% of the increase in global emissions and are projected to account for 90% of global population growth. It is therefore important that countries in emerging markets continue developing their economies in a sustainable and equitable manner.

Everyone has a role to play in achieving a Just Transition: governments, corporates and even investors. Companies have a pivotal role in ensuring a Just Transition by embracing sustainable practices, driving local innovation, creating green jobs, advocating for supportive policies and engaging in transparent reporting. Investors should guide this by assessing and addressing Just Transition concerns in their investment decisions. Beyond the transformative social and environmental benefits, a just – rather than merely net-zero – transition has also distinct investment opportunities. It enables investors to impact systemic risks, identify investment prospects, recognize vital factors contributing to long-term value, fulfill fiduciary responsibilities, and align with economic, social, and ecological development objectives.

Our Just Transition Engagement Program

With this Engagement Research report, we initiate the Active Ownership engagement theme 'Just Transition in Emerging Markets'. As companies are transitioning from fossil-based economies to more sustainable practices, we urge companies that they should not only account for the transition of their own operations, but also mitigate the impacts that these transitions will have on their key stakeholders, workers, communities and customers.

Our engagement program will initially focus on the energy (oil & gas and utilities) and mining sectors due to the stronger urgency to decarbonize and their socio-economic relevance for emerging markets. Within these sectors, we have selected six companies for engagement. The selection has been conducted from a materiality point of view, including financial materiality, industry analyses, as well as location analysis. Using indicators from various frameworks and initiatives such as the International Labour Organization's Just Transition Guidelines, the UN Guiding Principles for Business and Human Rights and Climate Action 100+ Initiative, we have articulated five engagement objectives: Just Transition Ambition and Governance, Stakeholder Engagement, Just Transition Plan, Just Transition Risk Management and Transparency & Disclosures. In preparation for the launch of our company dialogues, we analyzed how the selected companies currently perform against each of these objectives. This analysis will serve as the baseline for our engagements and the progress measurement. The program will run from Q3 2023 to Q3 2026.

By engaging with these two sectors on the Just Transition in Emerging Markets, we aim to make contributions towards the Sustainable Development Goals (SDGs) as well. The engagement program especially focuses on three SDGs: SDG 7 on ensuring reliable and clean energy, SDG 8 on promoting decent work and economic growth, and SDG 13 on taking actions to mitigate climate change.

In this report, we present the key findings from our initial research, thereby establishing the baseline for our forthcoming engagement. The first chapter introduces the concept of a Just and Inclusive Transition. The second chapter outlines the importance of a Just Transition, describing both the risks and opportunities of a Just Transition and why a Just Transition is especially important for Emerging Markets. The relevance for investors and what risks and opportunities investors and their investee companies may face is explained in the third chapter followed by an overview of various frameworks and initiatives that seek to facilitate the Just Transition. The fifth chapter presents our engagement approach and the engagement objectives guiding our dialogue. The final chapter provides company profiles for all 6 companies, highlighting gaps to be addressed through the engagements.

We would like to extend our gratitude to colleagues in the Sustainable Investing Research team, Farahnaz Pashaei Kamali, Philipp Kehrein and Giacomo Melegati, for sharing their profound industry knowledge. Also, we would like to thank Thu Ha Chow for her key input on the Just Transition and Daniela da Costa for sharing her knowledge on emerging markets. Finally, a special thanks to the research associates in the Active Ownership and Fixed Income team, Renee Chen, Denisa Kasa, Vikram Jolly, Clive Tan and especially Joe Negrine who contributed greatly to this report.

Ghislaine Nadaud and Cristina Cedillo Torres

Introduction

Efforts of companies transitioning from fossil-based and resource-depleting economies to more sustainable practices are ever-growing. In this process, they should not only account for the transition of their own operations, but they need to address the impacts these transitions will have on their key stakeholders.

The transition to a net-zero economy requires a profound shift in the way that we produce and consume energy, goods and services. The overarching objective of the net-zero transition is clear: to mitigate the risks posed by climate change. However, an additional and crucial aspect of the transition is understanding that these efforts will inevitably create winners and losers across various sectors, industries, and communities. As companies strive to shift away from fossil fuels and embrace sustainable practices, it is crucial that they consider not only the transformation of their own operations but also the broader implications for their stakeholders. The concept of a Just Transition emphasizes the need for a fair and inclusive approach, ensuring that no one is left behind in the pursuit of a greener future. This means taking into account the social, economic, and environmental consequences of transitioning to a more sustainable economy, and actively working towards minimizing any negative impacts. By prioritizing a Just Transition, companies can foster a more equitable and resilient society while driving positive change for the planet.

What is a Just and Inclusive Transition?

The concept of the Just Transition emerged in the United States in the 1970s from the pioneering work of Anthony Mazzochi, who saw the importance of establishing a 'Superfund for Workers' when working as an official of the Oil, Chemical, and Atomic Workers International Union ('OCAW').[1] At the time, the Just Transition was centered around guaranteeing workers exposed to toxic chemicals with the right benefits to safely transition out of their hazardous jobs.

Today, the importance of developing Just Transition practices is in line with transition processes that companies operating in historically unsustainable sectors have to undergo to become sustainable. Some companies are transitioning into the renewable energy sector; some are transitioning out of fossil-oriented and other polluting industries; some are automating their production practices; and some more are downsizing or diversifying their scope of operations. One of the common denominators among all these transitions are the workers and communities that have allowed these companies to prosper until today. Indeed, the need to ensure a Just and Inclusive Transition is acknowledged in the Paris Agreement itself, which notes that participating parties shall take into account '*the imperatives of a Just Transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities*'.[2]

As we transition to a more sustainable future, the effects will not be felt equally. For example:

- Countries, regions and sectors that rely heavily on high-emitting activities for economic growth are likely to be adversely affected by decarbonizing efforts.
- The structure of every economy and its employment profile will need to change, leaving huge numbers of people unskilled for the jobs that will be created.
- Inflation – particularly of basic necessities – will likely rise significantly, disproportionately affecting low-income households, putting them under pressure and potentially prompting a rise in populism.

[1] Becca Wilgosh, Alevgul H Sorman and Iñaki Barcena, 'When two movements collide: Learning from labour and environmental struggles for future Just Transitions' [2022] (137) *Futures* 102903.
[2] Paris Agreement, opened for signature 22 April 2016, [2016] ATS 24 (entered into force 4 November 2016).

Making the Just Transition towards net-zero can be especially challenging for companies operating in emerging markets. This is due to numerous factors that include, but are not limited to, the lack of local social protection policies and the considerable costs needed for these transitions. According to the World Economic Forum, the costs of successfully transitioning emerging markets to net-zero economies could amount to $94.8 trillion worth of investments.[3]

One cannot think of sectoral or company transitions without taking into account the direct impact these transitions will have on the lives of involved stakeholders. Economic changes that come with these transitions, could result in increased social inequality, worker disillusionment, strikes or civil unrest and reduced productivity, as well as less competitive businesses, sectors and markets. Therefore, understanding social impacts is crucial to building a fuller picture of the impact of climate change on societies, economies and investments across the globe. A Just and Inclusive Transition is needed, carefully managed through Just Transition policies and processes.

Building on Anthony Mazzochi's idea and in line with the Paris Agreement, the International Labour Organization ('ILO') has developed thorough guidelines aimed at guaranteeing a Just Transition towards environmentally sustainable economies and societies for all. Inspired by these guidelines, the UN Global Compact, Climate Action 100+, the World Benchmarking Alliance and others have introduced the Just Transition as one of their core engagement objectives. Meanwhile, the Intergovernmental Panel on Climate Change ('IPCC') has defined the common elements of a Just Transition in its 2022 Sixth Assessment Report (See Figure 1).

While the concept is now widely used to advocate for social justice and equity in climate action, there is no universally accepted definition of a Just Transition. As a result, perceptions vary between countries and regions. One of the most common definitions used is the ILO definition. We will align our engagement with this definition while taking into account that the scope of Just Transition starts from the perspectives of affected workers but also includes communities, value chains—including consumers, producers, and businesses—and broader citizens. In addition, we note that unlocking the benefits of a Just Transition requires an understanding of a market's local context and the development of contextualized, local solutions. Policies and programs will need to be designed in line with country- and sector-specific conditions.

In our engagement we will align our approach towards the Just Transition with the ILO definition:

> *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. It is a process towards an environmentally sustainable economy, which 'needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty'.*[4]

It is clear, that a Just Transition is also crucial for investors as it enables them to gain insights into and impact systemic risks; identify investment prospects; recognize vital factors contributing to long-term value; fulfill their fiduciary responsibilities; and align with economic, social, and ecological development objectives. Investors can effectively address Just Transition issues through five main avenues: investment strategy, corporate engagement, capital allocation, advocating for supportive policies and forming partnerships. In this report we will mainly focus on the action we can take as an investor via corporate engagement.

[3] Charlotte Edmond, 'Here's why developed economies must bear the $100 trillion cost of the net-zero transition in emerging markets', *World Economic Forum* (5 April 2022), available at: <https://www.weforum.org/agenda/2022/04/emerging-developed-economies-net-zero-transition/>.
[4] International Labour Organization, *Guidelines for a just transition towards environmentally sustainable economies and societies for all* (2016), at 4 ('ILO Guidelines').

We believe that investors have an important role to play in stewarding companies in which they invest through the Just Transition changes and allocating capital accordingly.

Figure 1 | IPCC Elements of a Just Transition[5]

1. Investments in establishing low-emission and labor-intensive technologies and sectors;
2. Research and early assessment of the social and employment impacts of climate policies;
3. Social dialogue and democratic consultation of social partners and stakeholders;
4. Creation of decent jobs; active labor market policies; and rights at work;
5. Fairness in energy access and use;
6. Economic diversification based on low-carbon investments;
7. Realistic training/retraining programs that lead to decent work;
8. Gender-specific politics that promote equitable outcomes

Transition Scenarios

The concept of a 'Just Transition' in the Paris Agreement focuses on issues around employment. The ILO Guidelines also have a strong focus on the impact of transition on workers. However, it has been recognized by many researchers and international institutions that a Just Transition also concerns broader issues, including access to affordable energy, the resilience of business partnerships and the economic development opportunities of communities and regions that rely on carbon-intensive industries.

When analyzing how companies impact people during the shift to a net-zero economy it is beneficial to consider three transition categories:

1. Transition Out

Moving away from emissions-intensive activities could result in significant job losses and the replacement of these jobs with lower-quality ones. This transition may also lead to stranded assets, like coal mines, which can have adverse effects on the communities that rely on them, causing a loss of cultural heritage or displacement. Moreover, the transition will impact not only the fossil fuel industry but also other sectors like agriculture, transport, manufacturing, and construction that will need to adjust to cleaner practices.

2. Transition In

As we shift towards a green economy with new technologies and renewable energy, we must be mindful of certain human rights challenges. Forced labor is a persistent issue in parts of the solar supply chain, and the growing demand for raw materials like cobalt and copper poses known human rights risks. Extracting these materials may also intensify pressure on water supplies, particularly in regions with water scarcity. Additionally, the expansion of renewable power installations might affect the land-related rights of Indigenous and other communities, as these installations require significantly more land compared to fossil fuel production.

[5] UNDP, *How Just Transition Can Help Deliver the Paris Agreement* (2022), at 8.

3. Transition to Net-Zero

Certain industries, such as heavy transport and heat-intensive manufacturing, face difficulties in reducing emissions due to the absence of scalable net-zero technologies. Companies in these 'hard-to-abate' sectors often resort to nature-based offsets, such as emissions reduction projects from deforestation. However, these offsets may have human rights implications, particularly concerning the rights of Indigenous peoples and existing land rights.[6]

In summary, 'transition in' involves integrating sustainability into existing economic systems, 'transition out' focuses on phasing out unsustainable practices, and 'transition to net-zero' involves a radical shift in the economic model to create a more sustainable and environmentally responsible future. With our engagement we will target all three 'transition scenarios' due to their relevance for the sectors in scope of our engagement.

Table 1 | Transition Dynamics and Social Impacts

Transition dynamic examples	Examples of social dimensions to consider[7]
Transition in: investment in renewable energy	○ Respect of human as well as labor rights and standards for workers involved in extracting critical minerals for renewable technologies ○ Land rights and impact on communities situated in the area of rapid green infrastructure growth ○ Skills and technology transfer, integration of local workforce in newly created activities ○ Promoting gender balance
Transition to net-zero: investment in energy transition plans in hard-to-abate sectors	○ Equipping workforce with necessary skills, supporting retraining, up/reskilling the affected workforce on changed/green practices ○ Addressing the impacts on local communities
Transition out: phasing down emissions-heavy industries	○ Potential job losses and appropriate steps to address them including retraining, redeployment and retirement of workforce ○ Mitigating potential negative impacts on the affected communities

The Scope of a Just Transition

Approaching a Just Transition should start by considering the viewpoints of affected workers (direct and indirect, formal and informal). Workers should be involved by anticipating employment shift, respecting rights at work, ensuring dialogue, developing skills, protecting health and safety, and providing social protection via pensions and benefits.

Yet the scope of a Just Transition extends to including various other dimensions: communities, value chains encompassing consumers, producers and small to medium enterprises, along with broader citizens. A Just Transition encompasses promoting sustainable production and consumption patterns throughout the value chain to create an enabling environment for sustainable enterprises and prioritizing implications for consumers with inadequate access to sustainable goods and services. Consumers are not only affected by the changes brought about by a Just Transition but also have the power to drive and accelerate the transition through their choices, preferences, and advocacy efforts. Citizens are both beneficiaries and drivers of a Just Transition. Their active engagement, advocacy, and informed choices can shape policies, market dynamics, and societal attitudes toward sustainability. A successful Just Transition requires the active participation of citizens at all levels of society. Finally, the scope of a Just Transition includes understanding the

[6] Shift, *Climate Action and Human Rights: How the UN Guiding Principles can help companies respect human rights when responding to climate change* (2023), at 10.
[7] International Labour Organization, *Just Transition Finance Tool for banking and investment activities* (2022); Grantham Research Institute on Climate Change and the Environment et al, *Financing inclusive climate action in the UK: An investor roadmap for the just transition* (2019); Scottish Government, *Just Transition Commission: A National Mission for a fairer, greener Scotland* (2021); Natural Resources Canada, *People-Centred Just Transition: Discussion Paper* (2021); UN PRI, *Investing for a Just Transition: Proposals for a Just Transition Disclosure Framework in China* (2022).

spillover effects for communities, respecting their rights around impacts and involvement, focusing on vulnerability (especially in the case of Indigenous peoples), and enabling innovations such as community energy schemes.

In conclusion, a well-designed Just Transition must consider the entirety of socioeconomic facets related to emission reduction and sustainable development policies. By doing so, it can effectively ensure that the net-zero-driven economic transformation ensures social equity, inclusive growth and long-term stability.

The Importance of a Just Transition

Why is a Just Transition Important?

A Just Transition is crucial for achieving a sustainable and climate-resilient future. It ensures that economic, social, and environmental considerations are balanced, promoting a fair and inclusive society as we work towards a net-zero economy. The importance of having a Just Transition has been underscored in the Paris Agreement, where signatory countries committed to considering the imperatives of a Just Transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities.[8]

It is expected that the transition to net-zero will affect nearly 1.5 billion workers across the world. The secretariat of the UN Framework Convention on Climate Change ('UNFCCC') identified 1.47 billion jobs in sectors critical to climate stability: agriculture (1 billion), manufacturing (200 million), buildings (110 million), transport (88 million) and energy (30 million). The implications are immense. The Just Transition means understanding both the quantitative and the qualitative implications of the transition, ensuring that all jobs in the new economy are decent, and contributing to thriving and resilient communities.[9]

The protection of worker rights and their livelihoods takes center stage in a Just Transition. Many livelihoods are tied to high-carbon and fossil fuel industries, and a Just Transition guarantees that these workers are not abandoned in the process. But there are also other profound social implications linked to the transition to a net-zero economy—implications for social justice, human rights, gender equality, health, education and livelihoods. Among the most vulnerable are the poor, particularly poor women, ethnic minorities, and people with disabilities.

Efforts to mitigate climate change can have unintended adverse consequences. Reducing deforestation, for example, may yield emissions reductions and other co-benefits but, if not managed well, may also disempower Indigenous peoples and other local communities by denying them access to forest-based livelihoods. Similarly, in the case of the renewable energy transition, poor households are likely to be disproportionately affected by spikes in energy and commodity prices.[10] By ensuring an equitable distribution of both the challenges and rewards of these transitions, a Just Transition prevents marginalized groups from bearing an undue share of negative consequences. A Just Transition is pivotal to a sustainable future as it addresses social fairness, safeguards worker livelihoods and nurtures economic stability.

Lastly, the Just Transition is also an opportunity to strengthen climate ambition as it requires a multi-stakeholder approach that leads to increased support through a sense of shared responsibility and commitment. As a result, it helps to meet the Paris Agreement, standing as a testament to the intricate interplay between environmental responsibility and social welfare, fostering a balanced approach that seeks long-term resilience and inclusivity in the face of global climate challenges.

[8] See Paris Agreement (n 2).
[9] Grantham Research Institute on Climate Change and the Environment, *Climate change and the just transition: A guide for investor action* (2018), at 8–9.
[10] *How Just Transition Can Help Deliver the Paris Agreement* (n 5).

Opportunities

A Just Transition presents numerous other opportunities that extend beyond the realm of environmental responsibility. It opens avenues for economic diversification and growth. As industries evolve, opportunities emerge for retraining and reskilling workers in sectors aligned with sustainable practices. This empowers individuals to adapt to changing job markets, contributing to greater workforce flexibility and reducing unemployment rates.

By 'transitioning in' to clean energy sources and sustainable industries, communities can tap into new job markets and technological innovations, fostering economic resilience, reducing dependence on finite and environmentally harmful resources, addressing historical inequalities and promoting social cohesion in the meantime.

The transition also stimulates investment in green technologies, renewable energy projects, and sustainable infrastructure, driving economic development while minimizing ecological strain. Thus, a Just Transition leverages economic diversification and social equity as opportunities to create a thriving and inclusive society while addressing environmental concerns.

Risks

While a Just Transition offers immense benefits, it also comes with inherent risks that require careful consideration. Experiences with past transitions have shown that prolonging the lifetime of declining industries often leads to subsidies, higher costs for worker retraining and unemployment, health and environmental costs and missed opportunities for the diversification of an economy.

There is the potential for economic disruption and job displacement, especially in regions that are heavily reliant on carbon-intensive industries. 'Transitioning out' of these industries and rapid shifts in work processes can lead to job losses, financial instability, and community distress. Balancing the need for sustainable practices with the immediate well-being of workers and economies is a complex challenge that demands robust support mechanisms and transition plans.

Investing in new industries, retraining workers, and supporting affected communities require significant financial resources. If the cost of a Just Transition is not managed effectively, this could lead to increased debt or the diversion of funds from other essential services. This financial risk needs to be navigated to ensure a Just Transition remains economically viable and sustainable in the long run.

Additionally, there is a potential for social and political resistance. Despite efforts to ensure fairness, certain groups may still perceive a Just Transition as threatening their interests. This can lead to resistance from industries, workers, or communities who feel marginalized by the changes. Transition efforts can further be limited as resistance from certain sections of society could create a broader confusion amongst those who do believe in a Just Transition.

Transition and physical risks have social implications

As companies move forward with their decarbonization plans they will be facing both transition risks and physical risks. The former has to do with administrative, technological and market changes, and other mitigation actions in which the companies should engage in on the road to 'transitioning in' to a lower-carbon economy. Physical risks, on the other hand, refer to the risks a company may encounter as a result of climate change. These risks can be either acute (e.g. cyclones, floods) or chronic (e.g. sea-level rise).

Companies may assume that they cannot be connected to human rights impacts from the physical effects of climate change because they are not responsible for the weather that causes harm. However, companies could be connected to human rights impacts associated with their responses to—or failures to respond to—climate change. The term Just Resilience is increasingly used in the context of physical risk and climate adaptation meaning that companies should not increase vulnerabilities for others and avoid maladaptation. While our engagement primarily focuses on the Just Transition, we will also consider the material impacts of adaptation—referred to as 'Just Resilience'.

Ultimately, the risks associated with a Just Transition underscore the importance of careful planning, collaboration, and foresight. By addressing potential economic disruptions, managing financial challenges and fostering social acceptance, societies can navigate these risks and harness the benefits of a Just Transition while minimizing negative impacts. Overcoming these risks requires a balanced approach, robust stakeholder engagement, transparent communication, and measures that address concerns and ensure a shared vision for a more sustainable future.

The following two figures provide an illustrative overview of the risks that companies responding to transition and physical risks may face, underscoring the need for a Just Transition plan and Just Resilience.

Figure 2 | Just Transition Risk Identification[11]

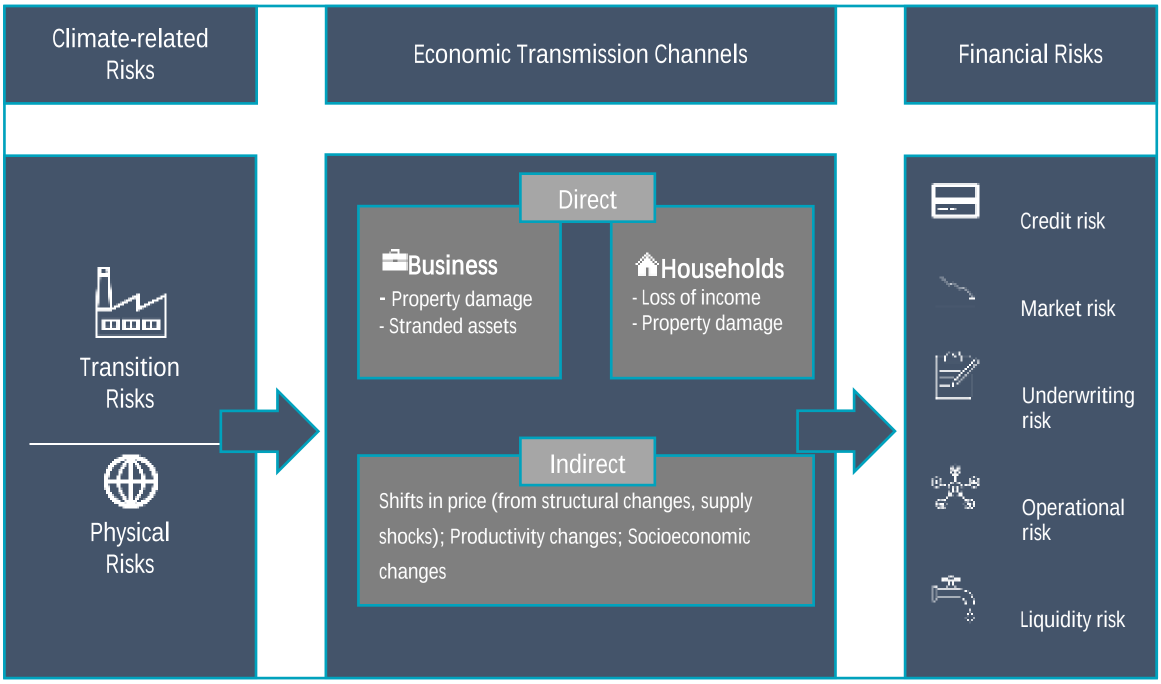
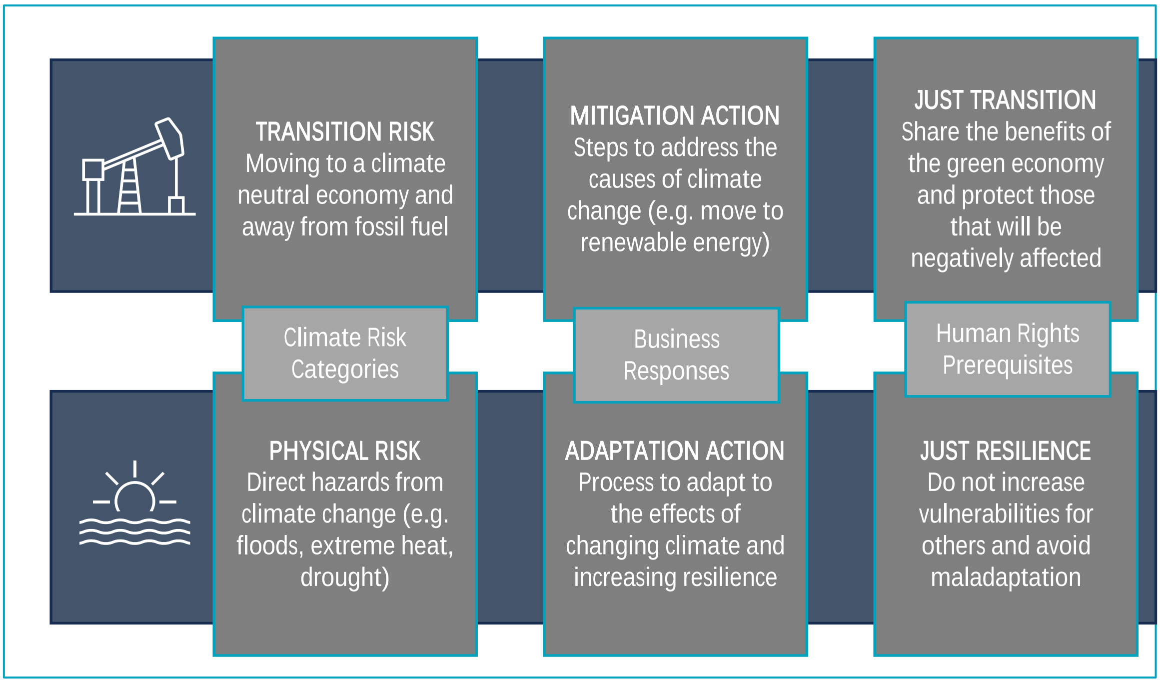


Figure 3 | Just Transition Risk Management[12]



[11] This figure is based on Network for Greening the Financial System, *Overview of Environmental Risk Analysis by Financial Institutions* (2020), at 6.
[12] This figure has been reproduced from *Climate Action and Human Rights: How the UN Guiding Principles can help companies respect human rights when responding to climate change* (n 6), at 9

Meeting Civil Society Expectations

The importance of a Just Transition is further emphasized by the increasing attention from civil society organizations and trade unions worldwide.

Civil society is exerting significant pressure to drive a Just Transition towards a more sustainable and equitable economy. Through advocacy campaigns, demonstrations and grassroots mobilization, civil society organizations are raising public awareness of the urgent need for a Just Transition and policies that address the social and economic dimensions of the net-zero transition. They stress the importance of protecting workers' rights, ensuring job security, and safeguarding the well-being of marginalized communities during the transition. Civil society groups also engage directly with policymakers and industries, offering research, data and expertise to shape legislation and policies that prioritize social equity. They often collaborate in coalitions, amplifying their collective voices and influencing decision-makers to consider the impacts of their actions on vulnerable populations.

The perspectives of civil society on climate and environmental issues often go unnoticed by decision-makers but civil society, particularly social NGOs, play an important and key role in climate action and achieving a Just and Inclusive Transition to climate neutrality that benefits both people and the planet and should therefore be proactively involved.

UN Sustainable Development Goals

The Just Transition concept is also closely linked to the UN Sustainable Development Goals ('SDGs'). A Just Transition would require meeting SDG 8 (decent work and economic growth), SDG 7 (affordable and clean energy) and SDG 13 (climate action). It is also closely linked with SDG 1 (no poverty), SDG 5 (gender equality), SDG 9 (industry, innovation and infrastructure) and SDG 10 (reduced inequalities). These potential SDG gains are best maximized through careful planning the transition and linking the SDGs explicit in short- and long-term climate plans with respect to a Just Transition. For more information, see Table 3 in the 'Link to the SDGs' chapter.

Why is a Just Transition Important for Emerging Markets?

Emerging markets and developing economies ('EMDEs') play a significant role in the global landscape, both in terms of greenhouse gas emissions and population growth. With over 95% of the increase in global emissions originating from these regions, it is evident that addressing the challenges of climate change and sustainable development in EMDEs is crucial.[13] Moreover, as the population in these regions is projected to account for 98% of global population growth, ensuring a Just Transition becomes imperative for sustainable growth, equitable development, and the well-being of all stakeholders involved.

While we acknowledge that a Just Transition is relevant globally, we note that the concept of the Just Transition has gained more traction across EMDEs in the past few years. For example, Indonesia is currently developing a country platform for its Energy Transition Mechanism together with the Asian Development Bank ('ADB'). In 2022, South Africa produced its Just Transition Blueprint for Workers, and India set up a Just Transition Centre to develop knowledge, foster peer learning, and exchange best practices.

This increased attention was to be expected. Hard-to-abate-sectors like coal mining, coal-fired electricity and agriculture are especially important to emerging markets. Many people could be affected by the consequences of transitions such as job losses and impacts of livelihoods. This challenge can be navigated by using a Just Transition approach, which maximizes opportunities while ensuring that no one is left behind. Next to the role of governments, companies in

[13] Donald Perry Kanak and Gavin E R Wlson, '3 actions to accelerate emerging market climate transition', *World Economic Forum* (14 June 2022), available at: <https://www.weforum.org/agenda/2022/06/3-actions-to-accelerate-emerging-market-climate-transition/>.

emerging markets have a significant role to play in ensuring a Just Transition towards a more sustainable and equitable economy.

Challenges in Emerging Markets

The importance of the transition in emerging markets is beyond doubt. However, transitions in emerging markets are a complex process that involves overcoming numerous challenges. The Just Transition Initiative[14] has listed the following challenges:

- Stronger focus is needed to achieve a Just Transition in the Global South: Many of the existing case studies on the proper implementation of a Just Transition are based on developed economies. Therefore, there is a lack of clear understanding of what a Just Transition in an emerging market can look like.
- Local-level capacity: For the Just Transition to work, the process needs to be owned at the local or regional level, not merely in the climate-change oriented discussion among multilaterals and central government.
- Workers in the informal sector should have more prominence in Just Transition plans: In many emerging economies, a large portion of the workforce operates in the informal sector. Without any formal safety net, these workers—and, by extension, their communities—are more vulnerable and at greater risk of losing their livelihood.
- Gender and race dimensions of Just Transition are also critical: Industrial transitions can place a heavy burden on women, Indigenous peoples and ethnic minorities, who often have unequal access to social services and input in the decision-making processes that help shape those resources.

The International Energy Agency[15] refers to additional challenges. As the energy sector demands more high-skilled workers than other industries, with 45% of the workforce requiring some degree of tertiary education, there will be a need for retraining and reskilling of workers. This can be complex and resource intensive. Transition efforts in emerging markets economies are likely to falter if international engagement and financial support are lacking. If energy transitions are to be successful, then developers and financiers need to increase the allocation of capital towards two underserved asset classes – to clean energy in particular, and to emerging markets and developing economies more broadly.

Opportunties of the Transition in Emerging Markets

As there are challenges, it is important to underline that the Just Transition holds significant opportunities for emerging markets in the meantime.

By investing in renewable energy, energy efficiency, and sustainable infrastructure, emerging markets can reduce their carbon footprint while building modern and resilient economies. A Just Transition also encourages the creation of new green jobs and industries. Emerging markets often face high levels of unemployment and informal labor, and transitioning to sustainable practices can stimulate employment opportunities in sectors like renewable energy, sustainable agriculture, and eco-tourism. This not only improves livelihoods but also ensures that economic growth is inclusive and benefits a broader segment of society.

Finally, a Just Transition enhances global competitiveness and can attract foreign direct investment. As the world moves towards sustainability, countries and companies that demonstrate a commitment to a fair and equitable transition become attractive partners for international collaborations and funding.

To overcome these challenges and to capitalize on the opportunities, a comprehensive and 'tailor made' approach is essential as the challenges and opportunities may vary across different regions. This includes strategic investments in sustainable infrastructure and technologies, coupled with tailored policies that balance economic growth, social equity and environmental sustainability. Companies can help to ensure a Just Transition by embracing sustainable practices, driving local innovation, creating green jobs, advocating for supportive policies and engaging in transparent reporting. Investors will have a role to play in overcoming these challenges by assessing and addressing Just Transition concerns in their investment decisions.

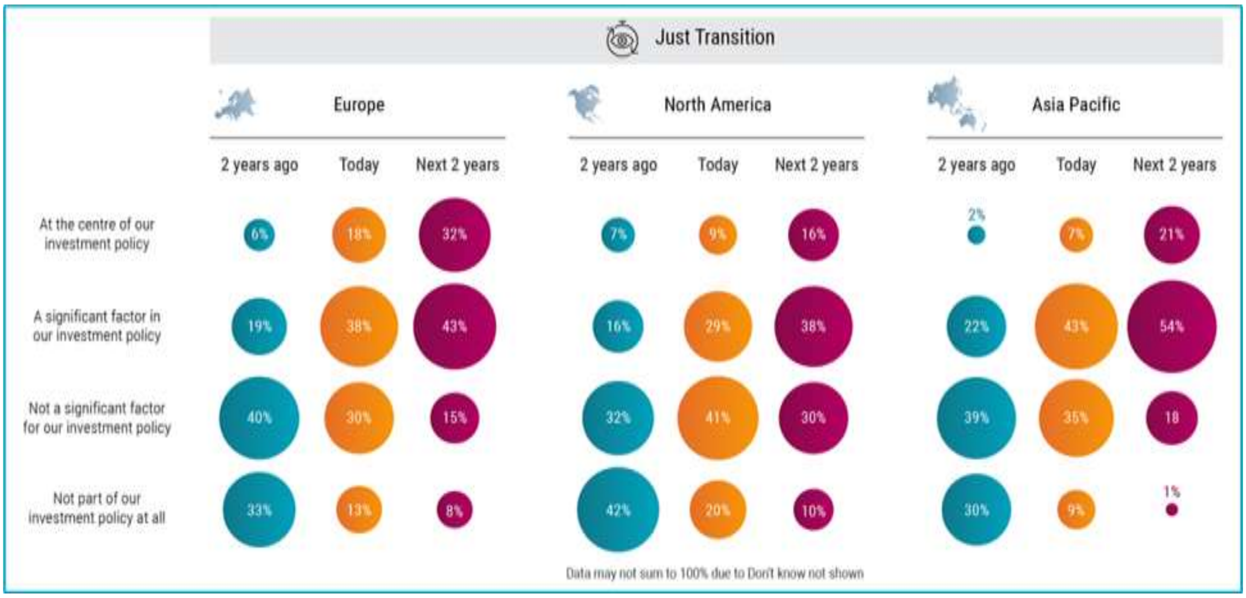
[14] 'Just Transitions: Progress to Date and Challenges Ahead', *Just Transition Initiative* (30 June 2020), available at: <https://justtransitioninitiative.org/just-transitions-progress-to-date-and-challenges-ahead/>.
[15] International Energy Agency, *World Energy Employment* (2022), at 20.

Relevance for Investors

A Just Transition matters to investors. Achieving a net-zero economy requires an extensive transformation across various sectors, regions, and communities. Investors play a pivotal role in enabling the shift towards sustainable, net-zero economies. By diverting capital away from businesses with high carbon emissions and directing it towards companies aligned with or transitioning towards net-zero goals, investors actively drive the transition to a net-zero future. Investing funds in climate action can bring about significant transformative effects, benefiting both the environment and society by promoting positive social outcomes alongside meeting decarbonization targets.

As Figure 4 below demonstrates, more investors are considering the Just Transition as a significant factor in their investment policies as they increasingly realize the social impacts of the global net-zero transition. A company's failure to implement appropriate Just Transition measures may result in, among other things, workers strikes and community backlash that disrupt business operations; difficulties penetrating markets with stringent ESG requirements; reputational damage; regulatory compliance issues; and a restricted access to capital. As investor sentiment grows—evidenced by increasing commitments to addressing sustainability and social issues—and new international initiatives such as regulations and JETPs emerge, we expect the Just Transition to become a significantly larger factor impacting investment policies.

Figure 4 | The Just Transition in the Robeco 2023 Global Climate Survey



Investors can use a Just Transition lens to better understand and influence systemic risks (posed by inequality) and uncover investment opportunities, identify material drivers of long-term value, aligning with economic, social and ecological development goals. As such, the Just Transition underlines investors' fiduciary duty, rejecting short-termism in favor of a longer-term approach to investment stewardship.

Risks and Opportunities

Investors face significant financial risks associated with the transition to a net-zero economy. These risks include stranded assets, regulatory changes, and shifts in market preferences:

- Stranded Asset Risks: As the world transitions to cleaner and more sustainable technologies, assets related to high-carbon industries (such as coal, oil, and gas) could become stranded, losing significant value as demand decreases. This could lead to substantial financial losses for investors who have not anticipated these shifts.
- Aligning with Regulatory and Policy Trends: Regulatory and policy frameworks (such as taxonomies) around the world are increasingly focusing on the transition to a net-zero economy. Governments are implementing measures such as carbon pricing, emissions reduction targets, and sustainable finance regulations. By incorporating Just Transition principles, investors can align with these evolving regulations and policies, mitigating regulatory risks and positioning themselves as responsible stewards of capital.
- Market and Portfolio Risks: Industries that are slow to adapt to sustainable practices might experience declining profitability and market competitiveness. Investing in companies or sectors that are not aligned with a Just Transition can lead to poor performance in the long run, negatively impacting an investor's portfolio.
- Social and Labor Relations Risks: Neglecting the social dimension of a Just Transition can lead to tensions with workers and communities in industries that are impacted by shifts in economic activity. Labor strikes, protests, and conflicts can disrupt business operations and create additional risks for investors.
- Litigation and Liability Risks: As the impacts of climate change become more evident, stakeholders may hold companies and investors accountable for their contribution to environmental and social harm. Failure to consider the principles of a Just Transition could increase the likelihood of legal action and associated liabilities.

By incorporating Just Transition principles, investors can mitigate these risks by supporting companies that proactively address social and economic implications during the transition.

As asset managers, we understand that every challenge presents an opportunity. In the context of a Just Transition in emerging markets, this principle holds true. The growing recognition and support for the concept of a Just Transition by influential global entities such as the ILO, the ADB, the United Nations Framework Convention on Climate Change ('UNFCCC'), the European Bank for Reconstruction and Development ('EBRD'), indicate the alluring engagement case and financial potential that a Just Transition holds.

According to the World Economic Forum the cost of net-zero transition in emerging markets will be approximately $100 trillion. Some of the main opportunities that the Just Transition presents for Emerging Markets include:

- Mitigating Risks and Enhancing Long-Term Value: A Just Transition is not only a moral imperative but also a strategic response to mitigate risks associated with climate change, social inequality and environmental degradation. Integrating Just Transition principles can enhance the long-term value of investment portfolios. Companies that effectively manage social and economic aspects of the transition are more likely to build resilience, maintain social license to operate, and foster sustainable growth. By considering the impacts of transition on workers, communities, and other stakeholders, investors can identify companies that demonstrate long-term vision, strategic adaptability, and effective risk management.
- Capitalizing on Investment Opportunities: The shift towards a sustainable, net-zero economy presents significant investment opportunities. Sectors such as renewable energy, energy efficiency, clean transportation, and sustainable infrastructure are experiencing rapid growth. By actively engaging with companies on Just Transition issues, investors can identify businesses that are well-positioned to capitalize on these opportunities. By aligning investment strategies with a Just Transition, investors can tap into these emerging market opportunities, foster innovation, and contribute to the development of sustainable industries and value chains. Supporting the development of innovative solutions and technologies that facilitate a Just Transition can drive positive financial returns while contributing to sustainable development.
- Meeting Investor Demand for ESG Integration: Investor expectations and demand for sustainable and socially responsible investment opportunities have grown rapidly and Environmental, Social and Governance ('ESG') considerations have become increasingly important for investors. Stakeholders, including institutional investors, asset owners, and individual investors, increasingly seek investments that align with their values and contribute to positive social and environmental outcomes. By integrating ESG factors and supporting a Just Transition in engagements and investment decisions, investors can attract a broader range of investors and demonstrate their commitment to sustainable and impact-driven investment practices.

- Enhancing Stakeholder Value and Reputation: By actively advocating for a Just Transition in emerging markets, asset managers can enhance stakeholder value and reputation. Demonstrating a commitment to a Just Transition not only aligns with responsible investment practices but also fosters trust, strengthens client relationships, and attracts capital from impact-oriented investors.

Double Materiality

When we assess the relevance for investors, we look through the lens of double materiality. The *systemic perspective* focuses on the impact a company's activities have on the environmental and social well-being that can affect the real economy and subsequently the financial markets. Meanwhile, the *business perspective* examines the impact environmental and social issues can have on a company's valuation through adjustments of the value drivers.

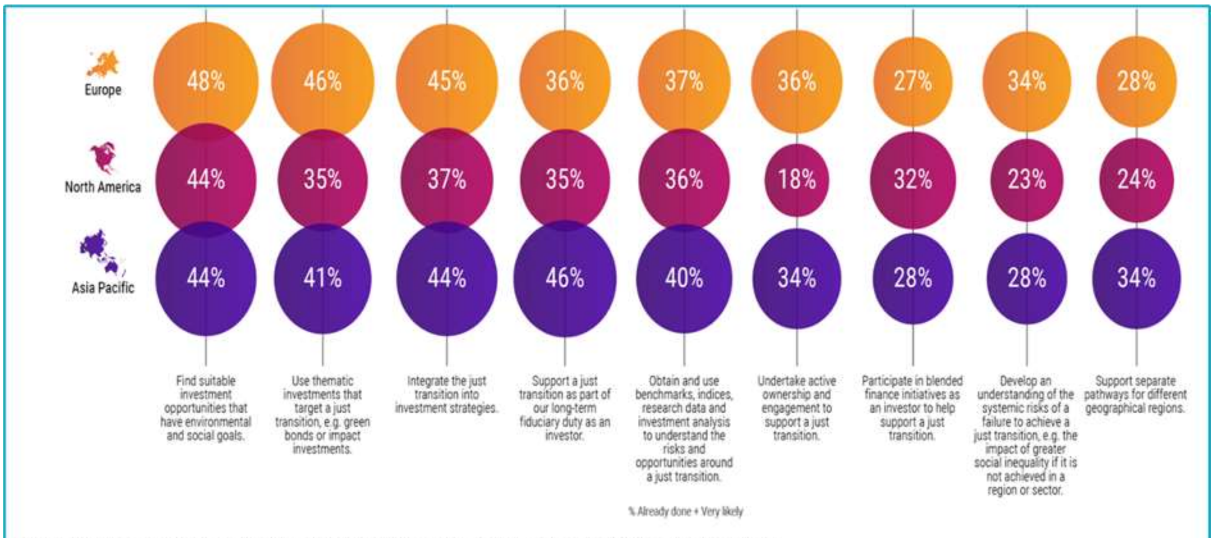
From the business perspective, companies that fail to implement appropriate Just Transition measures may forego investment opportunities as ESG considerations become increasingly important. Investments flows to a company may also be restricted where, for example, the JETP stakeholders decide not to allocate capital to these companies. In addition, new regulatory standards concerning the environmental and social components of the net-zero transition represent growing regulatory and policy risks for businesses. Businesses should take a proactive approach to preparing their operations and employees for the net-zero transition. Otherwise, their business models and workforces may become outdated, harming their longer-term viability. Managing these risks, on the other hand, will enable businesses to capitalize on the opportunities presented by the Just Transition, including new avenues for funding; a more productive workforce; and stronger interest from local communities.

The systemic perspective—or how a company's Just Transition measures affect external stakeholders—also features various risks and opportunities. Workers and their families are heavily impacted by the social protection policies, or lack thereof, that companies implement during the net-zero transition. In companies that do not implement safety nets for their employees or stakeholders along the value chain, these groups are at a greater risk of losing their livelihoods. Moreover, the decommissioning of CFPPs or mines as part of the 'Transition Out' could pose a harm to local communities in the event that hazardous waste is not appropriately disposed of. Addressing these issues, however, can significantly improve outcomes for affected stakeholders. Workers across the value chain could gain access to quality employment containing appropriate OH&S policies; marginalized groups could be included in Just Transition policies, gaining meaningful employment; and human rights can be championed across society.

For further information on some of the key impacts from both the business and systemic perspective in the context of the Just Transition, see Table 4 in the Appendix.

Investors' Action

Figure 5 | The Just Transition in the Robeco 2023 Global Climate Survey



Q22. How likely is your organization to take any of the following steps over the next 2 years, in relation to a just transition as part of the shift to a low-carbon economy?

Most investors are currently addressing the Just Transition by focusing more on the 'S' in ESG. In the short-term this could mean identifying strategies that consider social issues alongside environmental ones or using thematic investments that target a Just Transition, for example green bonds of impact investments.

However, investors can take more targeted action on the Just Transition across four key areas:

1. Responsible Investing: integrating Just Transition in your due diligence process considering social and human rights when assessing and investing in a company;
2. Corporate engagement: creating real world impact by requesting companies to assure their workers' rights and to manage other stakeholder impacts throughout the transition process;
3. Product Development: develop specific sustainable finance and investment strategies that contribute to achieving net-zero in a socially inclusive manner; and
4. Policy advocacy and partnerships: contribute to standard setting and partner with relevant stakeholders such as governments, employer organizations, civil society, regional/sectoral initiatives and across supply chains for more coordinated action.

In this report we will mainly focus on the action asset managers can take via engaging their investee companies while acknowledging that all key areas are interlinked and important to implement and accelerate a Just Transition.

How Corporations Can Address the Just Transition

The growing global dialogue surrounding the imperative of a Just Transition has sparked widespread engagement from diverse stakeholders, leading to the establishment of various frameworks and initiatives that seek to facilitate fair and sustainable transitions and support corporates with the implementation of a Just Transition. Furthermore, these frameworks and initiatives serve as crucial benchmarks, offering a solid foundation for asset managers to set clear objectives when engaging with investee companies and to ensure credibility and avoid greenwashing. In our case, these frameworks are imperative in constructing the engagement objectives for the different sectors of interest.

International Agreements, Guidelines and Regional Taxonomies

Paris Agreement

The need to ensure a Just and Inclusive Transition is acknowledged in the Paris Agreement itself, which notes in its preamble that participating parties shall take into account 'the imperatives of a Just Transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities'.

As a result, governments have started to formulate national plans for a Just Transition and include Just Transition principles into national development agendas. These agendas will impact non-governmental actors such as private businesses. Because the Paris Agreement's objectives are advanced through each signatory's Nationally Determined Contributions, Just Transition plans will need to be designed in line with country-specific conditions. Thus, the Paris Agreement indirectly exerts pressure on companies to pursue a Just Transition by aligning their business strategies with climate objectives, enhancing transparency in emissions reporting, and adapting to changing regulations.

The need for a Just Transition was internationally acknowledged again in 2021 at COP26 in Glasgow. Over 30 nations, including core coal-producing countries, signed the Just Transition Declaration, committing them to strategies that ensure that workers, businesses and communities are supported throughout the transition to greener economies.[16]

UN Guiding Principles on Business and Human Rights

In 2015, the ILO adopted a set of guidelines based on inputs from governments, businesses and trade unions establishing a global understanding for the term Just Transition. These Just Transition guidelines highlight the real need for policy coherence between action on climate change and macroeconomic, industrial, labor market and enterprise policies. They emphasize the need to pay special attention to the industries, regions, workers and communities that could be negatively affected. The guidelines recommend action to anticipate skills needs, assess health and safety risks, ensure social protection in the transition (such as workers' health care and pensions), implement international labor standards and actively promote social dialogue.

[16] 'ILO welcomes COP26 Just Transition Declaration', *International Labour Organization* (5 November 2021), available at: <https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_826717/lang--en/index.htm>.

Social dialogue includes all types of negotiation, consultation or exchange of information between or among representatives of governments, employers and workers. Engagement with other stakeholders, such as Indigenous peoples, communities and civil society is also key. Social dialogue and stakeholder engagement are critical to make the transition just and inclusive and to generate broad-based support for climate action.

Table 2 | ILO Just Transition Policies[17]

Principle		Focus
1.	Policy Coherence and Institutional Arrangements Policies	Promotion of stable policy signals relating to labor standards relevant for Just Transition
2.	Social Dialogue & Tripartism Policies	The engagement of governments and social partners in social dialogue to formulate, implement and monitor national sustainable development policies.
3.	Macroeconomics & Growth Policies	Integration of sustainable development and a Just Transition into macroeconomic and growth policies.
4.	Enterprise Policies	Enhancement of the resilience of businesses, to avoid disruption of economic activity and the loss of jobs whilst taking into account sectors with informal work.
5.	Industrial and Sectoral Policies	Formulation of policies (at all levels) in a manner that social protection, unemployment insurance and benefits, skills training and upgrading, workforce redeployment whilst paying attention to the industries, regions, communities and workers whose livelihood might experience the hardest impacts of the transition.
6.	Skills Development Policies	Allocate resources and efforts to identify and apply evolving skill needs, review and align occupational skills profiles, and develop training programs. Promote equal access to skill acquisition opportunities for everyone, with a special focus on young people, women, and workers in need of redeployment, even across borders.
7.	OH&S Policies	Adaptation of applicable OH&S standards.
8.	Social Protection Policies	Promotion and establishment of adequate social protection systems providing workers with healthcare, income security and social services in line with International Labour Standards ('ILS').
9.	Active Labor Market Policies	Encouraging sound labor policies while giving particular attention to unemployed workers and workers at risk of unemployment in communities and industries affected by climate change.

Regional Taxonomies for Sustainable and Transition Activities

Taxonomies play a crucial role in facilitating a credible Just Transition. By providing a standardized framework for classifying and categorizing economic activities based on their environmental stabilities, taxonomies enable investors, policymakers and other stakeholders to identify and differentiate activities that contribute to a Just Transition. They are also imperative in evaluating the potential social impacts of investment decisions, ensuring that capital flows towards activities that promote decent work, fair wages, and social inclusion. Lastly, taxonomies provide transparency and consistency, enabling investors to align their investments with sustainability goals while avoiding greenwashing. An increasing number of taxonomies have started to embed transition elements.

The EU Taxonomy, for example, mandates that the financial sector guarantees adherence to basic social safeguards regarding human rights, labor rights, and working conditions by the entities in which it invests. The idea of a Just Transition further extends these principles to incorporate social factors throughout the process of transitioning to a net-zero economy.

[17] *Just Transition Finance Tool for banking and investment activities* (n 7); *Guidelines for a just transition towards environmentally sustainable economies and societies for all* (n 4).

In the APAC region, the ASEAN Taxonomy aims to help guide capital towards activities that can promote the transition of activities in the real economy onto a more sustainable footing. The taxonomy has developed minimum social requirements such as 'do no significant harm' and the promotion and protection of human rights and consideration of the impact on people living close to investments. For coal phase outs for example, the ASEAN Taxonomy has developed specific criteria considering the region-specific circumstances to facilitate an orderly and Just Transition.

Taxonomies can provide investors with a means of assessing the contribution to a Just Transition of their investment within the region and assist in preventing greenwashing investment.[18]

Just Transition Frameworks Developed by Industry Initiatives

Various initiatives have developed Just Transition Frameworks aiming to encourage responsible corporate behavior and sustainability in the context of the transition to a more sustainable and just economy. Two of the most relevant ones for investors to assess the companies' credible approach towards a Just Transition are the frameworks developed by the World Benchmark Alliance and Climate Action 100+.

World Benchmark Alliance

The World Benchmarking Alliance ('WBA') is an organization that seeks to address various sustainability challenges, including the Just Transition, through benchmarking and ranking initiatives. The WBA aims to encourage transparency, accountability, and positive change among businesses and other actors. The WBA developed a framework to assess what 450 of the world's most influential companies in high-emitting sectors are doing to respect the rights of the workers, communities and the most vulnerable as they work towards net-zero business models.[19]

For the assessment, the WBA used its core social indicators to assess companies on their respect for human rights, providing and promoting decent work, and acting ethically. In tandem, the WBA developed the Just Transition indicators (see Table 5 in the Appendix) to assess companies' social dialogue and stakeholder engagement, and their planning and execution of fundamental contributions to a Just Transition. The WBA methodology provides a roadmap of the foundational steps companies should take to contribute to a net-zero transformation that leaves no one behind.

Climate Action 100+

CA100+ is an investor-led global collaborative engagement initiative. Its primary focus is on engaging with the world's largest corporate greenhouse gas emitters to encourage them to take action on climate change. It aims to drive companies to reduce their emissions, enhance climate-related disclosures, and align their business strategies with the goals of the Paris Agreement.

While CA100+ primarily focuses on climate action, it indirectly contributes to the Just Transition by encouraging companies to consider the social and employment implications of their climate-related actions. This can include engaging with companies to ensure that their transition plans take into account the welfare and job security of their workforce and the communities they operate in. As such, Just Transition is recognized as one of the Disclosure Indicators of the Climate Action 100+ Net-Zero Company Benchmark and the framework (see Table 6 in the Appendix) can be used to identify the level of commitment companies have with the ILO Just Transition Principles and the Paris Agreement.

Multistakeholder Partnerships and Financial Sector Initiatives

Multistakeholder approaches refer to collaborative efforts involving various stakeholders from different sectors, including governments, international organizations, private sector entities, civil society organizations, and local communities. These approaches aim to address complex challenges and promote sustainable development by incorporating diverse perspectives, expertise, and resources. Especially in the context of a Just Transition, multistakeholder approaches play a crucial role in ensuring that the energy transition is fair, inclusive, and supportive of affected communities due to the

[18] ASEAN for Business, *Monthly Bulletin* (April 2023), available at: <https://asean.org/wp-content/uploads/2023/05/ASEAN-for-Business-Bulletin-April-2023.pdf>.
[19] World Benchmarking Alliance, *Just Transition Methodology* (2021), available at: <https://www.worldbenchmarkingalliance.org/just-transition/>.

range of disparate groups that will be affected by the energy transition. The JETPs and the GFANZ Coalition are examples of emerging market multi-stakeholder initiatives that are focusing on achieving a Just Transition.

Just Energy Transition Partnerships

The Just Energy Transition Partnerships ('JETPs') represent multistakeholder approaches bringing together governments, international partners, private financial institutions, and civil society organizations to drive the just energy transition in specific emerging markets. The JETPs are innovative financing cooperation mechanisms aimed at facilitating a just energy transition in heavily coal-dependent emerging economies. They recognize the importance of a just, equitable, and inclusive transition for workers and affected communities and prioritize the protection of workers' rights and support reskilling and upskilling programs, ensuring that they benefit from the transition to a greener future. Partnerships also explore financing options for innovative technologies and investments, including electric vehicles and green hydrogen, which will contribute to the creation of quality, green jobs.

Renewable energy sources, such as wind and solar, are cost-competitive and have significant potential in JETP countries. They can provide economic security, job creation, and social benefits while addressing energy access needs. Investing in renewables, rather than gas infrastructure, aligns with climate goals and reduces the risks of stranded assets. To ensure the success of JETPs and any public finance for energy transition, it is essential to avoid funding climate-damaging projects, prioritize renewables, and incorporate the latest thinking on achieving a Just Transition.

The first JETP emerged from COP 26 in Glasgow, with France, Germany, the United Kingdom, the United States, and the European Union pledging USD 8.5 billion in financing to South Africa. Subsequently, additional countries such as India, Indonesia, Vietnam, and Senegal joined the JETP approach.

Glasgow Financial Alliance for Net-Zero

GFANZ, known as the Glasgow Financial Alliance for Net-Zero, is a global coalition of leading financial institutions committed to accelerating the decarbonization of the economy. GFANZ recognizes the importance of Asia-Pacific ('APAC') countries in the transition away from coal and the economic opportunities that come with embracing a net-zero future. APAC countries face unique challenges in transitioning away from coal. Factors such as existing high dependencies on coal, domestic energy policies, rising electricity demand driven by economic development and population growth, and limited open power markets hinder the phaseout of coal power generation.

Financial conditions for coal are also tightening globally. Major economies and financial institutions have announced an end to cross-border coal financing, but the exclusion of financing to countries and entities with credible plans for coal phaseout may inadvertently hinder transition efforts. GFANZ emphasizes the need for financial institutions to engage in and support credible and financially viable managed phaseout plans for coal assets. These plans should be science-aligned, time-limited, address socio-economic impacts, and contribute to interim emission reductions.

Managed Phase Out ('MPO') is one of the key financing strategies identified by GFANZ to support the net-zero transition. MPO involves financing or enabling the accelerated phaseout of high-emitting physical assets, such as coal-fired power plants ('CFPPs'). GFANZ has therefore developed guidance on net-zero transition planning ('NZTP') for financial institutions and companies, which recognizes MPO as a crucial strategy for transitioning away from coal. In this guidance, GFANZ has included the concept of Just Transition in socio-economic considerations in the guidance and as part of efforts to accelerate the transition away from coal power and achieve the goals of the Paris Agreement.

Sustainable Financing Instruments and the Role of Carbon Markets

An area in which the financial sector and investors can pro-actively take action to address the Just Transition is via aligning investments and finance with the Just Transition. Investors can align products such as investment funds and solutions to support the achievement of a Just Transition. By targeting national climate and energy objectives and supporting social transition, these funds can contribute to a more equitable and inclusive transition process. The Impact Investing Institute has developed Just Transition Criteria which provide guidance in designing financial products that can deliver on the key elements of a Just Transition such as advancing climate and environmental action and improving socio-economic distribution and equity.[20] In addition, the International Capital Market Association ('ICMA') has incorporated Just Transition considerations across its voluntary market standards for ESG-labelled bond issuers. Issuers should outline how they have incorporated consideration of a 'Just Transition' into their climate transition strategy and may also detail any social expenditures that are considered relevant.[21]

Carbon markets and tax mechanisms finally can play a crucial role in facilitating a Just Transition by for example providing financial incentives and mechanisms to support the phaseout of CFPPs and promote the adoption of cleaner and more sustainable energy sources. These mechanisms are also an opportunity to help address the social and economic challenges associated with the transition, ensuring that affected communities and workers are supported throughout the process. Carbon credits offer a way to generate private finance for coal phaseout projects. By quantifying and monetizing the emissions reductions achieved through CFPPs retirement, carbon credits provide an additional revenue stream. The sale of these credits can help offset the upfront costs of the transition and support the financing of Just Transition initiatives. Strict methodologies and verification processes, however, have to be in place to ensure the credibility and integrity of carbon credits, addressing issues such as additionality and leakage.

By combining various financing mechanisms, optimizing capital structures, linking financial instruments to sustainability targets, bundling renewable energy projects, and leveraging carbon credits, financial mechanisms can contribute to a more equitable, inclusive, and sustainable transition away from coal and towards cleaner energy sources.

Conclusion

A Just Transition needs a tailor-made approach and there is no 'one size fits all'. Consequently, there is currently no formal set of measurements for assessing a Just Transition. Given its varied impacts and the cross-cutting nature of the responses needed to address the Just Transition challenges, measuring the progress of a Just Transition may require a diverse combination of indicators. However, the Guidelines, Frameworks, Partnerships and Initiatives set out in the above have been imperative in providing guidance for constructing our engagement program and our engagement objectives.

[20] Impact Investing Institute, *Just Transition Criteria: How to align investments with a just transition* (2023), available at: <https://www.impactinvest.org.uk/resources/publications/just-transition-criteria/>.
[21] International Capital Market Association, *Climate Transition Finance Handbook* (2023), available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook/>.

Our Engagement Approach

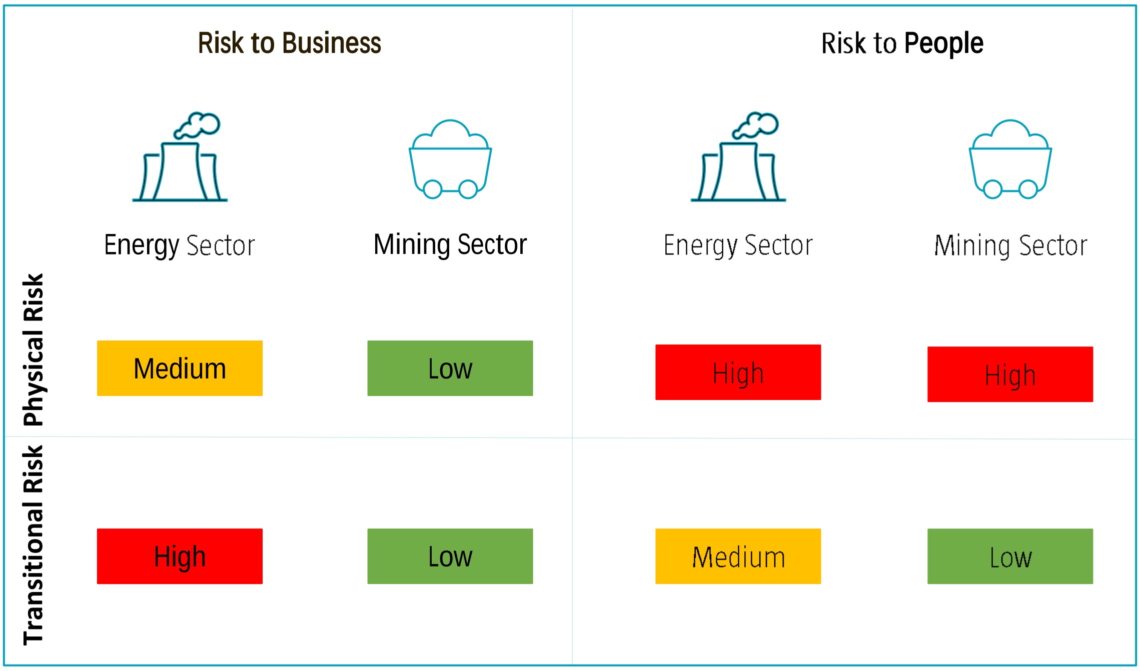
Sector Selection

The transition to a net-zero economy in EMDEs is gaining momentum and currently underway with specific sectors spearheading the transition such as the energy and mining sectors. These sectors can be classified as 'hard-to-abate', meaning that they are difficult to decarbonize due to a lack of technological mitigation options and their importance towards economic development in the regions where they are more pronounced.

Apart from being hard-to-abate, these sectors have a strong societal impact. The oil and gas sector, for example, contributes to a country's emissions through the production of fossil fuels, which in turn affect the climate as well as the livelihood of individuals exposed to the effects of climate risks. The early phase-out and/or the transition out from coal-fired power generation to renewables will directly affect the workforce in both the utilities and coal mining sector, and might impact the access to and affordability of energy for consumers. For the mining sector, sourcing of coal is the main proponent of emissions when used to derive energy. At the same time, sourcing minerals is necessary for the production of renewable energy and batteries, demonstrating the complexities of transition-related activities in the mining sector. The negative impacts of the mining sector often result from highly localized socioeconomic and environmental footprints due to its underpinning necessity in global supply chains.

These sectors are especially relevant in emerging markets such as Asia and Africa, where a large portion of the population and surrounding industries rely on the sectors for employability and economic development. Importantly, these are also areas with relatively high levels of inequality, which can negatively affect economic growth. South Africa, for example, has the most inequitable distribution of income globally, as measured by the Gini coefficient.[22] This underscores the necessity of companies setting commitments that are ambitious and consistent with the Paris Agreement, credible on their delivery, and measurable in their assessment. Moreover, both the physical and transitional risks that companies are exposed to as part of their transition are deemed to be higher in emerging markets. For these reasons, our Just Transition engagement theme targeted emerging economies such as India, Indonesia and South Africa.

Figure 5 | Risks to Business and People by Sector[23]



[22] 'Gini index (World Bank estimate)', *World Bank*, available at: <https://genderdata.worldbank.org/indicators/si-pov-gini/>. Note, however, that data are missing for 62 countries.
[23] Figure adapted from Shift, *Climate Change and Human Rights: Avoiding Pitfalls for Financial Institutions* (2023), at 6–7.

Energy Sector

The energy sector includes companies that are involved in power generation, production and the distribution of fossil fuel-based commodities. The net-zero shift in this sector, which will see a shift away from fuel-based energy generation resources to renewable energy sources, will expose both businesses and people to risks. These risks can be further subdivided into physical risks and transition risks, as depicted in Figure 5 above.

Physical risks to businesses in the energy sector

Acute physical climate risks such as drought, flooding and extreme heat can cause costly business disruptions, which in turn compromises the long-term viability of businesses in the energy sector.[24] For businesses with coastal energy infrastructure, sea-level rise—a chronic climate-related physical risk—will increase the risk of flooding or erosion. Meanwhile, businesses that experience resource scarcity due to droughts may face higher operational costs and less reliable energy generation processes.

For businesses that have operations in areas that are less vulnerable to climate change, the susceptibility to physical risks is lower.

Transitional risks to businesses in the energy sector

Transition risks in the energy sector are expected to arise in a few ways. The physical risk to businesses will translate to a transition risk for assets. Energy assets, particularly CFPPs, oil and gas reserves and industrial equipment, can end up being stranded if policies are adopted to move to cleaner forms of energy. Further, oil and gas companies with high exposure to oil reserves will not be able to exploit these resources when governments enforce legislation that limits or prohibits the use of fossil fuel-based energy sources. An OECD study found that, in 2021, the oil industry saw more than 10% of companies' collective market value worth of write-downs related to diminished short-term value of assets (approx. US$ 150 billion). Moreover, the net margins in 2020 were down 7.2% besides an increase in operating expense from sales.[25] This risk can also be seen through the imposing of high carbon taxes that will further increase operating costs and expose the sensitivity of the sector to ever-changing policy requirements. In addition to increased operating costs and stranded assets, failure to comply with these regulations may result in financial penalties for businesses.

These factors will result in a decline in earnings, business and funding disruption, as well as a shift in consumer and investor demand. As countries throughout the globe strive to reach the Paris Agreement's targets, oil and gas companies need to ensure that their current valuations move away from correlations with oil prices and reflect transition plans—displaying their relationships with carbon intensity instead. The global shift might indirectly result in the stranding of fossil fuel-based reserves that can impact economies currently reliant on these energy sources. Indeed, an increasing trend in emerging markets has been funding disruption due to increasing amounts of net-zero commitments by banks and investors.

Physical risks to people in the energy sector

As per the rationale that the Global South is more vulnerable to the climate events and risks, the physical risk faced by people in the energy sector is assessed as 'high'.[26] A resulting consequence of the physical risks to businesses in the energy sector will be a loss of livelihoods for workers and communities that depend on these businesses.[27] An example of this consequence is intense heat hindering workforce productivity and capabilities due to a fall in the quality of working conditions caused by having to work in dangerously high temperatures.

In addition to acute weather events, chronic physical risks may result in the closure of facilities, affecting workers and communities that are dependent on them. Sea-level rise, as explained above, could lead to infrastructure damage for coastal energy infrastructure, including power plants and refineries. This could result in job losses or the displacement of communities that have historically been reliant on the affected infrastructure.

Transitional risks to people in the energy sector

The transition from oil and gas to renewables is not only going to affect businesses but also the people working in the energy sector. The transition is expected to create 14 million jobs related to clean energy technologies, which would

[24] Moody's, *Just Transition* (2022), available at: <https://www.moodys.com/sites/products/ProductAttachments/Moody%27s%20Just%20Transition%20Report.pdf>.
[25] OECD, *Financial Markets and Climate Transition: Opportunities, Challenges and Policy Implications* (2021), at 44.
[26] Feargus O'Sullivan, 'The World's Fastest-Growing Cities are Facing the Most Climate Risk' (1 March 2022), available at: <https://www.bloomberg.com/news/articles/2022-02-28/global-south-cities-face-dire-climate-impacts-un-report>.
[27] *Climate Action and Human Rights: How the UN Guiding Principles can help companies respect human rights when responding to climate change* (n 6), at 16.

require a shift of 5 million workers away from the fossil fuel sector. Moreover, 16 million workers will require a shift to work in clean energy segments that would require additional skills and training.[28] This supports the assessment that the physical risk to people is 'high' whereas the transition risk is 'medium', with the latter assessment corresponding to an increase in job security for future employees and posing a noteworthy opportunity in the energy sector. However, while some individuals will gain new jobs in the renewable energy sector, others may not be well-positioned to take advantage of the opportunities (e.g. gender norms may exclude women from new high-tech value chains). Moreover, poor households are likely to be disproportionally affected by spikes in energy and commodity prices.

Transition risks to people may also occur due to companies pursuing nature-based solutions and/or offsets. Companies in 'hard-to-abate' sectors like the energy sector often rely on nature-based offsets to reduce their emissions. These activities can cause, contribute to or be linked to human rights impacts. For example, some projects aiming to reduce emissions from deforestation have been alleged to impact the rights of Indigenous peoples. Where land is needed for new forestry projects or the development of solar or terrestrial wind farms, this may also impact existing land rights. An additional transition risk that the energy sector must confront is forced labor in parts of the solar supply chain—an issue that has been documented as endemic to the industry.[29] Therefore, renewable power installation must be preceded by comprehensive due diligence and engagement with local groups to understand its various impacts.

Mining Sector

The mining sector includes companies involved in the procurement and mining of minerals necessary for the business operations of different companies. This includes coal mining for companies that generate power from fossil fuels. It also includes companies that require minerals necessary for the renewable energy sector such as 3TG minerals, copper, lithium or nickel. The transition in the mining sector will take place in addition to the implementation of sustainable mining practices that are expected to be in line with the Net-Zero Agreement and the decommissioning of existing mining assets.

Physical risks to businesses in the mining sector

Referring to Figure 5 above, businesses the mining sector face a 'low' risk regarding physical risks. Mining of transition minerals in a low-income economy can show 'low' physical risk if the mines are not located in areas with high exposure to physical climate hazards. But as explained in the oil and gas sector overview, the physical risk might be higher for regions in the Global South. Extreme weather events will negatively affect mines in areas that are vulnerable to climate shocks. One such risk is water scarcity, which could greatly disrupt mining activities during periods of drought. This is both a physical and transitional risk to businesses, as the majority of the world's lithium mining capacities—which are crucial for electrifying the transport sector—are located in regions facing high water stress.[30]

Even where the change in climate conditions might not hamper the composition of minerals directly, the vulnerability of the mining site might increase to adverse weather events like floods or high temperatures. These conditions can cause fire hazards, inefficient equipment performance and even affect material properties of rocks and ores that can in turn impact the safety of underground mining.

Transitional risks to businesses in the mining sector

The transition risks for businesses in the mining sector are classified as 'low' because the demand for critical minerals is likely to increase significantly with an increase in the use of technologies required for a climate-neutral economy. Risks may emerge from regulatory developments encouraging the adoption of more sustainable practices while discouraging traditional processes. As mentioned earlier, the mining sector has the dual-challenge of facing risks for both fossil fuel-based sources and minerals that are crucial for the transition to renewable energy. This phenomenon is referred to as 'Transition in' and 'Transition out'. 'Transition out' is the wind-down of high-carbon activities like fossil fuel mining that will destabilize coal-reliant economies while 'Transition in' is the scaling up of transition-enabling activities like transition minerals mining, which poses both opportunities and risks for affected communities.

[28] International Energy Agency, *Net Zero by 2050: A Roadmap for the Global Energy Sector* (2021), at 17.
[29] Roberta Amoriello and Arushi Sharma, 'Forced Labor in the Solar Supply Chain: Concerns about the Transition to Renewables', *ISS Insights* (8 August 2023), available at: <https://insights.issgovernance.com/posts/forced-labor-in-the-solar-supply-chain-concerns-about-the-transition-to-renewables/>.
[30] 'Aqueduct: Water Risk Atlas', *World Resources Institute* (2023), available at: <https://www.wri.org/aqueduct>.

These transitions both pose risks to companies active in the mining sector. 'Transitioning out' of traditional industries such as coal can lead to stranded assets like coal mines. Meanwhile, measures to 'Transition in' to a net-zero economy will likely drive up the price of carbon, making emissions costlier for businesses. To mitigate this risk, businesses may need to invest in more energy-efficient equipment, electrification of mining processes, and a greater use of renewable energy.

Physical risks to people in the mining sector
Similar to the energy sector, extreme weather events will pose risks to people working in or living near mining operations. For example, flood risks are expected to increase due to climate change. Where mining organizations fail to reinforce tailings dams, surrounding communities could become increasingly vulnerable to flood risks. Water scarcity issues could also lead to conflicts between businesses and local communities over the access to water resources. Prolonged droughts and heatwaves, moreover, will pose greater risks to workers and their communities. Workers in the open-pit operations will be especially vulnerable to the increased risks of dehydration, heat exhaustion and heatstroke.

Transitional risks to people in the mining sector
An analysis conducted by the International Energy Agency ('IEA') showed that the coal sector employs around 6.3 million workers, most of whom are based in the Asia-Pacific region. Mining as a sector generally is considered to have a high impact on local communities and ecologies. There is a foreseeable risk that 'Transition out' measures in the mining sector will affect workers and communities that depend on mines that risk becoming stranded. This could lead to widespread job loss or even community displacement. To date, however, there have been a limited number of companies in the Asia-Pacific region that have assessed the resulting impacts on people of mine closures and the decommissioning of mines. This has been highlighted in a report from the Institute of Responsible Mining[31] and insights from CA100+.[32] In a 'transition out' scenario such as mine closures, early consultation with workers and communities is critical, especially in regions where mining dominates the local economy. Even mitigating the risk of employee retention become complicated by the physical distance between different commodity deposits and the workforce composition required to mine them.[33]

The mining of minerals for renewable technologies will also pose risks to people connected to the mining sector. Specifically, the extraction of raw materials necessary for a green economy has proven to increase pressure on water supplies. For example, mining copper is a water-intensive activity. Approximately half of the existing global copper supply comes from three regions experiencing water scarcity (Chile, Peru and the African copper belt), meaning that water use by copper mines could result in water shortages for local communities. For these reasons, conducting sound due diligence is crucial for mining practices to mitigate any environmental and social risks arising from transition-related mining activities.

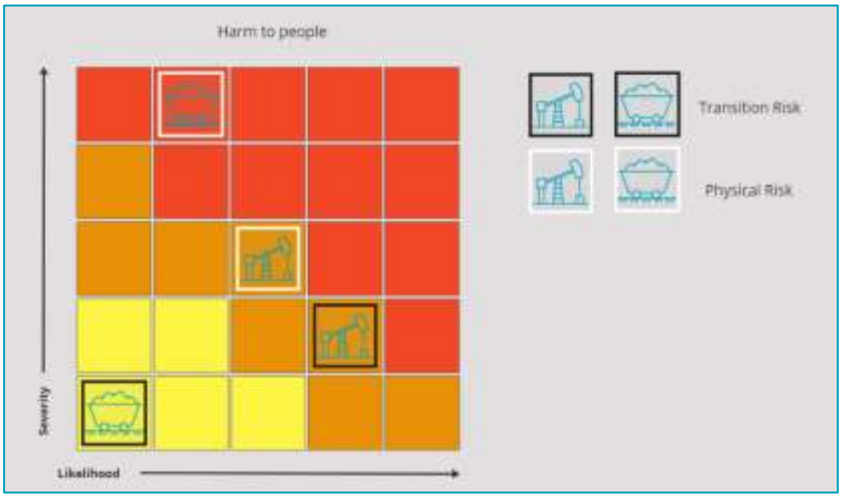
Risk Mitigation

Mitigating risks to business requires a holistic approach including integration of renewable energy fixed assets, the safe transition of employees through reskilling and retraining programs, active engagement with stakeholders and investors and public policy advocacy.

Social risk management should be implemented through human rights due diligence, mitigating negative human rights impacts and by implementing grievance mechanisms for workers and other affected stakeholders. Additionally, companies should promote and establish adequate social protection systems providing healthcare, income security and social services that are in line with international labor standards. Management of potential impacts on other vulnerable stakeholders will be important to ensure a well-rounded and holistic approach. These efforts, although not restricted in ameliorating risks to their business will also help countering risks to people.

[31] Responsible Mining Index, *RMI Report 2022* (2022), available at: <https://2022.responsibleminingindex.org/en>.
[32] 'Climate Action 100+ Releases the First Net Zero Standard for Diversified Mining', *Climate Action 100+* (6 September 2023), available at: <https://www.climateaction100.org/news/climate-action-100-releases-the-first-net-zero-standard-for-diversified-mining/>.
[33] Ibid.

Figure 6 | Heat map for risks by sector



The mining sector faces similar transition-related consequences to the energy sector such as job insecurity and disruptions in business operations. A way for investors to support the transition plan for mining companies is to take guidance from, among other tools, the CA100+ benchmark data to infer best practices that can be upheld in the Just Transition. To prioritize minimizing the impact of the transition on the mining sector, institutions can refer to the heat map for analyzing the severity and likelihood of transition and physical risks. As explored above, the transition risk is lower for the mining sector, but the physical risk are likely to be more severe (noting the assessed moderate probability of these risks occurring). Physical risks can also be extremely high for people working in mines in geographies with lower standards of occupational health and safety. Application of the UNGPs will help companies in identifying human rights risks in their own operations and value chain, enabling a proper risk management strategy to be implemented.

The solutions for risk mitigation for the mining sector should also tackle a well-ordered coal phaseout plan. This can include conducting environmental and social risk assessments to determine both negative and positive impacts on local communities, their livelihoods, and the environment. After the assessment, an environmental restoration and land purposing plan can tackle the negative physical impact on the environment. This can be complemented with a stakeholder management plan that mitigates the negative impacts on affected groups, including workers, consumers and local communities. These approaches, taken together, address the environmental and social aspects of mitigating the risk of coal phase out.[34]

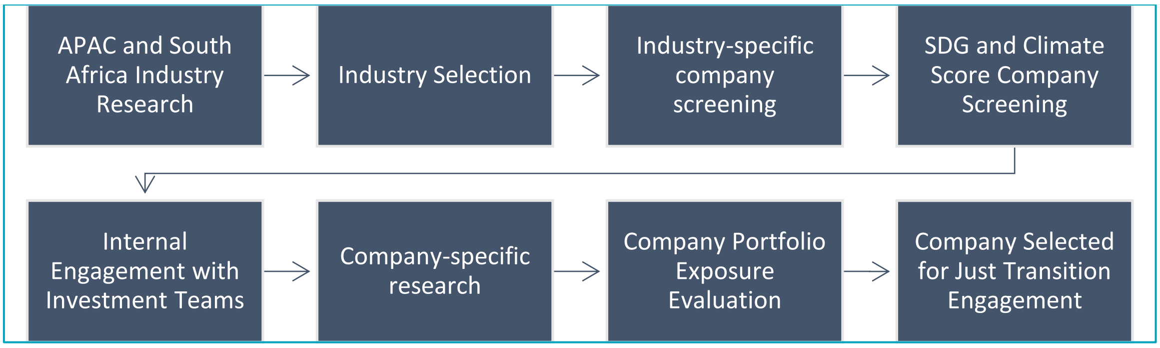
Similarly, the solutions for risk mitigation for 'transition in' measures should be conducted with an acknowledgement of the impact of mines on communities and the environment. Advocating and implementing responsible mining standards such as those developed alongside investors by the Global Industry Standard on Tailings Management can propagate equity participation and limit economic impact on local regions. A similar approach can be achieved through conducting a 'do no significant harm' screening, which aims to check the alignment of mining practices by assessing the social and environmental impacts as well as emissions intensity of production of the minerals.

[34] Asia-Pacific Network of the Glasgow Financial Alliance for Net Zero, *Financing the Managed Phaseout of Coal-Fired Power Plants in Asia Pacific* (2023), available at: <https://assets.bbhub.io/company/sites/63/2023/05/gfanz_consultation_managed-phaseout-of-coal-in-Asia-Pacific.pdf>.

Company Selection Process: Methodology

In selecting the companies for this engagement we followed a rigorous, multi-stage selection process.

Figure 7 | Company Selection Process



We started with conducting extensive research to gain a comprehensive understanding of the industries represented in our emerging markets portfolio and their progress in integrating the principles of Just Transition. The objective was to identify industries that offer the most potential for engagement and positive impact. We considered key factors such as emission intensity, industry size in the APAC Region and South Africa, and the relevant regulations and initiatives pertaining to Just Transition in these countries. After a careful analysis, we determined that the mining and energy industries were the most suitable for our engagement process. Apart from being hard-to-abate, these sectors have a strong societal impact and in the meantime these sectors are spearheading the transition.

Subsequently, we embarked on a thorough selection process to identify specific companies to engage with on the topic of Just Transition in the coming years. This process involved multiple steps to ensure the effectiveness of our engagement efforts. To begin, we conducted a comprehensive screening of our database to identify companies operating within the targeted sectors, particularly those situated in emerging markets in the APAC Region and South Africa. We then applied a rigorous evaluation of these companies based on their alignment with the relevant Sustainable Development Goals ('SDGs') and Climate Scores.

Our selection process prioritized companies that aligned with SDG 7, which focuses on ensuring access to affordable, reliable, sustainable, and modern energy. We also considered companies aligned with SDG 8, which promotes inclusive and sustainable economic growth, employment, and decent work for all. Additionally, we looked for companies aligned with SDG 13, which emphasizes taking urgent action to combat climate change and its impacts. We evaluated how the adoption of Just Transition principles could contribute to achieving the objectives outlined in these SDGs. Furthermore, we assessed companies based on their climate scores, which ranged from -1 to 1. This score range indicated that the companies already had established decarbonization pathways in place and provided us an indication on the level of each company's transition-readiness.

Once we identified potential companies, we engaged with the relevant investment teams to gain further insights into their investment approach and perspectives on attractive companies. These discussions provided valuable input, allowing us to shortlist several companies for further assessment to determine their suitability for engagement. During the assessment, we evaluated whether companies had established net-zero decarbonization strategies, initiatives to protect the rights of workers and local communities, and training programs to upskill or reskill their workforce.

Companies that complied with these requirements, meaning they had a decarbonization strategy in place and considered employee considerations within it, were evaluated based on their exposure in our portfolio. Finally, we selected six companies for the Just Transition engagement program.

Although we underline that the Just Transition is relevant for the global economy and therefore for all sectors, we will initially focus our engagement activities on the energy and the mining sector. Going forward, we will expand our engagement to other key sectors such as the agriculture sector, the construction and transportation sector and the financial sector.

Engagement Objectives

This engagement aims to ensure a Just Transition for companies in the transition out of high-emitting operations and into sustainable operations, with a clear focus on the social risks facing employees, communities and the companies' value chain.

To assess the performance of the companies under this engagement, our dialogue will be guided by five objectives:

1. Just Transition Ambition & Governance
    1.1. Ambition
    1.2. Targets
    1.3. Governance
2. Stakeholder Engagement
    2.1. Commitment to Stakeholder Engagement
    2.2. Stakeholder Engagement with Employees
    2.3. Stakeholder Engagement with Communities
    2.4. Stakeholder Engagement with Indigenous Communities
    2.5. Stakeholder Engagement with Governments and Labor Organizations
3. Just Transition Plan
    3.1. Just Transition Plan (Risks and Opportunities)
    3.2. Just Transition Approach
    3.3. Capital Alignment
4. Just Transition Risk Management
    4.1. Just Transition Risk Identification and Assessment
    4.2. Risk Management: Social Protection Policies
    4.3. Risk Management: Occupational Health and Safety
    4.4. Risk Management: Other Just Transition-Related Risks
5. Transparency & Disclosures
    5.1. Disclosure of Just Transition Plan and Efforts
    5.2. Progress Monitoring

The objectives were developed with reference to relevant frameworks such as the UNGP, GFANZ, CA100+, the ILO[35] and WBA Just Transition Principles,[36] and are aligned with the structure of the TCFD. We believe that these five objectives thoroughly cover and support the development of the companies' commitment, implementation and monitoring of a Just Transition plan. Importantly, the objectives have been deliberately structured to reflect that the commitment to a Just Transition is an iterative process. Once a company has declared its Just Transition ambitions, we expect it to re-evaluate its relevant stakeholders and Just Transition-related risk management strategies on an ongoing basis. A continuous process of assessment enables companies to respond to emerging Just Transition risks and opportunities. For a more comprehensive summary of the engagement objectives and its expectations, see Table 7 in the Appendix.

The following section, 'Company Profiles', evaluates these objectives upon the companies selected for our engagement, based on a number of indicators that reflect the companies' performance against these objectives. As the engagement process carries on, we will review and complement our views with the information provided by the companies during our dialogue. In addition, as we note that the Just Transition is an evolving topic, we will continue to monitor and consider new frameworks and initiatives that can help to further strengthen our engagement and dialogue.

[35] *Guidelines for a just transition towards environmentally sustainable economies and societies for all* (n 4).
[36] *Just Transition Methodology* (n 18).

Objective 1: Just Transition Ambition & Governance

Ambition

For companies to achieve a Just Transition, we deem the company's net-zero and Just Transition ambition and commitment a key starting point. A stated ambition is important because it signals the company's stance and plans for achieving a Just Transition to stakeholders. Aligning with internationally recognized standards and relevant industry standards ensures that a company's commitments are comparable, and that the commitments put the company on track to achieving goals in line with those international standards. Companies should align their Just Transition ambitions with comprehensive international standards that explicitly consider corporates. These may include the ILO's 2016 'Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for All' or the WBA's 2021 'Just Transition Assessment'. This provides greater accountability than an ambition that is aligned with the Paris Agreement, which only mentions the Just Transition once (in its preamble) and does not directly regulate corporates. International financing mechanisms, such as the JETP and blended finance direct funding towards companies and projects aligned with a Just Transition. Furthermore, with shifting market preferences and more regulations against high-emitting operations, companies lagging in the energy transition and Just Transition agenda are locked out from funding from investors and face increasing costs from such regulations. Therefore, it is important for companies to set commitments aligned with internationally recognized standards.

Commitments and expectations: We expect companies to state their climate ambition to achieve net-zero and work towards making a net-zero by 2050 commitment, as well as a dedicated Just Transition commitment. We expect each company's commitments to net-zero and the Just Transition to be at the board level, in line with internationally recognized standards and relevant industry standards. Possible standards include the ILO Just Transition Guidelines; the UNGP Reporting Framework;[37] the WBA Just Transition indicators from the Just Transition Assessment; and alignment with the SDGs (especially SDGs 7 (affordable and clean energy), 8 (decent work and economic growth), 13 (climate action)).

Targets

To ensure that companies are able to fulfil their ambitions, they should set time-bound, quantifiable targets for a Just Transition. Time-bound, quantifiable targets are important because they promote accountability and push companies to develop forward-looking strategies to achieve those targets. Targets for varying time horizons help investors and other stakeholders monitor the company's progress and determine if the company is serious about combating the issue. Furthermore, short- and medium-term goals help companies monitor their own progress.

Commitments and expectations: We expect companies to set short-, medium-, and long-term targets regarding the implementation of their Just Transition commitments.

Governance

Board commitment and accountability of a company's Just Transition commitment are important to ensure that the Just Transition is managed at the highest level and decision-making will consider the entire company. Management level responsibility is also crucial to ensure that the company maintains a strong grasp of managing Just Transition issues in the company's day-to-day operations.

Commitments and expectations: We expect the company's board to have oversight of the management of the Just Transition and its associated risks and opportunities. A board member/members should have explicit responsibility over the Just Transition and be sufficiently prepared to assess these risks and opportunities. There should be management level responsibility for monitoring the progress of implementation of the Just Transition commitment.

[37] 'The UN Guiding Principles on Business and Human Rights', *UNGP Reporting*, available at: <https://www.ungpreporting.org/resources/the-ungps/>.

Objective 2: Stakeholder Engagement

Commitment to Stakeholder Engagement

Stakeholder engagement is a key step for companies in accurately identifying risks and informing the assessment of their materiality to stakeholders. As such, companies should conduct stakeholder mapping and engagement with all relevant stakeholders to better understand the risks to the company and its stakeholders. Commitment to stakeholder engagement is important to ensure that companies have consistent engagement timelines and channels covering all stakeholders. Companies should then be able to clearly present the findings of their social dialogue and translate these findings into their risk management.

Commitments and expectations: We expect companies to commit to stakeholder mapping and stakeholder engagement, disclose the categories of stakeholders it engages with concerning its Just Transition, and demonstrate ongoing social dialogue and meaningful engagement with affected stakeholders. Companies should undertake social dialogue at multiple levels, including information-sharing; consultation (whether in bipartite, tripartite, or multipartite bodies); and negotiation. Last, companies should also implement effective operational-level grievance mechanisms for stakeholders who may be adversely impacted.

Stakeholder Engagement with Employees

Employees can be left behind in the transition if insufficient policies are in place for their support and protection. These policies include those for retaining, retraining, upskilling, redeploying, and compensation with regards to achieving a Just Transition. It also includes occupational health and safety policies to ensure that employees are protected from the various occupational and health hazards associated with working in the mining/energy industries. As such, stakeholder engagement via social dialogue with employees is important to ensure that their needs and concerns are known to the companies and companies can work in consultation with employees to address their concerns.

Commitments and expectations: We expect companies to conduct stakeholder engagement with affected employees through social dialogue and translate these findings into their risk management procedures and social protection policies.

Stakeholder Engagement with Communities

Stakeholder engagement with communities is important to ensure that local concerns and needs are addressed as the company's business activities change. Communities can be affected by various transition-related measures, including the development of new infrastructure; the decommissioning of mines or plants; flood risks; or the leaking of hazardous material. Through stakeholder engagement with these communities, their concerns and needs can be translated into the company's risk management process.

Consumers will also be affected in the transition throughout the value chain. For example, if companies do not transition promptly, they may be affected by market, policy, regulatory or reputational risks, resulting in increasing costs being passed on to consumers. This would disproportionately affect low-income, working-class consumers in terms of the price of oil and gas products. Stakeholder engagement with consumers allows for the identification and assessment of these risks, and helps the companies develop risk management plans for them.

Commitments and expectations: We expect companies to conduct stakeholder engagement with communities who will be foreseeably affected by the company's transition-related business activities. We also expect the company to conduct stakeholder engagement with affected consumers, emphasizing the impacts of a net-zero transition on low-income, working-class consumers on topics such as pricing of products and product and service quality.

Stakeholder Engagement with Indigenous Communities

In addition to local communities, Indigenous communities can be affected in rights-related conflicts if companies do not implement procedures to obtain their free, prior and informed consent ('FPIC') before land acquisition and development activities. Through stakeholder engagement with these communities, their concerns and needs can be translated into the company's risk management process.

Commitments and expectations: Where a company's business activities affect Indigenous communities, it should conduct stakeholder engagement to ensure that their free, prior and informed consent is received before new infrastructure/developments are built, and land-grabbing does not occur.

Stakeholder Engagement with Governments and Labor Organizations

Companies exist in an interdependent relationship with governments and labor organizations: they are influenced by these groups while also exerting an influence on them. Stakeholder engagement with these groups ensures alignment between a company's Just Transition ambitions and broader societal goals. Aligned ambitions with governments allow companies to lawfully navigate the evolving regulatory landscape and foster a supportive business environment. Meanwhile, engaging labor organizations can improve industry-wide practices around the Just Transition. Companies should be transparent about their industry associations and organizational memberships, as well as their lobbying or advocacy activities. Where these associations or activities are misaligned with the company's Just Transition ambition, we expect companies to justify their conduct or desist from supporting groups whose efforts will hinder a Just Transition.

Commitments and expectations: We expect companies to disclose lobbying, advocacy and promotion activities with the company's intentions. Companies should also disclose their industry group memberships and the positions that these groups have concerning the Just Transition. Where these groups do not align with a Just Transition, companies should have a strategy to influence or leave them (Just Transition Policy Advocacy). Companies should be actively participating in relevant dialogues and/or industry initiatives for the Just Transition.

Objective 3: Just Transition Plan

Just Transition Plan (Risks & Opportunities)

For companies to develop a Just Transition plan, they first need to be able to identify the associated risks and opportunities that will impact them. Risks and opportunities should be considered for the short-, medium- and long-term because they may occur over different time horizons. Companies should be prepared to adapt to and mitigate these risks and seize the available opportunities.

Commitments and expectations: We expect companies to establish and disclose a Just Transition plan, describing the Just Transition risks and opportunities on the company's business, strategy and financial planning over the short-, medium-, and long-term. The Just Transition Plan should be monitored, evaluated on a regular basis and adapted if necessary.

Just Transition Approach

Companies need to be able to outline their approach to achieve the Just Transition while considering the related risks and opportunities.

Commitments and expectations: We expect companies to have a Just Transition plan on mitigating impacts on workers, communities, other vulnerable groups, and business relationships. The strategy should outline the company's approach to achieve the Just Transition in terms of transitioning out of high-emitting operations and transitioning into sustainable operations while minimizing the negative impacts on affected stakeholders. Companies should also outline their approach to capitalize on Just Transition-related opportunities, such as financing opportunities.

Capital Alignment

Capital alignment is important to ensure that implementation efforts are in line with the company's Just Transition ambition and planned trajectory. Without capital alignment plans, there may be uncertainty—both within the company and from external parties—in how the company will achieve its Just Transition targets. Therefore, a capital alignment plan signals to investors and other stakeholders that the company is committed to allocate capital to the Just Transition to address both identified risks and opportunities.

Commitments and expectations: We expect companies to have a plan for capital alignment, disclosing forward-looking Just Transition capital expenditure budgets and the share of capital allocated to upskilling, creating and supporting access to green and decent jobs.

Objective 4: Just Transition Risk Management

Just Transition Risk Identification and Assessment

Having identified and assessed the risks and opportunities that a company faces, it can implement policies to manage these risks. The company should have social protection policies in place and a human rights policy requiring that social risks be identified and assessed through human rights due diligence in line with the UNGP. According to the United Nations' Working Group on Business and Human Rights, human rights due diligence involves four steps: (i) identifying and assessing actual or potential human rights impacts that the company may cause, contribute to or be affected by, and taking appropriate action to manage these impacts; (ii) integrating findings from impact assessments across relevant company processes; (iii) tracking the effectiveness of measures and processes to address human rights impacts; and (iv) communicating on how impacts are being addressed and showing stakeholders there are adequate policies and processes established. Other risks should follow a similar approach.

Following the companies' human rights due diligence to identify and assess human rights impacts, companies should establish human rights policies to address these impacts. These human rights policies should extend beyond workers, considering all vulnerable stakeholder groups. Gender inequality is important to consider because the transition can adversely impact women who have unequal access to social services and who may be excluded from new high-tech value chains due to gender discrimination. Further, Indigenous peoples and ethnic minorities are vulnerable stakeholders as they often have unequal access to social services and are underrepresented in company boards. As such, a company's human rights policies should consider the gender and racial dimensions of its net-zero transition to ensure diversity and inclusion for all vulnerable stakeholder groups in the value chain. Human rights policies should also ensure that Indigenous peoples' rights are respected and upheld. It is crucial for the companies' value chains to have adequate human rights policies in place. With so many players outside of the companies' main operations, there are risks that lapses in management or oversight can expose companies to human rights risks that are financially material for the company and can adversely impact its stakeholders.

Commitments and expectations: We expect companies to describe how they identify and assess the Just Transition-related risks. Companies should have a human rights policy in place requiring them to identify and assess social risks through human rights due diligence, considering all vulnerable stakeholder groups, including employees, communities and Indigenous peoples, and stakeholders in the value chain. Building on their human rights due diligence, we expect companies to promote and establish adequate human rights policies to promote and ensure gender equality, diversity and inclusion. Human rights policies should cover all vulnerable stakeholder groups, including employees, local and Indigenous communities, consumers and stakeholders across the value chain.

Risk Management: Social Protection Policies

After identifying and assessing the social risks, social protection policies should be established for managing and mitigating the social risks involving (direct and indirect) workers. These policies are essential to ensure that workers are well-protected in the transition process.

Commitments and expectations: We expect companies to promote and establish adequate social protection systems providing healthcare, income security and social services in line with international labor standards such as the ILO Core Conventions. These policies should aim to increase resilience and safeguard populations against the impacts of economic and environmental vulnerabilities and shocks, contributing to the goals of productive employment, decent work, social inclusion and the eradication of poverty in the transition. For employees, this includes policies for retaining, retraining/skills development, redeploying and/or compensation.

Risk Management: Occupational Health & Safety

To achieve a Just Transition, companies should ensure that workers are well-protected and supported during and after the transition. Establishing adequate OH&S policies are important due to the various occupational and health hazards associated with working in the mining and energy industries. As companies will work with novel materials, technology and processes during and after the transition, it is crucial that they conduct the necessary assessments and establish OH&S standards for emerging work-related harms.

Commitments and expectations: We expect companies to implement OH&S policies through conducting assessments of increased or new OH&S risks resulting from climate change; working in the mining/energy industry; resource scarcity; or other risks related to human health and the environment. Companies should identify adequate prevention and protection measures to seek to ensure Occupational Health and Safety, consulting employees where necessary. Where applicable, companies should seek to improve, adapt or develop and create awareness of OH&S standards for technologies, work processes and new materials related to the transition.

Risk Management: Other Just Transition-Related Risks

Apart from social risks, not working towards a Just Transition also poses other significant risks to the company, as outlined in the double materiality table (see Table 4 in the Appendix). Companies should incorporate these risks into their enterprise risk management framework to ensure that they are adequately considered in the development and implementation of the companies' overall risk management and strategy.

An emerging risk that companies should identify and monitor concerns litigation, which can have reputational and financial effects. 'Just Transition litigation', which emerged in 2016, refers to lawsuits concerning the distributive and procedural aspects of transitionary policies and activities. Claims have been brought against governments and companies, both in support of (pro-regulatory) and in opposition to (anti-regulatory) climate policies. To minimize litigation risks, companies should ensure that their Just Transition measures are procedurally fair by disclosing relevant non-financial information, including information on the projected impacts on the enjoyment of human rights;[38] consulting with foreseeably affected parties;[39] and providing access to grievance procedures. Further, to meet their substantive obligations, companies may be required to consider whether their business activities affect traditional land uses and livelihoods; and obligations pertaining to emissions reductions, supporting climate policies, and refraining from harmful activities.[40]

Commitments and expectations: We expect companies to explain how they manage other relevant risks of the Just Transition, including regulatory and policy risks, and financial risks. We expect companies to incorporate the risk management for these Just Transition-related risks into their Enterprise Risk Management framework.

Objective 5: Transparency & Disclosures

Disclosure of Just Transition Plan and Efforts

The TCFD framework is an internationally recognized framework for climate reporting that provides a structured framework to help companies report on climate-related financial risks and opportunities. This is the first step to disclosing Just Transition efforts, as the Just Transition is a product of the climate transition. By extending the reporting to the social dimension, it ensures that the company's reporting is comprehensive, comparable and consistent. By using consistent reporting approaches like the Global Reporting Initiative, UN Guiding Principles Reporting Framework and the Workplace Disclosure Initiative, the companies can ensure that the depth and breadth of social risks and opportunities are covered.

Commitments and expectations: We expect companies to have disclosures in line with the TCFD framework. Extending the reporting to the social dimension, we expect companies to use consistent approaches such as the Global Reporting Initiative, UN Guiding Principles Reporting Framework and the Workplace Disclosure Initiative.

Progress Monitoring

Progress monitoring promotes accountability to ensure that the companies are on track to achieving their targets and, if necessary, prompt companies to conduct further assessments and strategy development to accelerate progress. This allows stakeholders to make assessments of the companies' efforts and progress, which will influence stakeholders' decision-making, including—for example-- whether investors will finance the companies, or how civil society and labor organizations will engage with the companies on the well-being of workers and communities. Progress should be monitored with appropriate metrics in line with international reporting standards such as the Global Reporting Initiative.[41]

[38] *Development YES – Open-Pit Mines NO v. Group PZU S.A.* (2016); 'Union Hidalgo vs EDF Group', OECD Watch, accessed 6 September 2023, available at: <https://www.oecdwatch.org/complaint/union-hidalgo-vs-edf-group/>.
[39] See the discussion of the suspension of a Norwegian onshore wind project in Annalisa Savaresi and Joana Setzer, 'Mapping the Whole of the Moon: An Analysis of the Role of Human Rights in Climate Litigation' (2021), available at: <https://dx.doi.org/10.2139/ssrn.3787963>.
[40] Ibid.
[41] World Economic Forum, *Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation* (2020).

Commitments and expectations: We expect to see evidence of Just Transition progress monitoring, including the metrics that companies use to monitor their progress and the development process of these metrics.

Link to the SDGs

We encourage the companies in our engagement program to protect fundamental human rights and avoid harm, thereby minimizing their negative contribution to the SDGs.

Adopted by the 193 UN member states in 2015, the Sustainable Development Goals ('SDGs') are a universal call to action and "a blueprint to achieve a better and more sustainable future for all" by 2030.[42] The 17 goals and 169 underlying targets cover a broad range of global challenges including combating human-induced climate change, reducing inequality, and ensuring health and well-being. Through our dialogues with companies under engagement, we encourage companies to make positive progress towards the SDGs and limit their negative impact.

As indicated, the Just Transition concept is closely linked to making positive progress towards the SDGs. Although we note that the Just Transition is relevant for various SDGs, the nature of this engagement theme is especially focused on a positive contribution to SDG 8 (decent work and economic growth), SDG 7 (affordable and clean energy) and SDG 13 (climate action). The links between the engagement objectives and the SDG goals are highlighted in Table 3:

Table 3 | Links between engagement objectives and SDG targets

SDG	Target	Link to the engagement
7 AFFORDABLE AND CLEAN ENERGY	7.1 Ensure universal access to affordable, reliable and modern energy services	We monitor the companies' stakeholder engagement commitments to ensure that all affected stakeholders have access to affordable, reliable and modern energy services.
	7.B Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries	We monitor the companies' Just Transition plans to ensure that they are developing infrastructure and transition to sustainable technologies that will ensure the supply of modern energy services.
8 DECENT WORK AND ECONOMIC GROWTH	8.3 Promote development-oriented policies	We monitor the companies' Just Transition risk management measures to ensure that workers across the value chain are supported by social protection policies, including upskilling and retraining programs that enable access to green and decent jobs.
	8.8 Protect labor rights and promote safe and secure working environments for all workers	We monitor the companies' Just Transition risk assessment and management measures to ensure that companies are undertaking stakeholder engagement, human rights due diligence, and that their employees' labor rights are aligned with international standards
13 CLIMATE ACTION	13.B Promote mechanisms for raising capacity for effective climate change-related planning and management	We monitor the companies' stakeholder engagement processes to ensure that they are integrating the feedback of disadvantaged groups, including Indigenous communities, into their Just Transition measures.

[42] 'Take Action for the Sustainable Development Goals', *UN*, available at: <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>. For more information on the link between the SDGs and the Just Transition, see Grantham Research Institute on Climate Change and the Environment, *Investing in a just transition in the UK: How investors can integrate social impact and place-based financing into climate strategies* (2019), at 14.

Appendixes

Appendix A: Tables

Table 4 | Just Transition Double Materiality

Business Perspective: How the practice (or lack thereof) of responding to the Just Transition can affect the company (Outside-In) *Financial materiality*	Systemic Perspective: How the company can affect external parties (Inside-Out) *Impact Materiality*
Risks	
(-) Risk of limited access to capital in international markets - ESG considerations have become increasingly important for investors. Not supporting a Just Transition in the company's approach can increase funding costs or can cut the company off from a broader range of investors who are committed to sustainable and impact-driven investment practices. In EMDEs it can also cut off access to capital from Just Energy Transition Partnership ('JETP') stakeholders like the ADB which coordinates the mobilizing of capital across stakeholders in EMDEs.	(-) Impact on workers - In many EMDEs, the bulk of the workforce is in the informal sector, and without any formal safety net, these informal workers are more vulnerable and at greater risk of losing their livelihoods. - If a coal plant, mine or garment factory 'transitions out' of fossil fuel activities, informal workers along their supply chain and their communities will be affected. - Some workers –especially in the informal sector – are represented in associations but most cannot unionize or being part of a labor union. As such they will not be able to voice in how transitions are planned, placing them at a disadvantage to address labor impacts of the transition. - Most coal supply employees are miners, whose jobs are highly geographically concentrated, making these geographically dependent workers particularly vulnerable in energy transition. The lack of a Just Transition in retaining, retraining/reskilling and redeploying workers can lead to many workers with mismatched skillsets and unable to find decent work in a job market without these high-emitting operations.
(-) Regulatory and policy risks - Regulatory and policy frameworks around the world are increasingly focusing on the transition to a net-zero economy. Governments are implementing measures such as carbon pricing, emissions reduction targets and sustainable finance and disclosure regulations. Companies run the risk of stranded assets & restrictions to sell, for example, products with a high carbon footprint. - Furthermore, companies run the risk of for example disruptions and protest if they do not manage social impacts linked to the transition. - Increased legal and/or funding costs as regulations increasingly penalize laggards in a Just Transition. In addition, globally we see increasing regulatory requirements related to respecting social rights.	(-) Hazardous waste left on site after decommissioning of CFPPs or mines - Large amounts of waste (some hazardous and toxic) that will require specialist disposal, and potential land and groundwater contamination. Hazardous waste and contaminated land may lead to contamination of groundwater supply, food crops, and local fisheries.
(-) Risk of inequality undermining growth - It is important that companies do not neglect or undermine the positions of the other stakeholders on which their business models rest. If not carefully managed through Just Transition policies and processes, economic changes could result in increased	(-) Impact on value chain - Loss of jobs upstream (suppliers) and downstream (distributors etc.) due to for example the phase down or relocation of operations in response to changes in business strategy.

social inequality, worker disillusionment, strikes and reduced productivity or civil unrest, as well as less competitive businesses, sectors and markets. It is estimated that, on average, a 1% increase in inequality lowers GDP by 0.6% to 1.1%.[43] As in the company context, a Just Transition is not just a fair and equitable approach to climate goals, it is also the right way to ensure that transition is rewarding for the companies and countries going on that journey.	
(-) Financial Costs - Re-skilling the workforce and providing better occupational health and safety services to employees comes with significant costs for companies. - Higher operational costs to meet emissions regulations. - Lower demand for products and services with a high carbon footprint.	(-) Impact on vulnerable groups - Impact on Indigenous peoples: Case of land-grabbing can occur if the Indigenous peoples' free, prior, informed consent are not received before constructing new infrastructure for the company's energy transition. Further, hazardous waste left on site after the decommissioning of CFPPs or mines can disproportionately impact Indigenous people due to their underrepresentation and lack of resources to mitigate the negative impacts. - Impact on consumers: If there is an increase in gas and diesel taxes, or any other increase in price of goods and services from traditional high-emitting sectors, there will be a disproportionate impact on lower-income working-class consumers. Therefore, companies should aim to achieve a Just Transition by providing affordable and reliable access to sustainable goods and services.
(-) Lack of Trained Workforce and Expertise to manage a Just Transition - As companies move towards a more a sustainable future and fail to manage a Just Transition, they are likely to face a lack of a (re)trained workforce required for their new business models, as well as expertise to manage the Just Transition	
(-) Reputational Risk - Loss of reputation due to for example high exposure to fossil fuels. - Reputational damage resulting from non-compliance with Just Transition-related policies and regulations.	
Opportunities	
(+) Social Dialogue in Just Transition - Harmonious relations/ improved conflict management will lead to more stability, a more motivated workforce and less disruption of operations (strikes). - Improving company policy and responses to the Just Transition can lead to improved staff retention and a stable workforce.	(+) Social Equity and Inclusion - Reduces inequality and improves working conditions, protection and employability for both formal and informal workers. - Enhances participatory democracy as workers are recognized as an equal partner in the process. - Provides legitimacy and ownership to public social policies.
(+) Compliance with Regulations - With increasing government attention on Just Transition, aligned with ILO principles, governments will support a Just Transition through the: integration of sustainable development and JT into macroeconomic and growth policies; adoption of appropriate regulations and instruments (i.e., taxes, subsidies, incentives, guaranteed prices); investment	(+) Occupational Health and Safety (OH&S) - Companies are incentivized to support technical assistance to conduct research to better understand the range of OH&S risks across the life cycle of products, new technologies and jobs, and use this knowledge to improve prevention and safety in the workplace. By doing so, companies will provide social

[43] Orsetta Causa, Alain de Serres and Nicolas Ruiz, 'Growth and inequality : A close relationship?', *OECD* (2014), available at: <https://www.oecd.org/economy/growth-and-inequality-close-relationship.htm>.

of public funds in greening the economy; and development of trade and investment policies. By embracing a Just Transition a company can position themself to comply with these regulations.	benefits to their workforce in terms of a safer workplace.
(+) Labor Market and Skills Development Policies - The governments can encourage sound labor market policies that help enterprises and workers in the anticipation of changing labor market demands in the context of the transition to environmentally sustainable economies by facilitating access to jobs, strengthening employability and training. - Policies can assist companies in their engagement with governments and training providers with regard to management and skills upgrading of their current workforce, anticipation of future occupational profiles and skills needs, and workers' acquisition of portable and employable skills that respond to the needs of enterprises and workers in the transition to environmentally sustainable economies.	(+) Job Creation and Quality Employment - Coordination of skills development policies and technical and vocational education and training systems taking into account environmental policies and greening of the economy. - Promotion of equal access to opportunities for skills acquisition and recognition for all, in particular young people, women, and workers who need to be redeployed.
(+) Increased Access to Capital in International Markets - ESG considerations have become increasingly important for investors. By supporting a Just Transition in the company's approach, it can increase access to capital from Just Energy Transition Partnership (JETP) stakeholders like the ADB which coordinates the mobilization of capital across governments, international partners, private financial institutions, and civil society organizations.	(+) Active Labor Market Policies - Companies well-prepared for the changing labor market demands in the context of the transition to environmentally sustainable economies will facilitate access to jobs, strengthen employability and training, thereby allowing for smoother transition for its workforce creating a positive impact on the economy.
	(+) Social protection policies - Promotion and establishment of adequate protection systems providing healthcare, income security and social services. By doing so, companies will provide social protection to their workforce.
	(+) Innovation and Technological Advancement - Embracing a Just Transition can drive innovation in clean technologies and solutions. Innovation can contribute to broader technological advancement and the development of solutions that address global challenges
	(+) Community Resilience and development - Sustainable practices and green investments can enhance the resilience of communities to environmental and economic shocks
	(+) Global Cooperation and Positive Impact - Support of economic growth, new skilled jobs, reduced pollution and a resilient prosperous future for the community and country example via Just Energy Transition Partnerships

Table 5 | WBA Just Transition Methodology

Indicator	Elements
Fundamentals of social dialogue and stakeholder engagement in a Just Transition	The company commits to social dialogue, discloses the categories of stakeholders it engages with on a Just Transition and demonstrates ongoing social dialogue and meaningful engagement with affected stakeholders.
Fundamentals of Just Transition planning	The company demonstrates net-zero transition planning which will mitigate the social impacts of the Just Transition on workers, affected stakeholders and its business relationships, and demonstrates social dialogue and stakeholder engagement in the development of its Just Transition planning.
Fundamentals of creating and providing or supporting access to green and decent jobs for an inclusive and balanced workforce	The company assesses and discloses risks of employment dislocation where relevant and is committed to taking appropriate action to create and provide or support access to green and decent jobs in a way which ensures gender balance and inclusion of vulnerable groups.
Fundamentals of retraining and re-and/or up-skilling workers for an inclusive and balanced workforce	The company is committed to and takes appropriate action to re-and/or up-skill workers displaced by the transition to a net-zero economy in a way which ensures gender balance and inclusion of vulnerable groups.
Fundamentals of social protection and social impact management for a Just Transition	The company describes how it identifies the impacts of the net-zero transition on social protection for workers and affected stakeholders and contributes to social protection in the contexts in which it operates. The company expects its business relationships to contribute to social protection.
Fundamentals of advocacy for policies and regulation of green and decent job creation, employee retention, education and reskilling and social protection supporting a Just Transition	The company discloses any misalignment of its lobbying activities with policies and regulation that support the Just Transition and discloses the measures it takes to address misalignment. The company lobbies for policies and regulation for green and decent job creation; retention, education and reskilling; and social protection.

Table 6 | CA100+ Just Transition Indicators

Indicator	Elements
Acknowledgement	The company has explicitly referenced the Paris Agreement on Climate Change and/or the ILO's Just Transition Guidelines, whilst recognizing the social impacts of its climate change strategy.
Commitment	The company's decarbonization policies and pathway are in line with Just Transition principles. The company has committed to retain, retrain and/or compensate workers affected by decarbonization.
Engagement	The company has established partnerships and opportunities for social dialogue with workers, unions and communities through stakeholder consultations.
Action	The company supports net-zero initiatives in regions affected by decarbonization. The company ensure that its decarbonization efforts and new projects are developed in consultation and with the consent of affected communities. The company takes action to support financially vulnerable customers that are adversely affected by the company's decarbonization strategy.

Table 7 | Summary of engagement objectives

Objective	Expectations
Just Transition Ambition & Governance	• The company should state its ambition to achieve net-zero and work towards making a net-zero by 2050 commitment. • There should be a commitment in place towards achieving a Just Transition at the board level, in line with international standards. • The board should directly oversee the management of a Just Transition agenda, with a board member who is explicitly accountable for the company's implementation of a Just Transition plan. • There should be management-level responsibility for the implementation and monitoring of the Just Transition plan.
Stakeholder Engagement	• The company should commit to ongoing stakeholder mapping and stakeholder engagement, demonstrating a meaningful consideration of the views of consulted stakeholders in its Just Transition-related decision-making processes. • The company should conduct stakeholder engagement with affected parties across its value chain, acknowledging the different ways that it will be impacted by the net-zero transition. Relevant stakeholders may include employees; consumers; local communities; Indigenous peoples and other ethnic minorities; governments and labor organizations. • Where a company is associated with—or a member of—an organization that does not align with the Just Transition, it should have a strategy to influence or leave them.
Just Transition Plan	• The company should commit to developing and publishing a Just Transition plan that explains the set of actions it intends to take to meet its Just Transition commitment over a targeted timeframe. • A company's Just Transition plan should describe the potential impacts of climate change-related risks and opportunities for employees, workers in the supply chain, and communities affected by business activities over the short-, medium- and long-term. • The Just Transition plan should identify Just Transition-related opportunities for the company's business, strategy and financial planning and outline the company's approach to capitalize on these opportunities. • The company should have a Just Transition capital alignment plan, disclosing forward-looking capital expenditure budgets including a budget for upskilling, creating and supporting access to green and decent jobs.
Just Transition Risk Management	• The company should define how it identifies, assesses, and mitigates the adverse impacts of a Just Transition, and implements social risk management through human rights due diligence covering employees, communities, and all affected vulnerable groups in the value chain (upstream and downstream). • We expect companies to promote and establish adequate human rights policies to promote and ensure gender equality, and diversity and inclusion for Indigenous peoples and other ethnic minorities. • The company should promote and establish adequate social protection systems providing healthcare, income security and social services, in line with ILO labor standards and the UN Guiding Principles for Business and Human Rights. • The company should establish policies to identify and assess Occupational Health and Safety ('OH&S') risks from climate change and implement adequate protection and safety measures. Where necessary, the company should improve, adapt, or develop and create awareness of OH&S standards for technologies, work processes and new materials related to the transition. • The company should define how it identifies, assesses and manages other Just Transition-related risks, such as regulatory and policy risks, and financial risks. Just Transition-related risks should be integrated into the Enterprise Risk Management framework.
Transparency & Disclosures	• The company should disclose a Just Transition Plan. • Company disclosures should be consistent with the TCFD framework, extending the reporting to the social dimension, with consistent approaches aligned with international reporting frameworks such as the Global Reporting Initiative, UN Guiding Principles Reporting Framework, and the Workplace Disclosure Initiative. • The company should publish evidence of Just Transition progress reporting and monitoring.

Source: Robeco

Appendix B: List of Abbreviations

Abbreviation	Definition
ADB	Asian Development Bank
CA100+	Climate Action 100+
CDSB	Climate Disclosure Standards Board
CFPPs	Coal-Fired Power Plants
CSDDD	(EU) Corporate Sustainability Due Diligence Directive
EBRD	European Bank for Reconstruction and Development
ESG	Environmental, Social, Governance
EMDEs	Emerging Markets and Developing Economies
FPIC	Free, Prior, and Informed Consent
GFANZ	Glasgow Financial Alliance for Net Zero
GRI	Global Reporting Initiative
HSE	Health, Safety, and Environment
ICMA	International Capital Market Association
ICMM	International Council on Mining and Metals
IEA	International Energy Agency
ILO	International Labour Organization
ILS	International Labour Standards
IOGP	International Association of Oil and Gas Producers
IPCC	Intergovernmental Panel on Climate Change
ISO (45001)	International Organization for Standardization
JETP	Just Energy Transition Partnership
MPO	Managed Phase Out
NDC	Nationally Determined Contribution
NZTP	Net-Zero Transition Planning
OH&S	Occupational Health and Safety
OHCHR	UN High Commissioner for Human Rights
PGMs	Platinum Group Metals
PRI	(UN) Principles for Responsible Investment
SASB	Sustainability Account Standards Board
SDGs	(UN) Sustainable Development Goals

TCFD	Task Force on Climate-Related Financial Disclosures
TNB	
UNFCCC	UN Framework Convention on Climate Change
UNGC	UN Global Compact
UNGP	UN Guiding Principles (on Business and Human Rights)
WBA	World Benchmarking Alliance

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