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From the grand to the granular:

translating just transition ambitions into investor action

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Policy report

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Contents

Key messages

1. The just transition is a critical enabling factor in reaching net-zero greenhouse gas emissions.
2. Governments hold the primary responsibility for making the just transition happen, with business, trade union and civil society also playing their part.
3. Investors can also play a significant role by making sure that the social dimension is fully integrated into their assessment, stewardship, capital allocation and policy activities.
4. Clear just transition expectations are needed to enable investors to fulfil this role with integrity and impact.
5. Drawing from international standards and work by social partners and stakeholders, this report presents a seven-point framework focusing on: strategy, workers, supply chain, communities, consumers, policy and disclosure.
6. The framework provides the basis for understanding emerging practice and is applied to analyse work to date by five European utility firms: Enel, EDF, SSE, E.ON and ZE PAK.
7. An acceleration in investor action to support the just transition is now needed ahead of and beyond the COP26 climate summit, particularly to ensure a convergence around common approaches and to deliver real results on the ground.

Summary

Clear just transition expectations of business are needed by investors

Building a net-zero economy requires an urgent acceleration in efforts to deliver a just transition: one that is fair in its impacts across society and regions. Governments hold the primary responsibility for delivering a just transition, with business, trade unions and civil society also playing their part. Institutional investors can take a significant role, too, by making sure that the social dimension is fully integrated into their climate strategies.

There are clear strategic reasons for investors to take this rounded perspective to climate action, including respecting social standards, minimising systemic risk, supporting sustainable development and delivering positive impact. To enable investors to fulfil their role, clear just transition expectations of business are needed, which can then be used in investment analysis, shareholder engagement and capital allocation to deliver real impact.

Developing such a framework is not an exercise in invention: rather, it is about applying well-established – but often insufficiently implemented – social and labour standards to the transformational challenge of climate action. Building on policy and stakeholder foundations and drawing from emerging investor and business practice, we have developed a framework of expectations, containing seven key elements, set out in Box 1 on page 7.

Lessons from practice

More than five years after the just transition was included at the heart of the Paris Agreement, the just transition agenda is moving into a new phase, shifting from statements of high-level commitment to practical delivery. A first wave of companies is taking action to embed this in their climate plans, prompted by social dialogue with their trade unions, and also, increasingly, by shareholder engagement from their investors.

To learn lessons on how the elements of our Expectations Framework are playing out in practice, we present key insights from case studies of five European power utility companies (all of which are international apart from ZE PAK):

- **Enel:** The first company to take an active approach to the just transition, which has now become part of its wider strategy for the clean energy transformation.
- **EDF:** The just transition emerges from the company's tradition of social dialogue and has prompted the development of innovative local Ecological Transition Contracts.
- **SSE:** Investor engagement helped trigger the design of the first just transition strategy covering both 'transitioning out' of high-carbon activities and 'transitioning into' net-zero.
- **E.ON:** Following a call to action from its investors, a structured approach to a just transition is being developed to build public approval and social acceptance.
- **ZE PAK:** Based in one of Poland's key coal regions, this company is using the EU's just transition programmes as a catalyst for action to leave no workers behind.

These case studies from companies in a single sector based in five high-income European countries can provide only a partial view of business's adoption of just transition practices. However, they can provide important pointers to the state of play in an industry where the energy transition and the just transition are existential for future success, in terms of transitioning both out of high-carbon sectors and into low-carbon sectors.

These lessons include:

- Some of the core foundations are acknowledged (such as ILO labour standards and the Sustainable Development Goals) but a strategic approach is still emergent.
- Catalysts for action vary from social dialogue with trade unions to engagement with shareholders and the tightening of policy. Workers stand at the heart of these initiatives, in terms of both phasing down high-carbon activities and phasing up net-zero.
- Supply chain realities loom large in terms of generating quality green jobs for local people and also making sure that sustainability and human rights due diligence are intensified in international sourcing from developing countries.
- There is a need for community engagement to move from traditional corporate social responsibility (CSR) activities to a more transformational model built on co-creation.
- Consumers and the distributional effects of the net-zero transition will be of growing importance in the future.
- Active company approaches to promoting the just transition in public policy advocacy and lobbying are set to be of increasing interest to investors.
- Transparency and disclosure on the just transition are lagging: a key priority for future action will be to make sure that reporting on social factors becomes part of routine climate and sustainability disclosure.

Next steps

It is now clear that the just transition is a critical enabling factor for net-zero success and that investors can play a pivotal supporting role. This report is the first output of a three-year research partnership with Candriam. Based on the results of this work, a number of critical next steps have emerged:

- Promoting convergence around common approaches to business and investor action on the just transition, building on the Expectations Framework (see next page).
- Understanding better the role of participation in just transition plans, including investor dialogue with key stakeholders.
- Developing 'heat maps' of priority regions for investor attention, where a place-based approach by investors could be most relevant.
- Identifying the investor role in delivering the just transition in the emerging and developing economies of the Global South.
- Examining how just transition plans by business and investors can best deliver positive environmental and social impact on the ground.

Box 1. A framework of expectations of business on the just transition, for use by investors

1. Strategy

- Establish a company strategy and plan for the just transition in the context of delivering net-zero and resilience goals, to be adopted at the Board level with clear Board oversight.
- Incorporate the just transition in remuneration, planning, risk management, scenario exercises and capital investment as well as acquisitions and restructuring. This strategy should be based on established international frameworks and standards (including from the United Nations, International Labour Organization [ILO] and Organisation for Economic Co-operation and Development [OECD]) and should cover themes 2–7 below.
- Ensure social dialogue and representation of workers and trade unions in company-level climate decision-making and implementation.

2. Workers

- Deliver good jobs and decent work in the transition and respect for worker and human rights (including, for example, pay and benefits, job formality and contract length, skills development and training, health and wellbeing, diversity and inclusion, freedom of association and collective bargaining).
- Promote and provide reskilling and retraining, redeployment, or retirement support.

3. Supply chain

- Support suppliers (including small and medium-sized enterprises) through access to skills, finance and technology.
- Apply labour, human rights and environmental due diligence and policies along the supply chain, particularly in developing countries.

4. Communities

- Engage with local communities to address social risks of transitions to regional economies and promote local wellbeing, with a particular focus on vulnerable groups as well as wider sustainability considerations (such as biodiversity).
- Partner with local communities to share value in net-zero and resilience investments. This needs to include engagement and respect for the rights of Indigenous communities.

5. Consumers

- Support consumers (notably vulnerable groups) by ensuring affordable access to key goods and services in the transition and enabling consumers to participate actively in the transition.

6. Policy and partnerships

- Advocate for the just transition to net-zero in industry associations and in lobbying of government, and support partnerships at the local, sectoral, national and global levels.

7. Transparency and disclosure

- Report on just transition policies and performance, including through Task Force on Climate-related Financial Disclosures (TCFD) reporting.

1. Introduction: entering a new phase

Across the world, there is increasing commitment from governments, businesses and investors to make the transition to a resilient, net-zero economy. Alongside this, appreciation is growing of the fact that the just transition is a critical enabling factor in making this transformation a reality.

The just transition was embedded in the 2015 Paris Agreement to ensure respect for the labour and human rights of those impacted by climate action. This is not only the right thing to do, but it is also vital to building the social licence for potentially rapid and disruptive change. Mistakes made in previous industrial transitions, which resulted in 'rust-belts' across many economies, cannot be repeated with climate action. Moreover, COVID-19 has revealed and deepened inequalities and vulnerabilities in the global economy, underlining the need for the recovery to be both green and inclusive.

> *A just transition for all towards an environmentally sustainable economy … needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty.*
>
> International Labour Organization's Just Transition Guidelines (2015: 4)

More than five years after the Paris Agreement, high-level commitments to the just transition are being translated into practical action by a small but growing number of governments and businesses, often working with trade unions and other stakeholders. Investors are also recognising their responsibility and role in delivering a just transition. The task that lies ahead is how to translate this high-level ambition into operational steps that investors can take to deliver both integrity and impact.

This report sets out a framework of just transition expectations that investors can use in conducting due diligence and assessments of companies, engaging with portfolio holdings and allocating capital. The framework is based on international standards and emerging practice and we apply it to five companies in the European electric utilities sector to learn lessons for wider adoption. The report closes by highlighting areas for priority action by investors and others as the just transition moves from the margins to the mainstream of the climate agenda.

The rest of this introductory chapter outlines the rise of just transition as both a policy and investor imperative. Chapter 2 then identifies the key components of just transition expectations that investors could use, drawing on existing standards and initiatives. Chapter 3 presents lessons from our cases studies, and Chapter 4 concludes.

Policy: From high-level recognition to dedicated measures

The global imperative for a just transition is contained in the 2015 Paris Agreement on climate change, which emphasises the need to ensure that climate action reflects the interests of workers and delivers "decent work" (UNFCCC, 2015). This was underpinned by the Just Transition Guidelines created by the International Labour Organization (ILO), which set out policy recommendations to ensure that a just transition contributes to the strategic goals of "decent work for all, social inclusion and the eradication of poverty" (ILO, 2015: 4). The issue gained further profile through the Solidarity and Just Transition Silesia Declaration that emerged from the COP24 UN conference in Katowice, Poland, in 2018 (Polish Government, 2018). And in 2019, close to 50 countries committed to developing just transition plans to connect climate action with social benefits at the UN Climate Action Summit (ILO, 2019).

Governments increasingly recognise that climate policies that fail to take into account the effects on employment, communities and consumers risk failure. The most prominent catalyst for this was the *gilets jaunes* protests, which began in response to a proposed carbon tax increase in France. Historically, climate policy in countries such as Australia and the USA has also been held back by concerns over the implications for jobs and wellbeing. In the Global South, the just transition imperative is rooted within fundamental priorities of economic and livelihood development (Robins, 2021).

Just transition initiatives around the world

A small but growing number of countries and jurisdictions are introducing specific just transition initiatives to tackle this challenge head on, including Canada, the EU, Germany, New Zealand, Scotland, South Africa, Spain and the USA. Some prominent examples include:

- **In the EU,** the just transition is a core part of the Green Deal programme. According to Commission President Ursula Von Der Leyen, "the [net zero] transformation ahead of us is unprecedented. And it will only work if it is just – and if it works for all. We will support our people and our regions that need to make bigger efforts in this transformation, to make sure that we leave no one behind" (European Commission, 2020). A Just Transition Mechanism has been established to overcome the economic and social costs of the climate transition in the most vulnerable coal and carbon-intensive regions (ibid., 2021). The aim is to mobilise €150bn by 2027 to support high carbon regions most affected by the EU Green Deal. Member states must engage in social dialogue with local authorities and social partners (employees and workers) and cooperate with communities and other stakeholders to develop territorial just transition plans, funded by a Just Transition Fund, alongside the European Investment Bank and private capital.
- **In the United States**, President Joe Biden's Executive Order on Climate Change stresses the job-creating potential of solutions to the climate crisis, underscoring the importance of climate action resulting in "good-paying union jobs" and an "equitable clean energy future". The order outlines a range of measures to promote environmental justice for disadvantaged communities (White House, 2021). Several individual states are also developing strategies: Colorado, for example, has released a Just Transition Action Plan (Colorado Department of Labor and Employment, 2020).
- **In South Africa**, President Cyril Ramaphosa made clear his commitment at the Leaders' Summit on Climate in 2021 to "contributing our fair share to reduce global emissions", doing this in the context of "overcoming poverty, inequality and underdevelopment". For Ramaphosa, this means that net-zero "must be based on a just transition that ensures that those who are most vulnerable in society do not get left behind". A just transition framework is being developed by the Presidential Coordinating Commission on Climate Change.

As we look ahead to the COP26 climate summit this November and beyond, the just transition is gaining traction as an essential element in the successful acceleration of the transition to net-zero, in both the energy system and wider economy (including the rural and agricultural sectors). In June 2021, the International Energy Agency's *Net Zero by 2050 Roadmap* estimated that the transition could create 30 million jobs across the energy system, with around five million job losses, and provide clean energy to 785 million people without electricity and 2.6 billion people without clean cooking solutions (IEA, 2021). The IEA has established a Global Commission on People-Centred Clean Energy Transitions to deliver better policies that enhance people's lives and protect the vulnerable, which will release its findings ahead of COP26.

As the transition picks up speed, the location of job losses and employment gains is receiving increasing attention, in the need to avoid 'stranded workers', 'stranded communities' and 'stranded countries', as well as to make sure that new green jobs are also quality jobs. Impacts are also beginning to be recognised beyond job effects. For communities that derive a substantial amount of their economic activity from unsustainable activities, such as a fossil fuel power plant, asset closure can also have significant effects on the community's tax income, affecting all public spending, including on new infrastructure. At the 2021 G7 Summit, leaders stressed the importance of the just transition, particularly in terms of the phase-out of coal power generation, so that "no person, group or geographic region is left behind" (G7 Ministers, 2021).

The efforts by governments described above are therefore welcome, not least to signal to business and investors the strategic importance of the just transition. But they still need to be scaled up across all countries and sectors and deepened to produce real-world outcomes. As UN General-Secretary Antonio Guterres made clear at the Powering Past Coal Alliance Summit in March 2021, there needs to be "a global effort to finally organise a just transition" (Guterres, 2021).

Investors: from strategic commitment to early-stage implementation

Governments hold the primary responsibility for delivering a just transition, with business, trade unions and civil society playing their role too. As the strategic case for the just transition has deepened, leading companies in the energy system have begun to formalise their responses as part of wider climate change strategies, including Anglo-American, BP, EDF, Enel, E.ON, Eni, Ørsted, and SSE.

Social dialogue between business and trade unions has been an important driver of some of these corporate approaches. For example:

- **Danish energy group Ørsted** is the global leader in offshore wind, moving away from carbon-intensive oil and gas activity and aiming for carbon neutrality in energy generation by 2025. The company has committed to achieving this through a just transition. For example, it has a joint initiative with North America's Building Trades Unions (NABTU) to transition US union construction workers into the offshore wind industry (Ørsted, 2020).
- **Swedish steel company SSAB** plans to offer fossil-free steel by 2026 and to become carbon-neutral by 2045 (SSAB, 2021). Union engagement is planned to ensure that decent, organised jobs will be kept throughout the company (Just Transition Centre et al., 2019).

Institutional investors have also recognised the importance of the just transition as a way of reducing systemic risk and delivering their fiduciary duties and a first guide for investors was produced in 2018 by the Grantham Research Institute and the Initiative on Responsible Investment, in collaboration with the Principles for Responsible Investment and the International Trade Union Confederation (Robins et al., 2018). Until recently, most investors have managed climate change primarily as an environmental driver of risk, return and responsibility. Yet, with the structural economic and social change required for the net-zero transition, a rounded perspective is needed to move away from economic, social and governance (ESG) silos that look at the 'E ', 'S' and 'G' issues separately.

Powerful reasons for investor action have emerged in recent years, including:

- **Respecting social standards:** For investors, efforts to support the just transition are a question of adhering to established human rights and labour standards such as the UN's Guiding Principles on Business and Human Rights and the Guidelines for Multinational Enterprises from the Organisation for Economic Co-operation and Development (OECD).
- **Minimising systemic risk:** Failing to uphold social standards and human rights in the transition also poses systemic economic, financial and political risks to climate action, potentially delaying or increasing the cost of the shift to net-zero. This in turn generates threats to the stability of long-term portfolios. Unjust transitions and the related impacts on social cohesion can also pose financial risks.
- **Supporting sustainable development**: The just transition is a way for investors to implement the Sustainable Development Goals (SDGs). For example, the just transition provides a strategic way for investors to connect action on clean energy (SDG 7) and climate change (SDG 13), while eliminating poverty (SDG 1), reducing inequalities (SDG 10) and delivering decent work (SDG 8).
- **Delivering positive impact**: An active approach to the just transition provides a lens through which investors can deliver positive social and environmental impact, thereby responding to increasing client and beneficiary demand.

Crucially for investors, taking steps to support the just transition is not an exercise in inventing a new area of activity: rather, it is about connecting the environmental and social dimensions, notably by applying well-established (but often weakly implemented) social and labour standards into climate action strategies.

Leading investors first signalled the importance they attach to the just transition in 2018, when more than 160 institutions with over US$10 trillion in assets under management signed a statement of commitment (PRI, 2020). More recently, the just transition has been incorporated into the Climate Action 100+ Net-Zero Company Benchmark (see Chapter 2). Individual investors have also incorporated the just transition into shareholder engagement and dialogue with policymakers.

What is needed for effective investor action on the just transition?

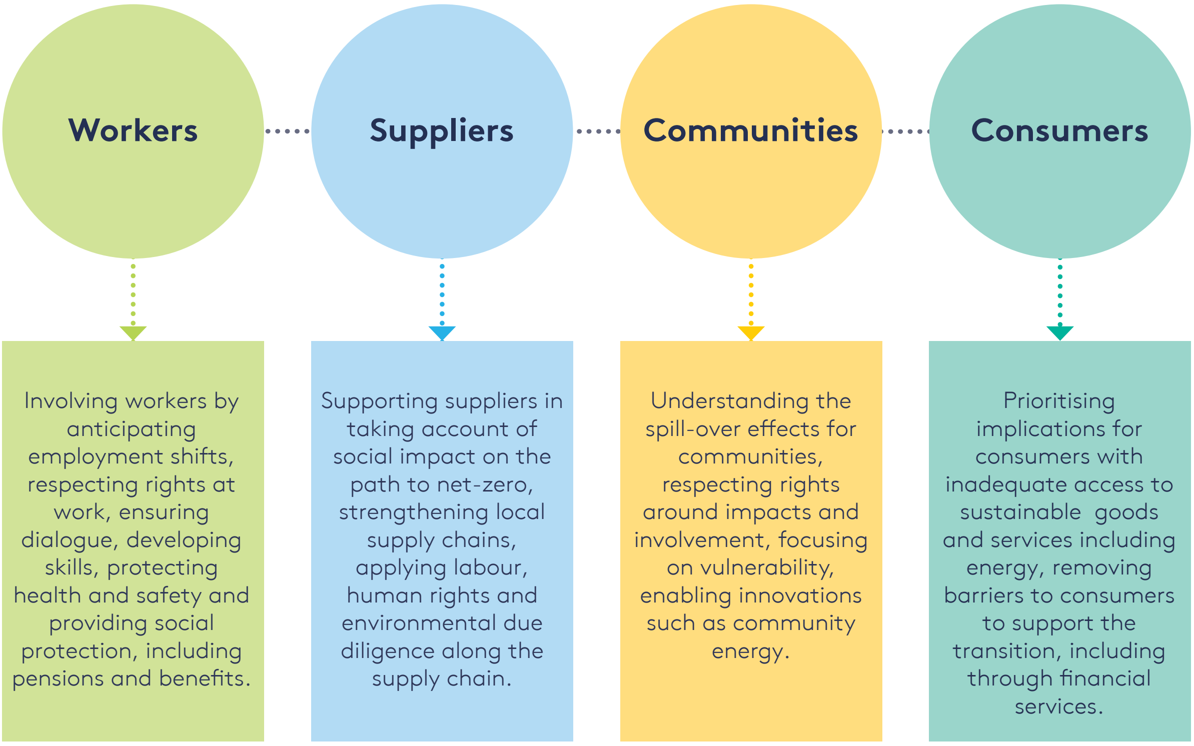
A recurring challenge facing investors is how to translate the high-level ambition of the just transition into operational action that brings real changes in corporate behaviour. A deeper understanding of what just transition means in practice is needed. A commonly agreed framework defining what can reasonably be expected from businesses will enable investors to incorporate the just transition into routine assessment of company performance, shareholder engagement initiatives and capital allocation as well as dialogue with policymakers and other stakeholders such as trade unions. Clear guidelines will also help businesses to report on their just transition initiatives and impacts. This in turn will allow investors to verify if just transition commitments have been achieved, thereby driving the necessary improvement in corporate performance.

2. Building a framework of expectations

A just transition means designing and delivering climate action so that it tackles existing inequalities and delivers social progress. The just transition is rooted in the world of work, but implications also extend to the supply chain. It is as important to consider communities and regions affected by the transition as the impacts it can have on consumers. Increasingly, the challenge is how to make net-zero "fair for all", in the words of Scotland's Just Transition Commission, which has defined the policy challenge as follows: "Governments design policies in a way that ensures the benefits of climate change action are shared widely, while the costs do not unfairly burden those least able to pay, or whose livelihoods are directly or indirectly at risk as the economy shifts and changes" (Just Transition Commission, 2021: 13).

Unpacking the just transition

Figure 2.1. Components of the just transition



Source: Authors

In this chapter, we focus on the key components – outlined in Figure 2.1 – of expectations investors can reasonably have of businesses on the just transition, looking particularly at the worker dimension. Many of these foundations are already in place, in terms of specific criteria and the metrics that can be used to measure adoption. They are enshrined in international conventions and guidance, national frameworks and regulations, and business and social initiatives. An investor framework of just transition expectations should build upon these.

The chapter also examines specific initiatives to assess corporate performance and early-stage examples of investor expectations for specific sectors.

International policy frameworks

The UN: International Labour Organization and human rights standards

The International Labour Organization is a UN body with a mandate to negotiate global rules and standards for the world of work. It has a unique tripartite structure involving governments, business and trade unions (ILO, 2021). This was strengthened in 1998 with the adoption of the Declaration of Fundamental Principles and Rights, which obliges all state-members of the ILO to respect certain key principles, regardless of whether or not they have ratified individual conventions. The Declaration set a gold standard in terms of the freedom of association and the right to organise, collective bargaining, preventing forced labour, equal remuneration, preventing discrimination in respect of employment and occupation and the abolition of child labour (Rodley and Sheeran, 2013). In 2008, this was supplemented by the Declaration on Social Justice for a Fair Globalisation, which provides a strong social dimension to globalisation (ILO, 2008).

The ILO was also the first organisation to develop a comprehensive framework for the just transition. Its *Guidelines on Just Transition* (ILO, 2015: 3) form a compilation of "country policies and sectoral strategies towards environmental sustainability, the greening of enterprises, social inclusion and the promotion of green jobs", building upon the ILO's existing labour standards. A key aim is to ensure "coherent policies across the economic, environmental, social, education/training and labour portfolios [...] to provide an enabling environment for enterprises, workers, investors and consumers to embrace and drive the transition towards environmentally sustainable and inclusive economies and societies" (ibid.: 6). The ILO Guidelines thus look beyond the climate frame and consider environmental sustainability more generally.

The Guidelines' key policy areas for the just transition include: macroeconomic and growth policies; industrial and sectoral policies; enterprise policies; skills development; occupational safety and health; social protection; active labour market policies; social standards and rights; social dialogue and tripartism. In sum, the Guidelines provide high-level policy foundations that can be translated into specific expectations for business that investors can use.

The ILO standards are incorporated into most other multilateral social benchmarks. *The Guiding Principles on Business and Human Rights* (known as the UNGPs), endorsed by the UN Human Rights Council (UN, 2011), refer to them as the core foundation of the human rights protection framework alongside the International Bill of Human Rights (1948). Indeed, rather than introducing new standards as such, the UNGPs have extended the scope of actors that are obliged to comply to include businesses, while also setting out policies and processes that they should have in place. These include a firm policy commitment to human rights protection, a human rights due diligence process and procedures to remedy any adverse human rights impacts. Business and human rights good practice can strengthen just transition efforts by ensuring access to information and meaningful participation and by bringing awareness of a wider range of impacts: the integration of existing business and human rights standards can help to screen business and policy tools associated with the just transition (Ward, 2020).

The OECD

The OECD's *Guidelines for Multinational Enterprises (MNEs)* are addressed specifically to businesses (including institutional investors), particularly those involved in international trade and investment. Recognising the challenges posed by globalisation and building upon the existing social standards (primarily ILO conventions and the UNGPs), the Guidelines for MNEs extend the catalogue of principles to also cover such aspects as combating bribery, fair taxation and competition, protecting consumer interests, responsible behaviour with regard to innovation and technology, and protection of the environment, public health and safety. The Guidelines form an important compass for businesses committed to both environmental and social objectives, including within the context of just transition.

The OECD has also published *Responsible Business Conduct for Institutional Investors,* a guidance document to support implementation of the due diligence recommendations of the Guidelines for MNEs across their portfolios (OECD, 2017). The guidance outlines the steps that need to be taken in the process of due diligence, including around the integration of responsible business conduct considerations in investor policies, identification of risks, mitigation of negative impacts, and disclosure. This due diligence approach offers a valuable tool for investors to identify social risks from climate change. As highlighted in a recent investor briefing by ShareAction (2021), human rights due diligence can be a blind spot for many investors in terms of the just transition.

The European Union

With its taxonomy for sustainable activities, the EU is taking first steps to develop an environmental classification of business activities that also includes a social element. The Taxonomy Regulation sets out that compliance with minimum social safeguards, based on the UNGPs and the OECD Guidelines for MNEs, is a precondition for economic activities to be classified as environmentally sustainable (Regulation [EU] 2020/852). Additionally, the EU has formed a working group, as part of the Platform on Sustainable Finance, to advise the European Commission on extending the taxonomy to social objectives. The working group has recommended that the social taxonomy could include both a process-based dimension (based on ensuring decent work, promoting consumer interests and enabling inclusive and sustainable communities) and an activity-based dimension (based on improving accessibility of products and services for basic human needs and improving accessibility to basic economic infrastructure) (Platform on Sustainable Finance, 2021).

The EU taxonomy also looks beyond climate by incorporating 'do no significant harm' principles for other environmental factors, including biodiversity. Linking the green and social taxonomies could be a promising way of developing an integrated approach to the just transition. In addition, the EU has set out the European Pillar of Social Rights Action Plan, containing concrete actions and headline 2030 targets to deliver 20 key principles and rights designed to achieve fair labour markets and social protection systems.

Social partner and stakeholder approaches

Building on the policy measures outlined above, social partners and stakeholders have developed tools and guides for business and investors to make the just transition an operational reality.

ITUC and The B Team

The Just Transition Centre established by the International Trade Union Confederation (ITUC) has been promoting the practical implementation of the just transition. With The B Team business initiative, the ITUC has published a business guide to the just transition (Just Transition Centre and The B Team, 2018). The guide responds directly to the need of companies for operational advice on how to implement a just transition. It approaches the just transition from the perspective of risk and the corresponding opportunities, thereby providing a clear business case for taking action. The guide is firmly rooted in the ILO's guidelines, translated into plain language. It sets out key principles to guide business action, notably:

- **Rights:** Respect, protect and promote human and gender rights, particularly rights related to work.
- **Social dialogue:** Ensure social dialogue between workers via their unions and companies, and consultation with key stakeholders.
- **Plan:** Anticipate and plan for how the transition to net-zero emissions will affect employment and communities, both positively and negatively, and also how workers and communities will face climate risk, and strive to build resilience.
- **Sustainable development:** Choose emissions reduction plans that also promote sustainable development – that drive environmental sustainability, jobs and decent work, social inclusion and poverty eradication.
- **Social protection:** Ensure and support adequate and sustainable social protection for job losses and displacement.
- **Retraining:** As part of just transition plans and their implementation, prioritise retraining and redeployment of workers, and ensure and support skills development, particularly for vulnerable workers.
- **Policy:** Advocate for rapid and just action on climate change, and policies and investments that support a just transition.

World Benchmarking Alliance

The World Benchmarking Alliance (WBA), which provides open-source benchmarks to assess the sustainability performance of 2,000 of the world's most influential companies, is designing a framework for assessing companies on the just transition (WBA, 2021). The WBA has in-depth experience with social performance frameworks, most prominently in the form of its Corporate Human Rights Benchmark: this provides a comparative snapshot, assessed annually, of the largest global companies, considering their policies, processes and practices on human rights and how they respond to serious allegations within that context. The design of the Benchmark's methodology is based on the UNGPs, and includes the application of over 80 weighted indicators across six measurement themes, including governance and policy, systems and process, performance, including specific practices, responses to allegations, and overall transparency (Corporate Human Rights Benchmark, 2020).

The WBA intends to assess 450 companies in high-emitting sectors by 2023 on their contribution to a just transition, by assessing their alignment with climate goals alongside their approach to social challenges of decarbonisation. The WBA's evaluation will form part of its Climate and Energy Benchmark based on its existing low-carbon and social indicators, to be complemented by newly developed just transition indicators. The latter will be identified on the basis of international norms, frameworks and standards, with draft indicators having been published.

The WBA's just transition framework will be organised under six topics:

1. Engaging in meaningful social dialogue and stakeholder engagement on a just transition
2. Developing and implementing just transition planning, which respects and promotes workers', communities' and affected stakeholders' fundamental rights
3. Minimising the impact of employment dislocation caused by the transition to a low-carbon economy, by creating and providing or supporting access to green and decent jobs
4. Enabling job creation, retention and redeployment through appropriate skills development and training
5. Contributing to social protection, paying fair taxes and managing the impact of the low-carbon transition on social protection in just transition planning and related activities
6. Advocating for policies and regulation that support a just transition and avoiding undermining policies that are just-transition-friendly. (WBA, 2021)

Under each of these topics, the methodology will include multiple granular elements which will be evaluated. Key topic three, for example, is broken down into public commitments, assessment and disclosure of risks of employment dislocation, and concrete measures a company can take to create and support access to green and decent jobs. In line with WBA's general approach to scoring, indicators will be assessed on a three-point scale. Looking at the WBA's results in aggregate will give a useful picture of where businesses currently stand generally on just transition efforts and, over the coming years, how companies progress.

Climate Action 100+

Climate Action 100+ (CA100+) brings together over 570 investors with more than US$54 trillion in assets under management to coordinate investor engagement with 167 companies that account for over 80% of corporate industrial greenhouse gas emissions. The first iteration of the CA100+ Net-Zero Company Benchmark was launched in March 2021 (CA100+, 2021). The Benchmark was developed with the Transition Pathway Initiative (TPI)1 as the research and data partner. The Benchmark assesses companies across 10 overarching indicators, with related sub-indicators and metrics. The indicators include topics such as the publication of short-, medium- and long-term greenhouse gas reduction targets as well as climate policy engagement. For companies in the upstream oil and gas, electric utilities and automotive sectors, CA100+ provides supplementary capital allocation assessment indicators.

1 See **www.transitionpathwayinitiative.org/**

One of the 10 indicator sets focuses on the just transition. This will evaluate whether a company "considers the impacts from transitioning to a lower-carbon business model on its workers and communities" (CA100+, 2021). CA100+ is currently developing just transition indicators, for inclusion in the next iteration of the Benchmark. In late 2020, TPI, the Grantham Research Institute on Climate Change and the Environment and Chronos Sustainability were asked by CA100+ to develop proposals for a just transition indicator for inclusion in future iterations of the Benchmark. Building on a process of research and in-depth dialogue with social partners and stakeholders (including investors, researchers and trade union representatives), the group submitted a report to CA100+ in March 2021, presenting the results of the project and offering suggestions on the just transition indicator. In line with the other CA100+ indicators, just transition performance will be assessed following a 'traffic light' gradation: red will indicate that a company is not meeting any of the indicator's criteria, amber that it is partially meeting the criteria, and green for meeting all the criteria.

Taken together, the forthcoming assessment and benchmarking exercises by the WBA and CA100+ will provide an important stimulus to company action, not least by linking the results to shareholder engagement. Alongside these, we are also seeing the start of just transition frameworks from the business sector.

The Council for Inclusive Capitalism

The Council for Inclusive Capitalism, in partnership with BP and BCG, is leading an initiative to develop unified principles and a framework for action for companies to manage their net-zero transition in a way that is just for their workers, communities and customers. The Council's Just Energy Transition workstream is bringing together leading companies, investors and non-profit entities to build on existing research and collaborate with efforts such as the Sustainable Markets Initiative, Climate Action 100+, the World Business Council for Sustainable Development, and the World Benchmarking Alliance to provide clarity for companies on actions that promote a just transition. The Council plans to release the framework in 2021.

Other frameworks and approaches

The Paris Agreement makes clear that the just transition imperative must be delivered "in accordance with nationally defined development priorities" (UNFCCC, 2015: 2). Global standards are central to steering action on the just transition but need to be applied in often very different country circumstances. Additional frameworks can be promoted by investors to ensure that just transition efforts are locally appropriate, such as free, prior informed consent approaches for Indigenous communities and community benefit agreements (see Shareholder Association for Research and Education, 2020; Gross, 2008). In addition, existing national initiatives can be used and upgraded to deliver the just transition, thus avoiding the need to 'reinvent the wheel'. In Box 2.1 on the next page, we examine two national-level approaches that are connecting investors with business action on the just transition.

Investor experience with the utilities sector

Sector-specific realities are another differentiating factor in just transition approaches. So far, the utilities sector has seen the most development of formal published expectations of companies, which is unsurprising given the intrinsic nature of net-zero to utilities companies' business models, their significant contribution to global emissions, their anchor position in local economies and their role in providing critical services through digitisation.

An early attempt to analyse the state of play in terms of just transition performance in the utilities sector was made by the asset management firm Candriam in its report A Just Energy Transition: Impacts on European Power Producers (Candriam, 2020). The report recognised investors' responsibilities as stewards to understand corporate performance and to engage with company management as well as trade unions. It highlighted the need for stronger disclosure on the just transition to enable a better assessment of risks and opportunities (for example, on the work companies are conducting with unions on reskilling).

Box 2.1. Taking a national approach – examples of France and the UK

In France, Finance for Tomorrow (F4T) is working on a series of briefings for financial institutions, showing how they can incorporate specific stakeholder groups into their just transition strategies. Two papers have been published so far, on workers and consumers, with two more forthcoming, on communities and society at large. The integration of just transition considerations into investment strategies as well as shareholder engagement are seen as key action points for investors around the just transition (F4T, 2021a). The reports point out that the consumer angle has so far often been overlooked in the just transition even though it is a key pillar for ambitious action across sectors and ensuring no one is left behind (F4T, 2021b).

In June 2021, Finance for Tomorrow launched 'Investors for a Just Transition', a coalition of 12 asset managers and asset owners committed to engaging with companies, encouraging them to integrate the social aspects of the transition into their strategies and to highlight best practices within key industries.

In the UK, an investor roadmap for the just transition was published in 2019 by the Grantham Research Institute and the University of Leeds, providing recommendations for investment strategy, shareholder engagement, capital allocation and policy dialogue (Robins et al., 2019). The roadmap recognised the importance of a place-based approach to investor action, focusing on the Yorkshire and Humber region. This was complemented by an equivalent strategy for the UK's banking sector (Robins et al., 2020). Building on these reports, the Financing a Just Transition Alliance was established with more than 30 members to implement the combined recommendations (Grantham Research Institute, 2020).

The Place-based Climate Action Network (PCAN) has developed a Just Transition Jobs Tracker, which identifies the employment implications of the transition by sector and locality, providing a 'heat map' showing where just transition strategies could be most relevant (Sudmant et al., 2021). About one in five workers across the UK will be affected by the transition, with the largest impacts in the construction, manufacturing and transport sectors. The Alliance has also been examining how the just transition can be translated into practice by using existing approaches such as the Social Value Framework (Muller and Robins, 2021).

Alongside shareholder engagement, one of the practical applications of the just transition will be through the green sovereign bond programme, where the UK Government has committed to report on social co-benefits as well as environmental impact (HM Treasury, 2021)

The Initiative for Responsible Investment (IRI) at the Harvard Kennedy School made an early attempt to set out just transition expectations for investors in the utilities sector (Wood and Brunsting, 2020). This underlined the systemic nature of the net-zero transition, requiring a focus on public policy and civic activism as well as corporate practices. Investors thus need to take a holistic approach to engaging corporations on the just transition, with special attention given to stakeholder engagement. Focusing on the energy sector in the United States, the IRI's expectations place emphasis on how the just transition is incorporated into core governance systems, net-zero plans and political engagement by companies. They focus on the organisational aspects of the just transition, such as linking Board remuneration to just transition objectives as a form of accountability mechanism and having particular regard for women and people of colour within the context of job creation.

Addressing the just transition agenda for European utilities, in 2020 Royal London Asset Management and Friends Provident Foundation published their expectations as investors, leading on from their shareholder engagement across the sector that started in 2018 (RLAM and FPF, 2020). They set out why the just transition is important for investors and why "companies that acknowledge this challenge and plan for a Just Transition, will be more likely to deliver on their commitment to low-carbon growth". The expectations focus on workers, supply chains, communities and consumers across the electricity sector and call for companies to produce a Just Transition strategy, to build on early and active dialogue (for example, with workers and unions) as well as to adhere to core labour and human rights standards to ensure that new jobs deliver decent work. These expectations have been used as the basis for shareholder engagement across the sector, including with some of the case studies featured in the next chapter (EDF, SSE and E.ON).

Box 2.2. A framework of expectations of business on the just transition, for use by investors

1. Strategy

- Establish a company strategy and plan for the just transition in the context of delivering net-zero and resilience goals, to be adopted at the Board level with clear Board oversight.
- Incorporate the just transition in remuneration, planning, risk management, scenario exercises and capital investment, as well as acquisitions and restructuring. This strategy should be based on established international frameworks and standards (including the Guiding Principles on Business and Human Rights [UNGPs], the Sustainable Development Goals, ILO labour standards and the OECD Guidelines for Multinational Enterprises). The strategy should cover themes 2–7 below.
- Ensure social dialogue and representation of workers and trade unions in company-level climate decision-making and implementation

2. Workers

- Deliver good jobs and decent work in the transition and respect for worker and human rights (including, for example pay and benefits, job formality and contract length, skills development and training, health and wellbeing, diversity and inclusion, freedom of association and collective bargaining).
- Promote and provide reskilling and retraining, redeployment or retirement support.
- Take a comprehensive approach beyond direct employees (for example, including living wages for all contractors).

3. Supply chain

- Support suppliers (including SMEs) so that they can prosper in the just transition through access to skills, finance and technology; this could include a place-based emphasis on suppliers and services.
- Apply labour, human rights and environmental due diligence and policies along the supply chain, particularly in developing countries. Labour, human rights and sustainability standards that businesses commit to for their own operations should extend to the supply chain.

4. Communities

- Engage with local communities to address the social risks of transitions to regional economies and promote local wellbeing. This inclusion of community voice needs to be firmly rooted from project planning onwards and include a particular focus on vulnerable communities as well as wider sustainability considerations (such as biodiversity).
- Partner with local communities to share value in net-zero and resilience investments (including community engagement and respect for Indigenous communities).

5. Consumers

- Support consumers, including vulnerable groups, in terms of improving access to key goods and services in the transition and ensuring they are affordable.
- Enable consumers to participate actively in the transition.

6. Policy and partnerships

- Advocate for the just transition within the context of supporting Paris-compliant decarbonisation targets in industry associations and in lobbying of government.
- Support partnerships for the just transition to net-zero at the local, sectoral, national and global levels.

7. Transparency and disclosure

- Report on just transition policies and performance, including on the six themes above, including through Task Force on Climate-related Financial Disclosures (TCFD) reporting.

A consolidated set of just transition expectations

Drawing from these policy and stakeholder frameworks as well as the early-stage applications by investors, we have developed a consolidated set of seven just transition expectations. These combine the governance dimension (in terms of strategy, policy dialogue and transparency) with a stakeholder component, including workers, communities, supply chains and consumers. The intention is that this framework can be used in investment assessment and due diligence, shareholder engagement and stewardship as well as capital allocation decisions for portfolio companies. By incorporating these expectations into investment appraisal and due diligence, shareholder engagement and capital allocation practices, investors can ensure they minimise systemic risk, support sustainable development and contribute to positive social impact. The Expectations Framework is set out in Box 2.2 on the previous page.

The framework is designed to be relevant to all sectors and regions. Clearly investors will need to adjust their expectations towards portfolio companies depending on their industry, geographical location and their size. The consumer dimension, for example, will be particularly relevant in sectors that cover basic needs, such as energy, food and transport. Where place-based frameworks catering to local needs are available, these can be used alongside international frameworks.

Reporting frameworks for the just transition

Transparency and disclosure are key aspects of our just transition Expectations Framework as these enable third parties, including investors, to understand companies' strategic plans and to track performance. To ensure that reporting is done in a practical and efficient way, the just transition needs to be anchored in existing and future reporting frameworks, particularly at a time when efforts are underway to bring convergence to environmental, social and governance (ESG) disclosure.

In terms of reporting frameworks, companies could use the structure provided by the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD does not currently include the human or social dimensions of the transition, but its approach (including strategy, risk, governance and metrics) provides a familiar structure for business and investors. In addition, incorporating the just transition in TCFD disclosure would be an important way of mainstreaming the just transition (see Robins et al., 2018).

The International Financial Reporting Standards (IFRS) Foundation's efforts to accelerate convergence in global sustainability reporting standards could be an important driver of widespread and comparable sustainability disclosure, including on the just transition.

Concrete indicators and metrics will need to form a core part of disclosure. The Reporting Exchange by the World Business Council for Sustainable Development (WBCSD) offers a broad overview of reporting requirements and frameworks as well as indicators relating to ESG in general, and can serve as a useful resource for investors.[2]

Among leading reporting frameworks that are already widely used today, certain elements specific to the just transition can be identified. To aid companies and investors, we have compiled the just transition-related indicators and metrics in the following three frameworks: the Global Reporting Initiative, the Workforce Disclosure Initiative and the Sustainability Accounting Standards Board. That analysis is contained in the Appendix.

We explore how this framework comes to life in the European utilities sector, focusing on five company case studies, in Chapter 3 below.

2. See https://www.reportingexchange.com/

3. Lessons from practice: case studies

To explore the value of this framework, this chapter examines the experience of five European utility companies: Enel, EDF, SSE, E.ON and ZE PAK. The case studies are based on desk research, company interviews and insights from stakeholders. The intention of the case studies is not to provide a 'rating' of just transition efforts but rather to learn lessons from emerging corporate practice that can inform the next phase of investor, business and stakeholder action. The case studies are presented in order of their historical commitment to action on the just transition.

Case study 1: Enel

The purpose is to have a fair transition that will bring benefits to all stakeholders and manage it without causing destabilising effects for the most vulnerable countries or the most exposed regions of the planet.

Simone Mori, Head of Europe, Enel

Introduction

Enel is an Italian-listed multinational power company, more than 70% privately owned. Its workforce of over 65,000 operates in more than 30 countries. Enel's renewable energy arm, Enel Green Power (EGP), is the largest private renewable energy producer in the world.

Enel has committed to reducing direct greenhouse gas emissions by 80% by 2030, compared with 2017, in line with a pathway to 1.5°C of warming as certified by the Science Based Targets initiative (SBTi). Moreover, Enel has committed to reducing indirect emissions related to gas retail by 16% in the same time horizon and aims to be carbon-neutral by 2050. Enel's 'management quality' has been continuously rated at the highest level (4) since 2016 by the Transition Pathway Initiative (TPI),[3] indicating that the company makes a strategic assessment of climate considerations. In 2019, Enel issued the world's first general purpose sustainability-linked bond, connected to Sustainable Development Goal 7, 'Affordable and clean energy', creating a link between finance and sustainability targets.

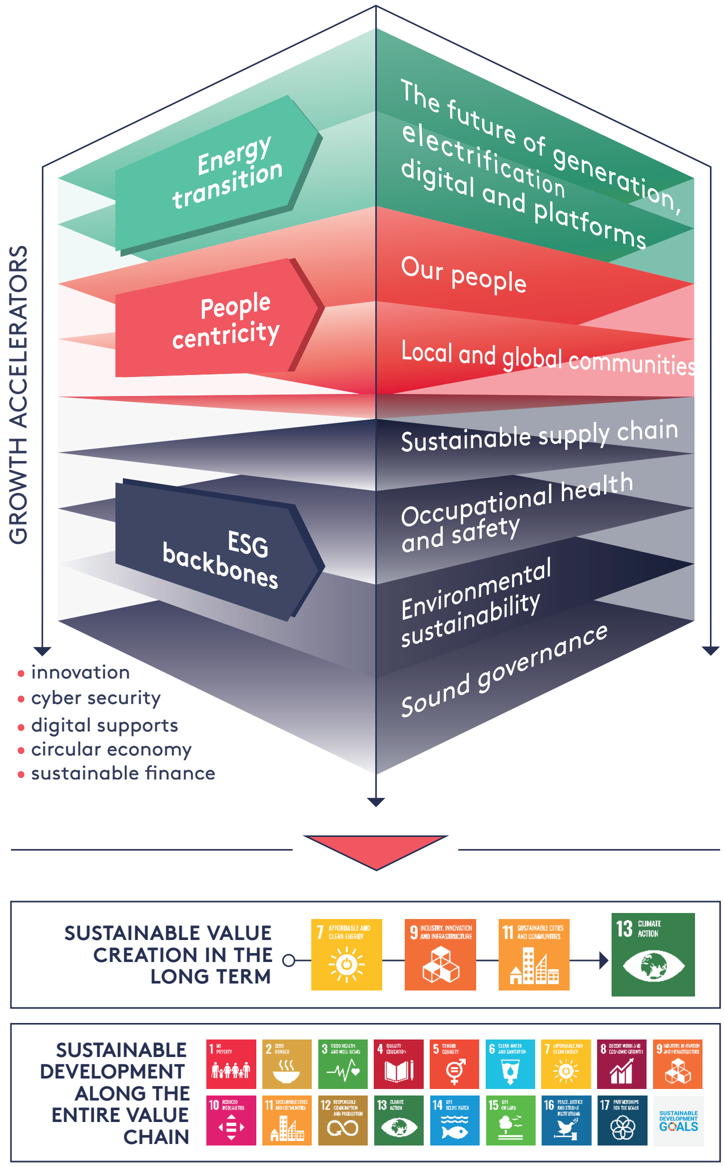
Enel has pioneered a formal approach to the just transition. In 2009, Enel signed a CSR agreement with Italian unions and in 2013 a framework agreement with global union federations.

Strategy

Enel's sustainability plans consist of specific objectives over three-year periods, the current one covering 2021–23. These objectives are updated annually, giving Enel the flexibility to increase its ambition as new solutions become available. The strategy is organised around three pillars: energy transition, people-centricity, and ESG factors (including commitments to a number of SDGs). The just transition cuts across these three pillars.

3 TPI defines 'management quality' as "the quality of companies' management of their greenhouse gas emissions and of risks and opportunities related to the low-carbon transition. … Companies' management quality is assessed against a series of indicators, covering issues such as company policy, emissions reporting and verification, targets, strategic risk assessment and executive remuneration." See **https://www.transitionpathwayinitiative.org/methodology**

Figure 3.1. Enel's sustainability strategy



Source: Enel (2021)

Enel's integrated value creation model positions sustainability as a central pillar of the company's strategy and supports the achievement of the SDGs, considering climate action (SDG 13) at the core of the whole strategy and focusing then on the decarbonisation of electricity generation, supporting the achievement of SDG 7, infrastructure development and electrification solutions, in line with SDG 9, and promotion of digital and platform development, in line with SDG 11.

In terms of corporate governance, during 2020 climate change was addressed in 12 of Enel's 16 board meetings (Enel, 2021). One of the focus areas was the management of worker impacts in light of Enel's decarbonisation targets and planned up- and reskilling programmes.

Workers

Launched in 2015, Enel's 'Futur-e' projects are designed to promote an inclusive transition in the areas surrounding power plants affected by decommissioning. The stated aim is to repurpose existing structures and infrastructure, with the involvement of local stakeholders, to create value for local communities through sustainable economic growth and the creation of jobs. The projects involve 23 power plants and a mining area in Italy and four coal-fired production facilities in Spain. According to Enel, all affected workers have so far been re-employed or retired. Following on from the success of the Futur-e initiative, the approach will be extended to cover more than 40 sites globally.

The Futur-e projects are organised around four action areas, focusing on workers:

- Proactive job search for directly affected staff members
- Promotion of economic activities and employment in the area
- Education and training, to bring about the professional retraining of those who will be directly affected and to maximise re-employment at new plants of Enel
- Municipal sustainability, covering initiatives to mitigate the fiscal impact that the closures are having on the municipalities in which the plants are located.

Enel has also reached a framework agreement with its global unions and a just transition agreement with its Italian unions. Together, these two agreements establish:

- A commitment to respect human rights and to guarantee fair labour practices, including in Enel's supply chain
- Knowledge transfer from elderly to young workers through apprenticeships
- Dedicated training focused on internal mobility and the creation of new skills
- A commitment to retention, retraining and redeployment, as opposed to retrenchment, particularly for workers at thermal plants
- Early pensions for older workers.

Supply chain

Enel applies a human rights due diligence process across its value chain in the countries in which it operates. This includes an assessment of perceived risk, which results from stakeholder consultations and covers labour, local community and environmental rights issues (Enel, 2021). Enel also has global sustainability criteria, evaluating suppliers on their use of renewable energy, sustainability certification along their production chain, and their application of circular economy solutions.

Communities

In addition to its contractually binding dialogue with trade unions, non-binding engagement with local institutions has been instrumental in Enel's move away from high-carbon assets. Several power plants have been or will be repurposed as logistics hubs, tourist or cultural sites and biotechnology centres. In Porto Tollo, for instance, a tourist hub is expected to create 400 direct jobs by 2023 through a collaborative effort with local stakeholders (Enel, 2019).

Community efforts also extend to increasing access to energy in developing countries. For example, Enel Green Power contributed to energy access in Panama by electrifying more than 400 homes in the community of Cerro Iglesias (EGP, 2020b). And with Cederberg Matzikama AIDS Network, EGP built a health clinic in the small farming community of Paleisheuwel, South Africa, to enable regular access to healthcare for residents living near EGP's solar power plant (EGP, 2019).

Consumers

Enel guarantees some form of support to vulnerable customers in all countries in which it operates, contributing to combating energy poverty. This is mainly provided through government support targeted at vulnerable households in paying their electricity and gas bills (Enel, 2021).

Policy and partnerships

Enel's position is to actively support public policies aiming to achieve the goals set out in the Paris Agreement that are in line with a just transition. Through stakeholder dialogue platforms called 'Energy Transition Roadmaps', Enel explores the environmental, economic and social characteristics of national-level decarbonisation scenarios in a number of countries in which it operates. Enel is also active in ad hoc policy advocacy. For example, it campaigned for ambitious climate targets and a systemic integration of just transition principles in the development of the EU Climate Law.

Since 2005 Enel has been a member and since 2016 a board member of the business network CSR Europe, through which it inputs into discussions on the just transition and it has helped organise a just transition roundtable in the context of the European SDG Summit held in 2020 (Enel, 2021).

On the research side, the Enel Foundation has partnered with the International Energy Agency (IEA) for its Glass House Project (Enel Foundation, 2021). The project aims to enhance energy sector employment data and further the understanding of upcoming labour market shifts in the transition to a sustainable economy. The Enel Foundation also recently contributed to a study on solutions to ensure low-income households and vulnerable communities are not negatively affected by climate policies (Enel Foundation, 2020). In their 'E-quality' study, the electricity sector association Eurelectric and the Enel Foundation analysed how different policies affect households based on their income level and gave policy recommendations aimed at achieving fair outcomes. Eurelectric advocated for these recommendations in the context of the EU recovery package (Enel, 2021).

Transparency and disclosure

Enel reports its performance annually in its Sustainability Report, disclosing progress on its SDG-related targets.

Company lessons and planned next steps

For Enel, promoting the energy transition in a fair and just way should be seen as an opportunity to promote the development not only of the business but all stakeholders. Enel sees the reduction of energy poverty in the energy transition as paramount, requiring tools that empower consumers and upskilling opportunities for employees to support stable incomes.

Case study 2: EDF

Introduction

EDF is a French-listed multinational utility, over 80% owned by the French state with a global workforce of more than 165,000. The company has set a target of reducing direct greenhouse gas emissions by 50% by 2030 (compared with 2017) and become carbon-neutral by 2050 in all geographical areas, with the latter goal encompassing scope 1, 2 and 3 emissions. Targets are SBTi-certified as being aligned with a well-below 2°C pathway. EDF's management quality has been rated 4 by the Transition Pathway Initiative since TPI made its first assessment in 2018, which indicates EDF has made a strategic assessment of climate considerations.

EDF describes its approach to the just transition as being anchored in social dialogue with national government, workers and their unions, and local government, as well as strong engagement with local economic actors. The company formalised its just transition focus in its agreement with global trade unions, signed in 2018. The just transition has formed part of investor discussions. In May 2021, EDF launched its first social hybrid bond with proceeds to be used for capital expenditures contracted with SMEs.

Strategy

EDF's corporate social responsibility (CSR) commitments are grouped around four key themes, drawing on the SDGs assessed as most relevant for EDF, as illustrated in Figure 3.2.

EDF's commitments include some central elements of the just transition, including health and safety, diversity and inclusion, ethics and human rights, energy access, dialogue and consultation, and responsible regional development.

Figure 3.2. EDF's corporate social responsibility commitments

Note: The included SDGs are those defined as priorities in the World Business Council for Sustainable Development's report 'An SDD Roadmap for Electric Utilities' Source: EDF

Workers

In 2018, EDF signed a four-year global framework agreement with its trade unions on corporate social responsibility (EDF, 2018). This built on previous agreements and dialogue and is based on a joint recognition that the company "can only be sustainable by combining economic performance and social progress". It covers 13 priority areas, including human rights, ethics, health and safety, gender equality, suppliers, skills, social protection, local economic development and supporting a just transition. A dialogue committee evaluates the implementation of the agreement annually.

EDF follows a 'one employee, one future' approach to the closure of its assets: this means that the relocation of workers is decided on a case-by-case basis, taking into account each employee's personal situation and constraints. According to EDF, in France, assets are not closed down until all employees have found alternative opportunities. In response to COVID-19, EDF has also started targeted employment initiatives for sectors such as the aeronautical sector that have been especially hard-hit.

In the UK, EDF has an agreement with its trade unions on the approach taken when its assets reach the end of their generating life. The approach takes into account the aspirations of employees and focuses on reskilling, training and enabling relocation to other assets and areas of the organisation. In this context, the collective agreement with the National Joint Council signed in May 2021 for defuelling EDF's advanced gas-cooled reactor (AGR) nuclear power stations sets out the principles for the transition and improves clarity and certainty for employees.

Supply chain

All EDF's supplier contracts include environmental, social and human rights clauses. In 2020, EDF updated its procurement practices in line with the French 'Duty of Care' law. The risk analysis of suppliers covers a range of CSR issues such as environmental performance, compliance with human rights and working conditions. The inclusion of SMEs in its procurement practices is a central element for EDF with the annual rate of procurement from these companies being a key performance indicator that EDF tracks. The company also offers reverse factoring to its suppliers in collaboration with BNP Paribas, allowing suppliers to pre-finance their invoices and benefit from lower interest rates. EDF is currently piloting an extension of its reverse factoring in partnership with EcoVadis, a provider of CSR value chain assessments, to incorporate nuanced preferential interest rates based on the supplier's sustainability credentials.

Communities

EDF states an aim to systematically organise a process of transparent and open dialogue and consultation for every new project it starts around the world by 2030. At the moment, new projects worth more than €50 million have already progressed through consultation, including the collection of and response to stakeholders' opinions and the inclusion of local and Indigenous peoples' voices in the consultation process (EDF, 2021). In Saint-Nazaire, a city on France's west coast, dialogue and consultation with local organisations involved in environmental protection and fishermen helped improve a wind farm project and adjust it to suit local characteristics.

One innovation has been the development of local, voluntary Ecological Transition Contracts, which are agreed between local authorities, the state and regional socioeconomic actors to manage the consequences of plant closures. The intention is that each area can design its Ecological Transition Contract around its own specific priorities, such as clean and efficient energy, mobility and urban planning as well as rural economy, agriculture and biodiversity. The contract model has been piloted close to Aix-en-Provence in the South of France, where a large fossil-fuelled power station was replaced with a solar power plant.

Consumers

EDF is engaged in numerous initiatives surrounding energy poverty. For instance, the company organises 'solidarity workshops' in underprivileged neighbourhoods to inform residents on how to renovate their homes and reduce their energy consumption. EDF is also involved in the French Agency for Home Improvement's 'Habiter Mieux' (better living) programme, under which more than 500,000 homes occupied by vulnerable households have been renovated. Linked to French government schemes, the company actively helps low-income households reduce their energy bills and CO2 emissions, for example by awarding bonuses for replacing fossil fuel boilers with heat pumps (EDF, 2021).

Policy and partnerships

EDF is active in research around energy poverty. In France, this led to the company being involved in the work of the National Fuel Poverty Monitoring Centre (EDF, 2021).

Transparency and disclosure

EDF discloses in line with the Global Reporting Initiative (GRI) Sustainability Reporting Standards and in July 2021 published its first impact report focused on its CSR contribution and impacts towards the nine SDGs that are most relevant to EDF. These were identified in partnership with the World Business Council for Sustainable Development (WBCSD) and provide a framework for connecting the social and environmental dimensions of the transition.

Company lessons and planned next steps

EDF describes its social policies, agreements with labour unions and focus on leaving no one behind as being central to its corporate identity. However, it also sees strong government policy as essential to support businesses to deliver a just transition. Clearer guidance is needed for companies to bring together their often isolated environmental and social initiatives and encourage more ambitious action on the just transition.

Case study 3: SSE

> *The prize of a fair and just transition to net zero is that the actions and investments required to decarbonise energy systems attract long-term public support and legitimacy.*
>
> Alistair Philips-Davies, CEO, SSE, 2020

Introduction

WSSE is a UK-listed energy company with the largest renewable energy capacity across the UK and Ireland. The company employs a workforce of around 12,000. SSE's decarbonisation goals consist of reducing carbon intensity by 60% by 2030 compared with 2018, and reaching net-zero by 2050. Its targets, covering all scopes of business activity, are verified by the Science Based Targets initiative as being in line with a pathway leading to well-below 2°C of warming. Given the recent update of the SBTi methodology for a 1.5°C pathway, SSE committed to review its targets by 2025 to align with this most ambitious benchmark to date. The management quality score assigned to SSE by the Transition Pathway Initiative has stood at 4 since 2016, indicating SSE has made a strategic assessment of climate considerations.

SSE was the first company in any sector to develop a dedicated just transition strategy. The strategy followed engagement by shareholders, led by Royal London Asset Management (RLAM) and Friends Provident Foundation (FPF) on the back of their statement of investor expectations. In August 2020, after discussions with SSE's management, FPF and RLAM requested a formal strategy at SSE's Annual General Meeting. The strategy was published in November 2020. SSE was also represented on Scotland's Just Transition Commission, which concluded its final report to Scottish Ministers in March 2021.

Strategy

SSE's Just Transition Strategy sets out how the company will approach the social implications of delivering net-zero by 2050 and decreasing its emissions by 50% by 2034, from jobs and training, to working with communities and ensuring no one is left behind (SSE, 2020). The strategy sets out a detailed plan of the approach the company is taking to achieve a just transition out of fossil fuels and into a net-zero-compliant business model. Its principles sit under five themes: good green jobs, consumer fairness, building and operating new assets, looking after people in high-carbon jobs, and supporting communities. The strategy includes detailed solutions for all vulnerable stakeholder groups, notably workers, with enhanced focus on inclusion and diversity, local communities, local businesses and consumers. Quantitative analysis of the job creation potential of the 'transition in' is also incorporated.

Through the embedded consultation mechanism, SSE invites stakeholders to provide comments on the strategy's contents and commits to ongoing dialogue with stakeholders.

The original plan was drawn up by SSE's Sustainability team, who worked closely with each of SSE's business units and engaged with the company's workers who were represented by the unions. The final version was approved by the SSE Board and incorporated as its official business strategy.

Figure 3.3. SSE's 20 principles for a just transition

SSE'S 20 PRINCIPLES FOR A JUST TRANSITION

TRANSITIONING INTO A NET-ZERO WORLD			TRANSITIONING OUT OF A HIGH-CARBON WORLD	
SSE'S PRINCIPLES FOR GOOD, GREEN JOBS	SSE'S PRINCIPLES FOR CONSUMER FAIRNESS	SSE'S PRINCIPLES FOR BUILDING AND OPERATING NEW ASSETS	SSE'S PRINCIPLES FOR PEOPLE IN HIGH CARBON JOBS	SSE'S PRINCIPLES FOR SUPPORTING COMMUNITIES
1. Guarantee fair and decent work **2.** Attract and grow talent **3.** Value employee voice **4.** Boost inclusion and diversity	**5.** Co-create with stake-holders **6.** Factor in whole-system costs and benefits **7.** Make transparent, evidence-based decisions **8.** Advocate for fairness	**9.** Support competitive domestic supply chains **10.** Set social safeguards **11.** Share value with communities **12.** Implement responsible developer standards	**13.** Re-purpose thermal generators for a net-zero world **14.** Establish and maintain trust **15.** Provide forward notice of change **16.** Prioritise retraining and redeployment	**17.** Deliver robust stakeholder consultation **18.** Form partnerships across sectors **19.** Promote further industrial development **20.** Respect and record cultural heritage

Source: SSE (2020)

Workers

The strategy provides a roadmap for the company's management on how to deliver a just transition, but it also serves as a long-term assurance that its workers and stakeholders can rely on when making their own plans. Through its eight worker-focused principles, it includes a commitment to making detailed and transparent assessments on how many jobs are at risk from the transition out of the fossil fuel-reliant business model towards one compliant with the net-zero target, and how many new ones will be created as a result. It further sets out the company's plans on how the existing workforce will be supported so they can become part of the transition rather than being left behind. Retraining and redeployment form key pillars of SSE's stated commitment to its workers and discussion with unions are a key element of asset closure decisions.

Supply chain

Two principles have supply chains at their core. SSE's stakeholders have asserted that supporting domestic supply chains is an essential component of the just transition. Through strategic engagement, the company looks to promote economic opportunities to local and national suppliers. SSE is also investing actively in the development of local supply chains, which it sees as relatively weak currently. The company is supporting the establishment of GE's new blade manufacturing facility on Teesside, located in Northeast England. The facility is expected to create hundreds of local green jobs. SSE's joint venture project with Equinor and Eni, to build the world's largest offshore wind farm at Dogger Bank, has placed the first orders from the new factory. SSE also shows commitment to human rights standards through its due diligence of suppliers.

Communities

With six of the strategy's 20 principles primarily focusing on communities, related to the risks of transitioning out of high-carbon activities and to the opportunities of transitioning into sustainable activities, SSE demonstrates a clear community focus. SSE has 46 community benefit funds across the UK and Ireland, spanning the lifetime horizons of its wind farms. Through these funds, SSE actively supports the local economy and people. SSE Renewables is currently exploring innovative solutions for community support through shared ownership structures. All of SSE's major projects have 'Liaison Officers', who are charged with managing community engagement with local stakeholders for new projects and establishing engagement processes in the operation and deconstruction phases. The company also engages in stakeholder consultation around site closure and considers the future value of repurposing decisions for communities in the context of local development and sustainability plans (SSE, 2020).

Consumers

Four of SSE's principles are based on consumer fairness, including stakeholder integration in decision-making and considering whole-system costs and benefits of investments in a transparent and publicly accessible way (SSE, 2020). SSE's stated intention is to enable decision-making that results in a more equitable allocation of costs for consumers. SSE's electricity distribution company was one of the funders of a recent report on social justice in the future energy system (Centre for Sustainable Energy, 2020). The report sets out how the transition to net-zero in the energy sector can be both smart and fair and includes recommendations to the sector regulator, government, consumer advocates and practitioners.

Policy and partnerships

SSE's Chief Sustainability Officer, Rachel McEwen, was a member of the Scottish Just Transition Commission, which in its final report recommended measures to maximise economic and social opportunities and minimise risks related to the pathway to net-zero (Just Transition Commission, 2021). The company is also engaged in advocacy efforts around building up local supply chains, arguing for a task force aiming to increase the proportion of UK-produced renewable components in the electricity sector and for government incentives to enhance manufacturing capability of low-carbon equipment.

Transparency and disclosure

The first update on the implementation of the Just Transition strategy was made in SSE's 2021 Annual Report and Sustainability report, positioning the just transition as part of SSE's social contract and commitment to decent work (SSE, 2021a; 2021b).

Company lessons and planned next steps

SSE sees its Just Transition Strategy as a first step in a long-term process. SSE has recognised that delivering a just transition can be a challenge, not least in terms of ensuring that local workers benefit from the expansion of renewables such as offshore wind.

Case study 4: E.ON

Introduction

E.ON is a German-listed energy company with a workforce of over 75,000 in 15 countries. The company's operations are heavily focused on the distribution of electricity and gas. E.ON aims to reduce scope 1 and 2 emissions by 75% by 2030 and 100% by 2040 compared with 2019. Concerning its scope 3 emissions, E.ON targets a 50% reduction by 2030 and a 100% reduction by 2050. E.ON's management quality has been scored 4 by the Transition Pathway Initiative since TPI first assessed the company in 2018, indicating that E.ON has made a strategic assessment of climate considerations. TPI assesses E.ON's emission intensity as being aligned with a 'below 2 degrees' pathway in 2049. E.ON has committed to set SBTi-verified emission targets in line with the 1.5°C pathway.

Following a major restructuring exercise, E.ON has produced its initial thinking on the just transition efforts, which it has detailed in a supporting paper for its climate-related disclosures (E.ON, 2021a). This was triggered by engagement with Royal London Asset Management and Friends Provident Foundation, who were requesting transparency on strategy and activities. Based on investor discussions, E.ON analysed its existing environmental and social efforts and brought previously isolated initiatives together under a just transition umbrella.

Strategy

In 2021, E.ON published a first approach to how it is managing the social aspects of net-zero to deliver a just transition (E.ON, 2021a). This is framed in terms of winning social acceptance for the transition, notably regarding community support for clean energy infrastructure, changing consumer behaviours and investor backing for long-term decarbonisation. The approach is rooted in global human rights and ILO standards along with a social partnership approach with employee representatives.

Workers

E.ON presents an important case for analysing just transition action as it has already undergone structural change driven by climate change imperatives. In 2016, it spun off and eventually sold its traditional power businesses, transferring the sections that will be most impacted from the net-zero transition along with the responsibility to see affected workers through the net-zero transition. In 2020 it completed an asset swap with German energy company RWE, spinning-off of its large-scale renewable power generation assets. The spin-offs involved negotiations with unions, as is customary in Germany, but did lead to some redundancies. Through providing learning platforms, E.ON says it is fostering the development of what it considers 'future-fit' skills (E.ON, 2021c).

Supply chain

E.ON states a commitment to ensuring respect for human rights in its supply chain and expects suppliers to meet minimum ESG performance standards. The company's supplier qualification process includes a formal commitment to comply with E.ON's Supplier Code of Conduct, forming a binding agreement to adhere to the ethics standards set out by E.ON (E.ON, 2021c).

Communities

Community buy-in is a major priority in E.ON's just transition approach. Board members of regional offices of the company in Germany meet annually with municipal shareholders to discuss critical issues. In different regions E.ON places a focus on empowering communities through innovative technologies – for example, through its SmartQuart project, which is exploring how individual neighbourhoods can achieve a climate-neutral energy supply using smart network technology. The project focuses on three representative German municipalities: a sparsely populated rural town (Kaisersesch in Rhineland-Palatinate) and two densely populated urban areas (Essen and Bedburg in North Rhine-Westphalia) (E.ON, 2021c).

Consumers

Since 2015, E.ON's Customer Immersion programme has brought senior managers and employees into direct contact with residential and business customers. E.ON also provides assistance for vulnerable customers, include helping customers find out whether they qualify for government support schemes and partnering with other organisations to finance insulation for customers' homes (E.ON, 2021c).

Policy and partnerships

E.ON is engaged in many organisations, including as a member of the steering committee of Agora, a German think tank, the Green Recovery Alliance, and the Stiftung 2°, a foundation dedicated to climate protection. E.ON has published its position on various topics of relevance for policy discussions (E.ON, 2021b).

Transparency and disclosure

A first statement on its just transition approach has been published, alongside the company's existing ESG reporting framework.

Company lessons and planned next steps

According to E.ON, one key challenge for companies looking to actively contribute to the just transition is to formulate credible commitments and demonstrate progress on the basis of defined targets. The company views clear government policy foundations as essential to enhance planning security for businesses and support just transition performance.

Case study 5: ZE PAK

Introduction

ZE PAK is a Polish-listed energy company, majority-owned by a private investor who acquired it in 2012 as part of the last stage of the company's full privatisation. It is currently focused on lignite-based electricity generation in the Eastern Wielkopolska region and has a workforce of around 4,000. ZE PAK aims to scale up its energy production from renewable sources and the production and use of hydrogen while reducing its energy production from coal. The company is committed to closing all of its lignite plants by 2030, after which it plans to be active only in renewable energy generation (including biogas and biomass) and emerging technology solutions such as hydrogen and energy storage.

Strategy

The growing risk that lignite could become a stranded asset had led the investor to consider writing off the investment. However, the EU's growing policy ambition enacted through the Green Deal along with the establishment of the EU Platform for Coal Regions in Transition as well as the Just Transition Fund and Mechanism prompted ZE PAK to develop a plan to transition out of the lignite business and into renewables, with support from the European funds.

In 2020, ZE PAK initiated a pilot programme targeted at reskilling its workers, stating the desire to ensure that lignite workers and affected communities are not left behind in the net-zero transition. The programme is being delivered on the initiative of the board, which intends to utilise the labour potential of ZE PAK in projects established locally – in large-scale solar photovoltaic (PV) farms but also in the future in the small-scale solar PV installations business. The programme was designed in cooperation with labour unions and is part of the new Green Strategy of ZE PAK Group (ZE PAK, 2021), which includes switching from lignite to clean energy while maintaining as many jobs for the company's workers as possible. To date, ZE PAK has financed the reskilling programme from its own funds. However, scaling up in the future will be financed by the EU Just Transition Fund and Mechanism, along with other EU cohesion funds.

Workers

Eastern Wielkopolska is one of the regions in Poland most heavily impacted by the transition towards climate neutrality. It intends to reach this goal by 2040, a decade earlier than the EU-wide goal. As a result of these ambitious plans, several thousand jobs will be lost.

ZE PAK's programme aims to contribute to a just transition in the region by ensuring that workers who wish to undertake new jobs in the PV industry receive not only appropriate training and skills but also support in finding employment. Unfortunately, not many new jobs are being created locally in Konin, even though the transition in the region has already started and the fossil-fuel-reliant installations will be phased out by 2025, or 2030 at the latest (Instrat for WWF Poland, 2021). Often new energy operations (e.g. in the solar energy industry) rely on cheap labour to keep costs low and therefore the relatively highly-skilled and well-paid workers from ZE PAK are having difficulties finding attractive jobs in those projects.

Through its pilot programme, ZE PAK built a renewable energy training centre at the Konin Power Plant and constructed mock-ups of roofs to teach its workers how to install solar panels. The first courses started in October 2020 and more than a dozen employees have now gained the appropriate qualifications. A first set of former miners have already found employment in Esoleo, a sister company of ZE PAK and the contractor and developer of PV farms. Esoleo is building one of the largest photovoltaic farms in Poland with a capacity of 70 MW, close to a recently decommissioned lignite power plant and mine in Brudzew, near Konin (Greater Poland region) (ZE PAK, 2020a; 2020b; Poznan, 2021). In 2021, the company established several cooperation agreements with local municipalities, aimed at employing former miners at public service companies run by regional governments heavily impacted by the closure of ZE PAK.

ZE PAK is planning a much larger outplacement and training project for 2,500 workers financed from the EU Just Transition Fund. The company's stated vision is that each employee is allocated money that could go to training or to the new employer to finance part of the employment costs. The company is working on implementing such a programme for miners and energy specialists from the ZE PAK Group.

Supply chain

The supply chain is not currently part of ZE PAK's programme.

Communities

Instead of hiring only external workers, new energy installations are commissioned with the use of the local value chain, including labour force from the phased-out industry. ZE PAK also mitigates the risk that new jobs created regionally are eventually filled by people from outside of the region who do not require support by supporting local job creation under a PPP framework with the affected municipalities (WOES, n.d.).

Consumers

The consumer dimension has not yet been incorporated into ZE PAK's programme.

Policy and partnerships

The success of the strategy is dependent on the EU's just transition programmes and the partnership-building that this involves. This has included EU institutions (such as the European Commission), national bodies (WWF Poland, Instrat Foundation), regional partners (Association for Social Enterprises), and labour unions (ZZ KADRA, KWB Konin).

Transparency and disclosure

ZE PAK currently measures impacts only in terms of the number of workers who have been trained and are finding new jobs in Esoleo. In the future, if the programme is scaled up, ZE PAK could consider extending the metrics to include qualitative aspects, such as the quality of new jobs and the level of worker satisfaction.

Company lessons and planned next steps

In ZE PAK's experience, the declaration of a clear and Paris-compatible lignite phase-out date (by 2030) has unlocked funding and investment opportunities for utilities that face the challenge of being left with stranded assets. Partnership and dialogue with key stakeholders, pursued as part of the just transition process, is mitigating the risk of local opposition. A crucial next step for the company will be to ensure that the reskilling programme can be scaled up as the transition accelerates, and that workers leaving the lignite industry can find new jobs without financial incentives having to be provided by ZE PAK.

Taking stock of current practice

These five case studies from companies in a single sector based in five high-income European countries can provide only a partial view on business adoption of just transition practices. They can, nevertheless, provide important guidance of the state of play in an industry whose survival and future success are dependent on the energy transition and the just transition.

Overarching findings and lessons

1. **Strategy – shared foundations, but still emergent:** Strikingly, the four international examples (EDF, Enel, E.ON and SSE) all draw from similar foundations in terms of core sustainability and human rights frameworks, albeit to different extents (e.g. how many of the SDGs they commit to) – see Table 3.1. However, the ways in which these have been brought together into a distinctive strategy for the just transition vary widely. Only SSE has a dedicated strategy on the just transition.

Table 3.1. International frameworks and standards in corporate strategies

Standard	Companies			
	Enel	EDF	SSE	E.ON
ILO conventions on workers' rights	●	●	●	●
Guiding Principles on Business and Human Rights (UNGPs)	●	●	●	●
Sustainable Development Goals	●	●	●	●
OECD Guidelines for Multinational Enterprises	●	●		●

Other sustainability strategies contain commitments to the just transition flowing from agreements with their trade unions (including EDF's and Enel's). The investor role in triggering a joined-up response has been pivotal in this sector, notably in the case of SSE and E.ON. For ZE PAK, the introduction of the EU's just transition programmes has been a key factor. For the international companies a critical theme is the global implementation of just transition strategies and policies in all operations and not just home countries. With regard to resilience and adaptation to climate impacts, a strategic approach will need to be taken by businesses that includes community impacts as a central pillar from the planning stage onwards.

2. **Workers – at the heart of company practice:** Standing at the heart of the transition in the utilities sector, the worker dimension is a priority focus in our case studies, highlighting the importance of social dialogue and agreements with trade unions in the process of change. As the transition accelerates, a robust just transition strategy will become ever-more important to anticipate the implications for workers. A comprehensive approach across operations worldwide (including for contractors) and a focus on job quality in the new net-zero energy system emerge as critical themes for the future.

3. **Supply chain – recognising extended responsibility:** The promise of the just transition becomes real when new supply chains deliver quality jobs for local people in affected regions (as highlighted in the SSE example). Following through for a just transition also ensures that sustainability and human rights considerations are upheld at supplier companies from developing countries. This is emerging as a key social risk in the shift to a net-zero energy system.

4. **Communities – from corporate social responsibility to co-creation:** Energy companies have long had CSR programmes to improve conditions in neighbouring communities. The transition requires these initiatives to become more dynamic and strategic: community relations need to move from a steady state to a transformational model. EDF's Ecological Transition Contracts, created through a process of co-construction, are worthy of further assessment as a model for other companies, sectors and regions.

5. **Consumers – broadening the scope:** Access to essential services (such as energy) is quickly rising up the just transition agenda, not least in terms of the way that net-zero will affect different consumers differently and also to end long-standing energy access issues, whether fuel poverty in high-income countries or a fundamental lack of modern energy in the developing world. This dimension needs to be strengthened in the future.

6. **Policy and partnerships – essential for a systemic solution:** Investors are increasingly focused on how the companies in which they invest are incorporating positive approaches to climate action in their lobbying and dialogue with policymakers. This now needs to extend to the just transition to ensure fairness and resilience of policy frameworks. The case studies underscore the essential importance of government action for the just transition and provide early examples of how companies are both responding to and contributing to policy frameworks. Gaps continue to exist and one next step would be to examine the position on just transition issues taken by leading trade associations.

7. **Transparency and disclosure – still early-stage:** Disclosure is essential for investors and other stakeholders to hold companies to account. Major initiatives are underway to consolidate ESG reporting frameworks. Looking across the five case studies, reporting is bespoke, with limited consistency between companies. A key priority will be to make sure that reporting on the just transition becomes part of routine climate and sustainability disclosure: the entrance of new assessment initiatives, led by Climate Action 100+ and the World Benchmarking Alliance, will be an important catalyst for this.

4. Conclusions and the road ahead

The just transition is increasingly acknowledged as an essential component of a successful shift to a net-zero economy. Leading governments, businesses and trade unions, civil society organisations and also investors are taking the first steps to translate high-level commitments into practical action. Initial champions are emerging, notably in the energy sector, showing how businesses can start to make the just transition an operational reality. But these efforts remain incomplete, both in terms of depth within companies and breadth across sectors and regions.

The case studies in this report focus on companies that have made intentional efforts to advance the just transition. This still remains the exception rather than the rule. Investors can work with business, trade unions, civil society and policymakers to end this exceptionalism. The just transition needs to become part of every business plan and financing strategy for climate action. It needs to move into the mainstream so that the social impacts of the move to a net-zero economy are routinely included in decision-making processes. This will require a significant scale-up of effort from all parties, not least by investors. As the pace of the transition accelerates, upgrading just transition initiatives has become an urgent priority so that social consequences can be anticipated and shaped in advance.

The Expectations Framework presented in this report is one tool that investors can use to make sure that just transition considerations are embedded across their portfolios. The forthcoming work by Climate Action 100+ and the World Benchmarking Alliance to introduce robust assessment approaches will add to the incentives and the pressures on companies to drive forward the development of strategic approaches and will enable investors to monitor progress on just transition performance.

Our future focus

This report is the first output of a three-year research partnership with Candriam. Based on the results of this work, we will continue to conduct research and dialogue to support real world decision-making that deepens the justice of climate action. We will focus on five priorities that have emerged from the preparation of this report:

1. **Promoting convergence towards common approaches:** The Expectations Framework builds on existing commitments and emerging practice. It is designed to help investors avoid 'reinventing the wheel', enable standardisation (and thus reduce cost) and ensure that just transition efforts have integrity, comparability and scalability. We have designed the Expectations Framework as a tool for fostering convergence around common approaches, and look forward to working with others on improving it and connecting it with other efforts.
2. **Understanding the role of participation in just transition plans:** The just transition has both a distributional dimension and a critical procedural aspect, not least in terms of how stakeholders, such as workers, communities and consumers, are involved in decisions that affect them. Social dialogue with workers and community engagement should be integral to corporate decision-making. Investors can also play a role in engaging with company stakeholders, labour unions and key community leaders. Clearly, countries have very different traditions and models for participation in the workplace, in localities and at the national level. But developing replicable models for worker and community participation is a critical next step for businesses and for investors to support.
3. **Developing 'heat maps' of priority regions for investor action:** The social benefits and social risks resulting from the net-zero transition have a profound spatial dimension, both within and between countries. These are not distributed equally, making place-based action a crucial element of a just transition. Companies will need to manage this for all their operations, and investors will need to understand at the aggregate corporate level how the place-based dimension is being considered across a company's operations. To understand where to focus their attention, heat maps could be developed which pinpoint where particular attention is needed, such as the Just Transition Jobs Tracker for the UK. These heat maps would provide the basis for place-based approaches from investors, which could address some of the critical social issues in the transition, such as the tension between local job benefits and global sourcing.

4. **Identifying the investor role in the Global South:** The real test for the just transition will come in the emerging and developing economies of the Global South. This is where the greatest amount of investment for net-zero and climate resilience is needed, but where real constraints exist in terms of access to and cost of capital and where social safeguards are weakest. The growth of global supply chains has masked and increased the complexity of just transition issues, such as offshoring carbon, human rights, labour standards, community benefits and wider environmental impacts. For investors, tackling this will mean understanding how the just transition can be realised in their portfolios across three dimensions: first, in the subsidiaries of developed world listed firms; second, in emerging market listed assets; and third, in the supply chains connected to the Global South. Partnerships with development finance institutions will be particularly important to build strong policy foundations, develop innovative financial solutions and reduce financial risks,

5. **Supporting real world outcomes and impact:** Ultimately, the just transition is about tangible improvements to people's lives as workers, community members, consumers and citizens in the shift to the net-zero economy. Government policies, corporate strategies along with investor actions – and the many processes that they involve – are means to an end. The credibility of the just transition will be enhanced by showing how business action is leading to real world outcomes. We are keen to understand better how investor support for the just transition can be connected with real positive environmental and social impact, as a matter of principle but also to show how effective steps to a just transition can help accelerate climate action by reducing social risks and generating upside social opportunities.

Feedback

We look forward to your feedback on the Expectations Framework and its adoption (and adaptation) by investors. We would also welcome suggestions for taking this agenda forward to make the shift from grand ambitions to granular applications of the just transition.

Please contact **N.V.Robins@lse.ac.uk** with your feedback.

Appendix: Elements of established reporting frameworks relevant to the just transition Expectations Framework

	Global Reporting Initiative	Workforce Disclosure Initiative	Sustainability Accounting Standards Board
	An independent international organisation, headquartered in Amsterdam with regional offices around the world, that helps businesses, governments and other organizations understand and communicate their sustainability impacts. *Source: Global Sustainability Standards Board (2020)*	*Established in 2016 by a coalition of investors, aiming to improve corporate transparency and accountability on workforce issues through its annual company survey and engagement programme.* *Source: ShareAction (2020)*	*Provides tailored standards for 77 industries for corporate disclosure of the most financially relevant ESG issues to investors.* *Source: Sustainability Accounting Standards Board (2018a, 2018b, 2018c, 2018d)*
Strategy	103-2: The management approach and its components (including policies, commitments, goals and targets for each material topic) 103-3: Evaluation of the management approach	1. Governance: • Workforce matters shaping company strategic planning • Commitments to human rights standards approved at Board level 2. Risk assessment and human rights due diligence: • Incorporating workforce issues in COVID-19 recovery plans	
Workers	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3: Parental leave 402-1: Minimum notice periods regarding operational changes 403-1: Occupational health and safety management system 403-2: Hazard identification, risk assessment, and incident investigation 403-3: Occupational health services 403-4: Worker participation, consultation, and communication on occupational health and safety 403-5: Worker training on occupational health and safety 403-6: Promotion of worker health 403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships 403-8: Workers covered by an occupational health and safety management system 403-9: Work-related injuries	2. Risk assessment and human rights due diligence: • Process for identifying and assessing workforce risks and opportunities in direct operations • Consultations with workers • Actions taken to prevent and mitigate human rights issues 3. Workforce composition: • Gender balance • State and trends of workforce on contingent contracts 4. Diversity and inclusion: • Actions taken to improve diversity and inclusion • Workforce data related to race and ethnicity, including leadership positions • Workforce in leadership positions by gender • Parental leave policy • Discrimination and harassment policies and incidents 5. Workforce wage levels and pay gaps:	IF-EU-320a.1, EM-CO-320a.1-2 and EM-EP-320a.1-2: Workforce health and safety: • Incident and fatality rates • Management of accident, safety and long-term health and safety risks EM-CO-310a.1-2: Labour relations: • Workforce covered under collective bargaining agreements

	403-10: Work-related ill health 404-2: Programmes for upgrading employee skills and transition assistance programmes 405-1: Diversity of governance bodies and employees 405-2: Ratio of basic salary and remuneration of women to men 406-1: Incidents of discrimination and corrective actions taken 407-1: Operations in which the right to freedom of association and collective bargaining may be at risk 408-1: Operations at significant risk for incidents of child labour 409-1: Operations at significant risk for incidents of forced or compulsory labour 410-1: Security personnel trained in human rights policies or procedures 411-1: Incidents of violations involving rights of Indigenous peoples 412-1: Operations that have been subject to human rights reviews or impact assessments 412-2: Employee training on human rights policies or procedures 412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening 419-1: Non-compliance with laws and regulations in the social and economic area (including labour issues)	• Gender and ethnicity pay gaps and actions taken to reduce these • Employees paid minimum wage or just above 6. Employee turnover rates: • Turnover rates disaggregated by gender • Changes in turnover rates 7. Training and development: • Means to identify and address skills gaps and training, including social dialogue 8. Health, safety and wellbeing: • Measures to identify and manage health and safety risks • Consultation with workers • Incidents • Mental health safeguarding • Measures to protect the physical and mental health of workers during the COVID-19 crisis 9. Worker voice and representation: • Consultation process • Collective bargaining • Worker participation in corporate decision-making • Worker feedback 10. Grievance mechanisms for workers	
Supply chain	308-1: New suppliers that were screened using environmental criteria 308-2: Negative environmental impacts in the supply chain and actions taken 407-1: Suppliers in which the right to freedom of association and collective bargaining may be at risk 408-1: Suppliers at significant risk for incidents of child labour 409-1: Suppliers at significant risk for incidents of forced or compulsory labour 414-1: New suppliers that were screened using social criteria 414-2: Negative social impacts in the supply chain and actions taken	2. Risk assessment and human rights due diligence: • Human rights due diligence processes • Process for identifying and assessing workforce risks and opportunities in supply chain • Human rights issues in the supply chain and mitigation plans 11. Supply chain transparency: • Gender composition • Goods and services sourced with particular forced labour, modern slavery and human trafficking risk	

		12. Responsible sourcing: • Assessing supplier performance against own human rights commitments • Requiring adherence to labour standards in the supply chain • Monitoring and auditing supplier performance 13. Supply chain working conditions: • Building supplier capacity to mitigate and manage worker rights risks • Ensuring supply chain workers can unionise and participate in collective bargaining • Improving working conditions in the supply chain	
Communities	411-1: Incidents of violations involving rights of Indigenous peoples 412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening 413-1: Operations with local community engagement, impact assessments, and development programmes 413-2: Operations with significant actual and potential negative impacts on local communities		EM-CO-210a.1-2 and EM-EP-210a.1-3: Security, human rights and rights of Indigenous peoples: • Engagement processes and due diligence practices with respect to human rights, Indigenous rights, and operation in areas of conflict EM-CO-210b.1-2 and EM-EP-210b.1-2: Community relations Process to manage risks and opportunities associated with community rights and interests
Consumers			IF-EU-240a.1-4 and IF-GU-240a.1-4: Energy affordability: • Average rate and bill data • Disconnections for non-payment and reconnections • Impact of external factors on electricity affordability for customers IF-EU-420a.1-3 and IF-GU-420a.1-2: Customer savings from efficiency measures
Policy and partnerships	415-1: Political contributions: • Issues for which a company participates in public policy development and lobbying • Differences between a company's lobbying positions and any stated policies, goals, or other public positions		

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