

NZIF Supplementary Guidance on Just Transition

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Executive summary

'Just Transition' refers to a dynamic and evolving concept that is increasingly seen as a necessary element of effective net zero strategies. Rooted in the **Paris Agreement**, it incorporates workforce transition, community resilience, and often place-based planning to mitigate the social impacts of moving to a low-carbon economy.

For institutional investors, just transition is integral to managing risks and preserving long-term value. Social backlash against climate measures can translate into **systemic risk**, manifesting as policy reversals, macroeconomic instability, and social unrest that erodes returns across the market.

At the asset and issuer level, unmanaged social impacts create **operational and legal risks**: delays, cancellations, strikes, litigation, and reputational damage that affect cash flows, timelines, and cost of capital. Evidence from infrastructure projects and rising rights-based litigation underscores the financial materiality of these risks. Policymakers and regulators are increasingly attentive to the social dimensions of climate action, raising **compliance and regulatory risks** for investors who overlook them.

Furthermore, just transition can also unlock **long-term value**: stronger talent pipelines through reskilling and redeployment, more bankable project pipelines via place-based strategies, and durable community support for the expansion of clean energy, sustainable infrastructure, and green jobs.

The components of the **Net Zero Investment Framework 2.0 (NZIF 2.0)** – governance and strategy, objectives, strategic asset allocation, asset-level assessment, engagement, and policy advocacy – provide practical levers to integrate just transition into investment strategies. By applying just transition principles alongside climate objectives, investors can mitigate transition risks and protect long-term value, while enhancing the credibility of their net zero strategies, and supporting more resilient and inclusive real economy outcomes.

Introduction

In the past decade, a rapidly growing number of countries have announced net zero or climate neutrality targets, marking a significant global shift toward decarbonisation. While the transition to a low-carbon economy brings significant positive outcomes for long-term economic and financial stability, it also creates considerable challenges for workers and communities dependent on fossil fuel-related industries. Translating high-level ambition into action on the ground will require far-reaching structural changes to energy systems, labour markets and local economies.

The International Labour Organization (ILO) estimates that a shift to a climate-neutral and circular economy could lead to the creation of an additional 100 million jobs by 2030; however, ~80 million jobs could be lost in that process. New jobs may not be created for the same workers, at the same time and in the same locations where jobs are lost, as both job creation and losses are unevenly distributed across the world and are often concentrated in specific regions and communities.¹ For example, in Europe, regions in Romania and Czech Republic² are expected to lose jobs dependent on the coal value chain, whereas most solar jobs are situated in countries such as Germany and Spain.³

The term 'Just Transition' traces its roots to US labour activism in the 1970s⁴ and was cemented by its inclusion in the 2015 Paris Agreement, which notes "the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities."⁵ It has since been re-affirmed by many global platforms, including most recently at COP30 which approved the development of a Just Transition Mechanism.⁶ Its significance is increasingly recognised by institutional investors and policymakers and reflects a growing awareness that socially inclusive climate strategies are a prerequisite for enabling an orderly, credible and effective transition to net zero.

Just transition considers the transition risk for key stakeholders, including workers, communities, customers and supply chains, to mitigate economic shocks and support a resilient and efficient transition grounded in decent work, social equity, community resilience, and fair distribution of risks and opportunities. Where this risk is well managed investors are better able to mitigate systemic threats to long-term stability and avoid the destruction of value at companies in which they invest, in line with their fiduciary duty.

For institutional investors, integrating just transition considerations into climate strategies is not only about managing systemic, legal, and reputational risks; it is essential to securing the social foundations that enable an orderly transition to net zero and maintain the resilience of climate action across both developed and emerging markets.

NZIF 2.0 and Scope of Guidance

This supplementary guidance builds on NZIF 2.0 by helping investors seeking to integrate just transition considerations into their individual net zero strategies, consistent with fiduciary duties and diverse institutional mandates. NZIF includes just transition within its multi-criteria maturity scale under the 'asset-level assessments and targets' component, to be incorporated where feasible and drawing on resources such as Climate Action 100+ Disclosure Framework. This guidance supports investors seeking to go further by addressing data gaps, offering tools, and helping them embed just transition more comprehensively across strategies and asset classes.

Defining 'Just Transition'

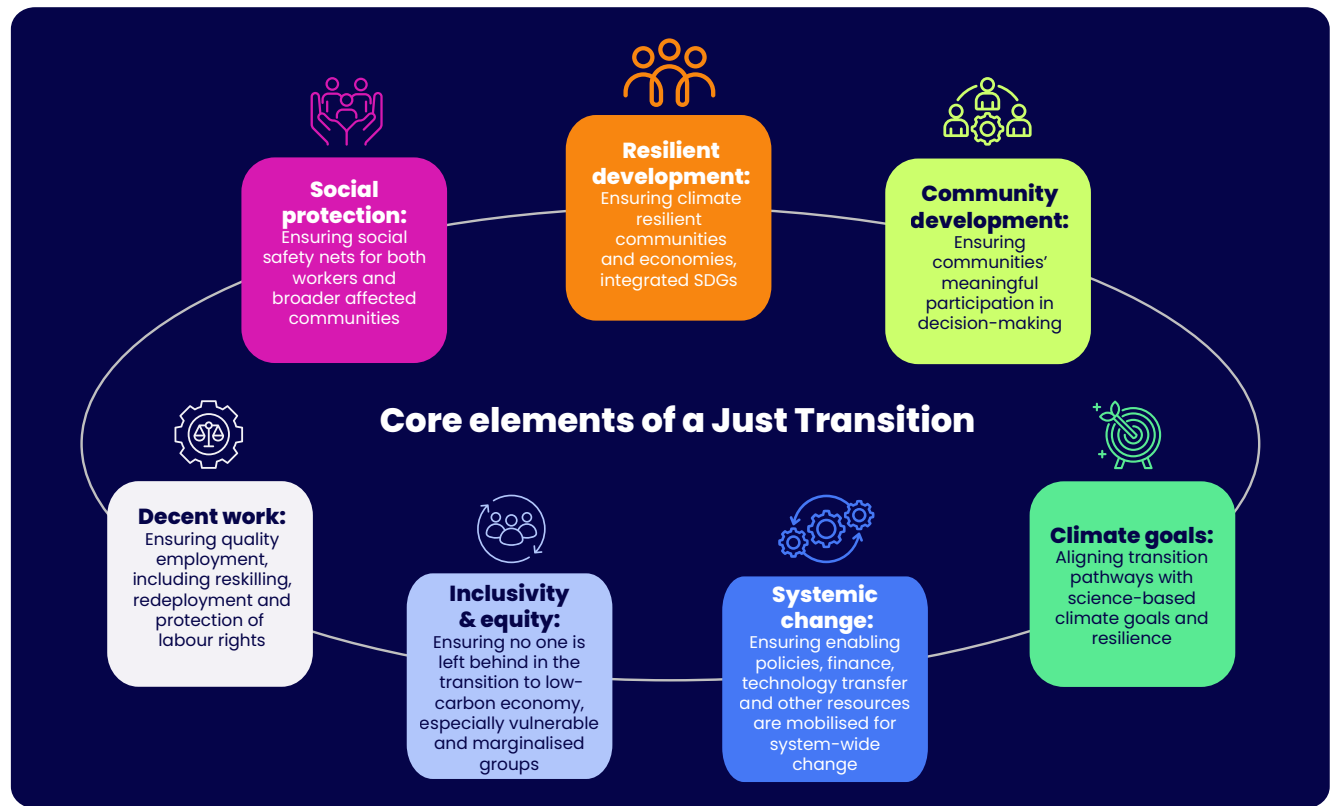
While the Paris Agreement stresses 'taking into account the imperatives of a just transition', it doesn't define exactly what a 'Just Transition' is.⁷ To date, there is no universally accepted definition of the concept.

A review of existing literature shows that, broadly speaking, the concept of a just transition integrates social and environmental concerns in the shift to net zero. It balances rights-based justice with science-based climate action, ranging from broad notions such as fairness and equity to specific aims such as decent work for all and addressing post-transition injustices, particularly for workers and communities effected by job losses and displacement risks due to a transition to a low-carbon economy.⁸

Common themes

While the term 'just transition' is widely used, other terms such as 'inclusive transformation' or 'orderly transition' may be used in some contexts, all underscoring the need to integrate social dimensions into the transition process. Some definitions might stress labour rights more, while others focus on fairness in consultation. **Figure 1** showcases common themes across definitions provided by IPCC, ILO, UNFCCC, TPT and various MDBs.

Figure 1: Common themes among 'Just Transition' definitions



Based on definitions by:

Source: IIGCC compilation based on multiple definitions.

In addition to the resources mentioned above, investors can also refer to World Benchmarking Alliance (WBA) and Climate Action 100+'s Net Zero Company Benchmark just transition indicators to inform their thinking.

Key stakeholders

The Just Transition Finance Lab – a centre hosted in LSE and dedicated to experimentation in financial solutions needed for a just transition⁹ – has recognised four key stakeholder groups: workers, suppliers, communities^A and consumers.

Investors are encouraged to:

- Anticipate, assess and address the social risks of the transition for each of these stakeholder groups;
- Identify and enable social opportunities and ensure meaningful dialogue;
- And engage with each of these groups on their transition planning.¹⁰

These communities hold unique rights and cultural, social, and political identities that must be specifically considered, particularly where projects or policies affect their lands, livelihoods, and ways of life. Community-based definitions, such as those developed by the [Climate Justice Alliance](#), offer complementary perspectives that highlight grassroots priorities around equity, power, and regenerative economies.

Key takeaways

- The global push toward net zero presents both opportunities and challenges. The uneven distribution of gains and losses across regions, sectors, and communities underscores the need for a 'Just Transition'.
- At its core, a 'Just Transition' seeks to balance climate ambition with fairness, ensuring decent work, equity, and resilience for those most affected by the structural change. There is no universally accepted definition – NZIF users are encouraged to set and disclose the definition that is most suitable to their organization's unique context.
- Recognizing key stakeholders – workers, suppliers, communities, consumers, and Indigenous peoples – is essential to avoid deepening inequalities and to uphold rights-based justice alongside science-based targets.

The case for investor action

Integrating just transition considerations strengthens efforts to manage a wide range of risks, protect return drivers, and unlock investable and inclusive decarbonisation pathways. By embedding just transition principles into their investment strategies, investors can help reduce systemic, operational, policy and regulatory risks while also creating long-term economic value.

The following section examines each of these risk channels in turn, explaining how inadequate attention to just transition considerations can translate into material financial risks for investors. It also highlights concrete examples showing these risks already manifesting across markets, projects, and policy contexts. Table 1 further down includes a summary and illustrative examples.

Figure 2: Why investors should care about just transition



A. Systemic risk



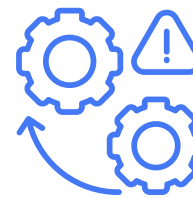
For ‘universal owners’ like pension funds who hold global market portfolios and invest in companies with globally integrated value chains, risks associated with just transition may be financially material. Economic shocks to workers, communities, suppliers and consumers across global markets can provoke resistance to both the transition away from fossil fuel activities (e.g. shutting down fossil fuel plants and mines, phasing out of internal combustion engines vehicles) and the scale-up of climate solutions (e.g. building retrofits, onshore wind).

Lack of social acceptance of climate measures, particularly where costs are unevenly shared or perceived as unjust may evolve into systemic risks. These include policy reversals, sovereign risk, growth drag, macroeconomic instability, and social unrest. In 2018, the planned increase of carbon tax and its effect on fuel prices in France led to the *Gilets Jaunes* protests.¹¹ In 2024, farmers protested the European Green Deal through tractor blockades across Europe, citing concerns about the energy transition’s affordability.¹² In 2019, COP25 was relocated from Santiago, Chile to Madrid, Spain following widespread unrest in Chile, sparked in part by a metro fare increase which was seen as disproportionately burdening poorer communities.¹³

By integrating just transition principles effectively into their investment strategies investors can reduce the risk of public backlash that can derail climate policy and affect market confidence and firm performance.¹⁴ Social acceptance and market resilience are not peripheral, but foundational enablers of a successful net zero transition. An orderly and inclusive transition serves as a precondition for market wide stability, stronger investment opportunities and more resilient returns.¹⁵

Investors may wish to assess social dimensions that are material in their individual contexts and integrate them into target-setting, strategic asset allocation, engagement and capital allocation. They can do so by using research, data and signals to map social risks and co-benefits, and allocating capital to strategies that are not only financing reduced emissions but also considering social outcomes. This can be applied across asset classes, including private markets, where investment in infrastructure and in companies that are transitioning can have significant local impacts.

B. Operational risk



Unmanaged social impacts pose material execution risks at both issuer and project levels. Failure to meaningfully engage stakeholders also increases exposure to protests, media scrutiny, and shareholder action. These risks manifest as delays, strikes, litigation, and reputational damage, directly affecting cash flows, project timelines, and cost of capital. Integrating just transition principles reduces operational, legal and reputational risks and protects value.

A study by the Inter-American Development Bank¹⁶ found that out of 200 infrastructure projects in Latin America and the Caribbean across 6 sectors, 36 were cancelled, 162 delayed, and 116 faced cost overruns due to conflicts on topics such as reduced access to resources, lack of community benefits and lack of adequate consultation. Energy and resource projects were disproportionately affected. Such outcomes often stem from stakeholder groups feeling excluded from the benefits of the transition while bearing the burden of job losses, rising living costs, risks of displacement and land degradation. Stakeholder engagement and rights-based due diligence with clear evidence of consultations, Free, Prior and Informed Consent (FPIC) compliance, workforce transition funding, and benefit-sharing agreements all enhance the credibility of transition plans.

Furthermore, litigation addressing social equity and environmental trade-offs in the climate transition is rising. The Business and Human Rights Centre reports that, as of July 2025,¹⁷ 95 cases have been initiated globally since 2009 relating to protecting human rights in the context of the energy transition. Several of these lawsuits resulted in project delays, 'stop-orders' and significant costs.

Embedding just transition principles helps companies protect their reputation and in turn protect shareholder value. Holding companies known to be causing social harm by failing to integrate just transition principles could also affect an investor's reputation. Investors confirm the materiality of these risks in the Just Transition Finance Lab's disclosure report: *"Financial materiality can come from lots of different drivers. It could be reputational; it could be exposure to policy risk. [...] we would be thinking about it as something that can have a material impact on the valuation of the company, on its revenues, on its costs."*¹⁸

C. Policy and regulatory risk

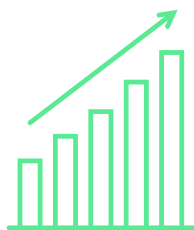


Policymakers and regulators are paying greater attention to the social dimensions of the climate transition, though progress remains uneven across jurisdictions. Investors who align their investment propositions with just transition policies may be better positioned to meet regulatory requirements, shape future frameworks, and access new public-private investment opportunities.

For example, the initiation of Just Energy Transition Partnerships (JETPs) in Indonesia and Vietnam has raised uncertainty around the early termination of coal power purchase agreements (PPAs).¹⁹ Outside of 'Just Transition' labelled actions, policies and regulations on labour rights and human rights are becoming more prevalent. For example, EU's Corporate Sustainability Due Diligence Directive (CSDDD) requires companies to undertake risk-based human rights in their own operations and across value chains.²⁰ To stay ahead of the regulatory curve, investors could monitor evolving best practices and embed topics such as human rights in value chain due diligence obligations.

Policy, stakeholder, and market advocacy can be meaningful levers for advancing the just transition. Governments are unlikely to implement the policy and regulatory enabling environment required for the transition without voter support. At the same time, many of the interventions required to enable a successful just transition depend upon government interventions and public financing.

D. Long-term value



Beyond managing risk, incorporating consideration of just transition principles can create value for companies by strengthening talent pools, future-proofing portfolios and tapping into new growth opportunities in clean energy, sustainable infrastructure, and green jobs. Integrating just transition considerations into corporate and project assessments, including credible workforce transition plans and community endorsement, has the potential to enhance investment returns and resilience.²¹

Crucially, just transition approaches must address both sides of the transition: responsibly managing the decline of sectors and activities incompatible with net zero goals and objectives AND enabling inclusive growth in climate solutions. This includes recognising and navigating actions involved in phasing out jobs and assets in carbon-intensive sectors/regions while scaling up and phasing in opportunities in emerging sectors, often in different geographies.

Opportunities

- **Strengthen talent pool:** Using the transition to promote a more inclusive and diverse work environment can also create new market opportunities,²² enhance access to sustainable financing, and attract and retain talent. Reskilling and redeployment preserve institutional knowledge and reduce replacement costs, while inclusive practices, including in the supply chain, strengthen the development and retention of skills needed in growth sectors such as EVs, heat pumps, carbon capture and storage (CCS), and grid services.
- **Build bankable pipelines with place-based strategies:** Place-based strategies align just transition principles to local contexts to better serve key stakeholders. Efforts such as the \$8.5bn Just Energy Transition Partnership (JETP) announced with South Africa at COP26 show how a tailored local context dependent just transition approach can create bankable pipelines and mobilise concessional finance. Similar approaches are now being tested in Indonesia, Vietnam, and Senegal.²³
- **Shared societal benefits:** A just transition lens has the potential to support the intersection of climate, social, and nature priorities – expanding access to clean and affordable energy, improving air quality, advancing gender equity, and building healthier, more resilient communities. These shared benefits strengthen long-term return through societal stability (and other benefits).

Please see Table 1 below for examples of financial risks posed by inaction on just transition.

Table 1: Financial risks posed by inaction on just transition

Risk type	Description	Example
Systemic risk	Destabilisation of financial systems following the lack of social acceptance	In 2024, tractor blockades across Europe showcased farmers’ frustration with the European Green Deal. ²⁴
Operational – Execution risk	Risks to efficient and timely execution of projects due to social conflict and unrest	A study by the Inter-American Development Bank ²⁵ found that out of 200 infrastructure projects, 36 were cancelled, 162 delayed, and 116 faced cost overruns due to conflicts on topics such as reduced access to resources, lack of community benefits and lack of adequate consultation.
Operational – Legal risk	Risks arising from litigation related to how the transition is affecting companies, individuals and communities	Business and Human Rights Centre’s Just Transition Litigation Tracking Tool reports that, as of July 2025, ²⁶ 95 cases have been initiated globally since 2009 involving renewable energy and transition minerals.
Policy & regulatory	Risks from new and evolving public policies or non-compliance with existing or new regulations	The European Commission established a Just Transition Mechanism as part of the European Green Deal. ²⁷ As more regulations related to the just transition become prevalent, investors face higher political and regulatory risk.

Key takeaways – The case for investor action

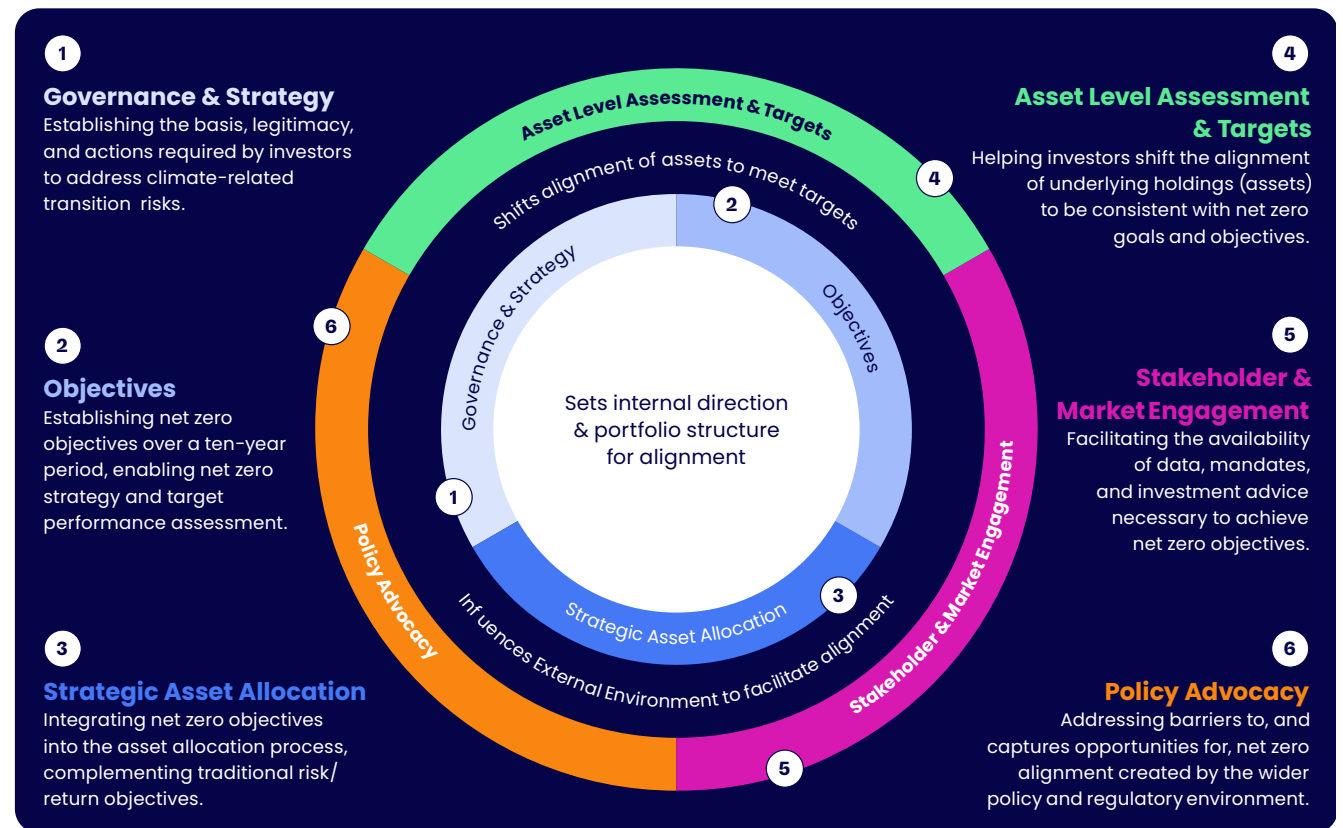
- Integrating just transition principles into investment strategies is essential for mitigating systemic, operational, and regulatory risks that threaten market stability, project delivery, and compliance.
- Doing so safeguards long-term value by enhancing social acceptance, reducing litigation and reputational exposure, and ensuring alignment with evolving policy frameworks.
- Moreover, it positions investors to capitalize on emerging opportunities in clean energy, sustainable infrastructure, and inclusive workforce development, thereby strengthening portfolio resilience and returns.

NZIF components for Just Transition

The next section outlines the core components of the Net Zero Investment Framework most relevant to the just transition, alongside recommended actions for investors.

The NZIF wheel provides multiple points where investors can embed just transition considerations. **The following components offer areas where investors may find the most appropriate levers to support just transition integration in practice, including governance & strategy, objectives/capital allocation, engagement, and policy.**

Figure 3: NZIF 2.0 wheel



1 Governance & Strategy

- Incorporate just transition considerations in the net zero strategy to signal its importance to the market, investees, and broader stakeholders:
- Actively involve the groups affected by the transition (workers, suppliers, communities, Indigenous groups, consumers) and show how their input shaped the plan where applicable.
- Ground the approach in recognised standards and frameworks⁸ to give the strategy legitimacy and comparability across markets.
- Incorporate relevant just transition metrics, where applicable, to inform net zero strategy.
- Develop credible processes and policies for application of just transition principles across total portfolio, including associated governance processes, and document where and how this has been applied:
 - Develop a policy for how potential social trade-offs and conflict of interests will be managed across different beneficiaries of the investments and different segments of society. Where conflicts cannot be avoided, clearly disclose them to relevant parties.
 - Build in-house capacity and skills for assessing and supporting just transition, supplemented with external expert support where needed. (e.g. academic, developmental organisations/non-for-profit, trade associations, consultants)
- Ensure that just transition expectations extend beyond asset-level operations to upstream and downstream value chains.

- Integrate just transition across investment due diligence, investment strategy, stewardship, engagement, voting and reporting.
- Asset owners can develop policies or guidelines for asset managers to ensure consideration of just transition alignment in their investment processes and strategies.

2 Objectives

- Consider adding a just transition overlay to existing portfolio and funds with a climate objective to incorporate social risk management. For example, consider the quality of jobs for industries transitioning in and support for local supply chains and reskilling and retraining for industries transitioning out.
- Disclose how targets represent fair share contributions towards global GHG emissions reduction efforts.^c
- Asset owners can engage with their asset managers to develop investment products and funds aligned with net zero objectives and just transition considerations, strategy, and targets;
 - When engaging with asset managers, asset owners can be explicit about intended beneficiaries, expected social outcomes, and how trade-offs will be managed. This may include thematic products focused specifically on the just transition, with objectives such as asset-level outcomes.
- Asset owners can guide asset managers to assess and seek investments that incorporate social value for regions, households or direct/indirect workforce.

For further guidance on regional diversification, please refer to 'Considerations for Emerging Markets and Developing Economies: Supplement to NZIF'²⁸ and 'Mobilising Climate Investment in Emerging Markets'.²⁹ For more information on climate solutions and a transition finance, please refer to IIGCC guidance on climate solutions³⁰ and discussion paper on transition finance.³¹

3 Strategic Asset Allocation

- Integrate just transition considerations into portfolio construction and standard financial and net zero objectives at the portfolio level.
- Update investment benchmarks, when possible and relevant, to incorporate just transition-related objectives alongside climate objectives in sufficient detail.
- Incorporate just transition considerations into net zero aligned mandates/funds.

4 Asset Level Assessment and Targets

While current detail in NZIF 2.0 on just transition is limited, as compared to other 'determining' criteria, it is recommended that NZIF users consistently consider just transition criteria within the maturity scale where feasible. For more details, refer to the corresponding section in main [NZIF 2.0 Report](#).

Recommendations to consider for all Asset Classes:

- Develop a framework for identifying and assessing the main levers or impacts of the just transition, both at the asset level, and at a systematic level across workers, communities and consumers.
- Disclose the key levers to be used to integrate just transition considerations into the investment process, such as asset allocation, security selection, engagement, etc. In each case, provide examples illustrating these levers in action.
- Embed just transition into transition plans at both the systematic and asset level, bringing in affected communities/ stakeholder voice (or demonstrate how a plan is considering local community and employees' needs) where feasible.
- Consider contextual impact metrics that account for local socio-economic and environmental conditions to better assess risks and opportunities, as an evolution from traditional frameworks.
- Where climate or social objectives form part of an investment strategy, integrate just transition considerations to ensure a holistic and credible approach, in line with fair-share pathways where applicable.

- For indirect investors, e.g. fund of funds, engage with the manager for the disclosure of relevant impact metrics.

Investors can also collaborate with MDBs and DFIs to co-invest in vehicles that embed just transition objectives through concessional finance structures, enabling risk-sharing in areas such as socially inclusive infrastructure, financing or housing. By aligning capital deployment with MDB standards for social safeguards, stakeholder engagement and equitable benefit-sharing, investors can leverage blended vehicles that target underfunded geographies (e.g. EMDE) or communities and ensure transparency in reporting of social outcomes (e.g., jobs created, gender equity, access to services).

Asset class specific recommendations to consider:

Asset	Considerations
Listed Equity and Corporate Fixed Income	<ul style="list-style-type: none"> Engage actively with companies to promote consideration of just transition principles, within the scope of what is possible and ensuring that is not value destructive for individual investments.³² Disclose any limitations on ability to pursue just transition: <ul style="list-style-type: none"> Encourage corporates to integrate just transition into climate strategies. Encourage corporates to engage critical stakeholders and incorporate their feedback and perspectives into the decision-making process. Encourage corporates to support federal, state and local policies that enable just transitions. Consider the just transition criterion within the multi-criteria and maturity scale methodology. Incorporate just transition into engagement and voting policies in line with IIGCC Net Zero Stewardship Toolkit and CA100+ Just Transition Disclosure Framework. Consider capital allocation or provide access to just transition related bonds including Green, Social and Sustainability (GSS) Bonds. Consider just transition in due diligence as part of GSS Bonds issuer verification and engage issuers for improved disclosure and integration. Recognise nuanced approach to voting and differentiate transition expectations for corporates in developed and emerging markets. Draw lessons from MDB GSS bond frameworks to enhance use-of-proceeds transparency and alignment with just transition objectives.³³
Sovereign Bonds^P	<ul style="list-style-type: none"> Consider just transition criteria when setting alignment objectives and targets for the asset class, by incorporating fair share pathways. Seek engagement opportunities on relevant climate policies and reporting, including how climate strategies address social equity, labour impacts, and vulnerable communities. Map and seek engagement opportunities that enhance the use of the investor ‘voice’ and dialogue with key stakeholders affected by the transition. Incorporate metrics that evaluate how issuers are managing the social dimensions of climate action (e.g., labour market impacts, social protection systems). See page 17 of Sovereign Bond guidance for example of metrics. Collaborate with multilateral institutions or development agencies to help governments design and implement socially inclusive climate policies. Leverage MDBs’ sovereign bond practices by encouraging issuers to integrate just transition.
Real Assets (Infrastructure / Real Estate)	<ul style="list-style-type: none"> Consider capital allocation to projects on affordable housing, retrofitting and energy efficiency improvements, community energy and infrastructure projects, and social infrastructure. Consider just transition matters in processes of due diligence, seeking to support and promote entities and projects that have a good relationships with local communities, involving them in planning and decision-making. Identify, assess and measure potential social risks and impacts in investments and value chains. Consider impact metrics focusing on community and social impact (eg. affordable housing/transport/clean energy/digital), tenant and community (e.g. community/tenant engagement, displacement/resettlement, energy poverty reduction), place-based impact (e.g. investment in deprived areas), workforce and employment.
Private Markets	<ul style="list-style-type: none"> Consider just transition matters in processes of due diligence, seeking to support entities and projects that have a good relationship with local communities, involving them in planning and decision-making, especially in sectors like renewable energy, infrastructure, and regeneration. Develop impact measurement frameworks that include social and equity indicators. Track and report on outcomes such as job quality, displacement risks etc, and communicate just transition alignment as value enhancers. Leverage MDB-informed blended finance approaches by investing in de-risked capital structures that crowd in private capital towards socially inclusive climate projects, particularly in emerging markets. Align with MDB co-investment models that ensure measurable social outcomes through concessional finance layers or technical assistance facilities.

5 Stakeholder and Market Engagement

Stakeholder Engagement

- Engage with critical stakeholders at the local, national, supranational and global levels where possible / applicable. For example, communities, workers, suppliers, business organisations, trade unions, civil society in both developed and developing markets. Integrate stakeholder feedback and perspectives into decision-making processes, engagement efforts, and policy advocacy.
- Engage corporate sector initiatives, industry associations, and key market actors to support the development and implementation of just transition plans across sectors. Collaboration should include affected stakeholder groups, governments, and investors where appropriate. Consider how best to assess whether such plans reflect genuine engagement and endorsement from those impacted, recognising that 'dialogue' is a process that does not always lead to consensus.
- Partner with stakeholders to support place-based just transition principles and development of just transition financing initiatives.

Market Engagement

- Engage with data providers to provide better datasets, granular data points or metrics and assessments of indicators most relevant to just transition, specifying coverage, history and timestamping for quality assurance as well as reporting on those. The Just Transition Finance Lab developed a [just transition metrics compendium](#) that issuers are starting (or due to start reporting on).
- Engage with other service providers to promote inclusion of just transition-aligned practices and considerations in their investment processes and strategies. For example, engage with index providers to integrate social/just transition dimension in climate aware indexes and index-based solutions. In doing so, asset owners should be clear on their aims, and how to manage challenging trade-offs.

6 Policy Advocacy

- Engage policymakers at sub-national, national and international level to advocate for an enabling environment and an ambitious roadmap for a just transition. Encourage them to ensure that local stakeholders play an active role in the design, implementation, and monitoring of policy development. Roadmaps can exist for both 'transitioning out' and 'transitioning in' activities. If applicable, disclose to policymakers how just transition challenges are impeding the ability to pursue more ambitious decarbonisation investment goals.
- Incorporate feedback from key stakeholders into policy engagement, with clear disclosures on trade-offs and conflicts of interest.
- Engage national governments to incorporate just transition, and considerations for Emerging Markets and Developing Economies (EMDEs), into inter-governmental negotiations and policy design.
- Advocate for the inclusion of just transition in MDB's and DFI's activities and mandates. Governments are shareholders of these institutions, so have the levers to increase the just transition focus.
- Draw links with current and evolving regulation on just transition, where these exists.

Key takeaways – NZIF components for Just Transition

- Consider integrating just transition principles into net zero strategies, supported by clear governance processes, recognised frameworks, and stakeholder engagement to ensure legitimacy.
- Define just transition outcomes alongside climate goals and disclose how targets align with fair-share contributions to global emissions reduction.
- Incorporate just transition considerations into strategic asset allocation, investment mandates, due diligence, and asset-level transition plans, using contextual metrics that reflect local socio-economic conditions.
- Actively involve workers, communities, suppliers, and Indigenous groups in decision-making, and collaborate with industry associations, data providers, and service providers to strengthen just transition practices.
- Engage policymakers and multilateral institutions to promote ambitious just transition roadmaps, ensuring local stakeholder participation and addressing barriers to scaling socially inclusive climate investments.

Conclusion

For institutional investors, the just transition is not an optional add-on to climate strategy; it is a core determinant of execution feasibility, policy durability, and market-wide stability. Integrating just transition considerations helps to mitigate systemic, operational, and regulatory risks while enhancing social acceptance, which is a foundational condition for resilient portfolios and credible net zero pathways.

By embedding these principles in governance, objectives and targets setting, asset allocation, engagement, and advocacy, investors can protect value and capitalise on investable opportunities as part of their fiduciary duty.

Endnotes

- 1 UNFCCC, 2023. [Global Stocktake, Submission by the International Labour Office](#)
- 2 Cambridge Journal of Regions, Economy and Society, 2024. [The green transition and its potential territorial discontents](#). Volume 17, Issue 2, Pages 339-358.
- 3 Solar Power Europe, 2024. [EU Solar Jobs Report 2024](#). [EU Solar Jobs Report 2024](#)
- 4 Scottish Government, 2020. [Just Transitions: a comparative perspective](#). [Just Transitions: a comparative perspective](#)
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Notes

- A. While First Nations and Indigenous communities are not explicitly named among the four stakeholder groups, they are recognised as distinct, with unique rights and cultural, social and political identities that may require specific consideration, particularly where investments or policies affect their lands, livelihoods and ways of life.
- B. Such as ILO, LSE/Grantham, UNFCCC, ICCR etc
- C. Fair share considerations represent the recognition that the ultimate global goal to achieve net zero GHG emissions by 2050 will require different sectors, industries, and regions to decarbonise at different rates. This is related to the common but differentiated responsibilities and respective capabilities principle used within international climate negotiations.
- D. Including Supranational, and Agency (SSA)

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