

# INTEGRATING JUST TRANSITION INTO SUSTAINABILITY REPORTING

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Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

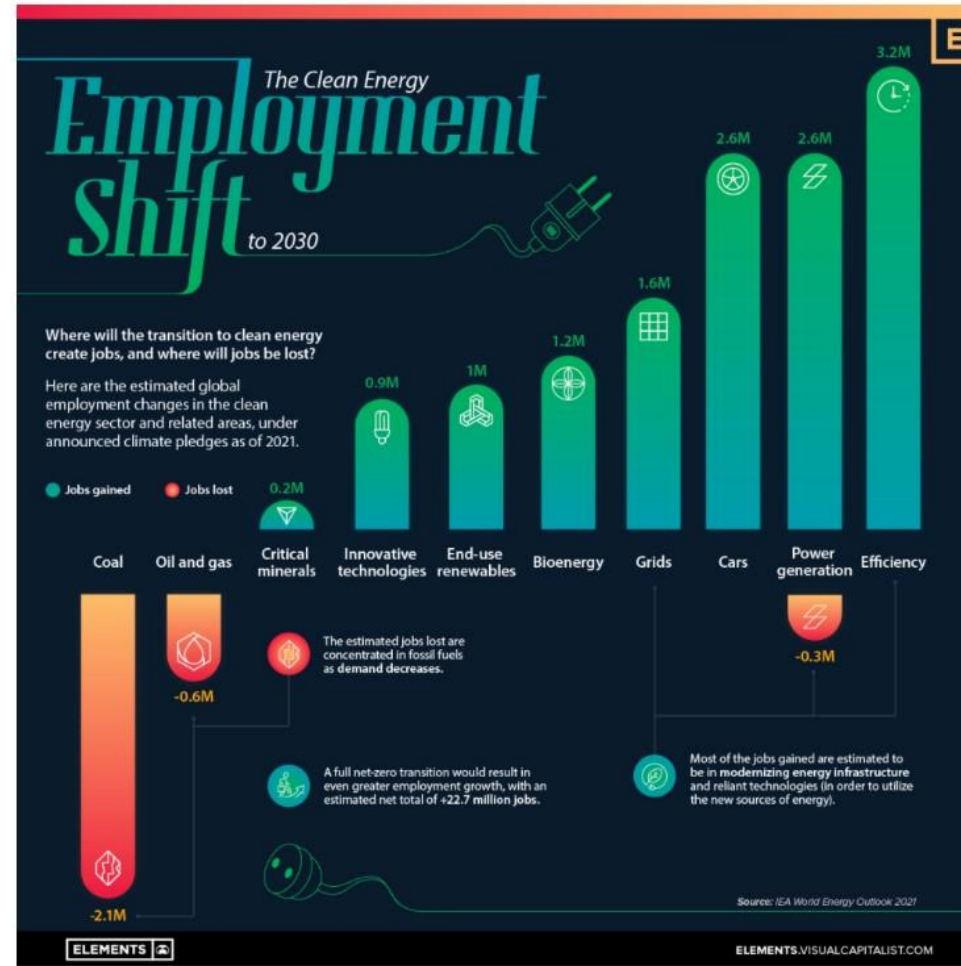


TIPS FORUM 2022

TOWARDS A JUST TRANSITION - THE ROLE OF INDUSTRIAL POLICY

# Reporting on Just Transition is imperative to track progress

“companies that consider the impact of the energy transition on their key stakeholders — employees, customers, and the communities in which they operate — will likely be best positioned over the long-term” *Blackrock, 2022*

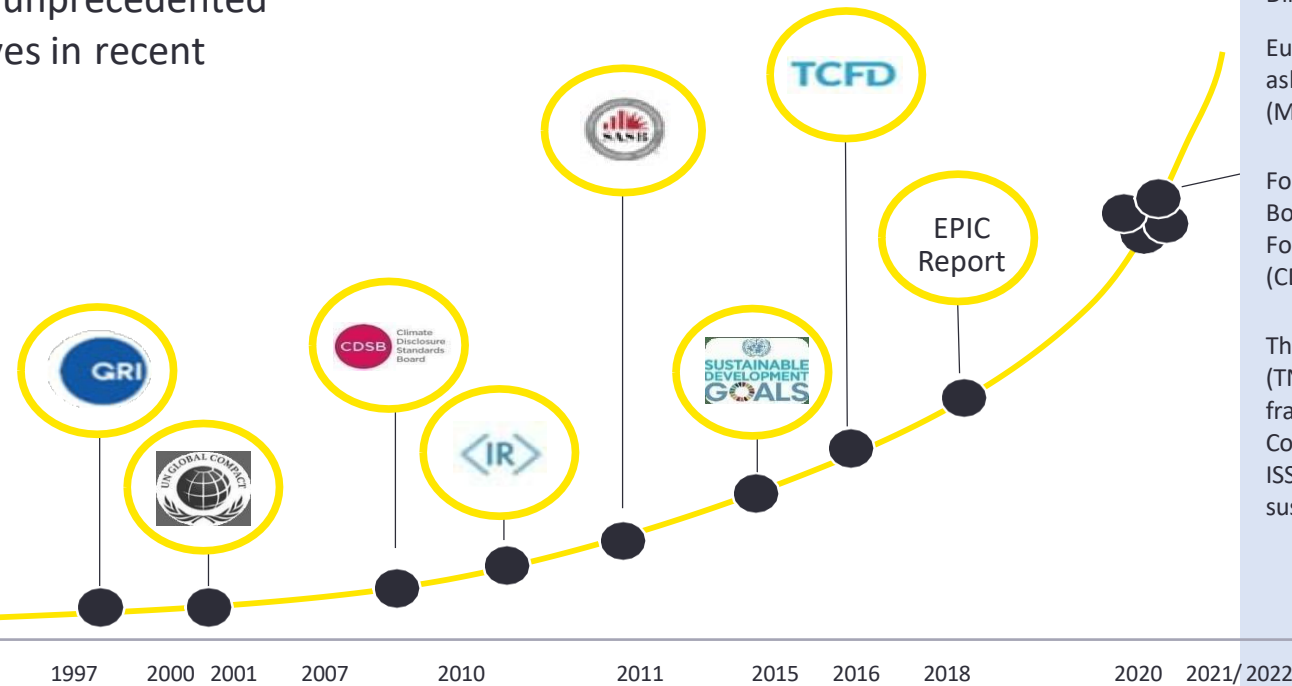


The clean energy transition is expected to **generate 10.3 million net new jobs around the world by 2030**, but... workers, communities and other stakeholders currently dependent on emissions-intensive industries will nonetheless face transitional, location-specific challenges

[Here's how clean energy will change the global jobs market | World Economic Forum \(weforum.org\)](https://www.weforum.org)

# Enhanced focus on sustainability/ climate change reporting

After a period of slow and steady activities, we have seen unprecedented standard setting initiatives in recent years



## 2020-2022 highlights

EU Non-financial reporting consultation. (Feb 2020)

EU proposal for Corporate Sustainability Reporting Directive (CSRD) (Apr 2021)

European Financial Reporting Advisory Group (EFRAG) asked to develop EU sustainability reporting standards (May 2021)

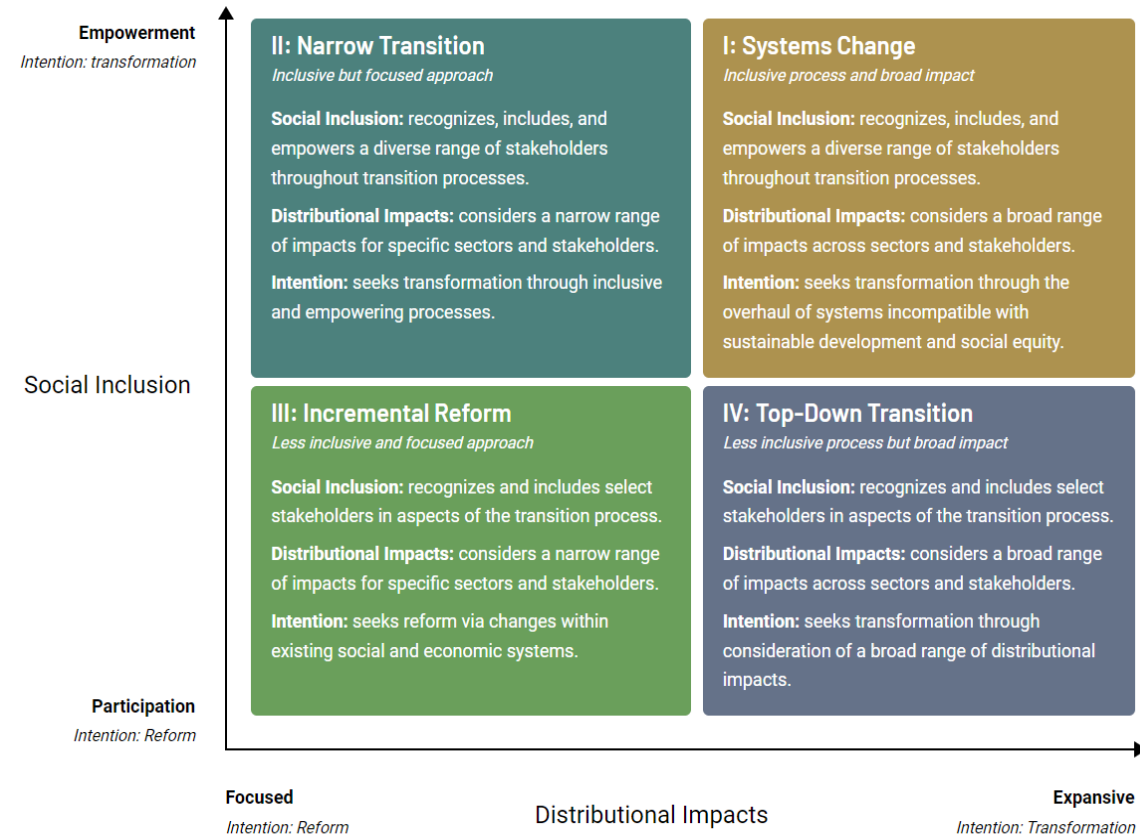
Formation of the International Sustainability Standards Board (ISSB) with consolidation of Value Reporting Foundation (VRF) and Climate Disclosure Standards Board (CDSB) into the IFRS Foundation (Nov 2021)

The Taskforce on Nature-related Financial Disclosures (TNFD) releases its Beta Framework, inspired by the TCFD framework on climate. The US Securities and Exchange Commission proposes rules on climate-related disclosures. ISSB publishes exposure drafts for climate and general sustainability disclosure standards (Mar 2022)

# Agreeing on definition is first challenge

“Taking 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, Acknowledging that climate change is a common concern of humankind, Parties should, when taking action to address climate change, **respect, promote and consider their respective obligations on human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity, ...**” Paris Agreement 2015

## Just Transition Initiative Framework



Source: [About Just Transitions – Just Transition Initiative](#),

# The expectations of private sector are evolving

Climate Action 100+ Just Transition benchmark	World Benchmarking Alliance (WBA)	JET Council for Inclusive Capitalism	JSE Sustainability Guidance
<p>Companies must demonstrate that they are planning proactively to protect long-term value and mitigate severe disruption to the economy, while ensuring that workers and communities are given a fair opportunity to transition into new, sustainable livelihoods. This is what it means to plan for a Just Transition. As such, the benchmark has been designed to evaluate whether a company considers the impacts from transitioning to a lower-carbon business model on its workers and communities.</p>	<p>A 'Just Transition' envisions resilient and thriving workers and communities carrying out green and decent jobs, while limiting global temperature increase to 1.5°C in line with the Paris Agreement.</p>	<p>"The transformation of the global energy sector toward a sustainable, net-zero emissions system, must take into account the social and economic impacts on individuals, workers, and communities"</p>	<p>References the Paris Agreement notion of a "Just Transition", which originated in the labour movement, to signal the importance of minimising the negative impacts and maximising the positive opportunities for communities and workers as part of the shift toward a low emission economy.</p>

# Indicators/ metrics have been identified, but not all consistent

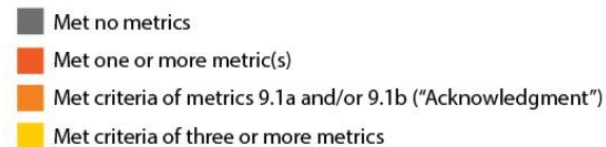
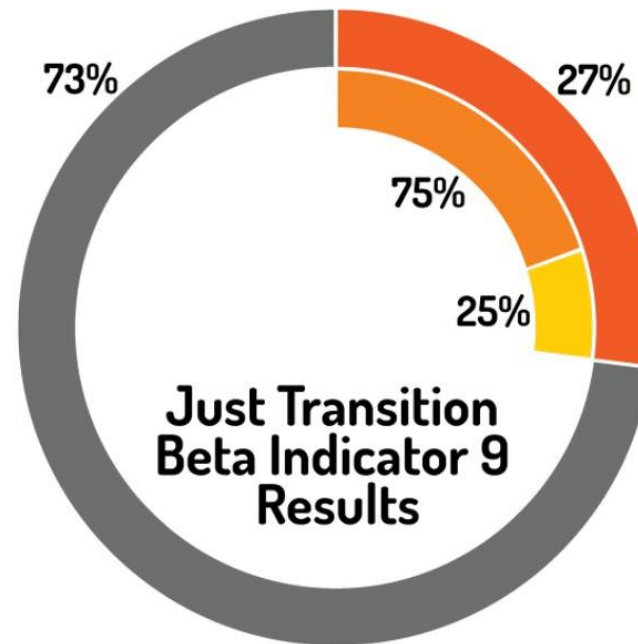
Climate Action 100+ Just Transition	World Benchmarking Alliance (WBA)	JET Council for Inclusive Capitalism	JSE Sustainability Guidance
<p><b>Acknowledgement</b> of Just Transition impacts</p> <p><b>Commitment</b> to Just Transition principles</p> <p><b>Engagement</b> with stakeholders on Just Transition</p> <p><b>Action</b> on Just Transition plan</p>	<ol style="list-style-type: none"> <li>1. Social dialogue and stakeholder engagement</li> <li>2. Just Transition planning</li> <li>3. Creating and providing or supporting access to green and decent jobs for an inclusive and balanced workforce</li> <li>4. Retaining and re- and/or up-skilling workers for an inclusive and balanced workforce</li> <li>5. Social protection and social impact management for a Just Transition</li> <li>6. Advocacy for policies and regulation on green and decent job creation, employee retention, education and reskilling, and social protection supporting a Just Transition</li> </ol>	<p><b>Pillar 1 – Universal net-zero energy</b> (<i>how to support universal access to energy and a net zero emissions world</i>)</p> <p><b>Pillar 2 – Workforce evolution</b> (<i>How to ensure that the journey for the company’s workers is just</i>)</p> <p><b>Pillar 3 – Community resilience</b> (<i>How to ensure that the journey for communities affected directly and indirectly by the company’s transition is just</i>)</p> <p><b>Pillar 4 – Collaboration &amp; transparency</b> (<i>How to bring everyone on the journey and support the Just Transition of other organisations</i>)</p>	<p><b>Core metrics –</b></p> <ul style="list-style-type: none"> <li>- Plan committing to engagement with affected workers/ communities</li> <li>- # workers recruited/ retrained/ retrenched/ compensated due to decarbonisation plan</li> </ul> <p><b>Leadership metrics</b> span measures of engagements completed, lobbying activities, exec remuneration, provisions/ expenditure for transition impacts</p>

# The journey to reporting will require focus

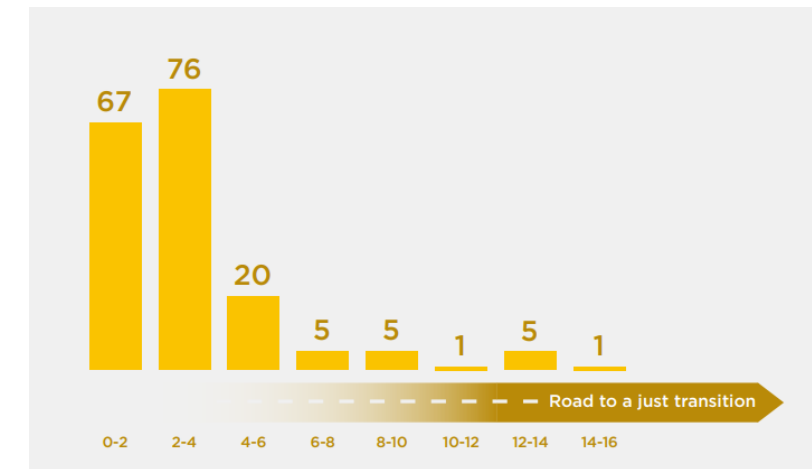
Across the frameworks considered, three main common themes are identified spanning:

1. Reporting on commitments around decarbonisation and the related Just Transition to stakeholders
2. Engaging proactively on Just Transition with impacted stakeholders
3. Developing plans to address identified impacts especially in relation to workforce reskilling

Climate 100+ initial benchmark 2021 shows **majority of the largest global emitters are not sufficiently prepared to deliver a just transition.**



For WBA benchmark, of the 180 companies assessed, only 5% receive more than the mid-level score of 8. **The vast majority of companies (84%) score 4 points or less.**

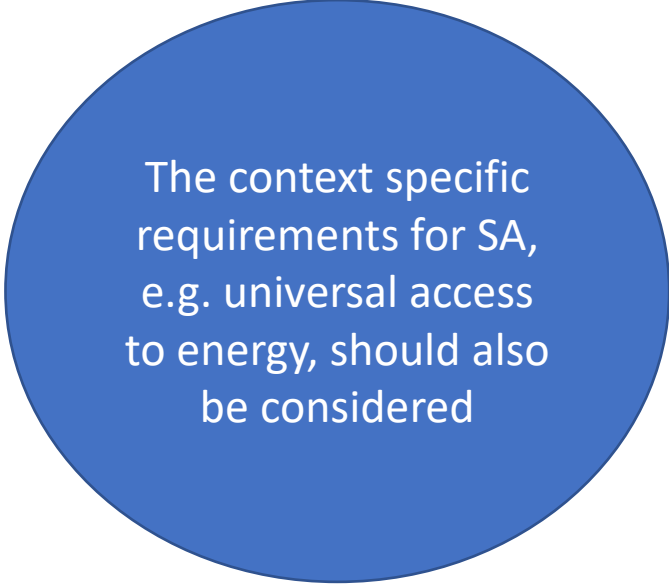


[2021\\_JustTransitionAssessment.pdf](#)  
([worldbenchmarkingalliance.org](http://worldbenchmarkingalliance.org))



# Some key actions should be taken

- Support integration of Just Transition concept into emerging baseline requirements for sustainability/ climate change reporting (e.g. ISSB)
- Define a consistent set of indicators/ metrics, with some tailoring for local context
- Clarify the expectations for public sector sustainability reporting including on the topic of Just Transition
- Prioritise strong action in parallel with reporting



The context specific requirements for SA, e.g. universal access to energy, should also be considered





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