Input Paper for G20 Sustainable Finance Working Group

Incorporating Just Transition considerations into financial sector transition planning

UNEP Finance Initiative / International Labour Organization

May 2024

Acknowledgements:

This input paper is submitted by UNEP Finance Initiative (UNEP FI) and the International Labour Organization (ILO).

Authors: Joana Pedro (UNEP FI) and Ekaterina Chubarova (ILO), with inputs from Laura Canas da Costa (UNEP FI)

With contributions from: Jesica Andrews (UNEP FI), Elodie Feller (UNEP FI)

This input paper provides the G20 Sustainable Finance Working Group (SFWG) with recommendations for integrating just transition considerations into transition plan guidance. .

Table of Contents

1. Executive summary and Key Messages

Climate action must reach unprecedented levels to limit the global temperature increase to 1.5 degrees Celsius, averting catastrophic consequences for economies and societies and adapting to the impacts of climate change. This requires a transformative shift across all sectors and regions, which, while offering opportunities for job creation, technological innovation, and resilient societies, must be managed to avoid exacerbating existing inequalities. Without careful planning, vulnerable populations risk being left behind, exposed to climate change effects and missing out on the benefits of this transition.

Delivering a just transition requires a whole-of-government and whole-of society approach based on social dialogue and stakeholder engagement. The financial sector has a key role to play in contributing to this endeavor.

Transition plans are a critical tool for achieving a low-carbon and resilient economy, and by embedding social and environmental considerations they can be instrumental in enabling a just transition. This paper outlines a strategic framework for practical actions to cohesively integrate environmental and social aspects into core operations of financial institutions. It identifies financial institutions as key agents for fostering inclusive economic models and advocates for robust government and regulatory engagement to facilitate a comprehensive transition to sustainable practices. The key recommendations of the framework can be used in the context of transition planning by financial institutions.

Key Messages:

Strategic Framework for Just Transition: Financial Institutions' strategy, core business operations and transition planning need to address both environmental and social aspects. This just transition approach entails a combination of measures to safeguard the rights of affected and vulnerable populations and mitigate potential adverse impacts arising from activities facilitated by financial institutions, as well as proactive efforts to respond to specific just transition needs via innovative products, responsible practices and partnerships that can contribute to maximizing positive social outcomes.

Tailored Approaches: Recognizing the diverse impacts of transition across regions, sectors, and communities underscores the need for customized transition plans. Transition plans need to be based on credible decarbonization targets, together with a sound understanding of and meaningful measures to address relevant, salient, and locally specific social risks and impacts.

Public-Private Collaboration: While a coherent regulatory enabling environment is a driving force for promoting a just transition, the level of transformation required for a just transition implies that the necessary results cannot be achieved in isolation. It requires an integrated approach involving both public and private actors.

2. Introduction

Climate action must reach record levels to limit the average global temperature increase to 1.5 degrees, to avert catastrophic consequences on economies and societies, and to adapt to the physical impacts of climate change.

The low-carbon transition requires a profound shift across sectors and the global economy. This transformation offers not only a pathway to mitigate environmental degradation but also holds the promise of job creation, technological innovation, and the development of resilient societies. However, the imperative lies in making these opportunities universally accessible and ensuring that the transition does not create or exacerbate existing inequalities. Without careful planning, affected and vulnerable populations risk being left behind, exposed to the effects of climate change and deprived of the economic and social benefits inherent in this historic transformation.

Promoting a just transition is essential to achieve broad-based support for ambitious climate action and will also generate benefits both to the environment and to society, while carefully managing potential adverse social impacts from economic transformation.

"A just transition promotes environmentally sustainable economies in a way that is inclusive, by creating decent work opportunities, reducing inequality and by leaving no one behind. Just transition involves maximising the social and economic opportunities of climate and environmental action, including an enabling environment for sustainable enterprises, while minimising and carefully managing challenges" *International Labour Organization*

Figure 1- Just Transition for climate action (adapted from [Just Transition Finance: Pathways for Banking and Insurance])

Transition plans are growing as an important tool for achieving a low-carbon and resilient economy. They are a welcome and a necessary development to improve the quality of climate reporting and internal capacities of financial institutions to implement climate, ideally net-zero, commitments and to improve the quality of climate and sustainability reporting.

Transition plans provide accountability, transparency, and credibility for organizations' climate action and transition-related commitments. Embedding relevant and material social considerations in the transition plans of corporate and financial sector actors is thus a crucial enabler of a just transition, by providing relevant information to external stakeholders, including policymakers, regulatory and oversight organizations, civil society, investors and the whole financial sector ecosystem on facilitating their decision making and executing their respective roles in enabling a low carbon transition that leaves no one behind.

A just transition requires coordinated action from all parties and an integrated approach involving both public and private actors. From the private side, financial institutions play a major enabling role by financing and insurance coverage are crucial to expand green and low-carbon activities, to help transform environmentally and socially unsustainable practices and activities, and for society to develop resilience and adapt to the physical impacts of climate change and transition pathways. Importantly to transition planning, financial Institutions have a dual role, as both preparers and users of transition plans, where they can assess and influence other corporates transition plans. From the public side, regulatory and policy frameworks can play and important role in incentivizing and supporting financial institutions and businesses in just transition planning.

This document is based on the NZAOA Tool for Developing Credible Transition Plans, and the UNEP FI and ILO Just Transition Finance: Pathways for Banking and Insurance reports. It provides synthesized insights from the work of UNEP FI and the ILO with financial institutions, distilled into key findings and policy recommendations to build on the G20 Transition Finance Framework, with an in-depth view of Pillar 5 "Assessing and Mitigating Negative Social and Economic Impact of Transition activities and investments" and in particular Principles 20, 21 and 22.

3. Advancing credible and robust transition plans that promote a just transition

The rise of transition plans for corporates and financial institutions

Transition planning serves to define and explain an organization's net-zero strategy and short-, mid-, and long-term targets—alongside the governance and implementation plan needed to achieve it. Corporate sector actors are increasingly required by regulators and standard setters to develop company-level net-zero transition plans. Some jurisdictions, such as the European Union, have made corporate transition plans mandatory.

Since transition plans started gaining traction, several industry and regulatory transition plan frameworks focusing on different preparers, use cases, assessment lenses, and geographies have emerged. Based on the finding of NZAOA Tool for Developing Credible Transition Plans[1] it can be concluded that transition plan frameworks are broadly similar and help disclose ambition and provide guidance on the actions and targets needed to help organizations meet their goals. The points on which transition plans frameworks tend to differ include:

- Level of ambition: Frameworks differ in both whether they recommend a level of ambition and where they set that level.
- Sectoral or geographic focus: Some transition plan frameworks are created with specific sectors, players, or geographies in mind. Thus, certain frameworks may be more tailored to local circumstances.
- Presentational structure: Different frameworks recommend different ways to present and disclose information.

[1] The NZAOA Tool for Developing Credible Transition Plans has analyzed five different frameworks: The Corporate Sustainable Reporting Directive (CSRD)'s Transition Plan Disclosure Framework; The Glasgow Financial Alliance for Net Zero Net Zero Transition Plan (GFANZ NZTP); The UN High-Level Expert Group on Net-Zero Emissions Commitments of Non-State Entities (HLEG)'s Recommendation 4; Task Force on Climate-Related Financial Disclosures (TCFD), and The United Kingdom Transition Plan Taskforce (TPT). A full description of the analyses can be found in the report.

Integration of Just Transition considerations within transition plan frameworks of corporate actors varies significantly: some frameworks do recognize that a successful delivery of climate ambitions is dependent on upholding key just transition expectations, however concrete guidance on relevant social aspects to consider and embedding just transition considerations within the transition plans is often lacking. The UN High-Level Expert Group on Net-Zero Emissions Commitments of Non-State Entities (HLEG)'s Recommendation 4, for example, request that "Transition plans should explain how the non-state actor is contributing to a just transition. The delivery of a net zero and climate resilient economy in a way that delivers fairness and tackles inequality and injustice."

Integrating just transition concepts in transition planning

A just transition approach that cohesively integrates environmental and social aspects can be integrated into the strategy and core business operations of financial institutions. This approach entails a combination of measures to safeguard the rights of affected and vulnerable populations and mitigate potential adverse impacts arising from activities facilitated by financial institutions, as well as proactive efforts to respond to specific just transition needs via innovative products, responsible practices, and partnerships.

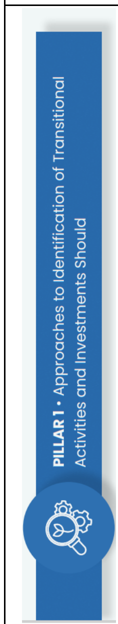
The efforts to adapt to and to mitigate the effects of climate change can have major social implications. Such implications include jobs losses and lower quality jobs as high-emitting, hard-to-abate sectors transform and decarbonize their activity mix; impacts on land, Indigenous Peoples, and human rights across supply chains connected to the expansion of green and transition-enabling activities[2]. In addition, although green activities can partially absorb the workers from high-emitting industries through reskilling and upskilling, skills mismatches will affect the pace of the transition to green economies. Public support and therefore the level of ambition of the climate action are reliant on such transition risks being affectively managed and mitigated.

A just transition lens in corporate and financial institution transition planning can uncover and manage client portfolio' sustainability-related and reputational risks and alleviate regulatory, legal, shareholder and stakeholder concerns.

The UNEP FI and ILO Just Transition Finance: Pathways for Banking and Insurance report provides recommendations for incorporating just transition considerations in banking and insurance activities, following the structure of GFANZ Recommendations and Guidance on Financial Institution Net-zero Transition Plans. The report was developed in collaboration over 40 financial institutions, as well a and a group of experts from academy, Civil Society Organizations and Development Financial Institutions, and has collected several examples and emerging practices.

The key recommendations and the emerging practice collected are presented below organized in the relevant principles and pillars of the G20 Transition Finance Framework (TFF), namely pillar 1 (Principal 6) and pillar 5 (Principles 20 and 22). This also replies to TFT Principal 21 request for International organizations to collaborate with the private sector to develop transition finance examples that include "just" elements and update the SFWG accordingly.

[2] Just Transition Finance: Pathways for Banking and Insurance outlines examples of relevant social considerations associated with different sector, different stakeholder groups such as businesses, the workforce, communities, and consumers; vulnerable populations, as well as different region.

TFF		Just Transition Finance: Pathways for Banking and Insurance	
		Key recommendations for Financial Institutions	**Examples of emerging industry practice**
	Principle 6 - Include strategies for an orderly, just and affordable transition, minimizing negative impacts on jobs, communities, and other Sustainable Development Goals (SDGs), while maintaining energy security and price stability.	**Commit to a just transition.** Secure commitment from senior management and embed it as a part of the organisation's strategic ambitions.	In a 2023 publication, HSBC published A Just and Inclusive Climate Transition for an Investment Perspective, where the bank outlines the reasons why a just transition would benefit achieving the financial institutions' net-zero commitments; integrates the ILO definition of just transition into company principles; and outlines its commitments and policies related to just transition.
		Understand just transition and its implications for the organization: Recognise the context-specific nature of just transition and map the prevalent transition dynamics affecting clients and other stakeholders. Assess social risks and opportunities presented by climate transition, focusing on their significance for the financial institution along with the social impacts generated by its portfolio.	In 2022 Environmental Sustainability report Lloyds Banking Group identified "Failure to ensure a Just Transition" as a key climate risk facing the Group. In 2021 the group reviewed the conduct risk framework to ensure its ability to identify and mitigate the risk that customers, including those who are vulnerable, experience poor outcomes as a result of the response to the transition required to achieve a low-carbon economy. The review led to updating group's climate risk policy and guidance documents.
		Put people at the heart of institutional strategy and decision-making. Engage and consult with relevant stakeholders and leverage their knowledge and perspectives to enhance institutional strategy. Promote and contribute to meaningful stakeholder consultations and social dialogue in interactions with clients, service providers and partners.	In 2021 PNC Bank formed a National Community Advisory Council composed of 17 members who represent various segments of the community, including local executives, community leaders, non-profit organisations, to bring their voices into the conversation. The primary objective of this advisory council is to facilitate continuous guidance to PNC Bank in integrating community perspectives into their lending, investment, and service initiatives.
		Set out an implementation strategy. Operationalise just transition concepts in institutional strategy, policies and processes, connecting social and environmental aspects of climate transition. Build organisational capacity and assign responsibilities, leveraging institutional knowledge, fostering diversity and incorporating regional perspectives.	The ING Supervisory Board's ESG Committee, which includes at least one member from each of their other Supervisory Board committees, assists the Supervisory Board with matters relating to ESG, including the development and integration of ESG across the company and its strategy, monitoring and advising on relevant ESG developments. In addition to the regular meetings, in the first half of 2023 the ESG Committee participated in a full day of climate-focused training, which included deep-dives on climate change, biodiversity and sustainable finance, as well as a session focused on social pillar of ESG, which included deep-dives on topics around financial health and inclusion, human rights and Just Transition

PILLAR 5 • Assessing and Mitigating Negative Social and Economic Impact of Transition activities and Investments	Principle 20 - Encourage fundraisers to evaluate and mitigate the potential socioeconomic impacts of their transition plans and to disclose mitigation measures or net positive impacts.	**Develop products to address just transition related financing and protection needs.** Understand and identify just transition-related financing needs. Tailor products to: support place-based just transition priorities and invigorate local economies; promote investments in green technologies and resilience; foster the development of enabling activities and sustainable business models, and; shield clients, communities and ecosystems from the impacts of climate-induced events and assist in managing transition risks.	A decentralised zero-carbon energy system based on energy communities can provide an effective solution by leveraging local actors and relying on natural resources to cover local energy needs and keeping individual investments affordable. Profits generated by these projects are typically reinvested in the community thereby providing wide societal benefits. However, local actors need to be empowered and take ownership of renewable energy production. Community energy projects, just like traditional projects, run through different stages in their lifetime, and each stage comes with specific needs, including financing. Triodos Bank United Kingdom has provided GBP 3 million of new senior debt alongside over GBP 500,000 from a community bond offer to help bring a solar farm in Shropshire, United Kingdom into 100% community ownership. The solar park was originally commissioned in 2016 by a commercial renewable energy company, then brought into part-community ownership including through short-term investment from a social investment fund. The new bank debt and community bond finance enables the repayment of the short-term loan, bringing the solar farm into long-term community ownership. The solar farm, owned by a not-for-profit community benefit society governed by local volunteer directors, has the capacity to generate renewable electricity enough to power 825 homes each year. In 2021, Bank of America set a goal to mobilize and deploy USD 1.5 trillion in sustainable finance capital by 2030. Aligned with SDGs, USD 1 trillion is dedicated toward the transition to a low-carbon economy and USD 500 billion is allocated for inclusive social development. An example of Bank of America transactions to finance a just transition and social sustainability is three Equality Progress Sustainability Bonds for USD 2 billion each to mobilize capital for racial and gender equality, economic opportunity, and environmental sustainability. Kipeto Energy, the second largest windfarm in Kenya, is situated in Maasai land. The Indigenous people that had custodial rights over the project land negotiated a 5% share in the company with the revenues going to a community trust and guarantees of minimal relocation and land title security. The long-term revenue stream, and local electricity supply is already transforming the lives of communities, while building long-term value for investors.
		Focus on financial inclusion and bridging the protection gap. Customise green finance and risk management solutions to meet needs and seek to expand coverage to affected groups, vulnerable populations, underserved clients and low-income customers.	The Livelihood Protection Policy is an insurance product, developed as part of the Climate Risk Adaptation and Insurance in the Caribbean (CRAIC) project, that helps protect the livelihoods of vulnerable low-income individuals in Jamaica and Saint Lucia by providing swift, unbureaucratic cash pay-outs following extreme weather events, such as high wind speed and heavy rainfall. In addition to small-holder farmers, one of the key groups targeted by the product are self-employed individuals and small-business owners, such as market vendors, hairdressers and tourism workers, whose businesses are interrupted, and incomes wiped out by such climate events.

			Hollard Zambia, an insurer that is part of the Hollard Group from South Africa worked to design a bundled solution for micro business owners to cover business and personal risks. For about 2 USD per month, business owners will have access to property insurance, loss of income protection due to health issues and loss of income protection due to death of the business owner or close family. Hollard markets it to micro entrepreneurs earning less than 2,500 USD per month and to distribute it through a partnership with a commercial bank, through its network of branches and call centre infrastructure. Before designing the product, Hollard has conducted market research with the target consumers to get insights into the financial challenges they face on a daily basis and tested product concepts with potential customers to understand if the planned benefits would address their main risks, how much they would like to pay for the product, how they would like to pay for it and, if they had a claim, how would they like to claim and in how long they would like to receive the pay-out.
		Strive to uncover and manage client-specific social impacts, risks and opportunities. Embed social and employment impacts in client management, risk assessment and financial decision-making processes. Use routine interactions to engage with clients, monitor progress, and effectively respond to risks and opportunities.	In its effort to address social considerations, ABN AMRO Group undertook in 2015 and 2020 human rights salience assessments . The bank sought to identify salient human rights issues in its role of a financial services provider, as a procurer of goods and services and a lender and provider of investment services. In its role as a lender and investment services provider, ABN AMRO identified as salient such issues as the violation of labour rights, land-related human rights, right to life and health, privacy and freedom of opinion. In addition to this assessment, ABN AMRO developed an action plan with concrete measures to prevent and mitigate these issues, including direct engagement with potentially affected right holders (ABNAMRO-Human Rights_Report_2022).
		Foster behavioral change through client engagement. Enhance client relationship by raising awareness of specific social and environmental implications and risk prevention measures. Engage to accompany the development of just transition plans, facilitate the adoption of sustainable practices and their financing. Encourage environmentally and socially responsible choices through financial incentives embedded in products and solutions.	Barclays has developed and implemented approaches to identify and monitor social risks and impacts across various sectors involved in the climate transition. The bank has introduced a Client Transition Framework designed to assess clients' alignment with the bank's emissions targets, sector benchmarks, and the credibility of clients' transition plans. As part of a pilot assessment, the bank is evaluating whether clients' efforts to decarbonise align with the principles of a just transition. This includes consideration of adverse impacts on stakeholders resulting from their activities, such as job loss or loss of tax revenue, as well as the inclusion of actions to mitigate these impacts, such as upskilling, adjustments in remuneration, and psychological support. Additionally, the pilot assesses whether impacted stakeholder groups are involved in decisions that affect them. An example of an investee engagement approach is the initiative of Royal London Asset Management and Friends Provident Foundation to engage with utility providers.

			It resulted in SSE, a UK-based company, publishing the world-first dedicated just transition strategy from a utility company.
	Principle 22 Enhance collaboration among government agencies, employers, workers, market regulators, academia, civil society, and the private sector to create a	**Advance a just transition and enhance capital allocation to place-based needs via partnerships**. Advocate for a just transition and catalyze action by collaborating with industry initiatives, public finance, local authorities, stakeholders, international organisations, academia and civil society	The EIB Group—made up of the European Investment Bank and European Investment Fund—has participated in the ABS issuance by Banco Santander. The investment of EUR 360 million in Santander Consumo 5 securitisation fund of consumer loans issued by the bank is expected to support working capital and liquidity needs of Spanish SMEs and mid-caps, by enabling the bank to free capital and direct up to three times the EUB investment into the real economy. In addition, channel EUR 110 million in energy efficiency projects. The transaction supports the national and European targets for energy efficiency and renewable energy and helps reduce carbon emissions. The operation will also promote equitable growth and convergence between the EU regions, as more than a third of the final beneficiaries will be based in cohesion regions, where per capita income is less than the EU average.

4. Conclusions and recommendations

A just transition requires coordinated action from all parties, and regulatory and policy frameworks can play and important role in incentivizing and supporting financial institutions and businesses in planning for a just transition.

The G20 Sustainable Finance Working Group's (SFWG) efforts are key in promoting progress in this area. The G20 SFWG and the Transition Finance Framework explicitly recognize in their principles the imperative to promote a just transition and the need to assess and mitigate negative social and economic impacts of the transition activities and investments. The collective action of G20 countries represents a powerful stimulus for defining approaches for mitigating social and economic impacts on affected groups, vulnerable populations and other stakeholders.

Decarbonization strategies of financial institutions are based on their client and investee portfolios and have a direct influence on the real economy actors that they finance. As such, transition plans of financial institutions have implications that spread well beyond the perimeter of the organizations' direct stakeholders and their supply chains. In this context, transition plans of financial institutions, as a tool for strategic planning and for setting up and executing a decarbonization strategy as well as a mechanism for providing transparency and accountability to external stakeholders provides a crucial entry point for considering, addressing and reporting on social outcomes alongside the low-carbon transition targets.

In order to meaningfully reduce and alleviate the potential social risks and impacts, it is important that transition plans of both real economy actors and financial institutions are based on credible decarbonization targets as well as a sound understanding of and meaningful measures to address relevant, salient and locally specific social risks and impacts.

In addition, recognizing that the low-carbon transition represents numerous opportunities and goes beyond solely risk management efforts, additional guidance around the approaches to maximize the available opportunities and share the benefits of the low-carbon transition is required and represents an area of interest.

The following recommendations focus on how regulators and governments can support and enable Financial Institutions to assess and mitigate negative social and economic impacts of transition activities and investment, while also recognizing that the low-carbon transition presents numerous opportunities to deliver positive social outcomes:

1. Committing to putting people at the heart of transition plans

a. Embed social equity in national transition strategies and policies: A broader enabling policy environment is key to promoting a just transition and leverage the role of the financial sector. In this regard, incorporating social considerations at every level of climate action is to fostering just transition. Is important for governments to integrate these considerations within national and regional strategies, such as Nationally Determined Contributions. Several countries already consider just transition on their NDCs, for example Vanuatu's NDC includes social equity commitments.

b. Promote the publication of transition plans, including financial sector actors: It is important for governments to promote the publication of transition plans by financial institutions, including a sound assessment and sufficient level of incorporation of relevant social risks and impacts in the transition strategies of financial institutions.

c. Ensure a just transition in line with science: Reaching 1.5C will require credible, robust, and implementable guardrails. The Shared Socioeconomic Pathways (SSPs) are a set of scenarios developed by the IPCC where, SSP1 is in line with the principles of sustainability, equity, and social justice. G20 Governments should require and give guidance for transition plan to align with the assumptions and criteria of the scenarios selected, disclose the scenarios selected, establish short term (5-year targets), commit to transparent reporting, strive for equitable change in the real economy, neutralize residual emissions, and provide the appropriate financing to enable a just transition.[3]

d. Put people at the heart of the transition: Meaningful stakeholder consultations, social dialogue, access to information and effective access to remedy are vital for promoting inclusivity and accountability and to ensure that transition plans address local needs and concerns. G20 governments can provide guidance and incentives to encourage financial institutions and corporations to engage with relevant stakeholders, including workers, communities, and civil society organizations, throughout the transition process.

2. Creating an enabling policy environment

a. Compliance with safeguards and social performance standards, inclusive of human rights due diligence: Government should encourage compliance with safeguards and social performance standards to ensure that specific social impacts, vulnerabilities, and barriers are considered thereby minimizing and addressing potential negative impacts that could be generated by climate action activities financed This should include the requirement for financial institutions to conduct comprehensive human rights due diligence to their portfolio activities, as part of their risk management activities. This due diligence should assess the potential effects and impacts on human and labor rights in alignment with the UN Principles for Business and Human Rights (UNGPs) and the ILO MNE Declaration; as well as identify measures to address those impacts in alignment. The recent approval of the Corporate Sustainability Due Diligence Directive in the European Union and the National Framework Law on Human Rights and Businesses, currently being discussed in Brazil are examples of legislation requiring Human Rights due diligence.

b. Incorporate social considerations in sustainable finance taxonomies: G20 ministers should ensure that sustainable finance taxonomies include a mandate and give guidance on the need to comply and report on minimum social safeguards aligned with UNGPs, the ILO Core Labour Standards, and the ILO MNE declaration. Sustainable finance taxonomies should also consider the inclusion of social objectives that can promote a just transition. Some sustainability taxonomies, such as the one Mexico are already considering social objectives.

c. Define incentives and policies to promote financial inclusion: This can be done for instance by lowering barriers to micro-finance or mutualist, or linking fiscal incentives for climate action with social conditionalities to support the just transition and encouraging banks to weave just transition assessments into risk management promotes financial activities that support sustainable and

[3] This criteria is further elaborated in the UNEP FI 2021 G20 SFWG submission available here: [2021-UNEP-FI.-Recommendations-for-Credible-Net-Zero-Commitments.pdf (g20sfwg.org)]

equitable goals. Voluntary guidelines can also refine financial sector's risk management, aligning investment strategies with sustainable development. Incentives for financial inclusion and support for vulnerable communities are essential in this regulatory framework.

d. Sectoral Integration: National sectorial transition plans should include not only sector-level decarbonization pathways but also sector-specific social considerations affecting different stakeholder groups and populations. G20 ministers could issue sector-specific guidance on key social issues. In at least one of just transition litigation case, a specific ruling mandated the introduction of a just transition strategy for the workers impacted by the potential loss of direct and indirect sources of employment resulting from Chile's Energy Sector Decarbonization Plan, setting a precedent highlighting the significance of addressing social and labor impacts when implementing climate transition plans.

3. Collaboration and Capacity Building

a. Participate in blended finance and de-risking: Public and private sector should work together on supporting more innovative and potentially risky / untested business models that support just transition, like the establishment of innovation labs or pilot projects to explore new financial products and business models.

b. Support Capacity Building and technical assistance: Governments can support the development of technical assistance and capacity-building on just transition finance to support to financial institutions in assessing and mitigating social and economic impacts effectively, as well as unlicking potential positive impacts of the transition. This may include providing training, resources, and best practices for conducting impact assessments, engaging with stakeholders, and implementing mitigation measures.

The G20 SFWG plays an important role in **fostering collaboration and knowledge sharing** among jurisdictions, International Organizations, financial institutions, corporations, and other stakeholders to share best practices, lessons learned, and innovative approaches to just transition. This can help build a collective understanding of social challenges and opportunities associated with transition activities and investments and identify strategies for addressing them effectively.

5. References

G20 (2023). *G20 Transition Finance Framework. g20sfwg.org/wp-content/uploads/2023/12/TFF-2-pager-digital.pdf*

International Energy Agency. (2024). *Just Transition Strategy.* https://www.iea.org/policies/13501-just-transition-strategy

Institute for Energy Economics and Financial Analysis (2023). *Financing a Just Transition Through Blended Finance.* https://ieefa.org/resources/financing-just-transition-through-blended-finance

International Labour Organization (2015). *Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All.* https://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_883666.pdf

London School of Economics and Political Science (2021). *2021 Report of the UK Financing a Just Transition Alliance. https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/10/Just-Zero_2021-Report-of-the-UK-Financing-a-Just-Transition-Alliance.pdf*

London School of Economics and Political Science. Grantham Research Institute on Climate Change and the Environment (2023). *Companies and just transition in Europe: How public policy can energise private action.* https://www.lse.ac.uk/granthaminstitute/news/companies-and-just-transition-in-europe-how-public-policy-can-energise-private-action/

London School of Economics and Political Science (2023). *Just and robust transitions to net zero: A framework to guide national policy.* https://www.lse.ac.uk/granthaminstitute/publication/just-and-robust-transitions-to-net-zero-a-framework-to-guide-national-policy/

London School of Economics and Political Science. Grantham Research Institute on Climate Change and the Environment (2024). *What is the just transition, and what does it mean for climate action?* https://www.lse.ac.uk/granthaminstitute/explainers/what-is-the-just-transition-and-what-does-it-mean-for-climate-action/

United Nations Development Programme (2023). *NDCs (Nationally Determined Contributions) and climate change: What you need to know.* https://climatepromise.undp.org/news-and-stories/NDCs-nationally-determined-contributions-climate-change-what-you-need-to-know

United Nations Environment Programme Finance Initiative (2021). *High-Level Recommendations for Credible Net-Zero Commitments from Financial Institutions Input paper to the G20 Sustainable finance Working Group. https://g20sfwg.org/wp-content/uploads/2021/10/2021-UNEP-FI.-Recommendations-for-Credible-Net-Zero-Commitments.pdf*

United Nations Environment Programme Finance Initiative and International Labour Organization (2023). *Just Transition Finance Pathways for Banking and Insurance.* https://www.unepfi.org/publications/just-transition-finance-pathways-for-banking-and-insurance/

World Resources Institute (2021). *Incorporating a Just Transition into Chile's Nationally Determined Contribution.* https://www.wri.org/update/chile-incorporating-just-transition-chiles-nationally-determined-contribution