GETTING YOUR BUSINESS READY TO DRIVE A JUST TRANSITION
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1/ INTRODUCTION

About Corporate Citizenship, part of SLR

Corporate Citizenship, part of SLR, specialises in supporting clients on their sustainability and ESG journey. With over 25 years' experience, our teams advise clients to develop and implement strategies that deliver long-term value for all stakeholders.

Alongside SLR, we are part of a global team of 2,500+ talented expert advisors and technicians from a network of offices in Europe, North America, Asia-Pacific and Africa. We are a global leader in sustainability solutions, providing clients with strategic advice and on the ground support, partnering with them in Making Sustainability Happen.
The urgency of transitioning towards low-carbon systems to address the climate crisis is now well established. But the impact of this transition on workers and communities around the world is still being explored. Designing and implementing a just and equitable transition is rapidly becoming the focus of research and analysis in the worlds of science and public policy.

However, there is also an essential role for businesses and the private sector to play. At Corporate Citizenship, part of SLR, we are helping companies understand what a Just Transition means for their organisations. In this report, we outline the most recent thinking on that role and suggest how businesses can take action.

The evolution of Just Transition

The concept of a Just Transition is not new, with roots in the trade union movement and environmental justice groups of the 1980s and 1990s. But it has gained increasing prominence in the past decade, as a result of its inclusion in international climate negotiations (COP15, COP26), and the rising importance of human rights. The concept of Just Transition has evolved over time:

- The term originated in the 1970s in the United States as a response to increased regulation of polluting industries. Workers at contaminated sites faced job losses and advocated for retraining, support for affected communities and more environmentally friendly production methods.

- By the 1980s, organised labour and environmental groups in the United States began to advocate for public policies that protected both the natural environment and workers’ rights.

- By the 1990s, these groups began a closer collaboration to push the agenda into political circles, resulting in a number of EU countries beginning to consider Just Transition plans in their policies.

- In the early 2000s, concerns grew that international climate change negotiations were not dealing with social and economic implications of emerging policies. This pressure led to mention of the goal of a Just Transition being incorporated into the negotiating text for the Copenhagen Summit in 2009, and later into the Paris Agreement adopted in December 2015.

- More recently, COP26 and COP27 have elevated the concept of Just Transition at global and national levels. There are emerging transition frameworks and assessments that companies will likely be evaluated against. Businesses and investors are now looking to understand how to integrate this into their strategies and transition plans.
Defining a Just Transition

A clear and consensus-based definition of “Just Transition” will be important in making progress towards its key objectives.

There has been some concern arising from companies attaching the term to any initiative that touches on climate change or the transition to low-carbon energy. However, Just Transition refers to the impacts, positive or negative, of this transition. It asks companies to consider how negative impacts can be mitigated, and how equitably the impact burden is shared.

The concept of Just Transition must also consider the scope of these impacts in the broadest sense. Workers and employees are of course a primary concern for companies considering how just their transition plans are. But attention also needs to be paid to the broader impacts on workers’ families, the communities they live in, and wider society. This extends further, to people’s access to natural resources, and by extension to any impacts on those resources and any associated ecosystems.

When defining the precise nature and scope of Just Transition, the wording of some recent international agreements provides a useful starting point.

The Paris Agreement underlines the importance of Just Transition, stating in its preamble that the parties “[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,” and that they “[note] the importance for some of the concept of ‘climate justice’, when taking action to address climate change.”

The International Labour Organization (ILO) published guidelines in 2015 on how to achieve a Just Transition. The guidelines state that the greening of the world’s economies must also focus on ensuring rights at work, social dialogue and social protection, as well as job protection, adaptation and creation, with an emphasis on collective bargaining. “A just transition for all towards an environmentally sustainable economy, […] needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty.”

The UN Global Compact has also drawn up a business brief on the topic of Just Transition, which is explored in more detail below.

1 https://unfccc.int/sites/default/files/english_paris_agreement.pdf
3 UN Global Compact, 2022. Available at https://unglobalcompact.org/library/6093
The business definition of a Just Transition

While specific definitions vary, there is a growing consensus that Just Transition calls for the consideration of social impacts when planning shifts towards decarbonisation. Incorporating our research and today’s context, we have formulated a definition of Just Transition from the business perspective:

For businesses to implement a Just Transition means ensuring the costs and benefits (negative and positive impacts) of a transition to a low carbon economy are fairly distributed by placing people at the centre of transition planning and implementation.

In practice this means understanding the people and communities across your value chain that will be affected as your company transitions to a lower carbon business model, considering the extent to which those stakeholders will be impacted, and how can you support those who stand to be left behind.

Just Transition and its links to climate justice and human rights

Depending on the regional and sector context, Just Transition also encompasses elements of human rights and climate justice. Climate justice acknowledges that climate change has differing social, economic, and public health impacts on individuals and communities. Human rights due diligence is an ongoing process that identifies, mitigates, and remediates human rights risks while effectively engaging potentially impacted communities and stakeholders.

Businesses can leverage existing activities related to human rights and climate justice to inform their Just Transition analysis and transition planning. There are clear opportunities for strategic alignment and efficiencies across these overlapping priorities.
2/ THE BUSINESS CASE FOR ACTION
Planning for a Just Transition makes business sense. It can help businesses manage a range of risks as well as create opportunities to enable a more engaged workforce, provide a pipeline of talent, strengthen reputation, maintain a social licence to operate and improve stakeholder engagement.

The strong business case for supporting a Just Transition includes the following:

1. **Disclosure requirements are likely to increase.** While no set standards exist yet for reporting on Just Transition, high-profile organisations are volunteering their own, setting examples of how to manage the risks and opportunities of decarbonisation, and drawing the spotlight of stakeholder interest.

2. **Better operational planning and risk management.** Companies with clear Just Transition processes will be better prepared to address climate risks and workforce issues arising from decarbonisation as well as broader environmental, social and governance (ESG) considerations.

3. **Avoid potential reputational risk and maintain social licence to operate.** Failure to think holistically about transition planning can lead to reputational damage as news spreads in an unplanned manner regarding job losses, restructuring and poor social dialogue. Maintaining a positive reputation will encourage wider stakeholder acceptance of a business’ energy transition and help it retain its social licence to operate.

4. **Strengthen long-term relationships.** Strong social dialogue with employees and local communities helps to build trust and avoids costly disputes. It also identifies where reskilling and upskilling can support newly created green jobs, helping to promote an engaged workforce and pipeline to meet future business needs.
Despite the evident advantages, the private sector is lagging in taking action towards Just Transition.

There is an established understanding of the role of the private sector in ensuring a Just Transition among policymakers and civil society, including researchers and advocacy groups. However, while there is increasing awareness of the issue among businesses, those taking action remain the minority. A 2021 benchmark of the Oil and Gas industry, conducted by the World Benchmarking Alliance, found that “overall, only a minority of companies are engaged with a ‘just’ transition, if they are undertaking a low-carbon transition at all.” A smaller-scale survey by Corporate Citizenship has found that while just one in eight companies is actually implementing a Just Transition strategy, 42% have started to consider social risks and opportunities within their climate risk assessments or decarbonisation plans.

Frameworks and approaches for business to consider:

Currently, no regulatory frameworks for a Just Transition exist for businesses to report against. However, several influential organisations have come up with principles and approaches to a Just Transition centred around the role of businesses and the importance of social impacts. Consensus is forming around what elements enable a truly “just” approach. These elements are informing stakeholder expectations, and will inevitably inform future regulatory requirements.

The UN Global Compact Business Brief on Just Transition for Climate Adaptation establishes clearer guidance around businesses’ role in Just Transition. Its recommendations focus on the following key principles:

- Partner with local and regional governments to devise adaptation strategies that support a Just Transition
- Advocate for a clear division of responsibilities for a Just Transition between communities, businesses and government

Two organisations, Climate Action 100+ and the World Benchmarking Alliance, have piloted a set of Just Transition indicators. While they are still in the consultation phase, both frameworks specifically list social indicators, such as collaborative decarbonisation planning with impacted stakeholders and a commitment to train and retain workers for decent green jobs.

The Climate Action 100+ is a group of several hundred investors, mostly large institutional shareholders, who have organised to put pressure on major industrial emitters of greenhouse gasses. As part of its advocacy around climate change, the group added a new indicator on Just Transition to its benchmark disclosure framework in 2022.

The Climate Action 100+ new Just Transition Beta Indicator is indicator 9 in the benchmark framework. It asks for companies to robustly report on their Just Transition arrangements. These include the following:

- Formal statements about the social impacts of their climate change strategy including references to the Paris Agreement and/or ILO’s Just Transition Guidelines.\(^7\)

- Reporting on the company’s commitment to Just Transition principles, including in its decarbonisation strategy and its commitments to retaining, retraining, and redeploying workers affected by the energy transition, or provision of compensation for the same.

- Engagement with stakeholders on Just Transition, including in development of its Just Transition measures, publishing the details of those measures, and explicitly linking its workforce to decarbonisation plans and Just Transition commitments.

The World Benchmarking Alliance (WBA), which compares and benchmarks companies’ sustainability credentials, recently launched a new approach to assessing companies’ commitment to enabling a Just Transition. The WBA’s new assessment tool is setting out to assess 180 companies, focusing initially on businesses which are crucial to global decarbonisation and energy system transformation, and which are in high-emitting sectors (namely the oil and gas, electric utilities, and automotive industries). The WBA intends to assess a further 450 companies by 2023 on their contribution to a just transition by assessing their alignment with the goals of the Paris Agreement as well as their approach to addressing the social challenges of a low-carbon transition. The WBA’s approach to Just Transition benchmarking assesses companies against social elements (such as respect for human and labour rights, and engagement with affected stakeholders) and carbon-transition indicators (such as company climate policies and climate affecting activities). The WBA has incorporated the findings from these assessments into the Climate and Energy Benchmark thus helping to embed the Just Transition indicators. The benchmarks for buildings, transport, automotive, electric utilities and oil and gas sectors have been published; updates to oil and gas and electric utilities are coming soon, as well as new benchmarks for heavy industries and capital goods.

Funding opportunities for a Just Transition

A Just Transition considers the needs of everyone - employees, communities, and individuals. This requires resources and the participation of multiple actors responsible for delivering funding and driving action. The three main stakeholder groups in a Just Transition are governments, communities and private businesses.

Funding schemes for Just Transition are emerging. So far, these have mostly been aimed at community groups and local government initiatives. Examples include the EU’s Just Transition Fund,\(^8\) which provides EU funding to regions that are most vulnerable to the negative impacts of decarbonisation, and the Just Transition Fund in the US, which draws on a mix of public and private resources to support communities specifically hit by the reduction of the coal economy.

Governments have also started recognising the important role the private sector can play, incentivising companies through targeted public-private funds. Examples include Germany’s Decarbonization of Industry Fund and the Clean Technology Fund (Global).\(^9\)

Companies will also need to provide funding of their own to support activities such as reskilling staff to work in lower carbon industries, or investment in green technology.

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\(^8\)https://www.klimaschutz-industrie.de/en/funding/

\(^9\)https://www.oil.org/topics clean-technologies
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ENERGY AND EXTRACTIVE

The energy and extractive industries are the catalysts for Just Transition. As the industries most closely linked with greenhouse gas emissions and facing the greatest pressure to decarbonise, they will need to reduce high-carbon jobs and create new low-carbon ones. But any shifts in this sector will require impact assessments, decommissioning plans, and community engagement to ensure a Just Transition for workers and communities.

Vulnerable stakeholders include those dependent on oil and gas extraction for their livelihoods, as well as households already facing fuel or energy poverty amid rising costs.

The energy sector also stands to gain from the transition to low-carbon resources. The UK aims to create 2 million green jobs as part of its 10-Point Plan for a Green Industrial Revolution, including EV manufacturing, hydrogen facilities and offshore wind power.

Case Study

SSE UPDATES JUST TRANSITION STRATEGY AND PRINCIPLES

The energy company SSE was one of the first businesses to formulate a dedicated Just Transition strategy, which it published through one of the first private sector Just Transition reports in November 2020. The report was compiled from rigorous engagement with a number of stakeholders, which created SSE’s principle-based approach to a Just Transition. The 20 principles guide the company’s decision-making, particularly in helping it to ensure greater fairness for people impacted by the decline of carbon-intensive activities and in identifying opportunities for climate action.

To implement this, SSE uses a two-phased approach:

Transitioning into a net-zero world; and

Transitioning out of a high-carbon world.

Across both phases, the company monitors its impact across five topics: principles around green jobs that encourage fair and decent work, attracting and retaining employees and valuing each employee; consumer fairness, which is created with stakeholders and encompasses the whole value-chain and is transparent and evidence-based; building and operating new assets, to support domestic supply chain, set safeguards, and share value with communities; transitioning out of a high-carbon world, which covers people in high-carbon jobs (which involves both reskilling and prioritising transparent communication); and, lastly, supporting communities, through robust stakeholder engagement, forming partnerships and pushing for greater development within the energy industry.

SSE has also ensured that it is continuously monitoring its implementation of a Just Transition. In September 2021 the company published a second Just Transition report, which covers its progress in implementing the principles set out in the first report and provides recommendations for industry and government.
Case Study
ANGLO AMERICAN PLATINUM’S HYDROGEN VALLEY PARTNERSHIP PROJECT

Anglo American Platinum has committed to a Just Transition as part of its stated aim of becoming carbon neutral by 2040. In South Africa, it has recognised the government’s own Just Transition framework, and has been looking at the country’s potential for developing an economic and energy ecosystem around green hydrogen. Anglo American has partnered with government agencies to identify three sites for hydrogen hubs across the country and conduct a feasibility study.\(^\text{13}\)

The study determined that establishing a so-called Hydrogen Valley around clusters of specialisation in Johannesburg, Durban, and Limpopo province could add more than $3.9bn to South Africa’s economy by 2050. This could create more than 14,000 jobs per year, thanks to the boost across the hydrogen value chain from research and development, engineering and maintenance, to training and outreach.

The research was led by the Department of Science and Innovation, together with Anglo American, the South African National Development Institute, Engie, and Bambili Energy. The study identified nine possible pilot projects in the transport, industrial and construction sectors, which could be prioritised by developers to make Hydrogen Valley a reality.

If realised, the Hydrogen Valley initiative has the potential to help South Africa boost its economy, create opportunities for workers, secure its own energy transition, and position itself globally as a supplier of green hydrogen and associated technologies.

\(^\text{13}\) Getting Your Business Ready to Drive a Just Transition
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\[^\text{13}\] https://www.angloamericanplatinum.com/sustainability/environment/climate-change
FINANCIAL SERVICES

The financial services industry is well positioned to support, and benefit from, a Just Transition. According to a July 2021 report by the Office for Budget Responsibility, the UK requires £321bn of capital investment, or just over £10bn per year to achieve net-zero by 2050, and this transition finance will need to be facilitated not just by the government, but also financial service providers. This creates an opportunity for those service providers to mainstream Just Transition into wider transition financing through sustainable lending and other investments. The sector can also contribute by supporting actors that create long-term green jobs, and potentially using exclusion lists and divestment policies to avoid backing negative impacts of transitioning to a low-carbon economy. Lenders also have a role to play in helping small and medium-sized enterprises with their decarbonisation and Just Transition plans, as well as individual consumers.

Case Study
SCOTTISH WIDOWS COMMITS TO LOW-CARBON INVESTMENTS

Scottish Widows announced £25 billion in low-carbon investments by 2025. This capital allocation targets industries such as electric vehicles, renewable energy generation, energy flexibility, and fossil-free heating and energy-efficient buildings. In its Climate Action Plan, Scottish Widows outlines the risks of a blanket divestment policy, reflecting how financial services companies have the opportunity to develop mitigation strategies to avoid unintended social consequences of divesting from fossil fuels and tobacco.

Case Study
ARES MANAGEMENT DECLARES JUST TRANSITION A PRIORITY

Ares Management names Just Transition as one of its key objectives to drive its mission to be a catalyst for prosperity for its stakeholders and communities. In 2022, the business raised $2.2 billion of climate infrastructure capital for Ares Infrastructure Opportunities strategy, targeting investments that can accelerate the transition to a low carbon economy. In its 2022 TCFD Action Report, it also stated that “when we make carbon intensive investments, we intend to engage where possible to support transition planning while considering the social and economic context in which these assets operate.”

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15 Responsibility | Ares Management (aresmgmt.com)

AGRICULTURE

The agricultural sector is already experiencing the full force of climate change, with impacts affecting crop yields, farmer livelihoods and food security. To safeguard against this, adaptation measures must be taken. These include diversification of crops, investment in regenerative farming practices and in new technology to support climate resilience, and upskilling workers to limit job losses from automation.

CASE STUDY
NESTLÉ FOSTERS DIALOGUE AROUND HUMAN RIGHTS AND JUST TRANSITION

As a leading company in the food industry, Nestlé’s focus in enabling a Just Transition has turned to supporting a regenerative food system. To do so, Nestlé has established a Human Rights Framework which focuses on transforming farming practices, and supporting agricultural workers, in the transition to a fairer food system based on a regenerative mission. Nestlé’s Human Rights Roadmap is designed to support this ambition, with the company using it to outline how it will consult on, and implement, a Just Transition throughout its value chain by putting the lives of farmers at the heart of its strategy.

Taking a Human Rights approach to enabling a Just Transition that focuses on regenerative agriculture involves a number of steps. In Nestlé’s Roadmap, these include:
- Appropriate board-level governance and company policies;
- Sector-wide engagement and advocacy;
- Pursuing strategic partnerships with grassroots communities, NGOs, and international organisations; and
- Ensuring transparency in reporting these activities.

CASE STUDY
RABOBANK SUPPORTS FARMERS’ REGENERATIVE FARMING PRACTICES

Rabobank has pioneered its Carbon Farming business model, which enables farmers to transition to regenerative farming practices in exchange for the facilitation of carbon credits on the land they operate. This includes encouraging farmers to move away from synthetic fertilisers, chemicals and tillage, and promoting the use of cover crops and improved crop rotations.
3/How can your business take action?
At Corporate Citizenship, part of SLR, we are working with our clients to understand what a Just Transition will mean for their business. While there is no single formula, we believe it is important to consider the following actions as you develop your approach.

**ASSESS** your unique business case for Just Transition by mapping the activities and potentially vulnerable areas of your value chain. This should account for different starting points and unique operating and sector contexts, as well as the specific communities and individuals who may be directly affected by your company’s transition to lower carbon.

**ENGAGE** with identified key and vulnerable stakeholders, to better understand where your business’ operations, transition planning and programmes currently align with or fall short of the key elements of a Just Transition emerging through transition guidance and frameworks. These include:

1. **Skills / education / training and development initiatives** designed to upskill your workforce to make new low-carbon jobs more accessible to those currently working in carbon-dependent positions and encourage workforce retention.

2. **Stakeholder plans** that create social dialogue and enable affected stakeholders throughout your business’ value chain (particularly vulnerable stakeholders) to participate in Just Transition planning and ongoing decision-making.

3. **Low carbon/green technology research and development activities** that help your business activate its decarbonisation strategy and promote supply chain resilience.

4. **Community engagement plans** involving the right local, regional and/or national government bodies and partnerships to inform sensitive elements of transition planning.

5. **Funding schemes** that provide sufficient ring-fenced financial support for the creation and implementation of your business’ Just Transition plan.

6. **Decarbonisation plans** that outline clear objectives and timelines to allow for effective planning of mitigation activities to minimise negative social harm and promote a Just Transition.

7. **Social impact projects** tailored to minimise negative impacts and amplify positive impacts of transition activities on vulnerable affected stakeholders and communities.

**ACT** by developing and executing a plan, with social impacts at the centre, to amplify or introduce the seven key Just Transition elements and considerations into existing and new climate and business management processes, systems, planning and projects. Set key performance indicators to measure performance, encourage ongoing stakeholder engagement and feedback, and adapt and evolve the plan, appropriately collaborating with vulnerable stakeholders on key decision making and changes.

**AMPLIFY** your work and raise awareness amongst peers of the social importance and business case for the integration of Just Transition elements. Create communication materials that centre on the voices of key vulnerable stakeholders and share best Just Transition practices. Become an advocate in the space to shed light on the potential negative social impacts of the energy transition and the need to share the benefits fairly, so that together, governments, communities and your business peers can collectively enable a Just Transition where no one is left behind.

Our tailored services can help you understand the risks and opportunities your business faces as it transitions to lower-carbon systems, so that you can be better prepared for the future. If you are interested in learning more about how Corporate Citizenship, part of SLR, can help you on your Just Transition journey, please contact us: mail@corporate-citizenship.com