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Bridging the Gap: Transition Finance for a Just and Sustainable Future

2025 LSFI Summit

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Agenda

1 Introduction to a just transition

2 The role of the financial sector

3 Examples

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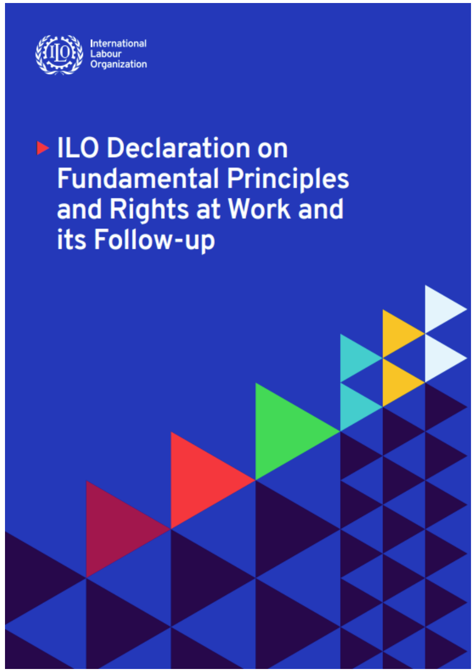
The International Labour Organization at a glance

United Nations agency for the **world of work**. Organization with a **tripartite structure** bringing together governments, employers and workers from 187 member states.

Mission: Promoting decent work & advancing social justice



ILO Social Finance Programme

Mission: Financial sector engagement for achieving decent work

Key areas of work:

- Sustainable Investing
- Impact Insurance
- Financial Inclusion

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Introduction
What is a just transition?

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What transition are we talking about?

- Climate change and environmental degradation

and

- Transition to low-carbon climate resilient economies

- **More than 70% of the global workforce is exposed to serious health risks related to climate change**

Excessive heat

At least 2.41 billion workers exposed annually to excessive heat.

UV radiation

1.6 billion workers exposed annually to solar UV radiation.

Vector-borne diseases

Over 15,170 work-related deaths each year attributable to parasitic and vector diseases.

Workplace air pollution

Increased risk of exposure to air pollution for the 1.6 billion outdoor workers.

- **With each 1 °C rise above 20 °C, worker productivity drops by 2–3%**

A low-carbon transition: what does it look like?

Green and low-carbon activities	High-emitting and hard-to-abate activities	Adaptation and resilience-building activities
"***Greening by***" (providing decarbonization solutions)	"***Greening of***" (diversifying activity mix, exiting harmful activities, decarbonizing hard-to-abate activities)	**Building resilience** of affected communities
Examples: low-carbon energy sources, circular economy, energy efficiency	Examples: phasing down fossil fuels, greening transportation, heavy industries, building and construction	Examples: infrastructure and build environment climate resilience, refurbishments
Green Finance	**Transition Finance**	**Adaptation Finance**

Landscape of Climate Finance

Mitigation finance reached USD 1,781 billion in 2023

- Private finance accounts for 2/3 of total global mitigation investment in 2023
- Green finance dominates with transition finance growing

USD 65 billion

- Primarily from public sources

Green Finance	Transition Finance	Adaptation Finance

Source: CPI Global Landscape of Climate Finance 2025

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Effects of a low-carbon transition

Quantity of jobs

Jobs created
The expansion of a low carbon economy will translate into higher labour demand across such sectors, as **energy efficiency, renewable energy, adaptation projects, infrastructure projects.**

Jobs redefined
Many workers will have their jobs transformed and redefined as day-to-day workplace practices, skill sets, **work methods and job profiles are "greened."**

Jobs eliminated
Certain jobs may be eliminated without direct replacement. This may happen where **polluting and energy-and-materials intensive economic activities** are phased down.

Jobs substituted
Some jobs will be **substituted** as a result of shifts in the economy to more efficiency, to lower carbon, and to less polluting technologies, processes and products.

Net-positive employment creation → **Job losses often concentrated in specific areas** → **Temporal and location mis-matches**

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Effects of a low-carbon transition
Beyond the quantity of jobs

Labour impacts

Wages, working conditions, labour rights and job attractiveness

Workers in clean energy technologies like wind, solar and hydrogen earn on average 15-30% less than in fossil fuel industries.

Skill mismatches, spatial and temporal disconnects

Skills availability: e.g. energy sector needs higher skilled workers than most other industries (36% of energy jobs are within high-skilled vs 27% in the broader economy).

Affordability of energy and basic goods for **low-income households** and other vulnerable groups; **access to** clean technologies, green housing and mobility, and resilience measures.

Risks of unfair distribution of opportunities and costs

Gender inequality in workforce transition and access to skills development, and non-inclusion of other underrepresented groups.

Stranded communities and economic decline due to negative spillover effects on communities dominated by high-emitting sectors.

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Who are the main stakeholders of the climate transition?

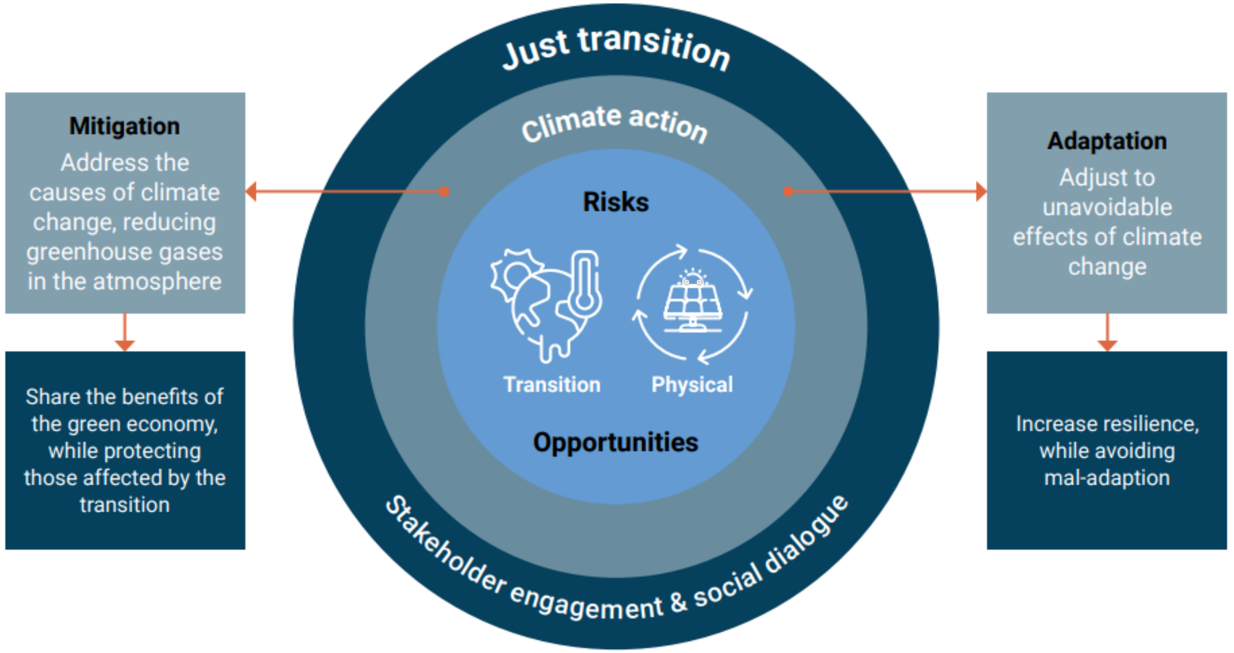
- Businesses
- Workers, including supply chains
- Consumers and end users
- Affected communities

Vulnerable groups

What is a just transition ?

- **Fair and inclusive way** of promoting environmentally sustainable economies

- **Maximizing the social and economic opportunities** of climate and environmental action, while **minimizing and carefully managing any challenges.**



- It matters for **all economic sectors, countries at all stages of development** and for **urban and rural areas alike**.
- There is **no "one size fits all" approach** to a just transition.

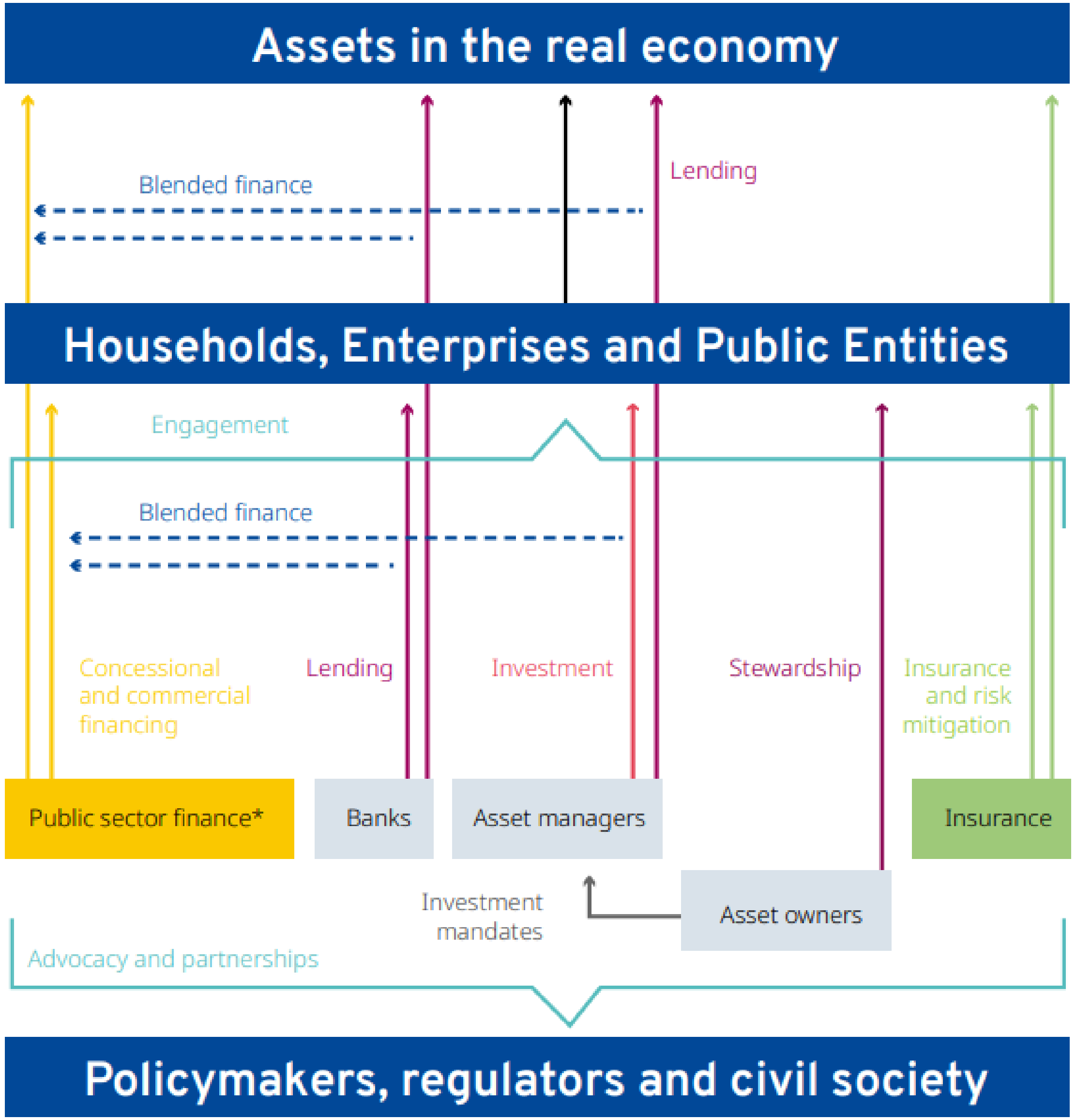
Negative social impacts may appear across the transition spectrum

Green and low-carbon activities *"Greening by"*	High-emitting and hard-to-abate activities and offsets *"Greening of"*	Adaptation and resilience-building activities *"Building resilience"*
Land rights ***Labour rights****: forced labour and human rights risks in supply chains of raw materials in high demand, such as cobalt and copper* *Increased* ***pressure on water*** *supplies*	***Job losses*** *and* ***lower quality jobs****,* ***stranded communities****,* ***loss of cultural heritage*** *Nature-based offsets impacts on* ***rights of indigenous*** *peoples and subsistence farming,* ***precarious working conditions***	***Maladaptation*** *when efforts to increase resilience or an asset or system increases vulnerability of people or communities*

The role of the financial sector

The financial sector is a crucial enabler of a just transition

- **Climate finance 2023** stood at USD 1,8 trillion for mitigation and 65 billion for adaptation
- **Climate finance needs** USD 8,4 trillion per year globally
- **Private sector** expected to deliver up to 70% of total investments to meet net zero goals
- **Financial sector has major influence over sustainable outcomes by adhering to and promoting a just transition**



Source: ILO Just Transition Finance Tool

The levers of financial sector actors for promoting a just transition

Enabling just transition-aligned or aligning economic activities
providing capital and insuring just transition aligned-activities.

Incentivizing
driving positive change through pricing, products, investment conditions and engagements.

Inclusion and protection
closing insurance protection gaps and improving financial inclusion of affected and underserved groups.

Improving societal capacity
to face climate and transition-induced risks.

Financial institutions have business reasons for promoting a just transition

Reducing risks resulting from failed climate action, increased inequality and social risks of transition.

Responding to business and investment opportunities associated with supporting climate transition.

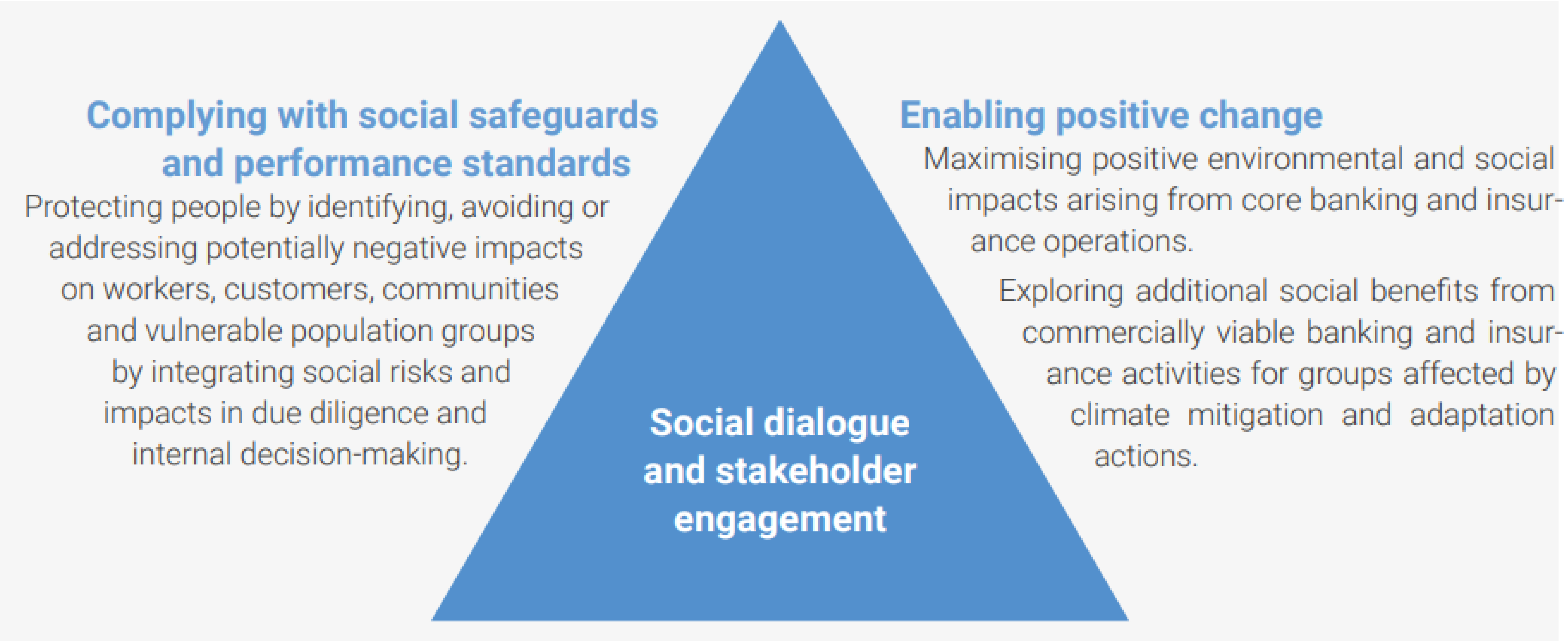
Responding to regulatory pressure, investor and stakeholder expectations, avoiding potential reputational damage.

Financial materiality of social factors: examples

Social factor	Transmission channel	Potential consequence
Industrial relations, social dialogue and freedom of association	Strikes and poor workplace climate reduce productivity and delay operations	Downward earnings revision
Working conditions and OSH	Accidents and OSH incidents increase operational and legal costs, and cause production delays	Short-term stock price drop
Human rights in supply chains	Reputational damage, client and investor withdrawal, loss of licence to operate, project delays	Increased stock price volatility and reduced valuation
Litigation costs	Higher litigation provisions dilute company profits	Downgrade in credit and sustainability ratings and stock price decline

Promoting a just transition as a part of core activities of financial institutions

A two-pillar approach



Source: ILO - UNEP FI Just Transition Finance Pathways for Banking and Insurance

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How can financial institutions promote a just transition?

FOUNDATIONS

1. Assess specific implications of the climate transition and include relevant just transition considerations in the organization's corporate and net zero strategies.

GOVERNANCE

2. Ensure commitment by board and senior executive leadership, assign responsibilities and build capacity and skills needed for supporting a just transition.

IMPLEMENTATION

Product Offering

3.1. Embed just transition in product development process and in existing product offering.

Origination: screening, due diligence and investment decisions

3.2. Include just transition considerations in sourcing, screening, due diligence and investment decision-making process.

Investment agreements

3.3. Reflect just transition-related requirements and incentives in investment agreements.

Monitoring, risk and impact management and reporting

3.4. Measure, monitor and report on just transition related risks and generated impacts.

ENGAGEMENT

4.1. Engage with investees on just transition related issues and exercise voting rights.
4.2. Engage in dialogue with relevant actors to foster an enabling environment for a just transition and promote system-wide innovation.

METRICS: STATE OF PLAY

Source: ILO Just Transition Finance Tool

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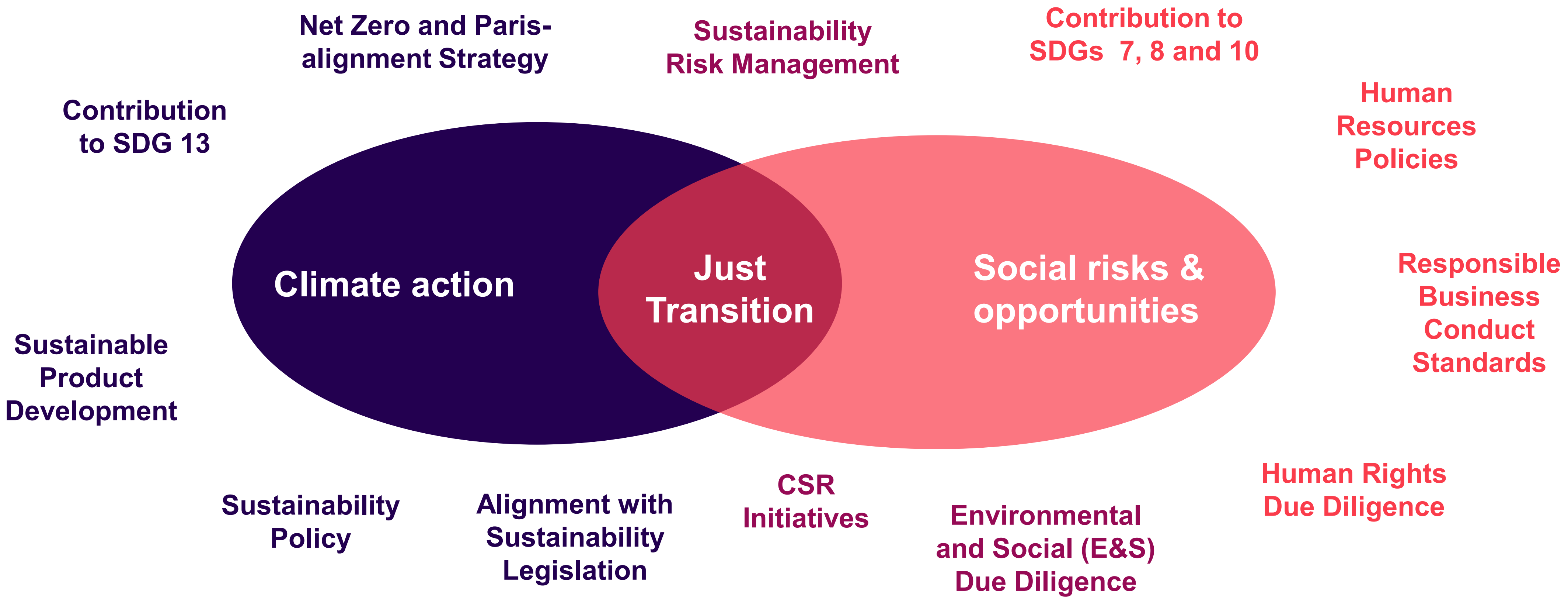
Summary: six steps for adopting a just transition lens

1	**Understand the local transition dynamics, social impacts, risks, and opportunities** affecting sectors, clients, investees, and stakeholders along with the social impacts generated by the organizations' portfolio and its climate transition strategy.
2	Develop a **holistic strategy that leverages stakeholders' knowledge** and puts people at its heart.
3	**Tailor the product offering** to address local challenges, priorities and just transition financing needs.
4	**Incorporate relevant social considerations** in decision making and risk management processes.
5	**Leverage stewardship and engagement activities** to encourage 'just' corporate transition strategies, socially and environmentally sustainable practices and meaningful stakeholder consultations
6	**Engage in strategic partnerships with like-minded financial institutions and organizations**, leveraging collective resources, expertise, and comparative advantages

Just transition is connected to existing strategies and policies of financial institutions



Sources: ILO Just Transition Finance Tool

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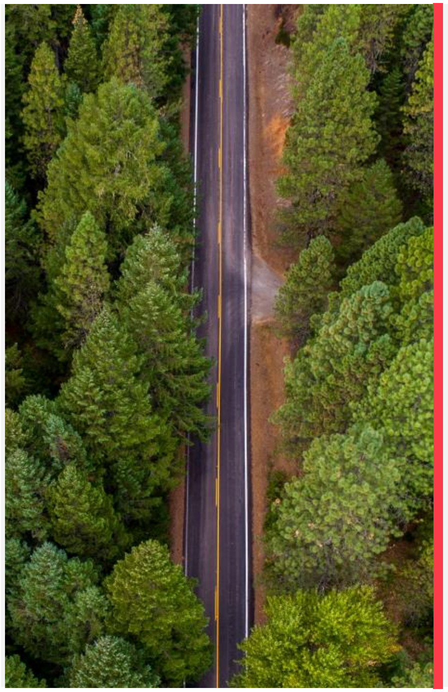
Examples

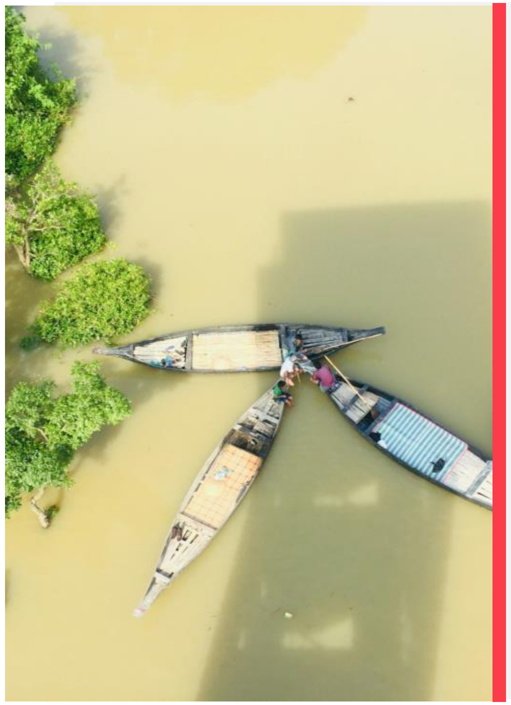
Embedding just transition in a bank's governance and implementation



Rand Merchant Bank has established a **Transition Steering Committee** to embed transition and just transition principles across all business units. The committee includes members from across the bank, bringing together technical and financial expertise.

- Its work focuses on **identifying and assessing both the risks and the opportunities** arising from the energy transition.
- Its work supports the **development of innovative solutions** to help clients achieve decarbonisation goals while integrating just transition considerations.
- RMB prioritises socially focused transactions that align with just transition principles, tailored to the unique social priorities of each African country in which it operates.
- A **multi-disciplinary team** — including experts in climate, social issues, and investment banking **— works with clients and stakeholders** to ensure the social elements of transactions are meaningful and impactful.

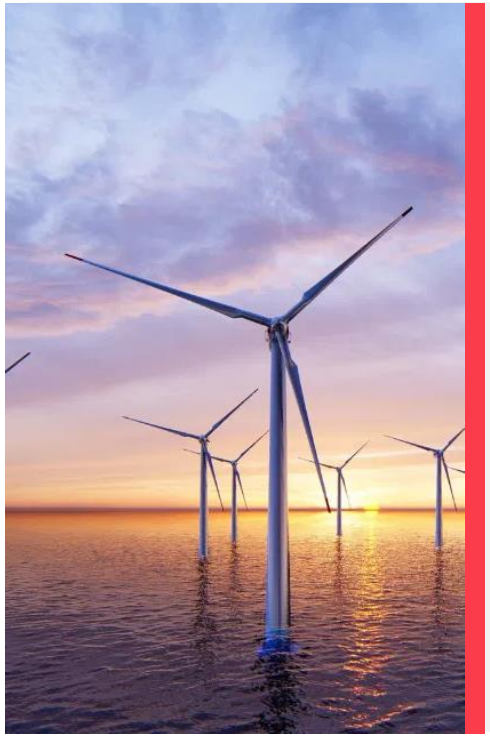
Enabling and incentivizing a just transition via insurance products



HDI Global SE Wind Power Plus policy provides **comprehensive insurance coverage for wind power plant operators**. The product covers risks including **theft, storm, lightning, floods, fire, environmental damage, and third-party compensation claims**. The insurance improves the resilience of wind power plant operators, protecting investments in wind power, and reducing interruptions to operations.

By Miles offers **a-pay-as-you-go car insurance** product. The pay-by-mile insurance premium consists of a fixed cost that covers the car when it is not used, and an additional premium based on the distance actually driven. The distance-based pricing allows the clients to save costs that result from driving less. In addition, the policy incentivises clients to reduce car usage, contributing to carbon emission reduction.

Green loan with financial incentives linked to climate and social KPIs



Coelba is a subsidiary of Neoenergia, a publicly traded Brazilian energy company, embarked on an ambitious network expansion strategy, with support of an IFC USD 115 mln loan.

The loan combines green use-of-proceeds with sustainability-linked financing features, including **reduction of carbon intensity** and **improvement of gender metrics**, in an industry where women hold few technical roles.

- **Climate:** The first indicator covers Scope 1 carbon intensity, with a target to achieve 50gCO2eq/kWh by 2026.
- **Gender:** The chosen indicator will measure the percentage of female electricians compared with the total number of electricians.

Achievement of targets by 2026 will reduce the company's interest rate applicable to interest periods following the measurement date.

Source: *IFC Social KPIs Matter*

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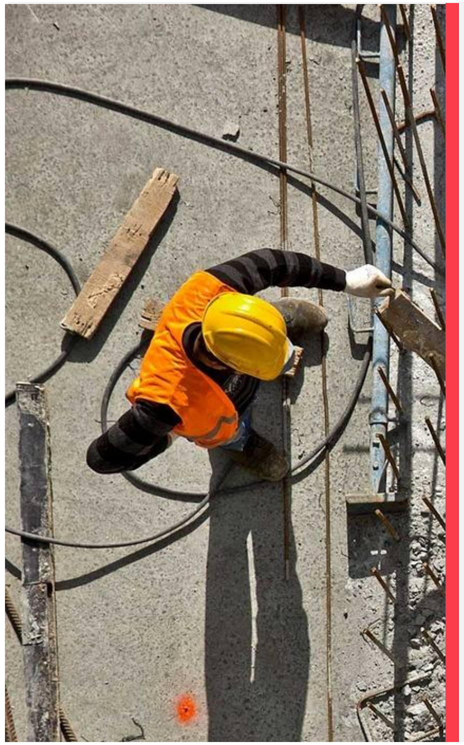
Leveraging complementary mandates for a just transition



The EBRD has invested €55.8 million for 24% of a local currency **transition bond** issued by Tauron Polska Energia, one of the largest energy firms in Poland generating most of its electricity from coal-fired power plants, is moving from fossil fuels to renewable sources of energy.

- The strategy includes a gradual **decommissioning of coal-fired units**, an **expansion of renewable energy sources** and the reduction of **CO_2 emissions**. By 2030, the company aims to generate more than 65% of its energy from zero- and low-emission sources, while reducing greenhouse gas emissions by half.
- The bond includes a performance-linked feature: **Tauron will face higher financing costs if it fails to meet its decarbonisation targets**.
- EBRD has supported the client in engaging with the socioeconomic challenges of their green transition by developing a **programme to support workers in retraining and re-deployment**.

Stakeholder engagement for a just transition

Forming an **External Stakeholder Advisory Group** to engage with grassroots organisations and communities that are affected by climate-related risks can help financial institutions to understand their perspectives and serve clients better.

PNC Bank formed a National Community Advisory Council composed of members who represent various segments of the community, including local executives, community leaders, non-profit organisations to bring their voices into the conversation.

The primary objective of this advisory council is to facilitate continuous guidance to PNC Bank in integrating community perspectives into their initiatives and ensure that bank's strategies align with the needs of the communities they serve.

Thank you for your attention

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ILO resources: Just Transition Finance

- Thematic page: Climate change and financing a just transition

- Just Transition Finance Tool for banking and investing activities developed in collaboration with LSE Grantham Research Institute, also available in French and Spanish
- Just Transition Finance – Pathways for banking and insurance developed in collaboration with UNEP FI
- A Guide to 'Business and Human Rights' for Institutional Investors developed in collaboration with PRI, also available in Japanese

- Social Finance Brief: Navigating a just transition - Financial sector roadmap
- Aligning financial systems with a just transition - Recommendations for the 4th International F4D Conference

ILO resources: Just Transition Finance

- ILO input papers to the G20 SFWG:
  - Finance for a Just Transition and the Role of Transition Finance
  - Social Impact Investing - Quality Jobs Investment Strategies to achieve a cross-SDG impact
  - Enhancing the Social Dimension of Transition Finance
  - Incorporating Just Transition Considerations into Financial Sector Transition Planning developed in collaboration with UNEP FI

- Innovative financial instruments incentivising positive social impact (including social impact bonds, guarantees)

- Just transition aligned insurance (agriculture, climate risk insurance, business continuity, livelihood protection, insurance training modules)