

Responsible Business Conduct for a Just Transition

Protecting Workers, Communities and Consumers
in the Low-Carbon Transition



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PROTECTING WORKERS, COMMUNITIES
AND CONSUMERS IN THE LOW-CARBON TRANSITION

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Foreword

The global shift to a low-carbon economy creates opportunities for innovation, competitiveness and decent work, but if not managed well, it can generate risks for workers, communities and consumers— ultimately undermining the pace of transition. Implementing OECD standards on responsible business conduct (RBC) can help companies integrate social considerations into transition activities, contributing towards a just transition.

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (the OECD Guidelines) are recommendations jointly addressed by governments to multinational enterprises. They encourage enterprises to make positive contributions to economic, environmental and social progress, and to minimise adverse impacts on matters covered by the Guidelines that may be associated with an enterprise's operations, products and services, or its business relationships. In 2023, 55 Ministers from the OECD and partner governments recognised that “the Guidelines are particularly well-placed to promote a holistic and comprehensive approach to environmental management and climate action that also takes into account social impacts” (OECD, 2023^[1]).

This report outlines how companies can take an integrated approach to transition planning and implementation, take a place-based approach to identification and prioritisation of impacts and account for cumulative effects, practice meaningful stakeholder engagement, promote continuous improvement and benefit sharing, and approach disengagement responsibly in the context their low-carbon transition. The analysis draws on interviews with 22 companies and financial institutions and 11 civil society and stakeholder organisations across energy, transport, manufacturing, agriculture, and finance, as well as inputs from a multistakeholder advisory group and the OECD Working Party on Responsible Business Conduct. It also draws on a broad body of existing guidance, benchmarking data, and company practice.

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Executive summary

The low-carbon transition is now underway and is reshaping labour markets, investment patterns, supply chains and access to essential goods in almost all economies. While the transition offers clear opportunities for innovation, productivity and new employment, it can also be associated with risks if it is poorly managed. These risks include job losses, deteriorating job quality, pressures on consumers through higher costs or reduced access to energy and basic goods, and disruption to communities dependent on carbon-intensive activities or newly exposed to business activities which impact their land, livelihoods and cultural heritage. Governments increasingly expect businesses to manage these social dimensions as part of their climate strategies; responsible business conduct is a practical framework for doing so.

This report is primarily intended for business practitioners, as a resource to inform the development of business policies and practices to manage social impacts associated with the low-carbon transition. It provides an overview of current opportunities and challenges and sets out key actions based on OECD standards for responsible business conduct, in contribution towards a just transition.

Key findings

Integrated transition planning remains limited in practice

Many companies still treat climate transition planning as a predominantly environmental or financial exercise, with social issues addressed late or in parallel rather than embedded from the outset. Interviews point to structural barriers, including siloed internal teams, misaligned incentives and inconsistent terminology between climate, financial and social functions. Despite increased references to the concept of a just transition in corporate reporting, only a small minority of companies demonstrate partial planning for social impacts and none fully implement comprehensive measures. Where progress is more evident, it is associated with senior-level ownership, clearer internal accountability and explicit integration of social objectives into transition policies, targets and performance indicators. This report outlines how companies can practically align commercial, environmental and social priorities so that workforce impacts, supplier effects and consumer implications are considered alongside de-carbonisation pathways from the start, rather than in isolation.

Place-based and cumulative impacts require explicit attention

Social impacts of the transition are highly context-specific and can be amplified when multiple changes occur simultaneously in the same region or sector. Regions dependent on a single industry, with limited social protection or weak governance, are more exposed to job losses, income shocks and attendant impacts on quality of life. Similarly, new low-carbon investments and activities may be concentrated in particular locations, including on or near Indigenous lands. In this respect company-level impact assessments are often insufficient to capture these dynamics on their own. More effective approaches combine enterprise-level assessments with broader consideration of regional dependencies, national development priorities and cumulative effects across projects and value chains. Tools such as cumulative

impact assessments, workforce mapping and consumer impact assessments are ways to identify risks and prioritise action.

Meaningful stakeholder engagement underpins credible transition strategies

The report consistently identifies stakeholder engagement as a decisive factor in ensuring the rights of workers, communities and consumers affected by the transition are respected. However, research shows that very few companies commit to consulting affected stakeholders in the design of decarbonisation activities. In order to be meaningful, engagement should be timely, two-way and adapted to different groups, including workers, trade unions, consumers, local communities and Indigenous Peoples. In the context of the low-carbon transition stakeholder interests can diverge and not all demands can always be met simultaneously. In such cases, companies are encouraged to use transparent, risk-based approaches to prioritise the most severe impacts and explain trade-offs. Effective engagement, including social dialogue and collective bargaining in the case of workforce impacts, can enhance trust, reduce delays and improve the quality of transition activities.

Collective action, benefit sharing and responsible disengagement play an important role

Given the scale of transformation involved, individual company actions are often insufficient to address systemic impacts. Collaboration across industry, governments and other stakeholders are necessary complements to company-level measures, particularly for workforce reskilling, regional economic diversification and safeguarding consumer access and affordability. There is a growing use of benefit-sharing and co-ownership models, especially in renewable energy and resource extraction, which allow communities to share upside value and reduce conflict.

At the same time, there is rising importance with respect to how companies exit activities, whether through divestment, supply-chain disengagement or asset transfers. Evidence shows that abrupt or poorly planned exits can shift assets to operators with weaker standards or generate negative impacts for workers and communities. In this regard, efforts to support improvement, engage stakeholders as well address impacts when exit is unavoidable are critical.

Key actions

Drawing on OECD standards on responsible business conduct (RBC) as well as existing practices the report identifies six key actions for companies to manage potential impacts and contribute towards a just transition:

1. Taking an integrated approach to transition planning and implementation
2. Applying a place-based dimension and considering cumulative impacts in identifying and prioritising impacts
3. Engaging meaningfully with stakeholders
4. Addressing impacts through individual and collaborative approaches
5. Designing and implementing benefit-sharing models
6. Promoting continuous improvement and practicing responsible disengagement.

1 Introduction

This chapter sets out the rationale, scope and methodology of the report. It situates the low-carbon transition in its broader economic, environmental, and geopolitical context, noting both the opportunities it creates for innovation, job creation and energy security, and the risks it poses if poorly managed.

1.1. Background

Economic, security and environmental factors, as well as climate change and rising energy demand (OECD/IEA, 2021^[2]; OECD, 2024^[3]) are driving a transition towards alternative sources of energy and a low-carbon economy. This transition offers opportunities for economic growth and innovation, while strengthening energy security through diversified and resilient supply systems (World Economic Forum, 2023^[4]; US Department of Energy, n.d.^[5]). The transition also presents the opportunity to create higher-paying, skilled jobs in sectors such as manufacturing, mining, construction and agriculture (UNFCCC, 2020^[6]). At the same time, an abrupt transition or one not managed properly could increase risks to workers, communities, and consumers, and have destabilising effects on the financial system and economic growth (Arnold et al., 2023^[7]; 2023^[8]; FSB, 2023^[9]; NGFS, 2023^[10]; European Systemic Risk Board, 2021^[11]; Finansinspektionen, 2022^[12]).

Globally transition activities are expected to affect workers through job creation, restructuring, redeployment, and job loss. In this respect the ILO estimates that 78 million workers will lose their jobs by 2030 as a result of the transition while 103 million new jobs will be created (ILO, 2022^[13]). Whilst this represents a growth in jobs globally, such jobs will not necessarily be in the same regions, be of the same quality, nor require the same skills.¹

Transition activities also stand to have considerable impact on the land, health, security, livelihoods and cultural heritage of communities due to activities related to the extraction of resources and the development of new infrastructure or closure of existing facilities. Indigenous Peoples may be particularly impacted; in one study, across a sample size of over 5 000 energy and transition mineral projects it is estimated that 54% of projects are located on or nearby Indigenous peoples' lands (Owen, Kemp and Lechner, 2023^[14]). Furthermore, half of the world's future wind capacity and two-thirds of its solar capacity are expected to be developed in countries with limited civic freedoms with attendant risks for environmental and human rights defenders (Swedwatch, 2025^[15]).

The transition can also have notable implications for consumers by impacting affordability and access to essential services particularly concerning basic goods and energy. For example, in modelling scenarios the European Central Bank noted that transition policies may result in higher costs for raw materials, metals (cobalt, lithium, nickel), and agricultural commodities feeding through into consumer goods prices (Tertre, 2023^[16]). Such impacts can disproportionately impact low-income groups. Coal in particular is relied upon as an energy source for the populace in many emerging economies, with Emerging Market and Developing Economies (EMDEs) accounting for over 80% of global coal consumption (IEA, 2022^[17]). That said, the rapidly declining cost of renewable energy (e.g. solar PV prices have fallen by over 90% in the past decade and wind by around 70%) is making alternative sources of energy increasingly competitive, often cheaper than new coal plants (IRENA, 2024^[18]). This trend is also opening pathways for distributed solutions such as mini-grids and pay-as-you-go solar systems, which are expanding access for off-grid households in regions where centralised grids have struggled to reach (IRENA, 2024^[18]).

While governments will be responsible for establishing the policy and regulatory framework and incentives to deliver on environmental and social commitments, businesses play a key role in developing and scaling technologies, skills and business models that support a just transition, while managing risks of harmful impacts associated with their transition strategies.

Managing social impacts associated with the transition may present specific opportunities and challenges for individual companies operating in affected sectors and supply chains. This includes the energy sector but also financial services, manufacturing, transport, construction, garment, and agriculture. For example, it may necessitate that companies balance de-carbonisation efforts with efforts to mitigate risks to workers, communities, and consumers. This requires navigating the relationships between economic, social, and environmental priorities in day-to-day operations and strategic planning, in order to progress in multiple areas simultaneously. For companies, this will entail taking an integrated approach to transition planning

drawing on a broad range of factors, expertise and stakeholders, engaging with workers, community members, civil society organisations and consumers, and balancing potentially competing interests and considerations. As the transition happens over time, business will be weighing these considerations, while pursuing continuous adaptation and improvement, and transforming their business models by moving into and away from specific activities.

The scale of this transformation will span entire sectors, supply chains, and regions, meaning that businesses, beyond their individual actions, will need to engage with a broader set of stakeholders to achieve their goals. This includes understanding the company's role in relation to the collective impacts of industry transformation and pursuing collaborative approaches with other industry actors, investors and government. The entry into new industries also creates space to explore new operating models, which can maximise benefits for companies, communities and natural ecosystems. For example, shared benefit systems such as community energy co-operatives, where companies partner with local communities to co-own renewable energy infrastructure, can distribute financial returns, reduce emissions, and strengthen social license to operate.

Navigating these unique considerations can result in well-designed transition strategies that create synergies between environmental, social and economic objectives, for instance through nature-based solutions or adaptation measures that protect workers and communities, enhance economic activity and strengthen environmental resilience (ILO/IUCN/UNEP, 2024^[19]).

1.2. Scope and aim

This report is primarily intended for business practitioners, as a resource to inform the development of business policies and practices to manage potential social impacts associated with the transition. Whilst this framework is not a guidance document on environmental due diligence or management, it recognises that strong environmental practices and implementation of credible transition plans are key starting points for contributing to a just transition.

The report outlines current practice and challenges facing business in this context. It identifies recommendations from the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct ("OECD Guidelines"), Due Diligence Guidance for Responsible Business Conduct, and other OECD RBC standards² that may be particularly relevant for addressing the potential social impacts associated with the transition. It provides examples of key actions for how businesses can implement these recommendations drawing on existing practices.³

The OECD Guidelines recognise that "[a]diverse environmental impacts are often closely interlinked with other matters covered by the Guidelines [...]. Furthermore, carrying out environmental due diligence and managing adverse environmental impacts will often involve taking into account multiple environmental, social and developmental priorities. Notably the Paris Agreement preamble takes into account 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, and acknowledges that when taking action to address climate change, Parties should respect, promote and consider their respective obligations. In this respect it is important for enterprises to assess and address social impacts in the context of their environmental management and due diligence activities and to take action to prevent and mitigate such adverse impacts both in their transition away from environmentally harmful practices, as well as towards greener industries or practices, such as the use of renewable energy. Respecting labour rights, including engaging in social dialogue and collective bargaining [...] meaningfully engaging with relevant stakeholders and, where relevant practicing responsible disengagement [...], will be important in this respect." (OECD, 2023^[20]).

The report was developed in response to the OECD Ministerial Declaration on Promoting and Enabling Responsible Business Conduct in the Global Economy which states: “WE UNDERSCORE the importance of business contributions and innovations, including credible net-zero plans, for achieving sustainable production patterns, a just transition to climate neutrality by 2050, reducing threats to biodiversity by 2030 and for supporting a circular economy. WE RECOGNISE the need to avoid and minimise environmental harm associated with economic activities, particularly in light of the crises of climate change, biodiversity loss and pollution, and the impact of these crises on our societies, as well as the importance of transfer and diffusion of know-how and technologies to help reduce greenhouse gas emissions and pollution and build resilience. WE ARE COMMITTED to leveraging RBC standards as a key contribution to meeting these challenges. [...] WE RECOGNISE that the Guidelines are particularly well-placed to promote a holistic and comprehensive approach to environmental management and climate action that also takes into account social impacts.” (OECD, 2023^[1]).

This report draws on the 2015 *ILO Guidelines for a just transition towards environmentally sustainable economies and societies for all*, which was developed and adopted by the ILO tripartite constituents as a practical tool for governments, employers and workers organisations.

1.3. Methodology

The report is based on in-depth interviews with 22 companies and financial institutions and 11 industry associations, trade unions, civil society organisations, international organisations and academia, across energy (including oil and gas, coal and minerals, and renewables), transport (automotive and aviation), manufacturing (garments and footwear) agriculture and the financial sectors. The sectors were selected based on a 2024 survey among 133 experts that asked respondents to identify responsible business conduct issues across industry sectors. The interviews explored how social impacts associated with company transition strategies and activities are understood, prioritised, and integrated into company activities, as well as the barriers and enablers that companies are encountering.

The report also benefitted from an iterative consultation process with 30 organisations participating in an informal multistakeholder advisory group. The group included representatives from OECD and partner governments, international organisations, trade unions, civil society organisations, Indigenous Peoples organisations, and companies and industry associations from multiple sectors (energy, finance, agriculture, manufacturing, apparel, construction and e-commerce). During the development of this paper, the authors organised periodic working meetings with experts to provide input and support in drafting. Individual companies also volunteered to provide deeper insight into the practical nature of the report and how they are implementing the actions described herein.

2 Managing social impacts of the transition: Challenges, opportunities and key actions for business

This chapter explains how businesses can manage social impacts of the transition through responsible business conduct. Each section provides an overview of opportunities and challenges facing practitioners, identifies the key relevant provisions of the OECD Guidelines for Multinational Enterprises and Due Diligence Guidance for RBC, and sets out examples of implementation drawing on current practice.

This chapter provides insight into how to manage social impacts related to the transition through applying an RBC lens. The chapter is organised by key actions for managing social impacts of the transition. Each section opens with an analysis of the main opportunities and implementation challenges, sets out relevant provisions of the OECD Guidelines and Due Diligence Guidance for RBC, and then focuses on different key actions, drawing on current practice (see Box 2.1 for an overview of key actions).

Box 2.1. Key actions for managing social impacts of the transition

1. Taking an integrated approach to transition planning and implementation
 - Breaking operational silos
 - Developing integrated transition policies, strategies, and performance indicators
 - Setting the tone from the top
 - Clarifying terminology
2. Applying a place-based dimension and considering cumulative impacts in identifying and prioritising impacts
3. Engaging meaningfully with stakeholders
 - Adapting approaches across stakeholder groups
 - Navigating diverging stakeholder views
4. Addressing impacts through individual and collaborative approaches
 - Engaging with government
 - Multistakeholder and industry collaboration
 - Collaborative and blended finance mechanisms
 - Supporting responsible consumer practices
5. Designing and implementing benefit-sharing models
6. Promoting continuous improvement and practicing responsible disengagement
 - Deciding to disengage as a last resort
 - Disengaging or exiting responsibly

2.1. Taking an integrated approach to transition planning and implementation

2.1.1. Opportunities and challenges

OECD interviews with business practitioners highlighted that companies may face challenges in understanding and addressing connections between social and environmental impacts at both a company strategy and operational level. Business practitioners noted that staff within teams dealing with commercial, environmental and social topics may not have compatible objectives and KPIs, may often speak different “languages”, and use different reporting frameworks or processes (see Table 2.1). Siloed mandates, uneven literacy on social risks among different teams, and capacity constraints have been identified as core challenges in achieving such alignment (BSR, 2024^[21]).

Interviews with business practitioners also highlighted that many businesses have yet to embed social considerations or objectives into company transition strategy and planning. Outside of interviews, recent assessments indicate that the integration of social impacts into company transition planning remains

limited. A recent cross-benchmark analysis covering 399 companies, found that while the number of references to “just transition” in financial and non-financial reports has significantly increased in recent years, only 6% are partially planning for it, and 0% demonstrate full implementation (Just Transition Finance Lab, 2024^[22]).⁴ A related study from Moody’s finds that while there is some variation across sectors and regions, business are generally concerned about, unprepared for and lacking capacity address social impacts associated with the transition. (Moody’s ESG solutions, 2021^[23]).

Business practitioners also noted the importance of buy-in from senior management, CEOs and the board, and in some cases investors. Investors themselves highlighted the difficulty of measuring and pricing the financial risks of failing to address social impacts of a company’s transition, particularly in comparison to the wealth of data available to assess financial risks and opportunities linked to environmental issues. Social impacts are often perceived as reputational rather than financially material risks, which limits integration into core business and investment decisions. The Taskforce on Inequality and Social-related Financial Disclosures (TISFD) notes that the absence of standardised metrics and disclosure frameworks for social risks make it difficult for companies and investors to understand and react to risks at scale (TISFD, 2024^[24]).

2.1.2. Key actions for business

What do OECD RBC standards say?

“[E]nterprises should conduct their activities in a manner that takes due account of the need to protect the environment, and in turn workers, communities and society more broadly, avoids and addresses adverse environmental impacts and contributes to the wider goal of sustainable development.” (OECD Guidelines, chapeau Chapter V)¹

“It is important for enterprises to assess and address social impacts in the context of their environmental management and due diligence activities and to take action to prevent and mitigate such adverse impacts both in their transition away from environmentally harmful practices, as well as towards greener industries or practices, such as the use of renewable energy.” (OECD Guidelines, Chapter VI, Commentary para.70).

It is important to “[e]ncourage alignment across teams and business units on relevant aspects of the enterprise’s RBC policies. This could be done for example by creating cross functional groups or committees to share information and decision-making about risks, and including business units that can impact observance of the RBC policies in decision-making.” (Due Diligence Guidance for RBC, para.1.2.e)

1. The Environment chapter of the Guidelines includes more detailed recommendation about how companies can avoid and address adverse environmental impacts including in the context of climate change, biodiversity loss and supporting sustainable consumption and production.

Understanding and addressing environmental impacts including those related to emissions, land-use pressures, resource extraction, biodiversity loss, pollution, and waste generation as well as introducing ambitious and credible transition plans are foundational elements for contributing to a just transition. Businesses have access to a broad landscape of policies, tools, and standards to guide the development and implementation of these plans.

However, ensuring that such plans are not designed in isolation from social considerations is critical. This entails designing and implementing transition plans that take into account social and developmental considerations. This in turn can help to ensure that businesses allocate sufficient time and resourcing, to allow for identification of real and potential impacts and necessary adaptations (e.g. modifying project

designs, reallocating resources, or integrating stakeholder perspectives into decision making processes). This integrated approach can help anticipate risks and also create opportunities for innovation and workforce resilience that will over time help facilitate a successful transition.

Aligning policies and management systems across company functions and business units is a critical enabler for businesses to achieve their transition goals effectively. Business can achieve this by breaking operational silos, developing integrated strategies and ensuring senior-level ownership.

Breaking operational silos

Businesses can promote coherence by integrating the organisational structures and processes relevant for their transition. Interviews with businesses highlighted different models for achieving this integration:

- **Steering committees or cross-functional working groups or communities of practice** bringing together commercial, environmental, human rights, procurement, finance, legal, risk management, and other relevant teams to align transition strategies and business processes and objectives (IFC, 2021^[25]).
- **Dedicated transition officers** tasked with addressing social impacts of the transition and with responsibility for working across relevant operational teams co-ordinating across departments (Just Transition Finance Lab, 2024^[26]). For example, over half of companies interviewed for this report assigned internal responsibility for addressing social impacts of the transition. Generally, responsibilities were shared across human rights, sustainability, and environmental teams depending on project needs.
- **Integrated data platforms** which share environmental and social risk indicators between sustainability and operations teams (Amazon Web Services, 2024^[27]).
- **Cross-team planning cycles**, where human rights and environmental teams jointly review project pipelines to identify risks and co-design mitigation measures (McKinsey & Co., 2022^[28]).
- **Involving a broad range of internal and external expertise** (e.g. academics, NGOs, workers and Indigenous Peoples representatives) in the development and implementation of transition plans such as experts in environmental management, human rights, labour, sustainability and stakeholder engagement (Orsted, n.d.^[29]; Nestlé, n.d.^[30]).

Developing integrated transition policies, strategies, plans, and performance indicators

In addition to co-ordination across teams, the importance of integration of social issues in transition policies, strategies, plans, and performance indicators was stressed by interviewees. For example:

- **Commitments to understand and address impacts of transition activities can be integrated in company transition policies, including through social dialogue.** This can include inclusion of commitments to retain, retrain, redeploy, compensate workers affected by a transition plan or to engage with stakeholders in designing and implementing transition strategies or engage with collaborative initiatives to address industry level issues (see Box 2.2).
- **Considering and addressing social impacts in the context of setting targets, implementation steps and monitoring effectiveness of transitions plans will also be important.** This may involve modifying project designs, reallocating resources, or integrating local concerns and preferences into decision making processes. It can also be useful for companies to be transparent about how they have factored in consideration of social impacts in their transition planning. In this respect, policies and transition plans may be used as a tool for communicating how any real or perceived trade-offs were approached and how priorities were assessed (see also Section Engaging meaningfully with impacted stakeholders).

- **Various organisations have developed indicators for companies to assess how they are considering workers, communities, and consumers including potentially vulnerable groups in their transition plans.** Elements will vary depending on the operating context of the company but may include social dialogue, inclusion of human rights, supporting access to decent jobs, retaining and reskilling workers, social protection, and advocacy for supportive public policies (Climate Action 100+, 2022^[31]; World Benchmarking Alliance, 2025^[32]).

Box 2.2. Case study: SSE – an integrated approach to transition planning

SSE integrated a dedicated Just Transition Strategy into its net zero plan after investors raised the issue, prompting board level attention and subsequent strategy development. The approach set out 20 principles to guide decisions on people, communities and consumers as the company exits high carbon activities and scales renewables and networks. SSE's net zero plan targets Scope 1-2 net zero by 2040 and Scope 3 net zero by 2050, with interim targets validated by the Science Based Targets initiative (SBTi).

SSE built the plan through structured dialogue with recognised trade unions, consumer groups and local communities, and then translated principles into practical measures: support for workers transitioning from high-carbon roles, programmes to develop green skills, and actions to maximise local economic benefits where new assets are built (e.g. place-based job creation and supply-chain engagement).

Investors played a role by formalizing expectations and continuing dialogue as the strategy took shape. The company links the transition framework to its renewables projects, while reporting progress against the principles and aligning the social dimension with its climate metrics.

SSE has since updated and expanded the strategy in 2024, detailing actions such as supporting skills development and reskilling, engagement with supply chain partners on transition commitments, and collaboration with industry, education and skills bodies. Complementary publications ("From Principles to Action"; "Developing the Skills for a Net Zero Present and Future") document implementation steps. The company has also reported on how the strategy has been implemented, primarily with qualitative disclosures. SSE is reviewing the principles, and is exploring quantitative metrics to measure progress.

Source: Just Transition Finance Lab (2024^[26]), Case study SSE – working with investors to chart a just transition, <https://justtransitionfinance.org/casestudy/sse-working-with-investors-to-chart-a-just-transition>; SSE (2025^[33]), From targets to action SSE's Net Zero Transition Plan (version 2.0), <https://www.sse.com/media/4bzijbrj/sse-net-zero-transition-plan-2025.pdf>; SSE (2024^[34]), Embedding a Just Transition Strategy update June 2024, <https://www.sse.com/media/pv2jncby/just-transition-strategy-update.pdf>.

Setting the tone from the top

Dedicated executive responsibility can ensure internal and external coherence and signalling. Setting the right tone from the top can involve governance structures, incentives, and accountability mechanisms that embed and link transition priorities into core business processes. For example:

- **Governance:** Board-level or senior level oversight of dedicated transition teams (Orsted, n.d.^[35]) to drive alignment of relevant teams, processes, and resources.
- **Incentives:** Incentive structures that link executive bonuses to both environmental and social targets (Lisam, 2021^[36]; Foley, 2024^[37]).

- **Accountability:** Public progress reports signed by a senior executive, which include updates on environmental and social metrics specifically related to transition activities.

See, for example, public reports from Marathon Petroleum (Marathon Petroleum, 2022^[38]) and TotalEnergies (TotalEnergies, 2024^[39]) which include messages from company leadership on transition plans and information about progress to meet commitments which include both environmental and social objectives and internal governance structures responsible for implementing transition measures.

Clarifying terminology

Clarifying and aligning terminology for teams working across relevant business functions can also be helpful step to improving cross-functionality. This can include establishing a shared understanding of key concepts relevant for managing the company's transition, including how the use of these concepts may differ across functions (see Table 2.1).

Table 2.1. Varying terminologies across human rights and climate practitioners

Terms	Understanding under the OECD MNE Guidelines	Understanding climate change terminology
Due diligence	Due diligence is the process enterprises carry out to identify, prevent, mitigate and account for how they address adverse risks and impacts in their own operations, their supply chains and other business relationships. It is dynamic, ongoing and informed by stakeholder engagement.	The vast majority of climate mitigation frameworks focusses on reporting, target setting and emissions measurement (including with regards to scope 3). When targeted at investors, they also focus on identifying, measuring and reporting on climate-related financial risks. Due diligence terminology is not commonly used.
Impact	Adverse effects that business activities may have on people, the environment, and society, including with regards to the chapters covered by the OECD MNE Guidelines	Climate impacts refer to the effects on natural and human systems of extreme weather and climate events related to climate change
Risk	Likelihood of adverse impacts on people, the environment and society that enterprises cause, contribute to, or to which they are directly linked	Climate-related risks usually refer to the financial risks posed as a result of climate-related physical, transition and other liability risks, as well as adaptation efforts. It may also refer to the likelihood of climate impacts from occurring.
Mitigation	Mitigation refers to activities that companies can take to reduce their adverse impacts on people and planet when an adverse impact does occur (prevention is the primary goal of due diligence).	Climate change mitigation refers to any action taken by governments, businesses or people to reduce or prevent greenhouse gases, or to enhance carbon sinks that remove them from the atmosphere.
Remedy	Remediation and remedy refer to both the processes of providing remedy for an adverse impact and to the substantive outcomes (i.e. remedy) that can counteract, or make good, the adverse impact.	Remedy is not included in most leading climate mitigation standards or frameworks used by business. It is often understood as abatement rather than remedying potential harm associated with climate impacts. Many companies also envisage the use of offsets in a net zero situation in an analogous way in order to counteract residual emissions (i.e. those that could not be prevented).

Source: OECD (2017^[40]), Responsible Business Conduct for institutional investors. Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises, <https://doi.org/10.1787/8b9e240a-en>; OECD (2018^[41]), OECD Due Diligence Guidance for Responsible Business Conduct, <https://doi.org/10.1787/15f5f4b3-en>; OECD (2023^[42]), Managing Climate Risks and Impacts through Due Diligence for Responsible Business Conduct: A Tool for Institutional Investors, <https://doi.org/10.1787/8aee4fce-en>.

Embedding shared definitions and concepts into transition planning and related due diligence processes can help drive aligned and effective cross-functional approaches, prevent misunderstandings, and contribute to alignment of decision-making tools and KPIs.

2.2. Applying a place-based dimension and considering cumulative impacts in identifying and prioritising impacts

2.2.1. Opportunities and challenges

The scale and complexity of the transition, including the various impacts that can arise from it, create challenges for companies in understanding as well as prioritising their most significant impacts. The pervasive nature of the transition also means that a single company's actions will be part of much broader geographic and industry-wide developments, which can result in more significant and complex impacts, for example, if multiple firms transition away from specific regions, commodities or supply chains simultaneously. This is particularly true in regions that are highly dependent on impacted industries, where overlapping company transitions can lead to economic and social disruption (OECD, 2023^[43]).

In addition, the transition can have a distinct regional dimension, which may require taking national resource needs, development priorities, and existing economic dependencies into account when considering potential social impacts of the transition. For businesses, the transition implies assessing not only enterprise-level impacts, but also how business decisions interact with national energy strategies, infrastructure needs, and local development objectives. Systemic issues such as poverty, informality, lack of social protection, lack of economic diversification, poor governance and corruption can trigger or further exacerbate risks. For example, job losses stemming from the transition will impact workers in areas without sufficient labour protections more severely.

In interviews, companies and stakeholders underscored the importance of careful consideration of local contexts, geographical distinctions, and sector-specific characteristics in addressing social impacts related to the transition. Related studies have pointed to the importance of such place-based approaches. An IEA study reviewing more than 150 case studies of schemes to accelerate the rollout of low-carbon energy technologies from over 50 countries found that successful programmes included community-based efforts that leverage distinct local circumstances, a comprehensive workforce mapping to foresee what type of skills and workers will be needed and where, as well as collaborative approach among, government, business and communities (IEA, 2022^[44]).

2.2.2. Key actions for business

What do OECD RBC standards say?

“Adverse environmental impacts are often closely interlinked with other matters covered by the Guidelines such as health and safety, impacts to workers and communities, access to livelihoods or land tenure rights. Furthermore, carrying out environmental due diligence and managing adverse environmental impacts will often involve taking into account multiple environmental, social and developmental priorities.” (OECD Guidelines, Chapter VI, Commentary para.70)

“The measures that an enterprise takes to conduct due diligence should be risk-based, commensurate to the severity and likelihood of the adverse impact and appropriate and proportionate to its context. [...]” (OECD Guidelines, Chapter II, Commentary para.19)

Companies can identify the social impacts of their transition activities using established processes such as environmental and social impact assessments (ESIAs). However, it is important that companies are also able to understand how their individual impacts can be amplified due to contextual factors and associated risk factors (see Table 2.2 for illustrative examples).

Table 2.2. Contextual elements and related illustrative risk factors

Contextual elements	Illustrative risk factors
Economic	• Degree of economic diversification and dependence on single industries or sectors for public revenues, household livelihoods, and employment opportunities within affected regions. • Levels of unemployment and underemployment, including among particular groups. • Degree of informality in local economies, and access to finance, educated workforces, and technology, including for small businesses or entrepreneurs.
Social	• Levels of social protection such as unemployment benefits, pensions, or health insurance. • Levels of education, vocational training, and re-skilling programmes. • Social and political stability including social tensions, conflict or insecurity.
Governance	• Strength of public governance structures and institutional capacity. • Rates of corruption and criminality in government. • Enforcement or respect for environmental and social regulations and standards including public access to information. • Rule of law and access to justice and grievance mechanisms. • Protection of labour standards including freedom of association and collective bargaining. • Presence and protection of environmental and human rights defenders and independent media.
Community	• Land rights and tenure systems. • Dependence of local communities on natural resources for their livelihoods. • Historical or ongoing disputes over land, water, or resource access.

In addition to identifying contextual risk-factors, companies can use a variety of approaches to assess and compare potential transition-related impacts on workers, communities and consumers including the potential cumulative nature of these impacts. For example:

- The Cumulative Impact Assessment, as outlined in IFC's Good Practice Handbook, supports companies in identifying combined effects of multiple projects in a region (IFC, 2013^[45]).
- The Engage Energy Modelling Tool, developed by the US National Renewable Energy Lab, models energy system scenarios at local and regional levels. It helps companies and governments visualise socio-economic trade-offs, such as job impacts and land use (US National Renewable Energy Laboratory, n.d.^[46]).
- The Social Impact Assessment Guidance and the related Impact Assessment and Project Appraisal Journal, developed by the International Association for Impact Assessment, outlines good practices and describes how to deploy tools that companies can use to engage with communities such as surveys, focus groups and participatory workshops (International Association for Impact Assessment, 2015^[47]).
- Consumer Impact Assessments (CIAs) have been developed to assess how new policies, products, or pricing structures affect different consumer groups. For example, the UK Guidance and assessment techniques for evaluating energy impacts on consumers outlines how energy project proposals evaluate affordability, vulnerability, and fairness alongside environmental objectives (UK Office of Gas and Electricity Markets, 2024^[48]) (see also, for example, the ASEAN Guidelines on Consumer Impact Assessment (2023^[49])).
- The Beyond the Megawatt Toolkit, developed by the Clean Energy Buyers Institute (CEBI), provides tools to evaluate and prioritise renewable energy projects based on non-commercial criteria such as community benefits, biodiversity protection, and worker well-being (CEBI, 2022^[50]). The toolkit uses a three-tiered scoring system (baseline, advanced, and leading practices) to guide

companies in identifying projects that deliver measurable co-benefits and align with transition goals.

- Engaging with governments, including at a sub-national level to address local considerations, and consulting with stakeholders and experts such as trade unions, international organisations, employer and industry associations, multi-stakeholder initiatives, NGOs and academia can be helpful to better understand how transition-related social impacts might play out in a specific context. These considerations are further explored in Section Engaging meaningfully with impacted stakeholders).

2.3. Engaging meaningfully with impacted stakeholders

2.3.1. Opportunities and challenges

Meaningful stakeholder engagement with impacted groups was consistently underscored as a vital element to transition strategies during interviews with business practitioners. Stakeholder engagement is an important way to identify and address opportunities and risks associated with transition activities. Stakeholders can also provide the local knowledge needed to understand place-based considerations. Meaningful stakeholder engagement can also have numerous benefits for businesses, including through building trust and strengthening alignment with market and societal expectations.

However, maturity with respect to stakeholder engagement practice varies significantly across companies. Whilst several companies interviewed reported having policies or processes in place related to stakeholder engagement, in general these are not typically applied in the context of transition activities. For example, a benchmark study by Climate Action 100+ found that only 2 of the 150 assessed companies committed to developing decarbonisation projects in consultation with and seeking the consent of affected communities (Climate Action 100+, 2022^[31]).

Stakeholders affected by transition activities will often have diverse and sometimes competing needs and priorities, specific to their situation. Workers may prioritise job security, retraining opportunities, and fair working conditions; consumers may focus on the affordability and reliability of energy or other essential services; while communities may be primarily concerned with local economic stability, environmental health and safety, or access to infrastructure. Furthermore, some stakeholders may at the same time be both employees and community members as well as consumers, and may thus themselves grapple with competing priorities. Several of the businesses interviewed noted there are often contradictions between stakeholder expectations in this respect, creating a complex landscape for companies to navigate.

2.3.2. Key actions for business

What do OECD RBC standards say?

The OECD Guidelines call on businesses to “engage meaningfully with relevant stakeholders or their legitimate representatives as part of carrying out due diligence and in order to provide opportunities for their views to be taken into account with respect to activities that may significantly impact them [...]” (OECD Guidelines, Chapter II, para.15) Meaningful stakeholder engagement refers to “ongoing engagement with stakeholders that is two-way, conducted in good faith by the participants on both sides and responsive to stakeholders’ views.” (OECD Guidelines, Chapter II, Commentary para.28)

“Enterprises can prioritise the most severely impacted or potentially impacted stakeholders for engagement. The degree of impact on stakeholders may inform the degree of engagement.” (OECD Guidelines, Chapter II, Commentary para.28)

“To ensure stakeholder engagement is meaningful and effective, it is important to ensure that it is timely, accessible, appropriate and safe for stakeholders, and to identify and remove potential barriers to engaging with stakeholders in positions of vulnerability or marginalisation.” (OECD Guidelines, Chapter II, Commentary para.28)

“Enterprises should pay special attention to any particular adverse impacts on individuals, for example human rights defenders, who may be at heightened risk due to marginalisation, vulnerability or other circumstances, individually or as members of certain groups or populations, including Indigenous Peoples.” (OECD Guidelines, Chapter IV, Commentary para.45)

“In considering changes in their operations which would have major employment effects, in particular in the case of the closure of an entity involving collective lay-offs or dismissals, [enterprises should] provide reasonable notice of such changes to representatives of the affected workers and their organisations, and, where appropriate, to the relevant governmental authorities, and co-operate with the worker representatives and appropriate governmental authorities so as to mitigate to the maximum extent practicable adverse effects of such changes.” (OECD Guidelines, Chapter V, para.6)

“The nature and extent of due diligence, such as the specific steps to be taken, appropriate to a particular situation [...]. In this respect, the measures that an enterprise takes to conduct due diligence should be risk-based, commensurate to the severity and likelihood of the adverse impact and appropriate and proportionate to its context. Where it is not feasible to address all identified impacts at once, an enterprise should prioritise the order in which it takes action based on the severity and likelihood of the adverse impact.” (OECD Guidelines, Chapter II, Commentary para.19)

Adapting engagement approaches across key stakeholder groups

Stakeholder engagement can be an important tool for enhancing social license to operate and contributing to community benefits as well as for effectively understanding to and responding to potential impacts. Those workers, local communities and consumers that are most significantly impacted by transition activities will be key stakeholder groups for engagement. However, engagement approaches across these groups may need to be adapted for practical reasons and to ensure that engagement is “accessible, appropriate and safe.” (OECD, 2023^[20]).

With respect to workers, existing international labour conventions and principles of freedom of association and collective bargaining will play a large role in shaping engagement approaches. Expectations around engagement are set out in international conventions and complemented by domestic law. In this respect, ILO Conventions n°87 and n°98 recognise that engagement with legitimate trade unions and workers’ representatives should not be bypassed for other forms of engagement with workers and that freedom of association and the right to collective bargaining should be respected even in the absence of credible unions. Engaging with workers and their representatives is central to better identify, prevent and mitigate the potential adverse social impacts of the transition, including in the design of transition plans, but also prior to and during potential disengagement phase (see Section Promoting continuous improvement and responsible disengagement).

Engagement with trade unions active at the national or global level can also be helpful in in absence of site-level trade unions as well as to foster a broader dialogue and support. For example, Global Framework Agreements (GFAs) are institutionalised mechanisms for dialogue between companies and worker representatives at global and local levels. Companies have used GFAs to co-develop workforce transition

plans, including commitments to retraining and redeployment instead of layoffs, across operations and increasingly supply chains (see Box 2.3).

When engaging with workers, it is important to also consider job quality alongside employment creation. Issues such as worker formalisation, adequate wages, social protection, occupational safety and health, and formal employment relationships are essential to ensuring that new jobs associated with the low-carbon transition contribute to decent work and inclusive growth.

Box 2.3. Case study: ENGIE – Global framework agreement

In January 2022, ENGIE signed a renewed Global Framework Agreement with three global union federations (IndustriALL, BWI and PSI), covering 170 000 employees in 70 countries. The agreement integrates “principles of a “Just Transition” in accordance with the guiding principles of the ILO”. The GFA explicitly links ENGIE’s efforts to phase out coal and accelerate renewables projects to workforce transition measures, such as skills development and redeployment programmes. ENGIE committed to integrating these principles into procurement policies and engagement with suppliers. It also establishes a World Forum, a joint dialogue body that meets annually to monitor implementation, review due diligence efforts, and address grievances.

Source: ILO (2022^[51]), Global Framework Agreement on Fundamental Rights and ENGIE’s Social Responsibility, https://cbsd.ilo.org/cbsd_initiatives/global-agreement-on-fundamental-rights-social-dialogue-and-sustainable-development

Where activities may impact Indigenous Peoples’ land, livelihoods or cultural heritage, consultation in order to obtain the Free, Prior and Informed Consent of indigenous peoples prior to the approval of any project affecting their lands or territories and other resources, as stipulated by several international instruments, can help to that ensure that potential impacts are adequately avoided or mitigated. (OECD, 2017^[52]).

This is important as a significant proportion of the world’s supply of minerals necessary for the transition lies on or near Indigenous lands. (Owen, Kemp and Lechner, 2023^[14]). Further, the transition can affect Indigenous Peoples’ rights and interests, through renewable energy and transmission development. Engagement activities should reflect indigenous decision-making institutions developed and maintained by the community, as well as decision making processes prescribed by law or regulations.” (OECD, 2017^[52]). Promoting cultural literacy in engagement and operational teams, providing adequate resourcing, and ensuring appropriate management of Indigenous knowledge can be important in this respect.

OECD due diligence guidance, including the OECD Due Diligence Guidance on Responsible Business Conduct, the OECD Due Diligence Guidance on Meaningful Stakeholder Engagement in the Extractive Sector and the OECD-FAO Guidance for Responsible Agricultural Supply Chains provide further practical guidance in this regard, including in relation to FPIC (OECD, 2018^[41]; 2017^[52]; OECD/FAO, 2016^[53]). United Nations instruments have elaborated on the rights of Indigenous Peoples (UN Declaration on the Rights of Indigenous Peoples) (OECD, 2023^[20]).

Special arrangements may also be relevant to ensure accessibility and safety for potentially vulnerable stakeholders. In this respect enterprises should pay special attention to stakeholders face intersecting vulnerabilities and structural barriers to participation related to discrimination, persecution, poverty and illiteracy. These may include specific groups of workers, community members or other stakeholders, including environmental and human rights defenders for example. Allowing for online participation,

providing interpretation services, engaging indirectly through trusted NGOs and community groups, and/or ensuring participants can retain anonymity.

Given the cumulative nature of impacts associated with transition activities, in many cases companies contribute to or are associated to impacts occurring beyond their immediate operations or across a broad range of operations. In these situations, it may not always be possible to engage directly with impacted stakeholders. For instance, where financial service providers which are divesting from a sector or companies which are shifting sourcing strategies or technologies which can contribute towards jobs losses. Likewise, it may be challenging for individual companies to engage with their consumers on matters where the affordability or accessibility of goods and services is impacted due also in part to broader industry or economic trends. “In these cases, engagement with credible stakeholder representatives or proxy organisations (e.g. NGOs, representative public bodies, etc.) may be useful” (OECD, 2018^[41]).

A variety of resources exist to support companies in engaging meaningfully with impacted stakeholders:

- Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector (OECD, 2017^[52])
- Human Rights Impact Assessment Toolbox: Stakeholder Engagement + Stakeholder engagement practitioner supplement and interview guide (Danish Institute for Human Rights, n.d.^[54])
- Guidance Note 4.5: Stakeholder Engagement (ILO, 2025^[55])
- Stakeholder Engagement in the Transition Context: Guidance for Practitioners (BSR, 2024^[56])
- Just Transition Planning Toolbox (see Module 1) (Climate Investment Funds, n.d.^[57])
- The Interim Engaging with First Nations People and Communities on Assessments and Approvals under Environment Protection and Biodiversity Conservation Act 1999 (interim guidance) (Department of Climate Change, Energy, the Environment and Water, Australian Government, 2023^[58]).

Navigating diverging stakeholder views through a transparent, risk-based approach

Meaningful stakeholder engagement can also help to understand and respond to diverging priorities across potentially impacted stakeholders.

Applying a risk-based approach, which prioritises the most significant risk based on objective criteria of scale, scope and irremediable character, in line with international standards, can also provide companies with a framework for setting priorities when faced with diverging expectations.

It might not be possible to meet all the needs and objectives of different stakeholders simultaneously, however understanding different perspectives, taking decisions in a fair and transparent manner can provide companies with a path for navigating divergent interests (see Box 2.4).

Box 2.4. Case study: Equinor – seeking to navigate divergent stakeholder interests

When Statoil rebranded as Equinor in 2018, the company faced a complex challenge: balancing Norway’s deep-rooted reliance on oil revenues with growing pressure for decarbonisation. Stakeholders had conflicting priorities, government and citizens valued energy security and economic stability, while environmental groups and certain investors demanded rapid transition to renewables. Employees and suppliers feared job losses, while shareholders worried about lower returns from renewables compared to high-margin oil and gas. Equinor’s leadership recognised that meeting all stakeholder objectives simultaneously was impossible, but ignoring any group risked reputational damage, regulatory friction, and financial instability.

To attempt to navigate these tensions, Equinor made efforts to understand different stakeholder interests, explain their strategy, provide transparency and respond to scepticism by sharing information about trade-offs:

- For investors, the company shifted its messaging to emphasise capital discipline and “value over volume” in renewables, raising the bar for oil and gas project approvals, and reassuring markets that the company would remain a major offshore oil player in the short to medium term while diversifying in the long term.
- For employees, executive leadership sought to prioritise broad, two-way communication such as company-wide town halls to clarify what would change. Management framed the transition as company-wide, highlighting opportunities to enable career mobility across a wider portfolio. The objective was to increase employee buy-in, reinforced by positive feedback from families and communities that viewed early-mover efforts in the transition favourably.
- For civil society and other external stakeholders, Equinor laid out its roadmap and prioritised actions based on material impacts and feasibility. Communications stressed an evidence-based position: natural gas as a coal-to-gas bridge; the limited impact of unilateral supply cuts in a global market; and the need for oil and gas revenues to help fund Norway’s transition and new technologies, while committing to openly share information to sustain trust.

Source: Rosenthal, J., J. Iwata and J. Elias (2023^[59]), Equinor: Statoil to Equinor – Transitioning for a Low-Carbon Future, <https://cases.som.yale.edu/equinor>

2.4. Using individual and collective action to address impacts

2.4.1. Opportunities and challenges

While businesses can take significant steps on their own, the scale and systemic nature of the transition means that collaborative approaches will often be needed in order to effectively address associated impacts which might impact entire sectors, regions, or economies.

Industry-level collaboration. Industry level collaboration can involve collaboration within and across sectors and supply chains or various sectors. Collaboration through industry alliances and collaborative platforms can also help companies pool expertise and resources, agree to common standards and expectations to promote efficiency and harmonisation, and co-operate on prevention and mitigation measures, which can result in reduced costs, avoid duplication and speed up innovation.

Mobilising finance. In interviews many business representatives highlighted that the costs of preventing and mitigating impacts associated with the transition are significant and that while businesses can address a portion of the transition costs, they cannot do this at the scale required to support necessary social transformation including creation of new jobs, infrastructure and ensuring access and affordability of energy and basic goods. Many lower-income countries and Indigenous communities face particular challenges in accessing adequate, predictable, and direct funding for transition efforts and safeguards.

Engagement with consumers. Without consumer buy-in, companies risk slower adoption of low-carbon products and potentially undermining access and affordability of energy, food and other essential goods (Hodok and Kozluk, 2024^[60]). The OECD survey on Environmental Policies and Individual Behaviour Change (EPIC) highlights the importance of feasibility, affordability and convenience in driving household decisions. (OECD, 2023^[61]). Consumers can support in product design or pilot programmes to ensure that low-carbon products and other transition measures meet accessibility, affordability and quality needs.

Collaboration with governments. Government actors will play a central role in establishing the necessary policy landscape as well as social protections to both drive the transition and prevent potential adverse social impacts associated with it. Working together enables companies and governments to address societal challenges such as workforce reskilling, economic diversification, infrastructure development, or energy security and affordability, which no single actor can address on their own. Where companies, engage early with governments this can help anticipate and address potential social and economic disruptions such as job losses, affordability challenges, or regional economic impacts before they materialise.

2.4.2. Key actions for business

What do OECD RBC standards say?

“Avoid causing or contributing to adverse impacts [...] and address such impacts when they occur, including through providing for or co-operating in the remediation of adverse impacts.” (OECD Guidelines, Chapter II, para.12).

“Engage in or support, where appropriate, private or multi-stakeholder initiatives and social dialogue on responsible business conduct, while ensuring that these initiatives take due account of their social and economic effects on developing economies and of existing internationally recognised standards.” (OECD Guidelines, Chapter II, para.B.1).

“Training for up-skilling and re-skilling should anticipate future changes in operations and employer needs, including those responding to societal, environmental technological changes, risks and opportunities linked to automation, digitalisation, just transition and sustainable development.” (OECD Guidelines, Chapter V, Commentary para.64).

“The use of leverage and provision of technology on mutually acceptable terms, technical assistance and funding to suppliers and other business relationships for climate mitigation and adaptation efforts will be crucial for meeting targets and addressing impacts.” (OECD Guidelines, Chapter VI, Commentary para.78).

“Enterprises participate freely in public discourse. When engaging in public advocacy enterprises should take due account of the Recommendation on Principles for Transparency and Integrity in Lobbying (OECD, 2010^[62]) and ensure that their lobbying activities are consistent with their commitments and goals on matters covered by the Guidelines.” (OECD Guidelines, Chapter II, Commentary para.6).

The Due Diligence Guidance for RBC elaborates on this point, by explaining that:

“Enterprises retain responsibility to address adverse impacts that they cause or contribute to, even when operating in contexts where systemic issues are prevalent. While it is not the responsibility of enterprises to resolve systemic issues at a societal level, enterprises may find that addressing such challenges may be effective in preventing or mitigating adverse impacts.” (Due Diligence Guidance for RBC, Q 33).

“Enterprises can collaborate at an industry or multi-industry level as well as with relevant stakeholders throughout the due diligence process, although they always remain responsible for ensuring that their due diligence is carried out effectively. For example, collaboration may be pursued in order to pool knowledge, increase leverage and scale-up effective measures.” (Due Diligence Guidance for RBC, Section I, Characteristics of Due Diligence, Box 2)

Addressing impacts caused and contributed to by transition activities

In addressing potential social impacts associated with the transition companies will need to pursue a mix of individual and collaborative approaches depending on the circumstances (see Table 2.3).

Table 2.3. Illustrative examples of individual and collaborative approaches to responding to social impacts related to the transition

Transition-related social impacts	Examples of individual company action	Examples of collective and collaborative action
Job losses or transformation	• Early workforce transition planning; integration of social impact assessment into closure or restructuring decisions. • Retraining, redeployment, income protection, and social dialogue mechanisms. • Ensuring equal treatment in access to retraining and re-employment programmes. • Compensation, severance packages, and support for displaced workers	• Working with governments and local experts to assess labour markets, map skills gaps and identify re-employment opportunities • Engaging with government, educational facilities and other actors in upskilling and reskilling workforces, fostering research and innovation. • Advocacy and support for social protection schemes
Social impacts on local communities from new industries (e.g. transition minerals, solar, wind).	• Meaningful community engagement and, FPIC where applicable • Designing projects with community, co-management of land and shared benefits from resources • Remediation and compensation for impacts • Contracting and offtake agreements that ensure transparency and fair royalties to governments and communities	• Coordinating impact assessments across multiple projects in the same region to better understand collective or cumulative impacts • Co-investing in large-scale ecosystem restoration projects that enhance biodiversity and natural capital • Co-designing resettlement plans with affected communities, ensuring housing, livelihoods, and services are restored or improved
Impacts on access and affordability of basic goods	• Implementing affordability programmes such as tiered pricing or subsidised goods for vulnerable consumers • Providing alternative supply solutions to maintain service continuity during transition disruptions • Developing funds to internalise transition costs rather than passing costs to customers • Adaptation to improve resilience of company infrastructure, products and services, e.g. drought resistant crops, heat or flood resistant facilities etc.	• Collaborating with government and civil society to promote responsible consumer behaviour such as resource efficiency and recycling • Collaborating with businesses and other stakeholders to promote responsible business models including responsible production processes and responsible marketing practices • Establishing pooled funds or resource-sharing agreements to ensure continuity of essential services in transition-affected areas • Engaging with governments to support energy security and affordability
Decommissioning fossil fuel assets	• Environmental and social impact assessments (ESIAs) in closure design. • Rehabilitation or community restoration funds • Dismantling and remediation of sites following best practice (e.g. proper waste disposal, land restoration). • Long-term monitoring and restoration of ecosystems; transparent reporting on site handover. • Rehabilitating environmental impacts and remedying affected communities who have been adversely impacted as a result of operations or of decommissioning	• Contributing to cross-industry standards for responsible decommissioning and asset repurposing • Co-funding cumulative remediation programmes in regions with multiple legacy fossil sites • Developing collaborative decommissioning plans that include cost-sharing • Co-operation to support re-skilling and re-deployment of workers and to address impacts and energy access and affordability

The Institute for Human Rights and Business (IHRB) has established a database of examples of stakeholders working together to advance transition measures and currently have over 60 examples listed within their database covering a range of sectors, including energy, transport, manufacturing, agriculture food and waste (IHRB, 2025^[63]). Similarly, the United Nations Environment Programme for Financial Institutions (UNEP-FI) published a set of case studies showing how banks and insurers are integrating just transition considerations into their strategies, processes, products, and partnerships (UNEP-FI, n.d.^[64]).

Engagement with government

Industry wide shifts often necessitate strong engagement with government both in the context of collaborating in jointly identifying and implementing prevention and mitigation activities and to promote an enabling policy environment to do so (see Box 2.5). Often engagement with sub-national level governments or municipality can be more effective in this context. For example, subnational governments are responsible for around 63% of transition-related government expenditure and 69% of transition-related government investment in critical sectors, including transport, housing, energy, land use, and water management (OECD, 2025^[65]). Engagement and advocacy can take many forms, for example:

- **Sharing information and expertise:** Companies can help inform national and regional transition plans through early communication of information such as decommissioning timelines, workforce data, and investment plans. Businesses can also contribute to sectoral decarbonisation roadmaps, providing technical expertise to ensure realistic timelines and investment frameworks. Collaborating with subnational governments, for example at a state, province or municipal level to identify local risks can likewise improve the design and implementation of transition plans.
- **Collaborative planning:** Transition plans can also be co-developed by companies, governments and other key stakeholders such as unions. One approach is to participate in multi-stakeholder platforms and dedicated transition commissions and initiatives, which many countries have established to co-design strategies for workforce reskilling, regional development, and social protection (Climate Horizons, 2024^[66]).
- **Public – private partnerships (PPPs):** PPPs for shared infrastructure, (e.g. renewable energy zones, hydrogen corridors or EV charging networks) can allow companies to co-invest alongside governments to accelerate deployment and also act as risk prevention mechanisms.
- **Policy advocacy:** Responsible and transparent advocacy and engagement with governments to promote an enabling policy environment (for example with respect to social dialogue, equity measures, and human rights protections) can be an important approach for business in addressing potential impacts (see Box 2.5).
- **Seeking guidance on implementation:** Engaging with relevant national and local authorities to understand and comply with local standards and regulation can help to ensure that company practices align with legal and cultural expectations.

Box 2.5. The role of government in promoting a conducive policy environment for addressing social impacts associated with the transition

Government actors will play a central role in establishing the necessary policy landscape as well as social protections to both drive the transition and prevent potential adverse social impacts associated with it. For example, in order to effectively address labour impacts of the transition there is a need for complementarity between business practices and public employment policies, including active labour market policies, public employment services and unemployment protection systems, especially in emerging economies. Currently, many governments have not articulated policies or strategies related to the just transition. For example, fewer than 40% of national climate plans include plans for skills training associated with the transition (CSR Europe, 2022^[67]).

In interviews with the OECD, companies noted that **the clarity and specificity from governments around transition expectations directly affects their ability to implement meaningful change**. In countries where government priorities and guidance on the transition are more robust, businesses find it comparatively easier to align their operations with national goals, priorities, and regulations.

Conversely, in regions lacking clear goals or policies, the path toward establishing transition measures can be complicated. Without a defined national framework, companies struggle to gauge how best to allocate resources, prioritise activities, design reskilling/upskilling programmes, or operate with clear guidelines to meet transition objectives. In addition, when governments do not set out clear social, environmental, or economic priorities, companies must independently determine whom to engage, how to address community concerns, and how to measure success in a socially equitable manner. When objectives are laid out at the national or regional level, industry players interviewed felt that they could respond more effectively and build momentum for greater collective action.

Multistakeholder and industry collaboration

Multi-stakeholder and industry initiatives can help harmonise and scale-up efforts to address social impacts related to the transition across supply chains, sectors and geographies. Industry-level collaboration can also help companies pool knowledge, leverage and define collective pathways, and avoid fragmented or competitive approaches that can leave issues unaddressed. For example, the Better Cotton Initiative supports its members by helping suppliers in the upstream cotton supply chain adopt practices that reduce greenhouse gas emissions and build resilience to extreme weather. It provides training, data tools, and partnerships to enable farmers to implement sustainable methods without bearing disproportionate costs, aligning with members' Scope 3 decarbonisation targets. The approach emphasises farmer livelihoods, ensuring climate action does not compromise economic security for vulnerable communities (see Box 2.6).

Box 2.6. Case study: Maritime Just Transition Task Force

The Maritime Just Transition Task Force was convened by the International Chamber of Shipping (ICS), the International Transport Workers' Federation (ITF), the United Nations Global Compact, the ILO, and the International Maritime Organization (IMO) following COP26. It is a sectoral initiative designed to support seafarers and their communities through the transition. The Task Force emerged in response to the urgent need to align climate action in the maritime sector (responsible for 3% of global greenhouse gas emissions) with social protections for the maritime workforce. Its mandate is grounded in ILO Just Transition Guidelines.

Specific activities include the development of new skills and high-quality jobs; identifying and amplifying best practices across the value chain; as well as policy recommendations for equitable decarbonisation in shipping. Activities are informed through a multi-stakeholder consultation process, including for example shipping companies, unions, training bodies and financial organisations. The Task Force positions seafarers' voices at the heart of decision making, reinforcing that just transition activities must also deliver for workers.

Source: Maritime Just Transition Task Force (n.d.^[68]), Reports & Resources, <https://www.mjttf.org/Reports-and-Resources>

Collaborative and blended finance mechanisms

Partnering with public development banks, multilateral institutions, or impact investors to co-finance projects that promote both environmental and social outcomes can be an important way of de-risking such investments and contributing to mobilizing needed finance. This can include work with governments to design or access blended finance instruments, tax incentives, or co-investment schemes that reduce risk and enable long-term transition investments. In this respect financial institutions mentioned the catalytic role country platforms and partnerships could play for mobilising finance at scale, notably, country platforms such as Egypt's Nexus of Water, Food and Energy Platform or Brazil's Climate and Ecological Transformation Investment Platform (Seiler, Brown and Matthews, 2023^[69]). Likewise, the nationally owned Climate Prosperity Plans of V20 countries are examples of medium-to-long-term national investment strategies that take an integrated approach (Climate Vulnerable Forum - Vulnerable Twenty Group, n.d.^[70]).

The OECD Blended Finance Guidance for Clean Energy details specific features of different clean energy projects (e.g. utility-scale, off-grid renewables and energy efficiency projects) to draw lessons for donors, policymakers in beneficiary governments, and financial institutions on whether and how best to deploy blended finance in the sector (OECD, 2022^[71]).

Companies can also contribute to pooled regional or sectoral transition fund to co-ordinate investment, workforce transition, or supplier support. For example, the UK North Sea Transition Deal pools investment from oil and gas operators and government to fund clean technology innovation, skills retraining, and infrastructure redevelopment in North Sea regions (UK Department for Energy Security & Net Zero, 2022^[72]).

Supporting responsible consumer practices

Businesses can help manage affordability challenges and ensure continuity of essential services during the transition by implementing targeted measures. These include affordability programmes such as tiered pricing or subsidies for vulnerable consumers, and alternative supply solutions to maintain access to energy, water, and other basic services during disruptions (OECD, 2023^[61]). Businesses can also establish internal funds to absorb transition costs rather than passing them entirely to customers, reducing the risk

of price shocks. Co-investing in infrastructure that lowers long-term costs, such as decentralised renewable systems or low-carbon public transport can also help to change behaviours and safeguard consumer well-being while enabling the transition (see Table 2.3).

In addition to ensuring affordability and access to essential goods, companies can play a role in educating and enabling consumers to support the transition, including through providing clear, accessible and reliable information on the environmental and social benefits and potential adverse impacts of their products, using labelling and digital tools to help consumers make informed choices (OECD, 2025^[73]). Digital engagement platforms, mobile apps, and social media campaigns can help normalise sustainable behaviours like recycling or reducing consumption, while community-based initiatives such as repair cafés or local recycling partnerships make sustainable choices practical and visible (Oxford Executive Institute, 2024^[74]). Some companies have also initiated or supported buy back and re-sell programmes.

Companies can also collaborate with governments that have a critical role in supporting changes in consumer culture. Governments and business can participate in education and awareness campaigns. For example, the EU's Empowering Consumers for the Green Transition Directive introduces measures to improve product labelling and durability information, helping consumers make informed choices and avoid greenwashing (European Union, 2024^[75]).

2.5. Designing and implementing benefit sharing models

2.5.1. Opportunities and challenges

Benefit-sharing, value-addition, co-owned models and shared-prosperity models are increasingly common in industries arising or growing due to the transition.⁵ For example, co-ownership models in which Indigenous Peoples and other communities take equity stakes in renewable energy projects have increased in recent years (IPRI, 2024^[76]). This is driven by the interest of communities to be part of such projects, and of the interests of governments, companies and investors in stable and co-operative investment environments. Some jurisdictions have introduced requirements for Indigenous Peoples' participation in public utility tenders for renewable energy development (IPRI, 2024^[76]).⁶ In some jurisdictions, for example Australia, Indigenous Peoples may also have legislated land rights and interests even when not residing on the land in question.

Interviews with companies highlighted the importance of building voluntary shared prosperity models with affected communities and stakeholders as well as preventing exploitative extraction practices. Shared prosperity models not only benefit surrounding communities and the national economy but can also provide significant opportunities for business. These may include favourability in bidding for infrastructure development projects depending on government policy, securing preferential financing and investment terms, smoother permitting processes, minimising delays and disruption of projects, as well as enhanced worker recruitment and retention (UN Global Compact, 2022^[77]).

2.5.2. Key actions for business

What do OECD RBC standards say?

“Enterprises should:

Contribute to economic, environmental and social progress with a view to achieving sustainable development. (OECD Guidelines, Chapter II, para.1)

Encourage local capacity building through close co-operation with the local community, including business interests, as well as developing the enterprise’s activities in domestic and foreign markets, consistent with the need for sound commercial practice. (OECD Guidelines, Chapter II, para.3)

Encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees.” (OECD Guidelines, Chapter II, para.4).

“It is important that enterprises contribute to the public finances of host countries by making timely payment of their tax liabilities. In particular, enterprises **should comply with both the letter and spirit of the tax laws and regulations** of the countries in which they operate.” (OECD Guidelines, Chapter XI, para.1)

Community-owned or co-owned models ensure communities benefit from shared revenue and can include:

- Equity co-ownership (i.e. a shareholder stake in a company or project), including benefit-sharing models with communities or Indigenous Peoples inhabiting the land where the operations/activities are taking place.
- Supporting worker-owned co-operatives in sectors with growth potential like renewable energy and food production.
- Transparency of relevant financial information, participatory budgeting, stakeholder consultations, and local advisory committees to help ensure that local investments reflect community priorities.
- Supporting transparent, fair and equitable contracting and revenue sharing, including through community development funds with inclusive participation.

More generally shared-prosperity approaches implemented by companies can focus on maximising national and local benefits. This includes support to national and local development and economic priorities, compliance with tax liabilities, local procurement systems and shared infrastructure and ensuring local communities benefit from skill development, and job creation. Appropriate approaches by companies will vary depending on specific local or national contexts, but examples may include:

- Ensuring company natural resource policies also respond to needs at a local level that address resource scarcity issues (e.g. energy and water)
- Company policies and mechanisms to support local procurement.
- Investing in local and national economic value chain activity
- Sharing access to technology, with due regard to the protection of intellectual property rights, confidentiality obligations, privacy, personal data protection, export controls and non-discrimination principles
- Prioritizing or investing in domestic or local processing and manufacturing where possible of locally extracted natural resources or the production of energy.

Box 2.7. Case study: Henvey Inlet Wind – Co-ownership and shared prosperity with Indigenous Peoples

The 300 MW Henvey Inlet Wind project is Canada's largest First Nation wind partnership, co-owned by Henvey Inlet First Nation (via Nigig Power Corporation) and Pattern Energy. Built on reserve lands, it operates under a First Nation Environmental Stewardship Regime, embedding Indigenous-led governance and environmental oversight from the outset. This regime was designed to support respect of Indigenous rights, cultural values, and certain community environmental priorities through tailored risk management guidance and oversight roles for representatives of the community. It includes environmental assessment and risk mitigation guidance tailored to the Henvey Inlet First Nation cultural perspective; a requirement for Free, Prior and Informed Consent (FPIC) and culturally appropriate consultations throughout the project lifecycle; and a dedicated Environmental Commissioner appointed by HIFN to oversee compliance and enforce environmental laws.

The partnership claims to deliver CAD 10 million annually to Henvey Inlet First Nation, plus a CAD 1 million/year biodiversity fund and CAD 1 million each to four municipalities along the transmission route. The project reports that construction created approximately 1 200 jobs and CAD 25 million in contracts for local Indigenous businesses. These measures help ensure value addition, local hiring, and biodiversity protection, strengthening community buy-in and social licence.

Source: World Economic Forum (2025^[78]), Climate transition plans: CEOs on how to deliver more than just net-zero, <https://www.weforum.org/stories/2024/06/climate-transition-plans-ceos-deliver-more-than-net-zero>; Henvey Inlet First Nation (2015^[79]), Environmental Assessment Guidance Instrument, https://www.hifn.ca/images/Land_Laws/LL-2015-16-010-HIFN-ESR-Guidance-Instrument.pdf; Pattern Energy (n.d.^[80]), Henvey Inlet Wind, <https://patternenergy.com/projects/henvey-inlet-wind>.

2.6. Promoting continuous improvement and responsible disengagement

2.6.1. Opportunities and challenges

In the transition, companies will face important choices related to how best to drive continuous improvement across their activities, and how these choices affect society as a whole. Supply chains are a prime example. Company supply chain emissions are on average 26 times greater than their operational emissions (CDP, 2024^[81]) and can thus have a significant impact on a company's attainment of emissions reduction targets. A recent study found that 78% of surveyed multinationals (MNCs) will remove suppliers that hinder their transition plan (e.g. by refusing to mitigate specific risks) by 2025 and 15% have already started to do so (Standard Chartered, 2021^[82]).

Companies and investors also rely on exits or asset transfers to achieve transition objectives. To date 1 552 institutions have divested from fossil fuels (Global Fossil Fuel Divestment Commitments Database, 2025^[83]).

While these strategies may be necessary and appropriate in some situations, in other situations they may result in activities continuing under circumstances that run counter to overall societal goals related to the transition. Between 2018 and 2021, in the oil and gas sector, mergers and acquisitions (M&A) often involved companies with strong transition commitments selling carbon-intensive assets (like mature oil fields) to operators with weaker or no transition targets; more than twice as many deals moved assets away from companies with transition goals than the reverse. (Environment Defense Fund, 2023^[84]). All financial institutions interviewed acknowledged looking at responsible divestment only in the context of a

specific business relationship or asset and lacking the tools to meaningfully assess the broader impacts of such divestment.

Cut and run approaches, where companies disengage from suppliers or assets without first seeking to support improvement, can deepen existing vulnerabilities within global supply chains and ultimately fail to address, or even run counter to overall societal aims related to the transition.

For example, SMEs frequently lack resources and expertise to implement transition measures or comply with related data requests. Micro or small to-medium enterprises have cited a lack of funding as a key barrier to transition actions (OECD, 2023^[85]) a finding echoed in a survey by the SME Climate HUB which found that 68% of SMEs cite lack of internal resources (time, personnel, expertise) as a barrier to implementing transition measures and 48% identify a lack of external funding as a major obstacle (Normative, 2024^[86]).

Research by the CDP finds that suppliers who received training and support from buyers on setting science-based targets were 2.6 times more likely to set such targets and 1.7 times more likely to conduct transition-related risk assessments (CDP, 2024^[81]). However, the same study found that less than half of the companies surveyed (41% of respondents) reported engaging their suppliers on transition-related issues. Those that do, engage with suppliers accounting for less than 50% of their procurement spend, meaning there is significant scope for buyers to increase engagement and support.

Outside of engagement and training, a separate CDP study found that suppliers were 52% more likely to reduce their annual emissions when their buyers offered financial incentives compared to when only training was provided (CDP, 2024^[81]). Some interesting examples of financial support to suppliers for decarbonisation activities have been introduced in recent years, although such approaches are not currently widespread. For example, a study by Standard Chartered found that among assessed multinational enterprises, 64% are developing shared sustainability goals with suppliers and 47% are offering preferred supplier status to sustainable suppliers, only while 18% are offering grants or loans to suppliers to invest in reducing emissions (Standard Chartered, 2021^[82]). In a poll of *World Business Council for Sustainable Development (WBCSD) SOS 1.5 Incentivizing Supply Chain Decarbonisation* workstream members, only 25% have experience using preferential payment terms or financing rates for decarbonisation.

OECD interviews with business identified a broad range of approaches to supplier engagement with respect to transition activities. Some businesses are taking a risk-based approach to supplier engagement, focussing on those at greatest risk of adverse impact and with the highest emissions, while other businesses have chosen to focus on internal alignment with transition principles before extending expectations to suppliers.

2.6.2. Key actions for business

What do OECD RBC standards say?

“Enterprises may also engage with suppliers and other entities with which they have business relationships to improve their performance, in co-operation with other stakeholders, including through personnel training and other forms of capacity building, and support the integration of principles of responsible business conduct compatible with the Guidelines into their business practices. Engaging with and supporting small- and medium-sized enterprises with which they have business relationships is particularly important in this respect.” (OECD Guidelines, Chapter II, Commentary para.26).

“Adopt, where practicable in the course of their business activities, practices that enable the voluntary, safe, secure and efficient transfer of technology and know-how on mutually agreed terms; perform science and technology development activities in host countries to address local market needs; and where relevant to commercial objectives, develop ties with local higher education institutions, public research institutions and participate in co-operative research projects with local industry or industry associations, including small- and medium-sized enterprises and civil society organisations.” (OECD Guidelines, Chapter IX, paras.2-5).

“Where it is possible for enterprises to continue the relationship and demonstrate a realistic prospect of, or actual improvement over time, such an approach will often be preferable to disengagement. The enterprise should also take into account potential social, environmental and economic adverse impacts related to the decision to disengage. [...] When deciding to disengage, enterprises should do so responsibly including by seeking meaningful consultation with relevant stakeholders in a timely manner and where possible, by taking reasonable and appropriate measures to prevent or mitigate adverse impacts related to their disengagement.” (OECD Guidelines, Chapter II, Commentary para.25)

Engaging with business relationships to promote continuous improvement

As outlined above, engaging with business relationships to promote continuous improvement can be instrumental to addressing adverse impacts associated with the transition. Companies have supported or incentivised their business relationships’ transition measures in a variety of ways depending on their circumstances, including through:

Fair business practices:

- **Ensuring that suppliers and their respective organisations (e.g. co-operatives) are paid fair prices for their products, and that suppliers are given sufficient time to execute orders** taking into account economic circumstances, with the aim of contributing to achieving living wages and living incomes (OECD, 2024^[87]; ILO, 2024^[88]).

Incentives:

- **Providing better payment terms including longer-term contracts** for suppliers. This functions as a measure to proactively prevent transition risks as it also enables suppliers to invest in more sophisticated production techniques (e.g. re-skilling workers, using more efficient technology, recycling or reducing waste, etc.).
- **Establishing premium pricing structures** linked to transition performance/KPIs (e.g. related to reducing emissions and meeting key targets, reducing pollution, protecting biodiversity, etc.).

Capacity building and technical support:

- Providing **technical assistance, knowledge-sharing** and technology to help suppliers adopt low-carbon technologies, improve energy efficiency and access, and reduce environmental impacts.
- **Offering training on human rights, labour rights, and environmental standards**, aligned with international standards and tailored to the local context and communities.
- **Supporting worker upskilling and re-skilling programmes** within supplier operations to prepare for changing labour demands.

Tools:

- Enabling **peer learning platforms for suppliers to share experiences and practices** across sectors and geographies.
- **Providing suppliers with tools and data for risk assessments, and social impact analysis** to inform transition planning.

Financial support:

- **Offering grants or loans to suppliers to invest in reducing emissions** (see Box 2.8 for examples).
- **Providing technical support and assisting with access to finance** (e.g. grants or loans, guidance or capacity building) to invest in new technologies and improved production techniques.
- **Providing preferential payment terms based on meeting transition or RBC related expectations.** Preferential payment terms can vary depending on factors such as the value or deposit required, or speed of payment. Financing rates can cover the terms of financing (e.g. loan duration and interest rates) provided to suppliers (WBCSD and PWC, 2023^[89]).
- **Enabling businesses to make necessary transition investments** (e.g. capacity building for suppliers, re-training for workers) through supporting short-, medium- and long-term financial planning.

Box 2.8. Case Study: Walmart and HSBC – incentives and technical support for supply chain decarbonisation

Walmart established a partnership with HSBC to offer suppliers preferential financing terms tied to sustainability performance. Through its Sustainable Supply Chain Finance (SSCF) programme, suppliers that meet Walmart's criteria gain access to lower-cost working capital (e.g. setting science-based targets and reporting progress via CDP). This programme is part of Walmart's broader Project Gigaton, which aims to avoid 1 billion metric tons of greenhouse gas emissions by 2030. HSBC links financing rates to certain criteria including emissions reduction, creating a direct financial incentive.

Complementing this financial mechanism, Walmart collaborates with Schneider Electric to provide suppliers with technical expertise and educational resources through the Gigaton PPA (power purchase agreement) Program. This initiative aims to help suppliers overcome barriers to low-carbon energy adoption by aggregating demand for PPAs and offering training on renewable procurement. Schneider Electric also runs the Zero Carbon Project, which engages suppliers by providing digital tools, guidance, and workshops to help suppliers quantify emissions, set targets, and implement action plans.

Source: Time (2024^[90]), How Major Companies Can Help Their Suppliers Decarbonize, <https://time.com/7086071/supply-chain-decarbonization>; ESG Today (2023^[91]), H&M Launches Green Loan Program to Finance Suppliers' Emissions Reductions Initiatives, <https://www.esgtoday.com/hm-launches-green-loan-program-to-finance-suppliers-emissions-reductions-initiatives>; HSBC (2023^[92]), Walmart Spurs Suppliers to Cut Carbon With Special Finance Terms, <https://www.business.us.hsbc.com/en/insights/sustainability/walmart-and-hsbc-establish-a-sustainable-supply-chain-finance-program>; Schneider Electric (2020^[93]), Walmart and Schneider Electric Announce Groundbreaking Collaboration to Help Suppliers Access Renewable Energy, <https://www.se.com/ww/en/about-us/newsroom/news/press-releases/walmart-and-schneider-electric-announce-groundbreaking-collaboration-to-help-suppliers-access-renewable-energy-5f59fa35dc5b896c8a10a096>.

Box 2.9. Case study: H&M Group – Setting targets and supplier decarbonisation

H&M Group's transition plan recognises that over 70% of its emissions occur in the supply chain, making supplier engagement the cornerstone of its climate strategy. The company requires suppliers to set their own reduction targets and submit decarbonisation roadmaps, which are reviewed and monitored by H&M's sustainability team. To enable action, H&M provides technical guidance on renewable electricity sourcing, including the use of Energy Attribute Certificates, and advocates for energy market reforms in key sourcing countries to improve access to clean power.

To overcome capability and financing barriers, H&M launched the Green Fashion Initiative (GFI) and deployed in-house energy-efficiency engineers across major production hubs. These experts work directly with factories to identify and implement energy-saving measures. By early 2025, the programme had engaged around 200 factories, identifying 2 500+ efficiency projects with a potential to cut 1.5 MtCO₂e annually – roughly 10% of H&M's supply chain emissions. This hands-on approach ensures that suppliers not only commit to targets but also have the tools and expertise to deliver.

H&M complements technical support with innovative financing solutions. Through partnerships like the DBS Green Loan Facility, suppliers can access affordable capital for renewable energy and efficiency upgrades. By 2023, the initiative had financed 17 projects, reducing emissions by an estimated 50 000 tCO₂e annually in H&M's supply chain, while also benefiting other brands using the same facilities. This integrated model – combining target-setting, technical assistance, and financial incentives – illustrates how businesses can operationalise a just transition by empowering suppliers to decarbonise without compromising livelihoods.

Source: H&M Group (2025^[94]), Energy efficiency in our supply chain, <https://hmgroup.com/case-studies/decarbonising-supply-chain-energy-efficiency>.

Deciding to disengage as a last resort

For many businesses, decisions about whether and how to disengage or divest from certain activities and assets will be an important part of the transition. These decisions will need to be evaluated in light of broader societal aims for the transition including potential impacts for workers, communities or consumers.

Considering whether a realistic prospect of improvement exists prior to deciding to disengage will be important. If so, continued engagement to support improvement over time (e.g. to support phase-outs, infrastructure repurposing, and emissions reductions) may be more impactful than disengagement when seen from an overall societal perspective.

The Science Based Target Initiative (SBTi) encourages companies setting science-based targets to prioritise action on the most significant emissions hotspots (i.e. those that represent the largest share of their footprint or pose the greatest risk to achieving transition goals) (SBTi, 2025^[95]). This principle reflects the understanding that resources should be directed where they can deliver the greatest impact. SBTi advises businesses to apply materiality screening and sector-specific methodologies to identify these hotspots and then focus engagement efforts on suppliers and partners that influence them. SBTi frames disengagement from business partners as a last resort, only after sustained attempts to collaborate have failed and the relationship becomes a material barrier to meeting targets.

An escalation process towards disengagement can help a company assess whether there is a reasonable prospect of improvement. This can involve relying on transparent criteria and objective data in consultation with the relevant business relationships and stakeholders, including workers and their organisations. In the context of the transition, for example, such relevant criteria can be linked to the implementation of transition plans aligned with specified targets.

Escalation might involve for example, moving from private dialogue with a company or client, to involving public authorities and other buyers, investors or stakeholders, to decreasing capital allocation or volume of orders or other business, and communicating about the intention to divest or disengage from a company (Share Action, 2024^[96]). This approach benefits also from early and meaningful consultation with affected communities and workers about options for improvement and timelines for potential exit.

Disengaging or exiting responsibly

Importantly, **there will also be instances where disengagement is appropriate**, for example where impacts are severe and where there is no reasonable prospect of improvement. **In these situations, it is important to disengage responsibly by identifying and seeking to address potential impacts related to the decision to exit, including through engagement with stakeholders.**

In this respect responsible disengagement requires consideration of potential social impacts for workers, communities or consumers and corresponding prevention, mitigation and remediation measures discussed in previous sections of this report (see Box 2.10). **It also involves ensuring that previous or remaining adverse impacts are remediated.** Establishing remediation plans and funds in advance of exit will in some cases required by law (Government of Canada, 2022^[97]). Where disengagement involves transferring an asset to another entity, due diligence can help ensure that the new owner has the capacity and financial resources to implement environmental and social standards.

The Natural Resources Governance Institute and Carbon Tracker have developed a set of principles to support responsible exit from oil and gas assets (Natural Resources Governance Institute, 2024^[98]). These principles broadly call for prevention and mitigation of impacts through sufficient counterparty due diligence, pricing in of decommissioning obligations, assessment of potentially associated environmental and social impacts and engagement with stakeholders to assess any such impacts.

Box 2.10. Case study: Huntley Coal Plant – Mitigating broader community impacts

When the Huntley Generating Station in Tonawanda, New York, closed in 2016, the shutdown demonstrated the cascading impacts of disengagement on local economies, public services, and industrial operations. The plant had been a large employer and taxpayer in the community, contributing significant funds to the town, school district, and county budgets. The plant closure not only eliminated jobs but also disrupted water supply arrangements for nearby manufacturers, which relied on Huntley's pumping infrastructure to access affordable raw water. This case illustrates that disengagement from high-carbon assets can create indirect consequences beyond the facility itself, affecting regional supply chains and municipal services. Without proactive planning, these ripple effects can amplify economic vulnerability and social inequities.

Early and transparent communication was important in this case to allow stakeholders the time to anticipate fiscal and operational impacts. Likewise, formalising transition planning through dedicated committees and inclusive forums helped co-ordinate responses and secure external funding. In Huntley's case, local leaders engaged unions, environmental advocates, and state agencies to develop a vision for redevelopment and to access state and federal transition funds. This collaborative approach mitigated some immediate fiscal shocks and laid groundwork for economic diversification.

Source: Propp, D. and W. Look (2023^[99]), Energy Transition Case Study: The Huntley Coal Plant in Tonawanda, New York, <https://www.rff.org/publications/reports/energy-transition-case-study-the-huntley-coal-plant-in-tonawanda-new-york>.

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Notes

¹ Some studies suggest that jobs in transition materials and renewable energy tend to be lower quality jobs, with lower wages and levels of protection. See for instance (OECD, 2024^[100]) unless specific measures are not taken to support the transition of vulnerable populations, including women, persons with disabilities, youth, etc., they will not get positive gains from the job creation and existing inequalities are likely to be perpetuated.

² This report refers to the two documents in combination with other sector specific OECD Due Diligence Guidance as relevant (e.g. the Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractives Sector) as OECD RBC standards.

³ This document is not intended to provide detailed practical guidance on how to implement the six steps of the OECD due diligence process, nor does it cover all of the recommendations of the OECD Guidelines.

⁴ In the study, “full implementation” requires companies to have social dialogue mechanisms in place and time-bound targets to protect workers, consumers and suppliers from the impacts of a low-carbon transition.

⁵ See the Business and Human Rights Resource Centre portal on “Shared prosperity in renewable energy”, which showcases projects and cases exploring benefit sharing and community ownership models in the renewable energy sector (Business and Human Rights Centre, n.d.^[102]).

⁶ See also Australia’s First Nations Clean Energy Strategy 2024 – 2030 (Department of Climate Change, Energy, the Environment and Water, Australian Government, 2024^[101]).

Responsible Business Conduct for a Just Transition

Protecting Workers, Communities and Consumers in the Low-Carbon Transition

The global transition toward renewable energy and a low-carbon economy is driven by climate change and rising energy demand, as well as economic, security and environmental factors. The transition creates opportunities for innovation, competitiveness and decent work, but if not managed well can heighten risks for workers, communities and consumers which can undermine the pace of transition. This report provides a resource for companies developing policies and practices to manage potential social impacts associated with a transition towards a low carbon economy. It identifies relevant recommendations from OECD responsible business conduct standards and, drawing on existing practice and case studies, provides examples of how businesses can implement these recommendations.



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