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Transition Risk Analysis Support Toolkit – Element 8

The Just transition in climate-related financial disclosures

DNA Economics

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This guide is part of the *Transition Risk Analysis Support Toolkit* developed as part of the South Africa-UK PACT supported project: *Aligning South Africa's climate-related financial disclosure with global best practice.* For an overview of the toolkit and a description of its other components please see *Introduction to the Transition Risk Analysis Support Toolkit* available from www.dnaeconomics.com/pages/sa_climate_disclosure/. This document, and other project outputs, are also available here.

Executive summary

A Just Transition is not only morally and ethically desirable but is a key requirement for meaningful climate action. Transitioning to a low carbon economy is necessary to prevent catastrophic climate change. This is particularly true in South Africa given that the country is disproportionately vulnerable to the physical impacts of climate change and warms at roughly twice the global average. The broad societal buy-in required to ensure the transition happens soon enough to meaningfully limit climate change will only happen if the transition is viewed as just and fair towards workers, suppliers, communities, consumers and other stakeholders.

Significant effort and focus will be required to ensure a Just Transition. While a low carbon economy is well-suited to create sustainable livelihoods and more equal societies compared to the current high-emissions global economy, it is likely to create significant disruption to greenhouse gas (GHG) intensive industries, regions, and economies. And, as with all structural adjustments, there will be winners and losers in the short- to medium-term. Ensuring that the gains and losses that accompany a low-carbon transition are equitably distributed is at the heart of a Just Transition. Strategic focus, detailed planning, supportive policies and regulations, and targeted action will be required to ensure this happens. Again, this is particularly true in South Africa given that it currently has one of the most carbon-intensive economies in the world. South Africa's high levels of unemployment, poverty and inequality also means that a Just Transition is non-negotiable.

When developing approaches in response to climate-related risks and opportunities, companies and investors should consider the social implications of their actions. As responsible organisations, incorporating Just Transition can have a positive impact on society, while sending the right signals to stakeholders. Neglecting the social dimension of actions to reduce GHG emissions could result in reputation risk – which is identified by the Task Force on Climate-related Financial Disclosure as one of the key climate-related transition risks that can impact the financial performance of companies. Negative perceptions linked to the unanticipated consequences of decarbonisation plans or activities on local communities could impact customer behaviour and may even lead to the stigmatisation of entire sectors or industries.

It is important to have a location-specific and temporal focus when considering the likely knock-on impacts from decarbonisation plans and actions. Low carbon adjustment impacts can be very localised and cumulative where carbon-intensive activities are clustered together or have a disproportionately large role in supporting local economic activity. Given that most carbon-intensive activities tend to be large-scale and capital-intensive, this is often the case. These expected impacts can be easily missed if care is not taken to identify them. While the general transition within a sector could be relatively benign at a macro level, poorly planned (and premature) closure of a plant or facility, for example, can disproportionately affect local economic activity and livelihoods. This in turn could lead to a significant negative stakeholder response. A combination of forward-looking approaches like scenario analysis and socioeconomic modelling can be useful in identifying sensitive areas.

Knowing that an organisation, financial intermediary, asset manager or asset owner is cognisant of the social impacts of climate-related actions, and is tracking and managing this, is important information to current and future investors. Tracking and disclosing this information is important as it builds investor confidence and limits reputational harm. Including this information in climate-related financial disclosures is thus likely to become increasingly important to ensure investors and stakeholders view an organisation's climate response and targets as credible.

One of the most comprehensive guides on how institutional investors can connect their action on climate change with inclusive development pathways was developed by the GRI and LSE. The Guide identifies Just Transition expectations that organisations need to be cognisant of when developing Just Transition strategies to support climate strategies or plans. These include the importance of a coherent strategy to Just Transition, focusing on the implications of actions on workers, supply chains and Communities, advocating for a conducive policy environment, supporting partnerships, and being transparent about Just Transition impacts. The guide recommends including Just Transition policies and outcomes in Task Force on Climate-related Financial Disclosure (TCFD)-aligned disclosures.

While few companies are currently reporting on the Just Transition as an explicit part of their climate-related disclosures, useful examples of how this can be done are starting to emerge. The UK-headquartered energy company SSE Plc released its Just Transition strategy in November 2020 and identifies five key themes – good green jobs, consumer fairness, building and operating new assets, considering people in high-carbon jobs, and supporting communities. FirstRand Limited, a South African-headquarter financial services provider, released its Just Transition approach as part of the Group's *Report to Society for 2020*. It focused on addressing environmental sustainability and ensuring an equitable transition to a low carbon economy.

1. Introduction and context

Some level of climate change is inevitable and will have significant environmental, economic and social impacts. The 2018 IPCC special report *Global Warming of 1.5ºC* warns that the level at which climate change needs to be contained by 2100 to avoid catastrophic impacts is lower than previously believed – and stressed that GHG emissions levels need to be dramatically reduced over decades rather than centuries. If the impacts of climate change are to remain manageable, net carbon dioxide (CO2) emissions from human activities must be zero by 2050 (IPCC, 2018).

Global warming leads to extreme weather events like droughts, floods, and hurricanes becoming more intense, happening more often, and being harder to predict. It also leads to longer term and permanent changes in climate and weather patterns which affect average temperatures, average rainfall, length of rainy seasons, etc. (TCFD, 2017). Unchecked, catastrophic climate change may occur – referring to a situation where weather conditions become so severe and so unpredictable that the stability of entire societies and ecosystems are threatened (Collins, et al., 2013). Extreme weather events and changes in weather patterns have serious social impacts. These could be through, for example, the loss of lives, livelihoods and ecosystem services, the destruction of assets (linked both to extreme weather events and sea-level rise), increased incidence of water- and vector-borne diseases (such as malaria, dengue fever and yellow fever), an increase in the severity of non-communicable diseases linked to heat stress, and changes in agricultural productivity and the distribution of growing regions (DNA Economics, 2021; TCFD, 2017).

> Climate change is inevitable and will have **serious environmental, social and economic impacts** what will disproportionately be felt by the **most vulnerable in society who lack the resources to effectively adapt to climate change**.

The cost of climate change disproportionately falls on marginalised groups like the young, women and the poor who do not have the resources to effectively adapt to the changing environment. These groups also often lack equitable access to social protection, adequate housing, food security and healthcare. Climate change is thus expected to worsen poverty and inequality (Sperling, 2003; Islam & Winkel, 2017; Wolfe, 2021; USAID, 2021).

The shift to a resilient, low-carbon economy can boost prosperity and be a net job creator. Furthermore, the decentralised nature of renewable energy lends itself to decentralised ownership and increased community participation which can boost local economic development and reduce energy poverty and inequality (OECD, 2020; COSATU, 2017; ILO, 2013; IRENA, 2019; IRENA, 2020; Ekologistak Martxan, 2018).The transition will, however, create significant disruption to greenhouse gas (GHG) intensive industries, regions and economies. As with all structural adjustments, there will be winners and losers in the short- to medium-term. Ensuring that the gains and losses that accompany a low-carbon transition are equitably distributed is crucial to maintain public support.

Efforts to contain climate change and limit these impacts will have economic and social impacts. If not managed carefully, these impacts can be negative – but they need not be. **The transition to a low carbon economy creates opportunities for inclusive and sustainable development built around more and better jobs and equitable ownership of low carbon assets.**

The broad societal buy-in required to ensure the transition happens soon enough to meaningfully limit climate change will only happen if the transition is viewed as just and fair towards workers, suppliers, communities, consumers and other stakeholders. For this reason, the 2015 Paris Agreement called for a Just Transition to be embedded in responses to climate change at a national- and organisation-level (UNFCCC, 2015). Lower skilled workers, those without transferable skills, and those without permanent employment, will be most at risk from disruption – which could threaten social inclusion and efforts to combat inequality (USAID, 2021).

South Africa is particularly vulnerable to the physical impacts of climate change as it warms at roughly double the global average. An economic growth model historically dependent on cheap coal-powered energy and capital-intensive industrial development, including a heavy reliance on coal in electricity and liquid fuel production, has led to South Africa being one of the most carbon-intensive economies in the world. That, and the fact that it is located far from its main trading partners, means that **South Africa is highly vulnerable to economic and social disruption during the transition to a low carbon economy** (DNA Economics, 2021).

Luckily, South Africa has some of the best conditions for renewable energy in the world, particularly for solar and onshore wind (Global Solar Atlas, 2021). **There are significant climate-related opportunities in South Africa** in areas like clean energy, low-carbon transport, smart water, the circular economy, and smart agriculture. Efforts to contain and adapt to climate change also bring opportunities at an organisational level to increase efficiency and competitiveness (DNA Economics, 2021). **Leveraging these forces could ensure that a Just Transition to a low carbon economy in South Africa is accompanied by an increase in employment and a reduction in poverty and inequality.**

This introductory note emphasises the importance of integrating Just Transition-specific issues like gender equity and social inclusion into climate-related financial disclosures. While progress on this front has been slow, it is critically important to avoid negative financial impacts linked to reputational risks and to signal to investors than an organisation is being responsibly managed.

2. What is a Just Transition?

A Just Transition aims to ensure that groups with limited resources – women, workers, communities, and small businesses, in particular – can benefit from the opportunities brought by the transition to a GHG-neutral economy (UNFCCC, 2015). If executed well, the Just Transition can present opportunities to address social imperatives while creating much-needed decent and green jobs that can reduce poverty and increase social inclusion.

In 2015, the ILO adopted a set of guidelines based on inputs from governments, businesses, and trade unions (ILO, 2016). These guidelines highlight the need for policy coherence between actions on climate change and macroeconomic, industrial, labour market and enterprise policies. The principles and prerequisites that should guide the transition to environmentally sustainable economies and societies, were listed as:

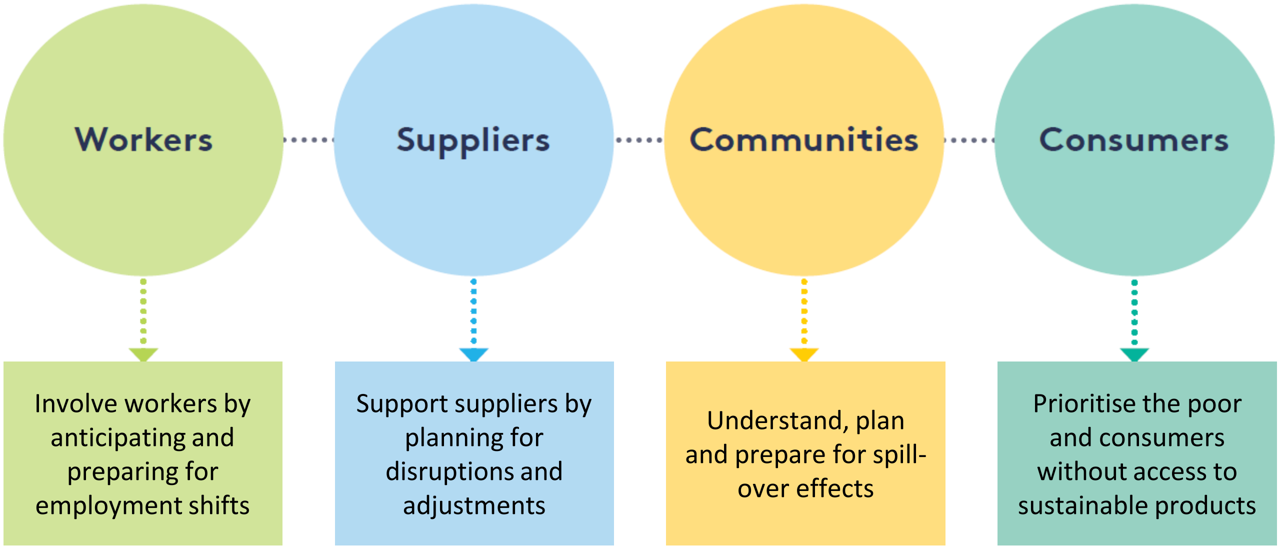
- strong social consensus and social dialogue,
- policies that respect, promote and realise fundamental principles and rights at work,
- policies and programmes to tackle environmental challenges and opportunities must be **gender-inclusive and promote equitable outcomes**,
- coherent policies across the economic, environmental, social, education and training and labour portfolios should promote various stakeholders – workers, investors and consumers – to drive the transition towards environmentally sustainable and inclusive economies and societies
- coherent policies that promote the creation of more decent jobs including anticipating impacts on employment, providing adequate and sustainable social protection for job losses and displacement, skills development, etc.
- policies and programmes must be country- or area-specific and take into account the stage of development, economic activities and nature of enterprises
- international co-operation among countries.

The International Trade Union Confederation (ITUC), and other partners established the **Just Transition Centre,** which defines a **Just Transition** as one that **"secures the future and livelihoods of workers and their communities in the transition to a low carbon economy."** Like the ILO's position, the ITUC believes that Just Transition should prioritise social dialogue between workers and their unions, employers, and government and in consultation with communities and civil society. Ultimately, Just Transition should deliver better and decent jobs, social protection, more training opportunities, and greater social job security for all workers affected by global warming and climate change policies (Just Transition Centre, Undated).

The Grantham Research Institute on Climate Change and the Environment (GRI) and the London School of Economics (LSE) believe that **a Just Transition should consider four dimensions: workers, suppliers, communities, and consumers**, as illustrated in Figure 1 below.

While governments are the primary custodians of a Just Transition, the private sector, trade unions and civil society have an important role in contributing towards a Just Transition. Specifically, investors can be involved in integrating social inclusion and gender equality considerations into "their assessment, stewardship, capital allocation and policy activities" (Nick, Muller, & Katarzyna, 2021, p. 4).

Figure 1: Components of the Just Transition



Source: Adapted from (Nick, Muller, & Katarzyna, 2021)

In 2021, the Climate Action 100+ released the **Climate Action 100+ Net Zero Company Benchmark,** which assesses the performance of focus companies against three goals: emissions reduction, governance, and disclosure. In 2021, the working draft of the Just Transition Indicator was released and requires companies to assess the impact of the Net Zero transition on workers, communities, customers and other key stakeholders. The Indicator includes eight questions across 4 themes that seek to ensure that corporations are committing to addressing the social impacts of Just transition and are intentionally taking steps to ensure just and transparent participation by various stakeholders. The draft indicator was created in partnership with the Transition Pathway Initiative, the Grantham Research Institute on Climate Change and the Environment at the London School of Economics, and Chronos Sustainability with consultation from investors, researchers and trade union representatives (see box below).

Acknowledge

1. Has the company made a formal statement recognising the social impacts of their climate change strategy - the Just Transition - as a relevant issue for its business?

Commit

2. Has the company published a policy committing it to decarbonise in line with Just Transition principles?
3. Does the company commit to retain, retrain and/or compensate workers affected by decarbonisation?

Engage

4. Has the company established opportunities for social dialogue with workers, unions, and communities through (at least) annual stakeholder consultations focusing on the Just Transition?
5. Has the company, in partnership with its workers (employees and contractors), developed workforce plans that include Just Transition measures?

Act

6. Does the company support low-carbon initiatives (e.g., regeneration, access to clean and affordable energy, site repurposing) in regions affected by decarbonisation?
7. Does the company ensure that its decarbonisation efforts and new projects are developed in consultation and with the consent of affected communities?
8. Does the company take action to support financially vulnerable customers that are adversely affected by the company's decarbonisation strategy?

Source: (Climate Action 100+, 2021)

In South Africa, the Presidential Climate Commission[1] (PCC) is developing a Just Transition Framework that will guide all affected stakeholders and ensure that the transition to a low carbon economy is well-managed, just, and equitable, especially for the poorest and vulnerable. The process is being informed by evidence-based research conducted by The Trade and Industrial Policy Strategies (TIPS), alongside a process of social dialogue to reach a consensus on what a Just Transition looks like in South Africa and how to achieve it (Presidential Climate Commission, 2021).

The Climate Change Bill *"support a just transition to a climate resilient, equitable and internationally competitive lower carbon economy and society, that takes into account the* ***economic, employment and societal risks and opportunities*** *that are expected to arise as a consequence of implementing the national climate change response."*

The research by TIPS highlights the importance of a standard definition of a

[1] https://www.climatecommission.org.za/.

Just Transition to guide implementation and argues that the Climate Change Bill 'provides such a definition by highlighting the need to move towards a low carbon economy while recognising the need for social justice (Patel, 2021). Montmasson-Clair (2021) and Patel (2021) propose that South Africa's Just Transition agenda should focus on three dimensions of transitional justice, namely, procedural justice, distributive justice, and restorative justice while striving for outcomes that deliver just social, environmental, and economic outcomes. Their approach is shown in Figure 2 below.

Figure 2: The three dimensions of transitional justice

Procedural justice

- Focuses on the form, and aims to facilitate an inclusive process
- Ackowledges and recognises the vulnerable and/or marginalised groups in the decision-making process
- Adopts a bottom-up approach, and requires enabling or empowering all stakeholders to participate meaninfully without assuming capability or capacity

Distributive justice

- Focuses on distributing risks and responsibilities, and addressing the direct impacts from the transition process
- Aims to address the double inequality related to responsibilities (who should pay) and impact (who should benefit, and how)

Restorative justice

- Considers the past, present and future impacts on individuals, communities and the environment
- Provides a framework for rectifying or ameliorating the situation of those previously harmed or disenfranchised
- Carries the weight of the transformative nature of a Just Transition agenda

Source: Adapted from (Montmasson-Clair, 2021; Patel, 2021)

Alongside the efforts by the PCC, the Department of Mineral Resources and Energy (DMRE) is in the process of developing a Just Transition plan as articulated in its Strategic Plan 2020-2025 (DMRE, 2020). The DMR anticipates that the policy can help avoid job losses, guide the transition towards a low-carbon energy sector, and appropriately exploit current resources, though more information is not yet available in the public domain.

3. Gender equality and social inclusion in CFD

Companies and investors are increasingly considering the Just Transition (explicitly or implicitly) as part of their Environmental, Social and Governance (ESG) reporting (Allman & Won, 2021). At present, however, there is still a disconnect between more traditional ESG reporting and the rapidly advancing area of climate-related financial disclosure.

Gender equality and social inclusion are two important themes to consider when evaluating the social impact of climate actions. Gender equality refers to the equal rights, responsibilities and opportunities of women and men, and girls and boys (USAID, 2021). The United National Department for Economic and Social Affairs defined social exclusion 'as the involuntary exclusion of individuals and groups from society's political, economic, and societal processes, which prevents their full participation in the society' (DESA, 2010, p. 1). Gender equality and social inclusion are seen as not only a fundamental aspect of human rights and social justice, but also a precondition to improving the development process by putting social concerns at the forefront of interventions (UNFCCC, 2015).

Women and other marginalised groups dependent on natural resources for their lives and livelihoods are disproportionately threatened by climate change. Women constitute the majority of the world's poor, and gender inequalities exacerbate the risk of climate change for women. When a woman's access to financial resources, land, education, health and other rights and opportunities are limited, her capacity for coping with and adapting to climate change suffers as well. Unequal participation in consultation and decision-making processes compound these inequalities and further prevent women from fully contributing to or benefiting from climate adaption and mitigation initiatives (Richardson-Temm, 2015).

Mitigation and adaption approaches that ignore gender dynamics are less effective and sustainable and can inadvertently manifest or widen pre-existing inequalities. Efficient, effective, and equitable low-carbon development must target women as essential stakeholders, harness their knowledge and potential, and empower them to contribute to poverty reduction, sustainable development, and effective climate change responses (Adams, Zusman, Sorkin, & Harms, 2014). Furthermore, mainstreaming gender equality and social inclusion in the transition towards a low-GHG economy creates an opportunity to address long-standing social issues, and affords companies the social licence to operate (Jijelava & Vanclay, 2014).

In conclusion, unequal participation in decision-making processes compounds inequalities and further prevents women and other vulnerable groups from fully contributing to or benefiting from climate adaption and mitigation initiatives. Civil society plays a particularly important role in advancing an inclusive approach to climate change responses.

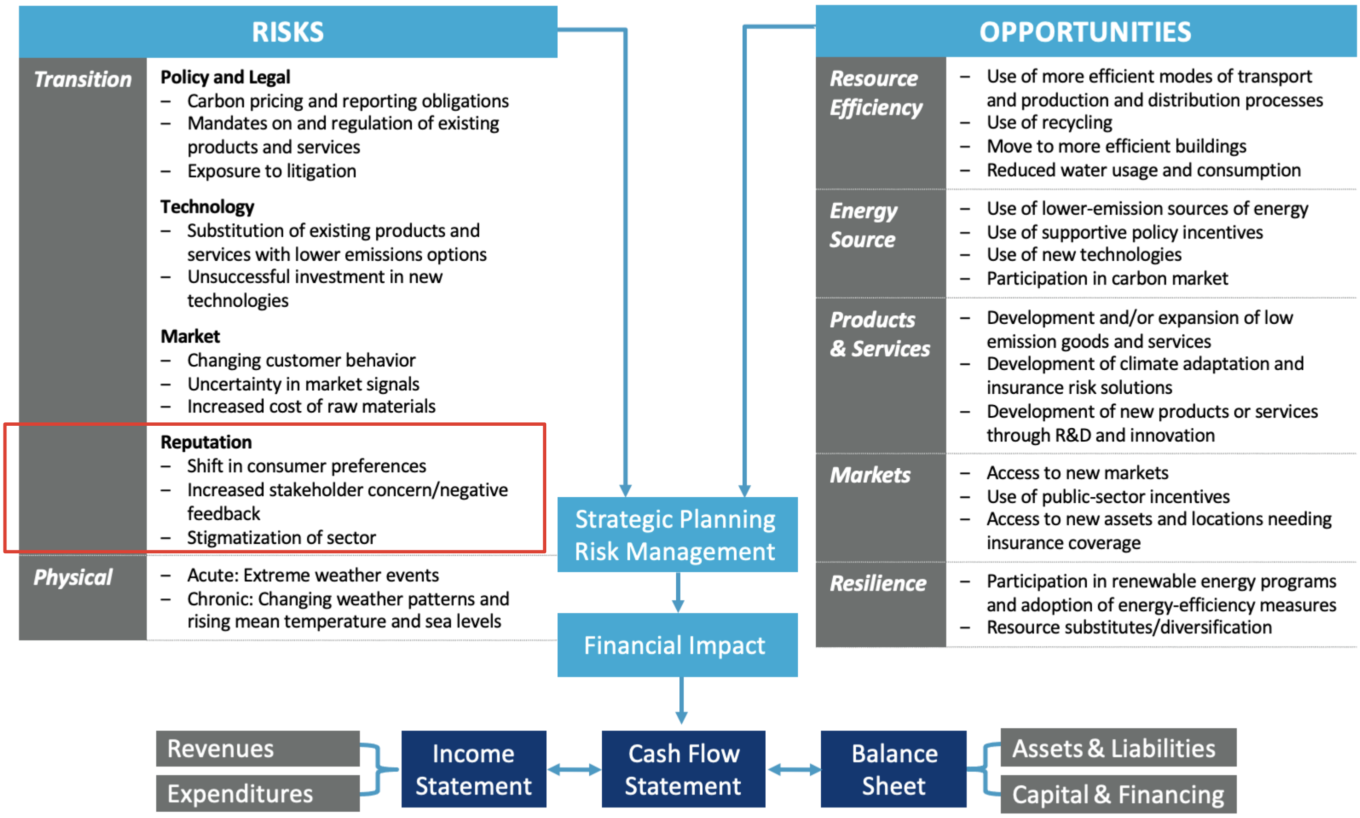
4. Why disclose the social dimension of a climate response?

Efforts to contain climate change and transition to a low-carbon economy should be inclusive, just, and sensitive to existing developmental challenges like poverty, unemployment, inequality, and social exclusion (ILO, 2013; UNFCCC, 2015). Therefore, when developing approaches to react to climate-related risks and opportunities, companies and investors should consider the social implications of their actions. Supporting a Just Transition will have a positive impact on society, and more importantly, will have a positive impact on groups that are disproportionately threatened by climate change, allowing them to participate more meaningfully in the economy.

Neglecting the social dimension of an entity's climate response could result in reputation risk tied to negative perceptions of an industry or company by consumers, the community or other stakeholders. **This poses a material financial risk.**

The Task Force on Climate-related Financial Disclosure (TCFD) categorises the financial risks associated with climate change to companies into two categories: (i) risks related to the physical impacts of climate change and (ii) those risks that are related to the transition towards a low carbon economy (TCFD, 2017) . One of the key transition risks flagged by the TCFD is reputational risk (see Figure 3 below). Reputational risk can affect consumers' perception of the industry or company, which can lead to changes in consumer preferences, stigmatisation and increase stakeholder concern and negative feedback. Ultimately, these can lower revenue (due to decreased demand and lower production capacity) or increase operating costs (due to difficulty in attracting and retaining employees and reduce capital availability) (TCFD, 2017). Unanticipated consequences of decarbonisation plans or activities on local communities or stakeholders could lead to a significant community, NGO or other stakeholder backlash which could impact customer behaviour and may even lead to the stigmatisation of entire sectors or industries. **Neglecting the social dimension of an entity's climate response thus creates reputation risk and by extension material financial risk** (Martens, 2021).

Figure 3: Climate-Related Risks, Opportunities, and Financial Impact



Source: (TCFD, 2017)

Furthermore, low carbon adjustment impacts will be highly localised and can easily be missed if not considered carefully. While the general transition within a sector could be relatively benign at a macro level, poorly planned (and premature) closure of a plant or facility that disproportionately supports economic activity within an area could have a severe impact on a local economy and livelihoods. This in turn could lead to a **significant negative stakeholder response**. Relying on historical social indicators are unlikely to effectively sensitise organisations to this issue. Forward-looking approaches are required to identify and manage this risk.

Knowing that an organisation, financial intermediary, asset manager or asset owner is cognisant of the social impacts of climate-related actions and is tracking and managing this, is therefore important information to current and prospective investors. Tracking and disclosing this information is important as it builds investor and society-confidence and limits any negative associations which may affect the corporation's reputation. Including this information in climate-related financial disclosures is likely to become increasingly important to ensure investors and stakeholders view an organisation's climate response and targets as credible.

5. Guidance for investor action on the Just Transition

The Guide for Investor Action developed by the Grantham Research Institute on Climate Change and the Environment (GRI), and the London School of Economics (LSE) provides a comprehensive manual to considering just transition in climate-related financial disclosure. In the second iteration of the guide, the GRI and LSE identify seven Just Transition expectations that organisations need to be cognisant of (these are listed in the box below). The Guide is available here.[2]

1. Strategy

- Establish a company strategy and plan for the Just Transition to be adopted at the Board level with clear Board oversight and incorporate the Just Transition into all aspects of operations
- Ensure social dialogue as well as employee- and trade-union representation

2. Workers

- Deliver good jobs and decent work in the transition and respect for worker and human rights.
- Promote and provide reskilling and retraining, redeployment or retirement support for employees, and comprehensive support for contractors.

3. Supply chain

- Ensure that supplier development comprises of access to skills, finance and technology.
- Apply labour, human rights and environmental due diligence and policies along the supply chain.

4. Communities

- Engage with local communities to address the social risks of transitions and promote local wellbeing, with a particular focus on vulnerable communities and wider sustainability considerations (e.g., biodiversity).
- Partner with local communities to share value in net-zero and resilience investments.

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.

6. Policy and partnerships

- Advocate for the Just Transition 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

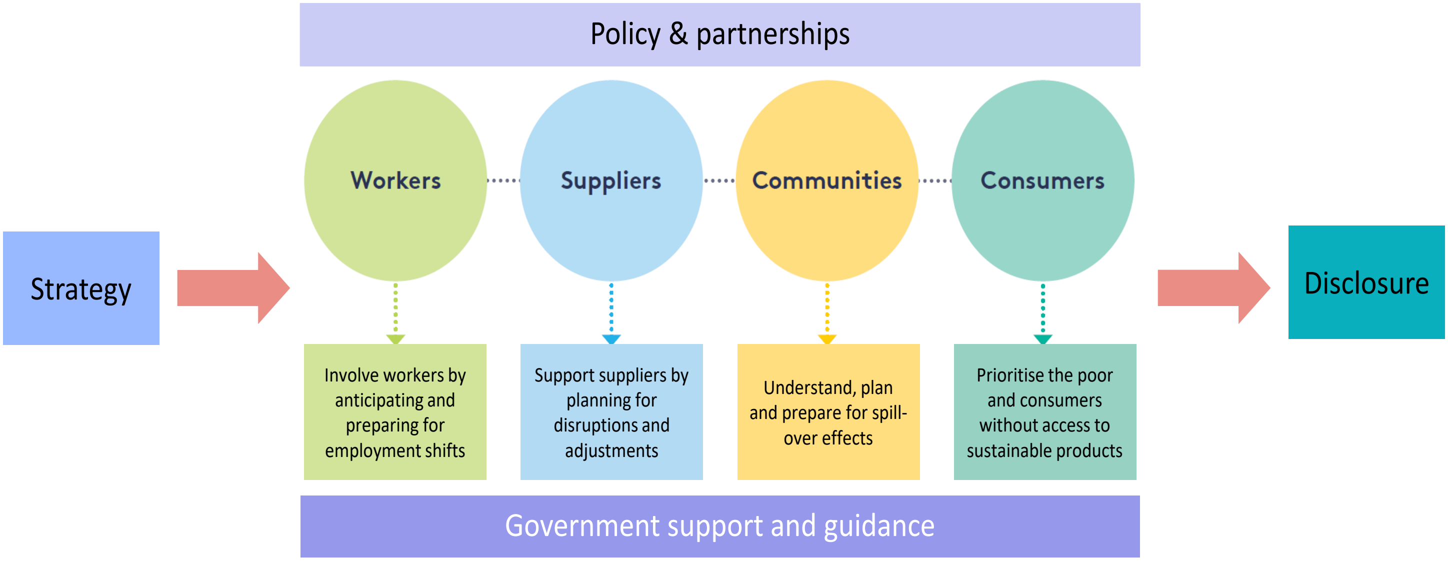
- Report on Just Transition policies and performance, including on the six themes above, including through Task Force on Climate-related Financial Disclosures (TCFD) reporting.

Source: (Nick, Muller, & Katarzyna, 2021)

[2] https://www.lse.ac.uk/granthaminstitute/publication/from-the-grand-to-the-granular-translating-just-transition-ambitions-into-investor-action/.

The components of a Just Transition should align with ESG and climate reporting and should not be provided in isolation. One way to ensure sound Just Transition disclosure is to anchor it in existing (and future) frameworks such as ESG disclosure standards and the TCFD framework (Nick, Muller, & Katarzyna, 2021). In this way, reporting can be done practically, efficiently, and consistently. The reporting process needs to be guided by a participatory approach that ensures that those affected by the negative effects of climate change are included in Just Transition processes, as illustrated below:

Figure 4: Implementing a Just Transition Strategy



Source: Adapted from (Nick, Muller, & Katarzyna, 2021)

6. Just Transition disclosure case studies

The integration of Just Transition-specific issues in climate-related financial disclosure has been slow, with only a few companies reporting this information. Of the companies that are reporting on their approach to Just Transition, there are varying degrees of disclosure. While some companies provide a detailed position and approach to Just Transition and go further to publish a standalone report (such as SSE), a lot more companies have started to disclose their intention to consider Just Transition (such as FirstRand). **While few companies are currently reporting on the Just Transition as an explicit part of their climate-related disclosures, useful examples of how this can be done are starting to emerge.**

SSE Plc is a UK-listed energy company that operates throughout the UK and Ireland. It is involved principally in the generation, transmission, and distribution of electricity, and in the supply of energy and related services to customers. Several of SSE's investors (including Royal London Asset

Management[3]) formally request the utility provider to consider a Just Transition in the move towards a low carbon economy at its 2020 annual general meeting. In response, SSE published its Just Transition Strategy in November 2020 (SSE, 2020). The Strategy sets out the company's approach to ensuring that the impacts from transitioning to net-zero are fair and maximise the opportunities for communities.

SSE identified five key themes – good green jobs, consumer fairness, building and operating new assets, considering people in high-carbon jobs, and supporting communities, which that encompass 20 principles. These principles are SSE's first attempt of engaging with various stakeholders and opening up dialogue and actions. The Just Transition Strategy is available here.[4]

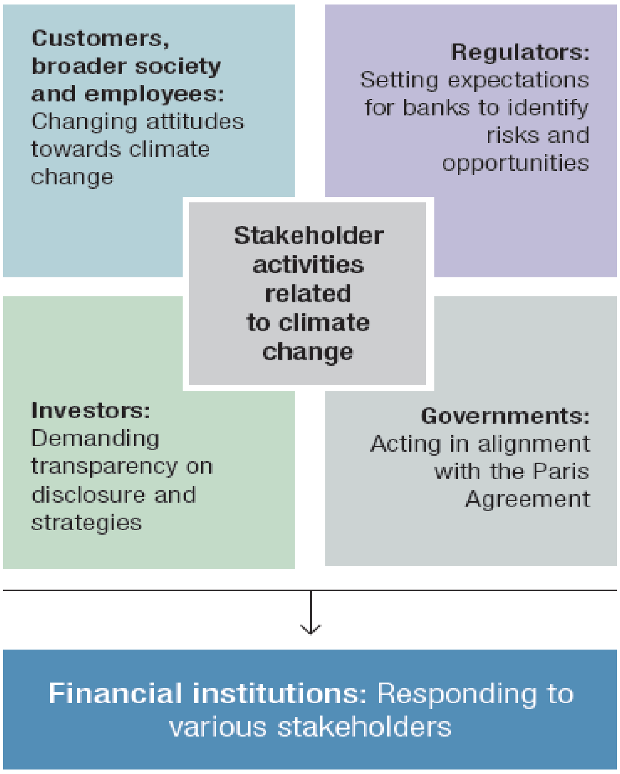
Figure 5 SSE's approach to a Just Transition

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 (page 9)	SSE'S PRINCIPLES FOR CONSUMER FAIRNESS (page 12)	SSE'S PRINCIPLES FOR BUILDING AND OPERATING NEW ASSETS (page 13)	SSE'S PRINCIPLES FOR PEOPLE IN HIGH-CARBON JOBS (page 15)	SSE'S PRINCIPLES FOR SUPPORTING COMMUNITIES (page 18)
1. Guarantee fair and decent work 2. Attract and grow talent 3. Value employee voice 4. Boost inclusion and diversity	5. Co-create with stakeholders 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)*

[3] See another case study on SSE here:https://www.royallondon.com/pensions/investment-options/investing-responsibly/case-studies/#companies.
[4] https://www.sse.com/news-and-views/2020/11/sse-publishes-just-transition-strategy/.

Figure 6 FirstRand's approach to a Just Transition



Source: (FirstRand, 2020)

The FirstRand Group (FirstRand Limited) includes a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and the UK.

First Rand's approach to Just Transition is included in the Group's Report to Society for 2020 (FirstRand, 2020). FirstRand considers a Just Transition as combining environmental sustainability and an equitable transition to a low carbon economy. Importantly, the Group recognises that the implications of the transition to a low-GHG economy will be differentiated across the African markets where it operates, and therefore, recognises the need to appreciate the transition pathway and socio-economic factors at least at a country-level.

In the 2020 Report to Society, FirstRand identified three factors that it considers as key to Just Transition planning. First, it is important to take into account the sustainable development, growth needs and goals of each country. Second, social interventions must be in place to secure workers' rights and livelihoods Third, there should be an urgency of climate-related risk management and decarbonisation. Furthermore, the Group acknowledges that: (i) balancing priorities of economic development, social inclusion and equity, and climate-related impacts are important for an emerging market financial institution; and (ii) a Just Transition requires participation from financial and non-financial institutions both in the private and public sector, including government, trade unions, civil society and technical experts.

Lastly, like the ILO's Just Transition Guidelines, FirstRand believes that stakeholder consultations are crucial in developing the approach to climate change responses, with the Group is working with several stakeholders including customers and broader society, regulators, investors, and government as illustrated in the diagram above.

In the 2021 TCFD Report, FirstRand appears to have integrated Just Transition into their TCFD reporting.[5] The Group commits to managing its transition away from fossil fuels in alignment with a science-based transition path and taking account of social impacts in order to maximise benefits and minimise adverse impacts on communities, workers and the economy. In line with this ambition, FirstRand is working with the NBI and Intellidex to contribute towards developing climate change pathways and a Just Transition, as well as funding research to understand the role of community ownership in South Africa's renewable energy independent power producer procurement programme (REIPPPP).

7. Conclusion

A Just Transition is not only morally and ethically desirable but is a key requirement for meaningful climate action. Transitioning to a low carbon economy is necessary to prevent catastrophic climate change. This is particularly true in South Africa given that the country is disproportionately vulnerable to the physical impacts of climate change and warms at roughly twice the global average. The broad societal buy-in required to ensure the transition happens soon enough to meaningfully limit climate change will only happen if the transition is viewed as just and fair towards workers, suppliers, communities, consumers and other stakeholders.

As climate change impacts become more tangible and efforts to curb climate change intensify, Transition-specific information will increasingly be expected within climate-related financial disclosures. Efforts to contain climate change and limit these impacts will have economic and social impacts. If not managed carefully, these impacts can be negative – but they need not be. The transition to a low carbon economy creates opportunities for inclusive and sustainable development built around more and better jobs and equitable ownership of low carbon assets. As with all structural adjustments, however, here will be winners and losers in the short- to medium-term. **Neglecting the social dimension of an entity's climate response, therefore, could result in reputation risk tied to negative perceptions of an industry or company by consumers, the community or other stakeholders. This poses a material financial risk that investors will expect companies to be cognisant of and managing**.

[5] Available here: https://www.firstrand.co.za/media/investors/annual-reporting/FirstRand-TCFD-report-2021.pdf.

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