Business Leaders Guide *to a Just Climate Transition*

World Business Council for Sustainable Development

ERM

Foreword

The shift to a net-zero, nature-positive economy is not only a technical or environmental challenge – it is a social one with employees, suppliers, communities, and consumers at the heart of this transformation. Neglecting the people dimension will only slow progress and undermine business value.

Growing regulatory and market pressures, investor and employee expectations, and increasingly frequent climate and nature events make action urgent. Equally this creates opportunities for companies to embed people considerations into their climate strategies and transition plans. Emerging standards and due-diligence rules further make business accountability for social impacts unavoidable.

As sustainability standards evolve, the boundaries of corporate responsibility in managing social risks linked to climate and nature become clearer, further shaping the business case for action. Regulations such as the Corporate Sustainability Due Diligence Directive (CSDDD) and frameworks like the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct expect companies to identify and address harms to people and the environment – including those arising from the energy transition.[1] Further, disclosure frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Transition Plan Taskforce's (TPT) climate transition planning disclosure guidance, which are now integrated into the International Financial Reporting Standards (IFRS), and the Taskforce on Nature-related Financial Disclosures (TNFD), require companies to identify and manage their climate and nature risks.

Together, these developments are accelerating the need for business to identify social risks and opportunities arising from the transition to a low-carbon economy and understand how they influence financial performance. They also raise the expectation that business leaders embed accountability for social impacts in their climate and nature transition plans.

To help businesses navigate these changes, 50+ companies and expert organizations – convened under WBCSD's People Action Team with support from ERM – developed the **Business Leaders' Guide to a Just Climate Transition Guide**. Building on the aspiration first championed by the International Labour Organization (ILO) for a just transition that *leaves no one behind*, the guide translates this vision into practice by aligning with today's evolving sustainability standards and governance frameworks.

The guide focuses on board and C-suite leadership, clarifying roles and responsibilities across the company, and fills a critical gap: practical guidance on how to integrate the just transition into strategy, governance and supply chains. It answers key questions: What's the business case? Who owns which actions? What does good practice look like? Importantly, it connects just transition principles to fiduciary duties, strategy planning, and enterprise risk management.

The stakes are high, but so is the opportunity to build credible, people-centered transition plans that protect value, drive innovation, and ensure no one is left behind. The time to act is now.

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[1] *The UN Guiding Principles on Business and Human Rights (UNGPs), unanimously endorsed in 2011, have informed most modern human rights due diligence rules, including in reporting and due diligence voluntary standards and regulation, such as CSDDD and the OECD Guidelines for Multinational Enterprises.*

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Introduction

Business leaders today recognize that climate change is both strategically important and financially material to their companies. Boards and management teams are embedding climate considerations into strategies and disclosures, with frameworks and standards such as the TCFD and IFRS driving rigorous and transparent corporate action. For example, over 9,000 companies now have science-based targets validated by the Science Based Targets initiative.[1] Yet, the people-related or social dimensions of climate action remain greatly undervalued.

The transition to a low-carbon economy is not only a technological and financial challenge – it is a people challenge. Climate change, decarbonization, and adaptation actions by companies will profoundly affect people's lives and livelihoods, including employees, communities, customers, and consumers. Notably, climate change is already leading to the displacement of millions, and disrupting operations, supply chains, and workforce availability – a trend expected to worsen, with the World Bank estimating that 216 million people could be displaced by 2050 due to slow-onset climate change.[2]

The scale of transformation required is immense. Achieving net-zero climate goals will demand vast land and infrastructure investments – 1 billion hectares for carbon removal and renewables,[3,4] 49 million miles of new transmission lines,[5] and hundreds of new mines for transition minerals[6,7] more than half of which are located on or near Indigenous lands.[8]

If left unaddressed, climate-related social impacts, risks, and opportunities will carry a human cost – loss of lives and livelihoods, and community displacement – fueling opposition to the transition, eroding social acceptance, and harming corporate resilience, performance, and cash flow.

Recent events illustrate these risks. Hurricane Otis in 2023 devastated Acapulco,[9] causing USD $16 billion in economic damages and disrupting the Mexican tourism industry.[10] In the US, local opposition to renewable energy has surged[11] – by 2024, 15% of counties had imposed renewable energy bans or siting restrictions, doubling in just one year.[12]

In this volatile global context – marked by AI-driven disruption and geopolitical instability – **boards and executives must view the social dimensions of the energy (climate) and ecosystem services (nature) transitions as central to long-term value creation and risks management.**

Aim of this guide

WBCSD and ERM developed the Business Leaders' Guide to a Just Climate Transition – a practical framework for embedding people considerations into corporate climate action, clarifying the boundaries of corporate responsibility and translating the concept of a just transition into actionable business practice. It defines roles and responsibilities, connects just transition principles to fiduciary duties, and provides tools for strategy and risk management. Targeting board and C-suite executives, the guide emphasizes that leadership direction is key to enabling front-line action, shaping market rules, and advancing policies that enable and reward a just transition.

Chapter I explains the business case for integrating people considerations into climate strategies and actions, provides industry and geographic context for prioritizing issues, and summarizes key sustainability governance frameworks and what they mean for people-centered climate action. Chapter II presents an actionable framework and guiding principles for boards and executives to identify and manage social impacts, risks, and opportunities arising from climate change and climate action.

01.

Just transition *in a business context*

01. Just transition *in a business context*

1.1 What's at stake: The business case for embedding people considerations into corporate climate action

Climate action can protect and create value, improve financial performance and resilience, and cut costs. Yet, companies often overlook the fact that mitigation and adaptation actions can have impacts on workers, communities, and consumers, in addition to the effects of climate change.

Companies must anticipate and manage the risks that arise during the transition to a low-carbon economy and from the physical impacts of climate change.

Transition risks

Transition risks refer to the risks that companies face due to the changing external landscape, specifically changes arising from policy, legal, technology, and market changes. No organization, regardless of its sector, is immune to transition risks. This is why companies must find ways to cut emissions through energy efficiency, cleaner energy, new technologies, circularity, production and purchase of greener products and services, or asset closures.

Companies can address transition risks by:

→ Upgrading infrastructure to withstand extreme weather events or other physical climate hazards

→ Retiring assets or developing new infrastructure or technologies to cut emissions

→ Factoring carbon cost into investment decisions

→ Setting GHG emission targets for suppliers

Physical risks

Physical risks result from changing climate conditions that disrupt corporate assets and value chains through hazards such as extreme weather, flooding, or heat. The scale of impact depends on a company's exposure (e.g., location of assets) and vulnerability (i.e., susceptibility to damage or disruption). Like transition risks, unmanaged physical risks can force operational change.

Companies can address physical risks by:

→ Closing, relocating, or adapting assets as changing climate conditions make them no longer financially viable to operate

→ Supporting or requiring suppliers to adopt changes – such as new transportation modes, locations, infrastructure upgrades, nature-based solutions – to build resilience

→ Diversifying service providers to ensure business continuity

→ Introducing new products or services that help communities adapt to a changing climate

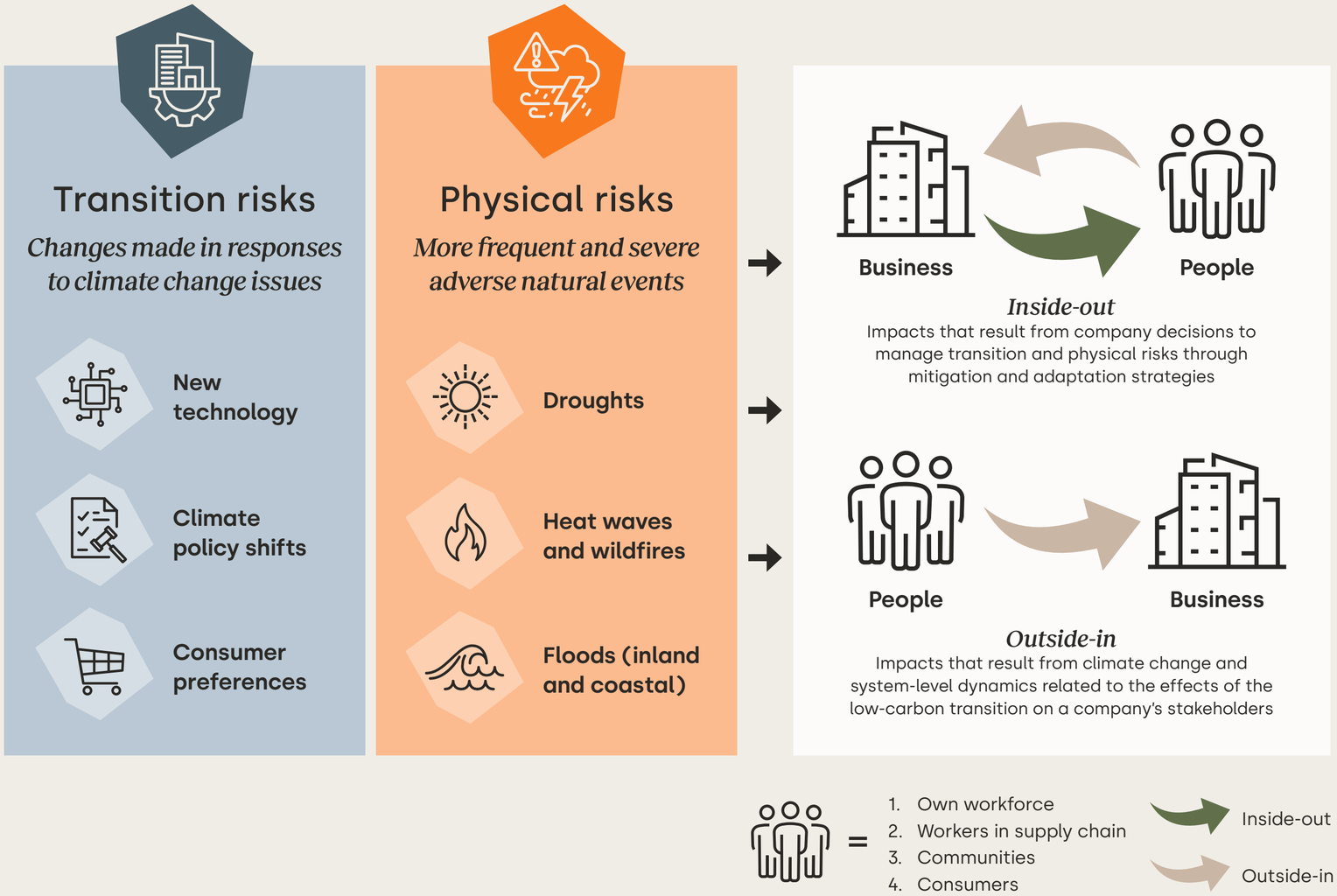
From a business perspective, social risks, impacts and opportunities emerge through:

→ **Inside-out impacts that result from company decisions to manage transition and physical risks through mitigation and adaptation strategies.** For example, closing high-emitting assets, acquiring land for renewables, or changing suppliers to reduce Scope 3 emissions can affect jobs and communities. Conversely, positive impacts occur when companies invest in developing green skills or pay living wages.

→ **Outside-in impacts that result from climate change and system-level dynamics related to the effects of the low-carbon transition on a company's stakeholders.** For example, floods and climate disasters can displace communities, disrupt workforces and supply chains, while stronger community resilience – through flood preparedness – can lower operational risks and enhance competitiveness.

Nature-related social risks and opportunities are closely tied to the net-zero transition. Healthy ecosystems provide essential services – food, shelter, recreation, and carbon storage – that support people and the economy. Companies must therefore manage their impacts and dependencies on nature to protect both human resilience to climate change and progress toward a nature-positive economy.[13,14]

Figure 1: Inside-out and outside-in impacts for business



Transition and physical risks can create negative or positive impacts for people – i.e., workforces, value chain workers, communities, and consumers – therefore influencing positively or negatively business value drivers and business performance.

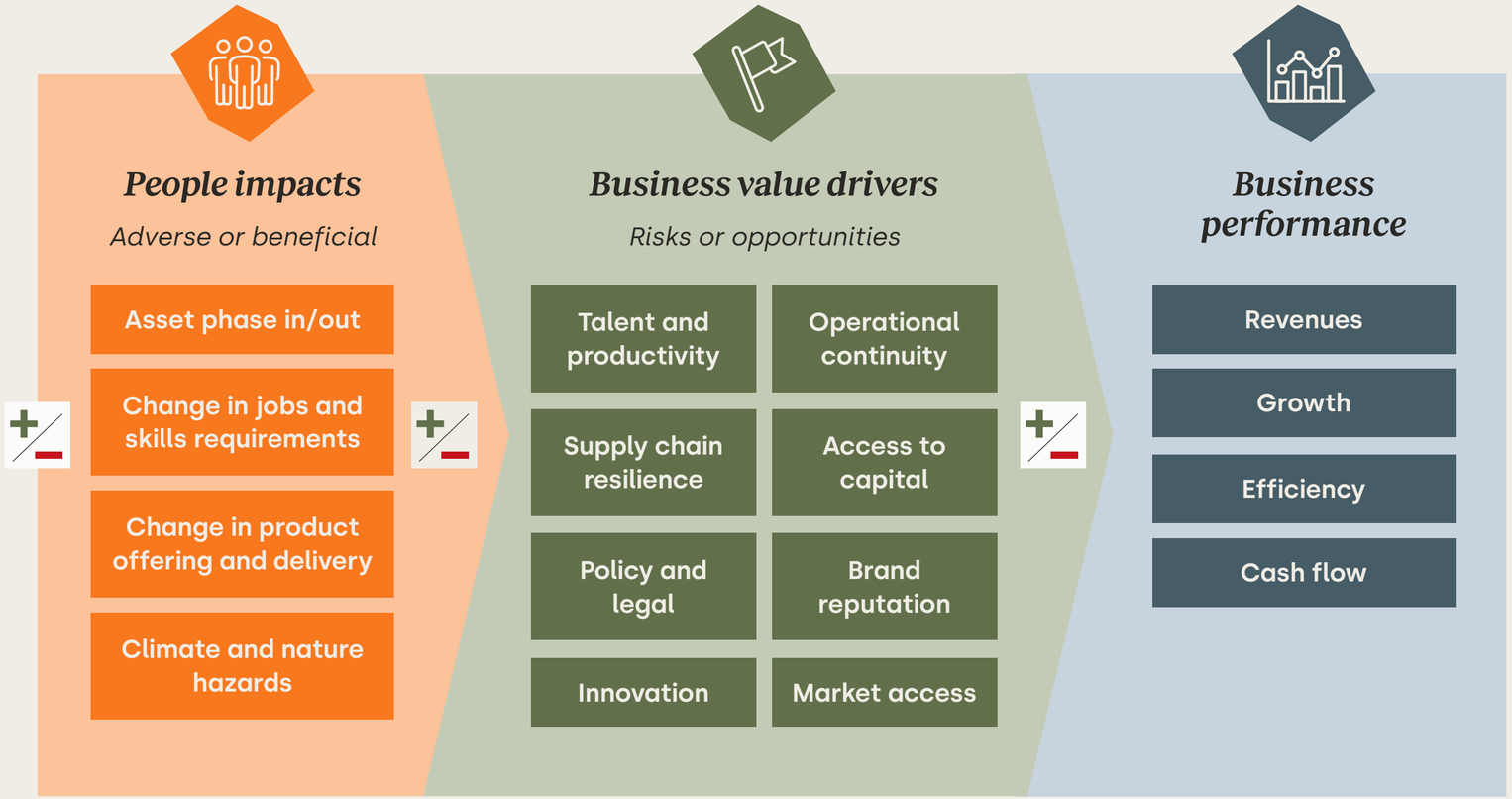
There are many potential impacts, dependencies,[15] risks, and opportunities linked to the people dimension of climate change and climate action. Some are more direct and easily identifiable; others are more indirect or harder to foresee. Depending on the company's circumstances, many may also be financially material and influence (positively or negatively) a company's cash flow, performance, and financial position through:

→ Talent attraction and retention that drive productivity and innovation

→ Regulatory compliance and alignment to standards that enable access to capital and markets

→ Social acceptance and brand recognition that sustain new projects, products and services

Figure 2: Key aspects of the business case for a just transition



These categories are illustrative, i.e., non-exhaustive
Each category can be a positive or a negative impact on people or business

Evidence from the World Benchmarking Alliance shows the payoff. Among 1,100+ companies, those with stronger social performance – measured through practices on human rights, decent work, and ethical conduct – delivered 3-7% higher five-year total return growth, and companies with science-based targets outperformed peers by 2-7%.[16]

Figure 3: Examples of financial materiality

Workforce engagement

Companies that engage in social dialogue with their workforce are **23% more profitable** than peers.[17]

Asset phase-in

Community conflicts added **USD $750 million (31% extra costs)** to a **USD $2.4 billion** energy project – an avoidable expense.[18]

Transition finance

39% of investors would rule out funding projects violating human rights.[19]

Green products

An automotive company incurred **USD $40 billion in damages, a 25% decline in customer loyalty, and a 30% drop in market share** due to false green claims.[20]

Figure 4: Just transition examples across workforces, communities, and consumers

Workforce in own operation and the supply chain

Social impacts, risks, and opportunities	*Real-world examples*	*Business drivers impacting financial position, performance or cash-flow*	*Key considerations for Board and C-suite*
Own or supplier decarbonization triggers workforce reduction and/or transformation	The International Energy Agency's Net Zero by 2050 scenario projects job losses in internal combustion engines, coal supply, and oil and gas supply by 6 million, 3 million and 2 million respectively between 2022 and 2030.[21]	→ Reskilling and upskilling programs, alongside workforce reductions built on dialogue with worker representatives, help retain talent, avoid backlash, and mitigate legal, reputational, and operational risks.	→ Is reliable workforce data used to guide upskilling/reskilling and support productivity goals? → Do retrenchment plans engage worker representatives and assess labor risks? → Have community and reputational impacts from job losses been identified? → Could Scope 3 reduction plans cause supply-chain job losses or disrupt access to inputs?
Shortage of green skills and/or capability to manage social risks slows down new low-carbon ventures	Global demand for green-skilled workers rose 11.6% in 2023-2024, outpacing supply (+5.6%).[22] 70% of Gen Z and Millennials (74% of 2030 workforce) consider a company's environmental and social record before joining.[23]	→ Building green skills reduces operational costs and drives revenue through sustainable products and new markets.	→ Do capex plans include green skills required for new technologies? → Do capex plans identify social risk management skills needed to prevent people impacts and maintain workforce and community engagement?
Extreme weather affects workers inside or outside the workplace	Even if global warming is capped at 1.5°C, global GDP in 2060 will fall by 0.8% due to heat-related human health and productivity losses.[24] By 2030, heat stress may cut 3.8% of working hours, equivalent to 136 million full-time jobs.[25]	→ Strengthening health and safety protocols and infrastructure sustains worker productivity in extreme weather (e.g., heat, floodings). → Supporting community safety and adaptation measures reduces weather-related job absences and strengthens operational resilience.	→ Do climate physical risk assessments identify worker and community impacts in own and value chain operations? → Are workplace climate adaptation considerations included and budgeted for in the transition plan?

Affected communities

Social impacts, risks, and opportunities	*Real-world examples*	*Business drivers impacting financial position, performance or cash-flow*	*Key considerations for Board and C-suite*
Communities affected by potential closures (e.g., coal mines and coal-fired power plants, high-emitting factories, crude-oil extraction, and refinery sites)	In the US, Colorado's 100% renewable energy 2040 goal is accelerating the closure of coal mines and coal-fired power plants. By 2030, this could cost the state 2,700 jobs, USD $3.2 billion in property value, and USD $60 million in property taxes.[26]	→ Reskilling and upskilling local suppliers reduces backlash, boycotts, and regulatory risks tied to closures. → Repurposing sites generates additional revenue and mitigates reputational and legal risk.	→ Have social impact and risk assessments that include local and remote suppliers been conducted? Are authorities informed about potential revenue loss from the closure? → Are legal and reputational risks identified and mitigation plans in place? → Are alternate land and infrastructure uses considered in the business plan?
Opposition to new low-carbon/net-zero infrastructure (e.g., critical mineral mines and associated roads/ ports; wind/solar farms; carbon capture storage; hydrogen plants and pipelines)	In Spain, legal disputes over inadequate environmental impact assessments led to the revocation of permits for 72 onshore wind parks.[27] In Serbia, permits for the USD $2.5 billion Jadar lithium mine were revoked in 2022 after community protests, but reinstated in 2024 under EU pressure.[28]	→ Managing impacts and engaging stakeholders helps prevent litigation and delays that affect cash flow and revenue.	→ Have social impact and risk assessments been conducted for new capital projects? → Are stakeholder engagement and community benefit-sharing plans in place? Have they been co-developed with affected groups and other key stakeholders? → Does the company have the resources and skills to manage new social impacts and risks?

Consumers

Social impacts, risks, and opportunities	*Real-world examples*	*Business drivers impacting financial position, performance or cash-flow*	*Key considerations for Board and C-suite*
Consumer demand shifts toward products with positive environmental and social impacts	Sustainable products account for 24% of the US consumer packaged goods market (CPGs), growing at an average rate of 12.4% in the last five years vs. 7% overall. In Germany, the CPG market represents 42%.[29]	→ Investing in product and commercial innovation to satisfy conscious consumers and/ or adaptation needs boosts revenue, profit, and talent attraction.	→ Do marketing and business development teams track timely insights on shifts in consumer demand and sentiment around climate and social impacts? → Are changes in production, such as increased use of recycled materials, impacting workers and communities in own operations and the value chain?
Low-carbon transition limits access to affordable products and services, including electricity	Large grid investments to meet growing electrification needs, partially driven by renewable energy growth, led to a 3% rise in US retail electricity prices. In 2024, 23% of Americans struggled to pay their electricity bills.[30]	→ Expanding access to essential products and services builds community resilience, protects the consumer base, and enhances brand reputation, supporting revenue and cashflow.	→ Are consumer impacts and sentiment assessed when changing the product or service portfolio?

1.2 Sectoral and place-based considerations

People-related climate risks vary significantly by industry and geography, shaped by both environmental and sociopolitical conditions.

High-emitting industries often face major workforce transformations (i.e., redundancies and reskilling) when adopting new technologies, processes, and ways of working. In contrast, food, agriculture, forestry, and consumer goods companies are more exposed to physical risks affecting workforces and communities, making worker and community resilience a greater priority due to higher exposure to weather-related shocks.

Box 1: Material just transition issues across industry sectors

Chemicals

Material issues

- → Shift to low-carbon feedstocks (e.g., green hydrogen, biomass, captured carbon) could increase land-use demands, causing community tensions
- → Rising demand for recycled content may strain small suppliers lacking mature labor, health and safety systems

Financial implications

- → Potential legal repercussions
- → Higher supplier costs

Key Communities · Workforce · Customers · Workers in the supply chain

Finance

Material issues

- → Financing renewables and transmission lines without social safeguards could harm land rights and fuel opposition
- → Reduced insurance in climate-vulnerable areas could affect community livelihoods
- → Reducing financing to fossil fuel industries in developing countries could disrupt employment, communities, and access to or affordability of goods and services

Financial implications

- → Potential legal repercussions
- → Higher supplier costs

Food & Agriculture

Material issues

- → Shift to sustainable agriculture practices could negatively impact small-scale farmers unable to transition without support
- → Reducing deforestation may generate certification/compliance costs that small-scale farmers can't afford
- → Physical climate risks may disrupt producers' ability to supply markets, and displace the local labor they depend on

Financial implications

- → Revenue loss
- → Reduced competitiveness
- → Decreased access to capital and financing

Key Communities · Workforce · Customers · Workers in the supply chain

Manufacturing

Material issues

→ Shift to low-carbon manufacturing could require new skills, leading to job losses – although employee upskilling would partially reduce losses

→ Shift to renewable electricity may raise local energy prices if infrastructure is still immature

Financial implications

→ Increased expenditure

Mining

Material issues

→ Mine closures could lead to job losses and leave communities stranded

→ New mining projects for electric vehicles and transmission lines could displace or disrupt local communities, creating social tensions

Financial implications

→ Revenue loss

→ Reduced access to capital and financing

→ Project and operational delays

→ Potential legal repercussions

Key Communities · Workforce · Customers · Workers in the supply chain

Power

Material issues

→ Transitioning from high- to low-carbon electricity production could lead to job losses and/or job relocations, and new skill requirements

→ Transitioning to low-carbon electricity generation could require reskilling and community consent for new infrastructure

→ Higher electricity prices could disadvantage vulnerable consumers, yet also create opportunities to improve energy security and affordability

Financial implications

→ Increased expenditure

→ Project and operational delays

→ Reduced competitiveness

Oil & Gas

Material issues

→ Decline in oil and gas production could cause job losses, strand communities, and demand new skills

→ Diversifying beyond oil and gas could require new skills and create new job opportunities, however, some may be at lower pay

Financial implications

→ Revenue loss

→ Decreased access to capital and financing

→ Project and operational delays

→ Potential legal repercussions

Key Communities · Workforce · Customers · Workers in the supply chain

Figure 5: Examples of impact materiality across sectors

Scottish and Southern Energy	HSBC	Acciona, BNDES, and J.P. Morgan	Glencore
Provided skills development trainings to **1,773 previously high-carbon role employees** to transition to low-carbon roles. Awarded **GBP £10.2 million** (USD $13.5 million) to support more than 1,000 community projects.[31]	Announced **GBP £500 million** (USD $665 million), **Green SME Fund,** offering financial incentives for investments in inclusive transition initiatives. Engaging in blended finance initiatives to transition the energy sector in Vietnam and Indonesia.[32]	Construction of new metro line in Sao Paolo to reduce use of petrol cars and air pollution. Aims to provide more **affordable** transport to **low-income communities** in less wealthy areas.[33]	Closure of copper mine in Mount Isa, Australia led to the redeployment of **70+ employees.** Provided opportunities to local workers for career change support, including training, financial planning, well-being and job application skills.[34]

Case Study

Nestlé: Enabling a just transition through the advancement of regenerative food systems at scale

As is the case among many food companies, Nestlé's greenhouse gas emissions primarily stem from agricultural production. Therefore, regenerative agriculture practices in the upstream supply chain are critical for achieving the company's sustainability goals. Nestlé has a company-wide target for 20% of its key ingredients to be sourced from farmers adopting regenerative agriculture practices by 2025. At the end of 2024, the company has already exceeded this target, reaching 21.3% across key ingredients, and notably 32% for Nescafé's green coffee. The company's initiatives helped reduce its GHG emissions per kilogram of green coffee by up to 40%.

Nestlé's approach to regenerative agriculture puts people at the center, with the aim of supporting a just transition. The prosperity and stability of its farmers and value chain partners is central to the increased adoption of regenerative agriculture practices and to adapt to new farming realities. Some measures are:

→ **Strengthening climate resilience:** Nestlé provides agronomic assistance and enables farmers to invest in regenerative agriculture with the purpose of strengthening their climate resilience.

→ **Financing the transition:** The company uses premium schemes that reward agricultural quality and positive environmental impacts and develops tailored financing options to help farmers mitigate climate-related risks.

→ **Emphasizing collective action:** Nestlé collaborates with stakeholders to scale regenerative agriculture. The company has trained over 200,000 farmers across 16 countries in regenerative agriculture practices.

Nestlé is firmly committed to a just transition to regenerative agriculture. In addition to pursuing benefits for people and the environment, this is good business because it helps develop long term resilience in our value chains. In the long run, the transition to regenerative agriculture can lead to higher yields, reduced input costs, and improved resilience against climate-related challenges. If farmers thrive, so does the entire supply chain, creating economic stability and shared prosperity.

Nestlé
Good food, Good life

Case Study

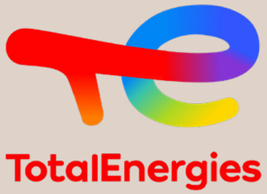
TotalEnergies: Grandpuits refinery reconversion

TotalEnergies Grandpuits platform, commissioned in 1966, is being converted from an oil refinery into a zero-crude platform. Solar electricity, biofuel production and plastic waste recycling form the backbone of this project, which is part of TotalEnergies ambition of carbon neutrality by 2050, together with society. This project's investment is estimated at more than €500 million (USD $578 million).

By the end of 2025, Grandpuits will be operating 2 solar power plants with a total capacity of 52 MWp, producing 10,000 tons per year of pyrolysis oil from recycled plastic, and starting up in 2026 the biorefinery producing up to 230,000 tons per year of Sustainable Aviation Fuel.

TotalEnergies is not only investing in cutting-edge infrastructure but also prioritizing a just transition for its workforce. The Company provides comprehensive support through **retraining, upskilling, and personalized career counseling,** ensuring no worker is left behind as the site shifts to new operations.

- **Job security & new opportunities:** TotalEnergies will conduct this industrial redeployment without any layoffs, through early retirements and voluntary internal mobility to other Company sites, providing each employee with a solution tailored to their situation.
- **Skill development:** extensive training and reskilling programs empower employees to thrive in emerging industries, enhancing their long-term career prospects.
- **Community stability:** the reconversion plan maintains local economic vitality by preserving jobs and fostering innovation, supporting the broader community's resilience. TotalEnergies has supported several industrial projects on the territory, contributing to the **creation of 78 jobs;** it also allowed loans to 20 small and medium companies, **supporting another 670 jobs.** The company also created a precise map of the partner companies operating on the platform, and helped each company affected by the site's conversion to diversify its competencies, activities and customers basis (supported companies have **increased their turnover by 10%** during the period).



As with sectors, the just transition plays out differently across geographies, making it inherently place-based.

Key factors influencing local priorities around the just transition are:

- **Economic reliance on carbon-intensive industries**
- **Energy mix and investment in new infrastructure**
- **Social and environmental safeguards for new infrastructure projects**
- **Labor market structure and worker protections**
- **Exposure to extreme weather events**
- **Climate politics and public sentiment**

Global principles and standards for identifying, prioritizing, and addressing climate-related social impacts, risks, and opportunities bring consistency and predictability to companies and stakeholders, but implementation requires flexibility. Depending on the location, a "just transition" may mean something different – shaped by local politics, economics, and history. Companies must therefore adapt both language and actions to resonate with local audiences.

Figure 6: Key just transition themes across the world

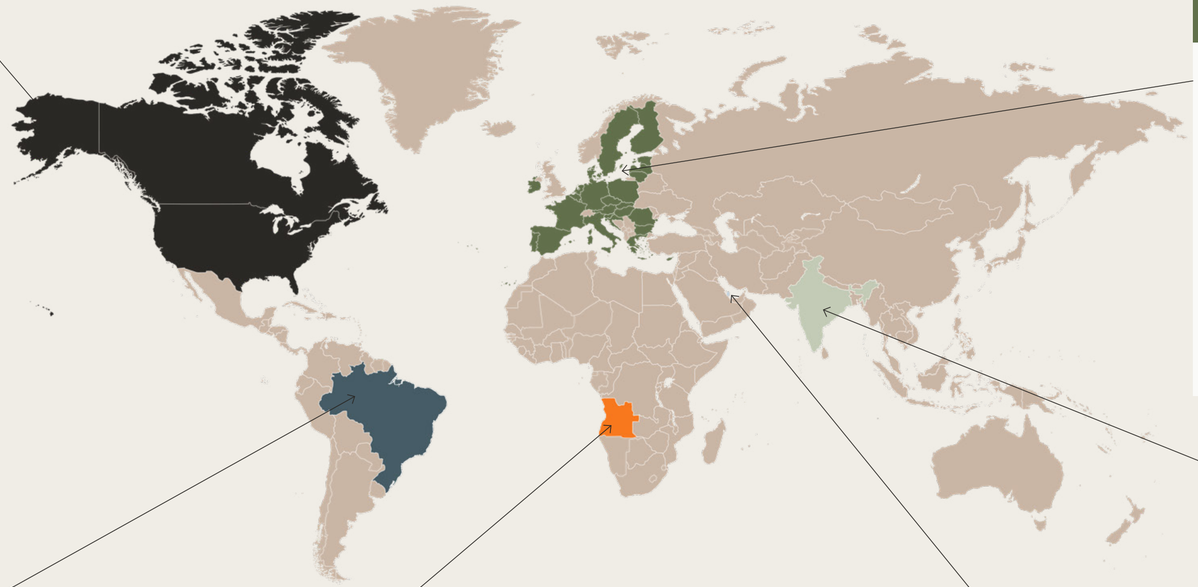
North America: Canada and US

Canada: Fast-tracked clean energy and mining projects spark community concern over poor consultation. Oil-dependent regions fear the just transition will lead to job losses, while Indigenous nations criticize it for overlooking their lack of access to energy.

US: AI-driven energy demand is fueling investment across technologies, while ESG and environmental justice rollbacks may limit energy companies' ability to gain social acceptance through engagement, living wages, and community benefits.

Considerations for corporate action:

- → Ensure environmental, social and human rights impact assessments for clean energy and mining projects rely on robust engagement with affected communities
- → Explore options, if appropriate, to innovate on benefit sharing, including extending equity ownership and electricity access to communities in new energy projects



Europe: European Union

The EU's Green Deal focuses on the environment and human rights. Strong labor protections and energy security concerns drive expectations for corporate just transition plans and public-private collaborations to manage social risks.

Considerations for corporate action:

- → Include people considerations into supply-chain climate actions, in line with regulations on human rights due diligence in own operations and in the value chain
- → Ensure transition capital projects identify and manage environmental and human rights impacts

Latin America: Brazil

With vast biomass and mineral resources, Brazil is set to expand bioenergy, green hydrogen, critical minerals, and carbon-offset projects. As a major supplier of agricultural commodities, inclusive and regenerative agriculture is vital to address inequality and vulnerability among rural communities, including Indigenous and Afro-descendants.

Considerations for corporate action:

- → Address land rights, ecosystem services, and informed consent in environmental and social impact assessments of new projects
- → Include labor and social impact risk assessments, as well as community climate resilience considerations, when engaging with supplier on Scope 3 decarbonization

Africa: Angola

Dependence on oil exports creates economic risk as demand shifts to other energy sources – although the Lobito Corridor may create opportunities for minerals. Amid poverty and inequality, local just transition priorities remain sustaining exports, securing affordable energy, and expanding renewables.

Considerations for corporate action:

- → Support economic diversification through partnerships with government and local businesses
- → Expand electricity access and support job creation through new energy projects in energy-poor communities
- → Account for displaced communities in transition planning, based on consultative and benefit-sharing processes to reduce social risk

Middle East: Qatar

Heavy reliance on natural gas exports constrains transition progress, exposing the economy and massive migrant worker population to future instability and job disruptions.

Considerations for corporate action:

- → Align climate action with national diversification strategies
- → Invest in reskilling and job creation to help migrant workers transition to green industries

Asia Pacific: India

Poverty and reliance on coal could expose millions of people to transition-related disruptions. Large transition infrastructure projects could displace communities and restrict land access to farmers.

Considerations for corporate action:

- → Promote economic diversification and worker reskilling in coal-dependent regions via government programs where possible
- → Adress potential land displacement and access issues in clean energy projects and ensure robust engagement with affected communities

Box 2: Just transition: States, regulation, and public policy

Several multilateral development banks have committed to just transition principles[1] and 65 governments now reference the just transition in their climate commitments, known as Nationally Determined Contributions (NDCs).[35] Following COP30 in 2025, inclusion of just transition elements in NDCs may become mandatory.

→ The EU's Green Deal[36] and legally binding climate policies include just transition principles.[37] The package of regulations – i.e., EU Taxonomy,[38] CSRD,[39] CSDDD,[40] European Deforestation Regulation,[41] and European Batteries Regulation[42] – asks companies to conduct environmental and human rights due diligence and provide disclosure guidance on the social impacts of climate transition measures. Further, the EU Just Transition Fund supports coal-dependent regions by investing in clean industries, retraining, and social infrastructure.[43]

→ Canada,[44] Germany,[45] and Spain[46] have just transition strategies for coal phase-outs. Canada's just transition legislation includes a fund to support communities reliant on oil and gas.[47] Germany's Ruhr region has transitioned from coal to greener industries while maintaining strong public support through worker assistance.[48]

→ Australia's Net Zero Economy Authority,[49] Scotland's Just Transition Commission,[50] and the UK's Climate Change Committee[51] align their work with worker protections and indigenous rights. The UK's Modern Slavery Act requires the country's renewable investment body – GB Energy – to ensure there is no forced labor in its operations or those of its suppliers.[52]

→ New Zealand[53] and Canada[54] emphasize Indigenous participation in shaping transition pathways, highlighting gender, intergenerational rights, and/or socioeconomic inequality.

→ South Africa has a Just Transition Framework outlining government and social partner actions.[55] The Presidential Climate Commission leads public consultations with workers, businesses, and communities in coal-dependent regions.[56]

[1] Multilateral development bank support for a just transition seeks to mitigate negative socioeconomic impacts and increase opportunities associated with the transition to a net-zero economy, supporting affected workers and communities, and enhancing access to sustainable, inclusive and resilient livelihoods for all. For more details: **https://thedocs.worldbank.org/en/doc/8b63ef9b33c96b80138ac1b1528bd65e-0020012021/original/COP26-Joint-MDB-Climate-Ambition-Statement.pdf**

Case Study

PETRONAS: Catalyzing a Just and Sustainable Transition in Malaysia's Oil and Gas Sector by Building Supplier Supply Chain Sustainability Readiness

As Malaysia's national oil and gas company, PETRONAS is committed to building supplier capacity to ensure **a just and, equitable low-carbon transition** including integrating sustainability into their operations.

Suppliers form one of PETRONAS' three just transition priorities, alongside employees and communities. To accelerate supplier readiness, PETRONAS launched the PETRONAS Supplier Support Program (PSSP) in August 2024, which helps over 80% of its supplier base, consisting of small and medium-sized enterprises, to integrate sustainability into their business practices by building practical capabilities in:

→ **ESG adoption and disclosure**

→ **Climate action and greenhouse gas (GHG) management**

→ **Human rights integration**

To complement these efforts, PETRONAS collaborates with financial institutions to offer sustainability linked financing, improving suppliers' access to capital for green investments.

Impact and Reach

→ 1,000+ suppliers engaged across 23 nation-wide sessions in 2024

→ As of June 2025, 729 suppliers formally registered into the PSSP, signaling stronger sustainability readiness

→ Customized "Centralized Sustainability Intelligence Platform (CSIP)" to simplify disclosures

→ Dedicated PETRONAS Supplier Sustainability Hub (PSSH) with the Oil and Gas Services and Equipment industry (OGSE) focused knowledge and resources

→ RM 1 billon, equivalent to approximately USD $230 million unlocked in sustainability – linked financing, directly accelerating supplier decarbonization

PSSP is supported by Malaysia's Joint Committee for Climate Change, Bursa Malaysia - Malaysia's stock exchange, and the United Nations Global Compact Network Malaysia & Brunei. The program is also fully aligned with national frameworks – the National OGSE Sustainability Roadmap, the National Energy Transition Roadmap and the National Sustainability Reporting Framework, ensuring coherence between corporate action and Malaysia's climate ambition.

By catalyzing this ecosystem, PETRONAS strengthens supplier resilience, drives sustainable industrial growth, and enables Malaysia's oil and gas sector to thrive in the energy transition.

PETRONAS

Case Study

TotalEnergies: Clean Cooking in Africa and India

TotalEnergies aims to give access to clean cooking to **100 million people across Africa and India by 2030.** To reach this, TotalEnergies plans to invest over USD $400 million in the development of LPG (Liquefied Petroleum Gas) for cooking. In addition, to make clean cooking more affordable and accessible to as many people as possible, TotalEnergies will promote the use of digital pay-as-you-cook technologies, allowing customers to pay only as they use the LPG cylinder, rather than the full cost of a cylinder upfront.

TotalEnergies actively supports the International Energy Agency's Vision for Clean Cooking Access for All initiative which aims to promote access to reliable, affordable, and sustainable cooking solutions for as many people as possible.[57] TotalEnergies is already a major player in the distribution of bottled LPG, with 60 million people in Africa and Asia already benefiting from reliable, cleaner energy. Access to cleaner cooking fuels, such as LPG helps:

- **Improved health:** Clean cooking initiatives reduce household air pollution, significantly lowering the risk of respiratory illnesses and improving overall well-being.
- **Environmental benefits:** By providing alternatives to wood and charcoal, LPG helps combat deforestation and decrease carbon emissions.
- **Economic empowerment & reducing gender inequality:** Access to efficient cooking methods saves time and resources, enabling families—especially women and children —to pursue education and income-generating activities.

1.3 Rules and expectations defining people-centered corporate climate action

The aspiration of 'leaving no one behind' – first articulated by the International Labour Organization in 2016 – laid the foundation for a just transition protecting workers through dialogue, social measures, and skills development.[58] Sustainability due diligence and reporting frameworks have since clarified company duties to manage climate, nature, and people as well as the connection between these three elements.

Key instruments – many refined after the 2015 Paris Agreement – provide guidance for companies seeking to address the people-related dimensions of their climate transition strategies. These frameworks require companies to:

→ **Respect** human and labor rights of communities, workers in their own operations and value chains, and consumers

→ **Avoid** and mitigate impacts on nature where they provide essential ecosystem services, especially to vulnerable populations

→ **Identify** and address social risks related to climate change and action, including through community climate resilience (adaptation)

In addition, companies can address inequality as a systemic risk in the context of climate change and climate action by:

→ **Supporting** workforce transitions, supplementing state-led social protections and ensuring living wages in own operations and supply chain

→ **Promoting** climate resilience, including through accessible products and services

→ **Engaging** in responsible policy advocacy in line with the Paris Agreement and the UN Guiding Principles on Business and Human Rights (UNGPs)

Embedding these principles in climate strategy and planning will help ensure that a company's climate transition strategy is socially just and people-centered.

Box 3: Requirements and expectations in existing frameworks

Issuer / Governing body	*Framework*	*Year into effect / latest update*	*Basis for people-centered corporate climate action*	*Expectation of companies*
OECD	**OECD Guidelines for Multinational Enterprises on Responsible Business Conduct**	1976; latest revision 2023	Focuses on environmental and human rights due diligence as core elements of responsible business conduct. Is aligned to the UNGPs and references just transition aspirations in the Paris Agreement.	Implement risk-based environmental and human rights due diligence and align to the Paris Agreement. Aligned with the UNGPs.
United Nations	**UN Guiding Principles on Business and Human Rights (UNGPs)**	2011, subsequently embedded in reporting and due diligence frameworks and rules	Global do no harm, human rights due diligence standard that applies to all company actions in own operations and value chains.	Identify and address adverse human rights impacts in own operations and value chain. Does not exclude climate action.
GRI SUSTAINABILITY DISCLOSURE DATABASE	**Global Reporting Initiative (GRI)**	1997; acknowledged alignment with TCFD in 2019; launched interoperability guidance with TNFD in 2024	Embeds human rights and social dimensions across disclosures; GRI 102/403/413 require reporting on workforce, value chain, and communities.	Disclose business impacts on people and the environment.
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	**Task Force on Climate-related Financial Disclosures (TCFD)**	2017; subsumed by IFRS in 2023	Climate risk disclosure framework that asks companies describe how they identify and address physical and transition risks. It recognizes the social dimensions of climate risks.	Disclose governance, strategy, risk management, and metrics related to climate risks and opportunities including social implications.
TNFD	**Task Force on Nature-related Financial Disclosures (TNFD)**	2023; signed Memorandum of Understanding with IFRS in 2025	Formulates parameters for companies to disclose and address interdependencies with nature, recognizing the nexus to climate. Recognizes people impacts derived from access to/loss of nature and use of land, aligned with UNGPs.	Disclose dependencies and impacts on nature, integrating social dimensions and human rights such as Indigenous rights and livelihoods.

Box 3: Requirements and expectations in existing frameworks

Issuer / Governing body	*Framework*	*Year into effect / latest update*	*Basis for people-centered corporate climate action*	*Expectation of companies*
IFRS® ISSB	**International Sustainability Standards Board (ISSB) – IFRS S1 & S2**	2023; entered collaboration with GRI in 2024	Focuses on financially material sustainability and climate risks, including social effects. Incorporates TPT as guidance.	Disclose sustainability-related risks and opportunities that influence enterprise value; includes workforce and community implications.
TPT	**Transition Plan Taskforce (TPT) Disclosure Framework**	2023; subsumed by IFRS in 2024	Formulates a reporting framework on climate transition planning, including people and nature impacts of climate action. Provides recommendations to disclose stakeholder engagement	Disclose transition plans showing how social and environmental factors are integrated in net-zero pathways.
EFRAG CSRD	**European Financial Reporting Advisory Group (EFRAG) – ESRS S1–S4, E1, E4 under the Corporate Sustainability Reporting Directive**	Adopted in 2022, with implementation beginning in 2025	Provides requirements and guidance on disclosures related to the impacts of businesses on people (own workforce, workers in the supply chain, affected communities and consumers), including from the transition to a climate-neutral economy.	Disclose negative and positive impacts on people stemming from business actions, including the transition to a climate neutral economy. Informed by the UNGPs.
European Commission	**EU Corporate Sustainability Due Diligence Directive (CSDDD)**	Adopted 2024 (expected in force 2026)	Asks companies to identify and address adverse impacts on the environment and on human rights and understands this due diligence to support a just transition. Encourages companies to support inclusion through living wages, among others.	Conduct due diligence on adverse human rights and environmental impacts.
TISFD TASKFORCE ON INEQUALITY and SOCIAL-RELATED FINANCIAL DISCLOSURES	**Task Force on Inequality and Social-related Financial Disclosures (TISFD)**	Beta version expected in 2026 (under development)	Aims to address systemic social and inequality-related risks to companies; expected to align with UNGPs and just transition principles.	Identify and disclose social risks (inside-out and outside-in), including inequality, livelihoods, and inclusion.

Box 4: How due diligence strengthens climate transition planning

By helping companies identify, prioritize and manage actual and potential adverse impacts on people and nature, due diligence on environmental and human rights impacts can strengthen climate transition planning. This ensures alignment with standards and regulation, supporting access to markets, capital, and talent, while avoiding litigation and protecting value (the business case).

Benefits of conducting due diligence include:

Risk identification and management: Enable organizations to pinpoint key transition and physical risks, and develop strategic management plans that can be integrated into enterprise risk management frameworks

Regulatory alignment: Support compliance with emerging regulations such as the CSDDD and build stakeholder trust by embedding due diligence assessment results into climate transition plans

Strategic transformation: Provide an essential first step in aligning climate transition objectives with business strategy, laying a foundation for long-term value creation grounded in operational reality

Social license to operate: Help companies maintain their social license by ensuring their transition plans account for issues that could affect their workforces, value chains, communities, and consumers

02.

Integrating people *considerations into climate transition planning and implementation*

02. Integrating people considerations into *climate transition planning and implementation*

Part II of this report outlines a framework and guidance for boards and management teams to develop transition strategies tailored to their company's individual circumstances. It defines leadership responsibilities and how they can be exercised, outlines implications of integrated, company-wide transition planning for strategy development, and explains how to embed these strategies into existing management systems for effective implementation.

Figure 8: Four pillars to integrate people dimensions

Source: New ISSB guidelines | Acuity Knowledge Partners

2.1 Leadership from the top: The role of boards and C-Suites

Sustainability-related financial disclosure frameworks such as TCFD and TNFD, now reflected in newer reporting standards and regulations like the ISSB and CSRD, expect boards to oversee ESG risks, especially climate and nature risks, as part of their fiduciary duties to safeguard companies' long-term resilience. Leadership must also steer strategy development and implementation, identify and control risks, and demonstrate transparency and accountability through robust qualitative and quantitative metrics.

At the same time, international due diligence standards require companies to prevent and manage corporate harm on people and nature – including the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the UNGPs. These standards, incorporated into soft law (e.g., industry standards, project finance requirements, supplier contracts) and regulation (e.g., CSDDD and the German Supply Chain Act), call for the integration of due diligence into policies and enterprise risk management.

Together, these frameworks and standards make boards and leadership teams directly accountable for identifying, prioritizing, and managing climate-related social impacts, risks, and opportunities.

Figure 9: Role of Boards and executives

Board of *Directors*

Role

Provide governance and oversight of climate and nature related social impacts, risks, and opportunities, ensuring alignment with the company's purpose, values, strategy and shareholder interests.

46%
of companies have sustainability leadership represented at the board or executive level[59]

What should Board members focus on?

Action areas

Governance and accountability

→ Embed the identification and management of climate and nature related social impacts, risks, and opportunities into the mandate of the sustainability and/or audit committee, with regular reviews to prioritize key issues

→ Link executive remuneration to climate and nature related social performance, using targets to measure progress on social impacts, risks, and opportunities

→ Monitor emerging trends and expectations regarding systemic social risk factors (e.g., inequality, societal fragmentation) and the just transition, and integrate insights into scenario analysis to shape climate action (including the climate transition plan) and business strategy

→ Ensure financial and non-financial reporting addresses climate and nature related social impacts, risks, and opportunities, supported by robust data and evidence

→ Engage shareholders on the company's just transition activities, explaining their importance for protecting long-term shareholder value

Chief Executive *Officer*

Role

Ensure the organization identifies, prioritizes, manages, and discloses climate and nature related social impacts, risks, and opportunities as part of its climate strategy and human rights commitments

28%

of companies with a committee overseeing human rights issues clarify the level of attention given to human rights compared to other areas[60]

What should CEOs focus on?

Action areas

Performance and decision-making

→ Establish a single point of accountability to identify, prioritize, and manage climate and nature related social impacts, risks, and opportunities as part of the company's climate strategy and transition plan

→ Promote cross-functional collaboration (among enterprise risk management, human resources, climate, environment, health and safety, human rights, social impact, corporate affairs, and procurement teams) to avoid siloed analysis, planning, and implementation

→ Ensure clear, time-bound actions are set and dedicated resources allocated to advance and implement the just transition

→ Monitor and report progress against measurable just transition targets to the Board

→ Communicate the company's just transition priorities consistently across the business

Communication and external engagement

→ Engage key stakeholders on just transition priorities, including business partners, governments, worker organizations, and representatives of affected communities

→ Advocate for public policies that support worker community resilience

Chief Financial *Officer*

Role

Integrate material climate and nature related social impacts, risks and opportunities into financial planning, capital allocation and disclosures, ensuring the company remains financially stable and adequately resourced for short- and long-term risks

38%
of CFOs are accountable for sustainability disclosures[61]

What should CFOs focus on?

Action areas

Business materiality

→ Ensure adequate budget allocation for priority controls addressing climate-related social impacts, risks, and opportunities

→ Pursue opportunities to secure capital through mechanisms that reward positive environmental and social outcomes

→ Oversee M&A activity with an eye towards climate and nature related social impacts, risks and opportunities that could interfere with the identification and execution of deals

Reporting

→ Report (at least annually) on material climate-related social impacts, risks, and opportunities in accordance with key frameworks (see section 2.2)

Chief Sustainability *Officer*

Role

Serve as the single point of accountability for identifying, prioritizing, and managing climate and nature related social impacts, risks, and opportunities, ensuring an integrated, company-wide approach that connects climate, nature, and people

17%
of companies have a CSO while 23% assign sustainability leadership to a lower organizational level[62]

What should CSOs focus on?

Action areas

Action planning and implementation

→ Develop an operational plan to identify, prioritize, and manage climate and nature related social impacts, risks, and opportunities

→ Mobilize departments to support cross-functional delivery of the operational plan, embedding people considerations into climate transition and nature-positive planning

→ Ensure the operational plan translates into concrete, place-based controls and actions owned by business units, assets, and regional teams

→ Set goals, metrics, and data collection processes to support internal and external reporting and track progress

→ Drive external engagement and advocacy efforts in priority jurisdictions

Chief Risk *Officer*

Role

Integrate climate and nature related social impacts, risks, and opportunities into the enterprise risk management framework and ensure they are reflected in corporate and asset-level risk registers

3 out of 5
national threats identified by US executives relate to ESG – among them employment and livelihood crises[63]

What should CROs focus on?

Action areas

Risk management

→ Work with the CSO to identify, prioritize, and manage climate and nature related social risks

→ Escalate material climate and nature related social risks to the corporate risk committee/ function and ensure regular reporting to the Board of Directors

→ Ensure material risks are accurately disclosed to shareholders

→ Ensure the management of material issues is audited, including as part of the company's third line of defense oversight program

Chief Human Resources Officer
Chief People Officer

Role

Act as a steward of people and culture, and ensure the workforce is prepared to navigate the just transition and empowered to capitalize on the changes it brings

Only 7%
of companies provide a clear and comprehensive narrative outlining the chain of responsibility for human rights[64]

What should CHROs/CPOs focus on?

Action areas

Risk management

→ Embed climate and nature related social impacts, risks, and opportunities into HR and performance management systems

→ Establish processes to anticipate and manage labor impacts from climate transition and nature-positive plans

→ Revise hiring practices and develop upskilling programs to address transition and nature related skill gaps

→ Update health and safety policies and procedures to reflect operational changes linked to climate transition and nature-positive plans

Box 5: Roles of other executives

Other executives also play a key role in ensuring a company-wide approach to climate transition planning and implementation, and in advancing place-based solutions.

Chief Operating Officer (COO)

→ Role: Own or support the implementation of concrete action plans to address climate-related social impacts, risks, and opportunities, and ensure operational leaders are accountable and incentivized to deliver results

Chief Procurement and Supply Chain Officer (CPO)

→ Role: Embed the company's just transition approach into supplier engagements and Scope 3 emission reduction planning processes

Chief Legal Officer (CLO)

→ Role: Monitor policy and regulatory developments to identify actions that could affect the business – positively or negatively – in relation to environmental and human rights due diligence, including the energy transition

Case Study

Unilever: Embedding social climate transition risks into governance processes

Unilever recognises the importance of a just and equitable transition, and the need to integrate social considerations into its climate and nature strategies.

Led by the Social Sustainability team, with input from Climate and Nature teams and support from ERM and WBCSD, Unilever reviewed its Climate Transition Action Plan to help to understand the areas where risks to people are greatest. For each area that Unilever has identified, dedicated workstreams are contributing to just transition efforts:

- → **Scaling regenerative agriculture:** supporting smallholder farmers to strengthen resilience and livelihoods across Unilever's agricultural value chains. Unilever aims to support **250,000 smallholder farmers** in accessing livelihoods programmes by 2026. Through greater transparency, improved farming practices, and targeted impact programmes, the company aims to enhance incomes and promote regenerative agriculture, recognising smallholders as vital partners in protecting and restoring nature.
- → **Addressing forest-risk commodities:** engaging rightsholders in landscape-level interventions to advance no-deforestation goals. This includes recognising smallholders, Indigenous peoples, and local communities as stewards of the land, and embedding social and environmental safeguards in sourcing regions to ensure inclusive participation in land management and decision-making.
- → **Increasing use of recycled plastic:** collaborating with partners to improve working conditions and livelihoods for informal waste pickers.

These efforts are governed within Unilever's broader sustainability framework, which includes governance mechanisms across all levels of the business and ladders up to the CEO, with additional guidance from the Unilever Board and an external advisory council. Progress is overseen by an **internal cross-functional steering committee,** comprised of executive-level leaders from Sustainability & Corporate Affairs, Procurement, R&D, Finance and Legal. Unilever has embedded accountability into its governance approach by linking 15 percent of its Performance Share Plan awards for senior leaders to sustainability targets, including on nature, climate and livelihoods.

Case Study

Natura: Regeneration as a strategic framework for integrated sustainability and financial reporting

Natura's regeneration strategy is built on the belief that climate, people, and nature are deeply interconnected. This systemic approach integrates human well-being with planetary health, making regeneration both the pathway to and the result of qualitative growth.

Natura expanded the concept of value generation beyond finance to support the transition to a regenerative economy by launching its **Integrated Profit & Loss (iP&L) framework,** to measure the social, natural, and human impacts of its business. Guided by the belief that a company's true value lies in its ability to contribute to societal progress, Natura sees impact measurement as the first step towards a regenerative future.

The iP&L framework **goes beyond financial produced capital** to account for Natura's performance and encompasses results across natural, social, and human capital. It considers multiple aspects of impact, including carbon emissions and offsetting, circularity, conservation of biomes, and income generation for its network—along with the social and human impacts of climate change.

Applying the framework to its 2024 results, Natura found that for every $1 in revenue, the company generated a net return of $2.5 in benefits for society. By 2030, it aims to generate $4 of impact per every $1 in revenue.

This profound pledge is underpinned by a visionary goal: by the year 2050, Natura aims to establish a **fully regenerative business model.** In this future-oriented framework, every form of capital – encompassing natural, human, social, and financial – is envisioned to operate not only autonomously but also in a manner that actively generates positive impacts, fostering a harmonious and thriving ecosystem for both business and the planet.

2.2 People considerations and transition planning

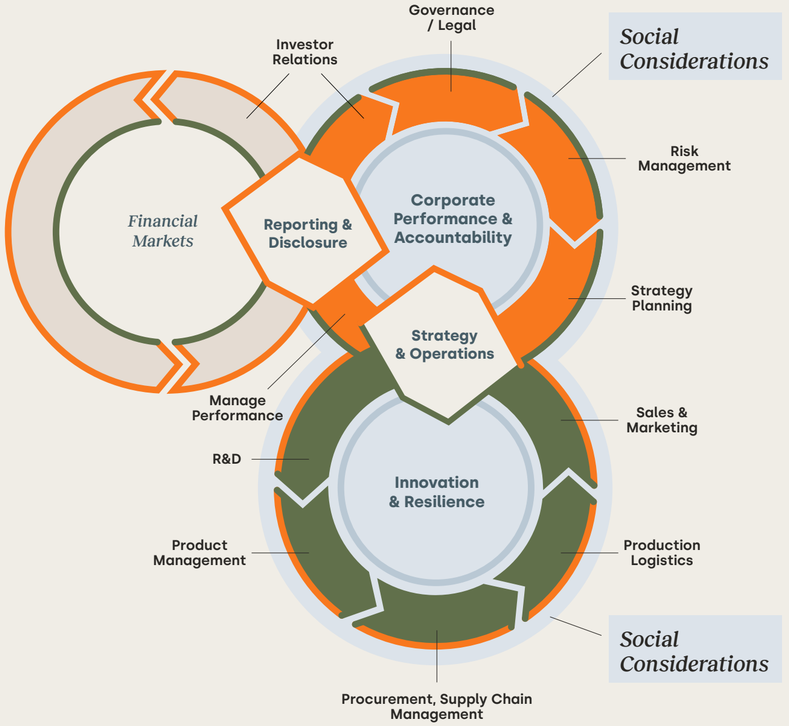
WBCSD's **Corporate Performance & Accountability System (CPAS) framework** bridges the gap between business action on sustainability and how financial markets value and respond to that action. CPAS promotes transparency, comparability, credibility, and accountability in sustainability performance – so that businesses that reduce emissions and adapt to climate physical risks, manage nature dependencies, protect human rights, and address systemic inequality are rewarded with better access to and cost of capital.

This requires companies to take a holistic and cross-functional approach that links sustainability and business value creation – especially through transition planning. The CPAS framework positions transition planning as an integral part of the company's strategy development, connecting it with capital allocation, R&D, product and service design, and operations. This makes transition planning the natural entry point for embedding people considerations into corporate strategy and implementation.

Large companies in Europe, the UK, and increasingly Asia are developing and disclosing climate transition plans or roadmaps, either voluntarily or in response to new regulations such as the IFRS ISSB S2 Climate-related Disclosures. In 2023, about **5,900 companies** reported through CDP that they have a climate transition plan in place – **a 44% increase from 2022** – while another 8,600 expected to develop one within two years.[65] However, only a minority of these plans present credible, detailed roadmaps, and costed strategies, particularly regarding social dimensions. Most remain high-level commitments although investors, regulators, and civil society are pressing for more rigorous and standardized disclosures.

In 2023, the Transition Plan Taskforce (TPT) released a framework with best-practice guidance for developing and disclosing transition plans. The framework has since been integrated into the IFRS ISSB S2 standard, which requires disclosure of "any transition plan the entity has."[66] To effectively integrate people considerations into climate and broader business strategies, leaders should assess material or highly relevant people considerations across all aspects of the TPT framework and report on them in line with ISSB S2 implementation guidance.

Figure 10: Corporate Performance & Accountability System



Corporate climate transition plans, like corporate strategies, are living documents that evolve over time as circumstances and opportunities change. The TPT provides detailed guidance through its Transition Planning Cycle, which outlines four recurring stages: Re-assess; Set your ambition; Plan your actions; and Implement your plan.[67] The TPT also published an advisory paper identifying which sub-elements of its framework cover the just transition and where priority transition planning actions intersect with them.[68]

Transition planning must be flexible, iterative, dynamic, and responsive to new information and external developments – and transition plans need to be regularly reviewed and updated.

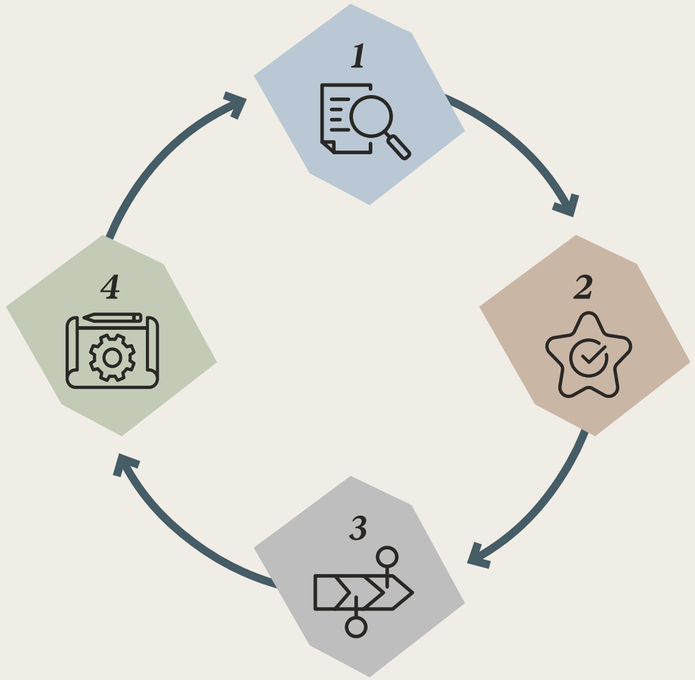
Figure 11: Spotlighting people in integrated transition planning

1. Re-assess

- → Map key stakeholders, **including workers, consumers, and affected communities**
- → Assess climate-related risks and opportunities
- → Measure your emissions footprint
- → Identify your transition levers
- → Assess your nature and **social impacts and dependencies**

4. Implement your plan

- → Continue or start implementation
- → Disclose transition plan in line with ISSB
- → Monitor and report on progress
- → Learn and reflect from the progress



2. Set your ambition

- → Define your objectives and priorities
- → Identify key assumptions and external factors on which your plan depends, **including societal preferences and values; macroeconomic trends; shifts in client and consumer demands; physical impacts on supply chains**
- → Identify key changes to the business model and value chain **and how they affect people**

3. Plan your actions

- → Develop implementation steps, **including just transition actions**
- → Revisit policies and conditions
- → Assess the resilience of your strategy, **including of workers, supply chain, and communities**
- → Review governance structures, organizational setup **and people strategy, including jobs, skills and training needs**
- → Develop engagement strategy, **including with workers, suppliers and communities**
- → Integrate into financial plan
- → Set metrics and targets, **including people impacts**

Adapted from TPT Transition Planning Cycle - ITPN, emphasis by authors

2.3 Leveraging existing management systems to drive implementation

Beyond integrating people considerations into climate strategy through an integrated transition plan, business leaders should leverage existing management systems and functions to drive implementation. Coordination across key systems and functions is critical to avoid siloed approaches. Priority areas include:

- → Identifying social risk trends to inform climate strategy and planning, including how decarbonization levers and adaptation measures affect people across own operations (Scope 1) and in value chains (Scopes 2 and 3), as well as how climate change and the broader transition create social risks for the company
- → Applying environmental and human rights due diligence consistently to new capital projects
- → Assessing human rights impacts of new green products and services
- → Addressing worker retrenchment, talent attraction and retention, including through green and social skills development
- → Strengthening the resilience of physical assets and workforces through adaptation measures
- → Engaging suppliers to prevent adverse human rights impacts and build their resilience to physical and transition risks
- → Supporting communities in strengthening climate resilience through adaptation
- → Collaborating with business partners, governments, worker organizations, academia, communities, and civil society to advance shared solutions

Figure 12: Management systems relevant to the just transition

Management systems and functions	*How it is relevant to the just transition*	*Value protection and value creation (business drivers)*
Sustainability/ Climate Action	Embeds climate-related social impacts, risks, and opportunities into climate strategy, target setting, and transition planning in collaboration with social impact subject-matter experts (human resources, human rights, health & safety)	→ Increases speed of climate transition, helping capture first mover advantage in emerging low-carbon opportunities → Protects against social issues that could slow climate transition and cede leadership to competitors
Corporate Affairs	Integrates the company's management of climate-related social impacts, risks, and opportunities into its external engagements, keeping stakeholders appraised of the organization's just transition work and enabling collaboration initiatives. Implements responsible policy advocacy on critical themes, including policies and regulation on social protections, environmental and human rights due diligence, permitting, transactions due diligence, climate mitigation and adaptation	→ Maintains stakeholder support for the climate transition and unlocks capital from climate-minded investors → Enables a more supportive policy environment for the climate transition, reducing compliance pain points, and opening new market opportunities
Environment, Health, and Safety (EHS)	Identifies and addresses EHS issues (e.g., decommissioned facility contamination, new worker safety exposures, etc.) that may arise from the company's decarbonization capital projects. Identifies and addresses climate physical risks affecting workers in own operations and, potentially, suppliers.	→ Protects against EHS risks that could divert financial resources from the climate transition to compliance penalties and lawsuits → Increases worker productivity and decreases worker injuries that keep them off the job, improving overall corporate performance
Enterprise Risk	Ensures climate-related social impacts, risks, and opportunities are adequately identified at the asset, business unit, and corporate levels. Supports accurate reporting of climate-related social risks and opportunities.	→ Minimizes disruptions to the business across all operational levels that negatively affect financial performance → Improves access to capital from investors who prioritize sound climate-related risk and opportunity management

Management systems and functions	*How it is relevant to the just transition*	*Value protection and value creation (business drivers)*
Finance	Identifies and enables adequate allocation of resources to manage climate-related social impacts, risks, and opportunities and integrates their potential monetary effects into financial planning.	→ Ensures resources are available to support the climate transition and other corporate priorities that create business value → Mitigates issues that may weigh on corporate balance sheets and affect long-term financial viability
Human Resources (HR)	Identifies and manages the internal just transition-aligned workforce actions (e.g., reskilling, hiring, layoffs, etc.) that a company may need to pursue in relation to its climate-related social impacts, risks, and opportunities.	→ Minimizes the risk of HR issues negatively affecting worker productivity and capacity, hence corporate performance → Improves competitiveness by ensuring internal capacity and skillsets are available to act on new market opportunities
Procurement and Supply Chain	Identifies and manages the external just transition-aligned supply chain actions (e.g., supplier health and safety audits, supplier reskilling support, etc.) that a company may need to pursue in relation to its climate-related social impacts, risks, and opportunities.	→ Maintains supply chain stability, ensuring access to the inputs required for business growth → Unlocks supplier performance improvements that enhance competitiveness
Social Performance and Human Rights	Ensures a company's activities to manage its climate-related social impacts, risks, and opportunities respect human rights and account for community effects.	→ Improves reputation and bolsters social license to operate, attracting consumers and other stakeholders critical to business growth → Minimizes risk of controversies and stakeholder opposition that could negatively affect brand value

Case Study

Empowering Communities for a just transition: C.P. Group's models for climate resilience and livelihoods

Charoen Pokphand Group understands the struggles of the communities they work with, especially the impact of increased cost of living and the impact of climate change and extreme weather events on vulnerable groups. To address these critical issues, the Group aims to create new opportunities for 5 million people by 2030 through the Charoen Pokphand Foundation for Rural Lives' Development, engaging local communities to build sustainable businesses that help contribute to both their own livelihoods and the environment. These efforts build resilience for both the communities and their businesses, opening new opportunities for all in the new green economy.

→ **Sobkhun and Omkoi Models:** C.P. Group has provided knowledge and technical support to several communities in the critical watersheds of Thailand to restore forests and develop sustainable shade-grown coffee businesses with the Omkoi Model yielding over 1.2 million baht, equivalent to USD $366 thousand of economic benefits for local coffee farmers.

→ **Zero Forest Burning:** To tackle the persistent issue of PM2.5 air pollution from wildfires, the Group works with villages living alongside community forests in northern Thailand to collect dry leaves from the forest floor, to reduce the risk and impacts of fires. One thousand tons of leaves, collected from 3,000 acres across six community forests, are transformed into organic fertilizer for the local communities.

→ **Sustainable Songkhla Lake:** Striking a balance between conservation and development, the Group is collaborating with communities living alongside the Songkhla Lake to enhance their livelihoods while fostering and protecting biodiversity, creating over 500 fish sanctuaries and releasing a total of more than 125 million aquatic species into the lake.

A just transition, at its heart, depends upon collaboration across all sectors to ensure that all boats are lifted by the rising tide. These projects, jointly developed and implemented with local communities, are intended to provide models for adaptation and scaling up across Thailand and beyond, showing how businesses can collaborate with local communities to live sustainably alongside their environment.

2.4 How to track progress

This section provides examples of actions and how to measure and track progress. They all demonstrate the importance of meaningful engagement with workers and their representatives, communities, customers, and other external stakeholders. This is because such engagement helps respect rights while identifying potential pain points, understanding expectations, and building buy-in – all critical to successfully design and implement initiatives.

Using the right metrics is equally important. Progress indicators should reveal where and whether real progress is occurring. A mix of qualitative and quantitative metrics, tailored to the company's operations, will provide the most accurate view of progress.

Recent work by **Shift**[69] and the **London School of Economics (LSE)**[70] is helping build consensus on what constitutes credible just transition metrics. Their research emphasizes the need for indicators that go beyond traditional climate or labor metrics, capturing how transition actions affect people's lives, livelihoods, and rights. This evolving work highlights the importance of context-specific, stakeholder-informed metrics that assess not only the pace of decarbonization but also the justness of the transition process itself.

Figure 13: Just transition actions and associated metrics and measures

	Why it matters	*Example metrics and measures*
Build workforce capabilities across the company and value chain to support the adoption of low-carbon technologies, products and services	→ Upskilling employees to evolve in their current roles or transition to new ones helps reduce hiring costs and minimize operational disruptions caused by hiring individuals unfamiliar with the company. → Strengthening social risk management skills across teams helps anticipate and prevent social issues that can disrupt the climate transition. → Teams that are upskilled adapt faster to the demands of the transition, helping the company maintain its competitive edge.	**Metric:** Employees reskilled to align with the organization's climate transition and the need to manage climate-related social impacts, risks, and opportunities **Measure:** (#) Number of employees redeployed overall and by region **Metric:** Suppliers with plans to assess and mitigate climate-related social impacts, risks, and opportunities **Measure:** (%) Percentage of suppliers with such plans in place
Plan facility closures and decommissioning to anticipate and minimize risks to workers and communities	→ Comprehensive facility closure and decommissioning planning helps ensure regulatory compliance and can reduce future liability costs. → Responsible closure and decommissioning helps build trust with local communities and support future projects in the region. → Engagement with workers and their representatives enables effective redeployment and retrenchment by establishing support measures tailored to worker needs. This benefits both affected workers and the company long term. → Early engagement with suppliers on transition plans encourages them to develop their own adaptation strategies, and offers opportunities to share lessons learned through the process.	**Metric:** Employees from closed facilities redeployed to roles created through the organization's climate transition activities **Measure:** (#) Number of employees redeployed overall and by region **Metric:** Communities the organization has engaged with regarding the planning and impacts of facility closures **Measure:** (#) Number of communities engaged with regarding facility closures

	Why it matters	*Example metrics and measures*
Respect community rights during project siting and permitting	→ Respecting community rights helps accelerate siting and permitting by reducing the risk of appeals and permit delays that can extend project timelines and raise costs. → Proactive community engagement helps identify potential project pain points early, preventing future delays and cost overruns. → Proactive customer engagement helps companies understand evolving expectations and adapt accordingly, reducing the risk of customer loss.	**Metric:** Communities the organization has engaged with to prevent and mitigate impacts and co-design benefit-sharing plans associated with capital project (permitting) activities **Measure:** (%) Percentage of affected communities with agreed impact and benefit management plans, overall and by region
Support community adaptation	→ Investing in community adaptation supports operational continuity and strengthens company resilience in the face of increasing physical and transition climate risks. → Supporting local community adaptation and economic diversification helps sustain a vibrant business environment with the customers, labor pools, and suppliers companies rely on.	**Metric:** Communities receiving adaptation support from the company to address physical and transition climate impacts, either to manage business risks or address systemic social risks **Measures:** (%) Percentage of affected communities supported by the company whose climate impacts pose risks to the company, overall and by region (#) Number of communities receiving adaptation support through corporate philanthropy programs

Case Study

Manulife: Advancing a just transition with high-integrity carbon projects

Manulife Investment Management (Manulife) is advancing a just transition by prioritizing integrity in carbon projects. Recognizing the role of carbon credits in complementing direct emission reductions, Manulife formed a Carbon Standards Working Group (CSWG) in 2021. This internal team draws on expertise across the business to ensure client carbon projects are high-quality, with co-benefits wherever possible.

The CSWG developed comprehensive carbon principles, guided by leading conservation nonprofits, to define high-integrity carbon projects and support due diligence. By evaluating projects and screening potential counterparties against these principles as part of their due diligence, Manulife ensures that every carbon credit initiative aligns with its commitment to effectively mitigating climate change.

Social considerations are central to these principles:

- → **Focused on co-benefits and doing no net harm**—Minimize negative externalities that may result from carbon project activities and focus on additional social and ecological benefits such as improving biodiversity

In addition, Manulife's carbon credits must be:

- → **Real**
- → **Based on realistic and credible baselines**
- → **Monitored, reported, and verified**
- → **Permanent**
- → **Additional**
- → **Able to minimize, and account for, any leakage**
- → **Only counted once**
- → **Managed to avoid enabling greenwashing for carbon offset buyers and carbon inset transfer recipients**

Beyond carbon integrity, Manulife applies international human rights standards across its investment lifecycle, addressing health and safety, Indigenous rights, community engagement, and responsible contracting.

Through these efforts, Manulife supports global climate mitigation and equitable outcomes, contributing to a more sustainable and just future.

More details on its decarbonization strategy and broader sustainability initiatives—across climate, nature, and people—are available in its **Natural Capital Report**.

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Case Study

MSC: A green workforce transition in the shipping and logistics sector

MSC has set a target to reach net zero by 2050, with an intermediate target of 68% GHG emission reduction by 2040. As part of its energy transition, MSC invests in preparing and training its maritime workforce. This enhances MSC's readiness to integrate and safely handle new technologies and fuels related to decarbonization and digitalization. Through learning pathways, employees are equipped with the skills, training, and knowledge needed to meet the evolving needs of their industry. MSC's 104,000 employees across the Cargo Division completed more than 2.7 million training hours in 2024.

→ **Upskilling of seafarers:** As part of the industry's energy transition, MSC is trialing and adopting non-conventional fuels, rolling out new tools and technologies, and adding new and retrofitted vessels to its fleet. MSC delivers a range of learning pathways including training courses covering technical skills related to dual-fuel LNG vessels, energy efficiency equipment, and technologies, such as digital navigation systems and voyage optimization tools to prepare the company's seagoing workforce of 28,885 seafarers for a decarbonized shipping industry. Learning is delivered through a range of formats including the Ocean Learning Platform (activated on 792 vessels) and classroom-based learning in training centers and advanced training facilities such as dual-fuel engine room simulators.

→ **Upskilling of logistics workers:** MSC also delivers upskilling programs to land-based employees – including dock workers, truck and train drivers, pilots, and aircrew - that provide safety training and skills for operating electric and hybrid vehicles, trains, and terminal yard equipment.

→ **Collective action:** MSC supports and participates in the United Nations Global Compact Ocean Stewardship Coalition and the Maritime Just Transition Task Force (MJTTF) through its Global Industry Peer Learning Group. The MJTTF aims to put seafarers at the heart of efforts to decarbonize shipping. Collaborative platforms such as the MJTTF bring opportunities for strategic dialogue, collective learning, and exchange of expertise to leverage industry best practice around the theme of just transition.

03.

Conclusion:
Guiding principles for success

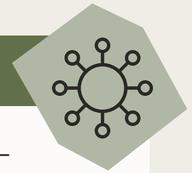
03. Conclusion: *Guiding principles for success*

The successful integration of people considerations into corporate climate action requires a company-wide approach, guided by strong leadership oversight and direction across the C-suite. The guidance above can be summarized into six guiding principles for action.

Business structure

A clear vision set by the Board and C-suite, accompanied by appropriate oversight and accountability structures at the top, is essential to inform strategic decision-making.

Take a multi-disciplinary approach



Engagement across divisions and departments within an organization – at the corporate and asset level – is needed to inform not only planning but to ensure effective implementation.

Embed within business management systems and planning

Policies, processes, and controls to manage climate-related social impacts, risks, and opportunities need to be integrated into the heart of the company's climate transition plan and business strategy and embedded in corporate management systems to ensure sustained implementation.

Monitor, adapt, and report on progress

Establishing corporate goals and asset-level targets and metrics that support the monitoring of performance, and the tracking of progress towards successful avoidance or mitigation of long-term impacts are likely to be key to meeting rapidly evolving external expectations and climate conditions.

Facilitate continuous engagement with affected people

Impacted people should be engaged throughout the process. Companies will need to take special care to identify vulnerable individuals and groups, ensuring they understand the potential impacts and actions taken. The ongoing engagement is often the aspect that sets just transition planning apart from other business planning processes, as it plays a critical role in addressing inequality and creating social inclusion.

Partnerships

Achieving a just transition will require collaboration and partnerships across a company's value chain and business partners and with governments and non-governmental actors. Cooperative relationships can help companies address systemic risks to their business and the wider economy and co-create credible and sustainable solutions.

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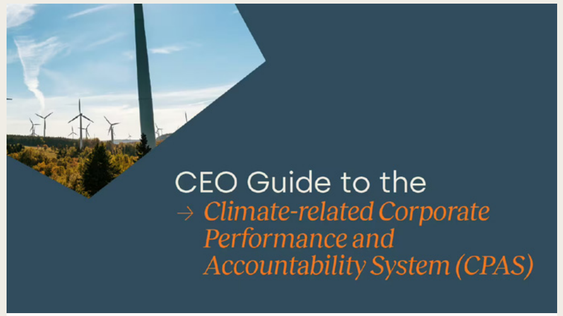

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