TASKFORCE ON NET ZERO POLICY

INTERCONNECTED JUSTICE

UNDERSTANDING THE CROSS-BORDER IMPLICATIONS OF CLIMATE TRANSITION POLICIES

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Contents

ABOUT THIS RESEARCH

The just transition can be a transformative process. The High-Level Expert Group's (HLEG's) *Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions* report, Recommendation 9, states, *'Just transitions incorporate the need for transformative development pathways that allow developing countries to provide for minimum needs and industrialise with the latest clean technologies while creating opportunities for green jobs and decent livelihoods, more energy security and financial resilience.'* In this context, the just transition encapsulates a transformative vision that embeds developing countries' right to development, livelihood and resilience (social, economic and ecological).[1]

The research conducted for the Net Zero Policy Matters: Assessing Progress and Taking Stock of Corporate and Financial Net Zero Policy Reform that accompanies this paper shows that the integration of climate mitigation with broader climate and sustainability issues (such as climate adaptation, nature and land-based solutions and just transition considerations) in net-zero policies is still limited. Only 11 policies out of the 304 analysed recommend or require disclosure of just transition indicators, and only 4 recommend or require disclosure of just transition targets. Meanwhile, just 13% of policies (39 out of 304) have recommendations or requirements to either disclose or adopt adaptation targets. Only 4 policies have a disclosure requirement for a nature-related goal or target, with 28 out of 304 recommending or requiring disclosure of nature-related impacts. Acting on climate without regard for other sustainability issues can weaken and delay the net-zero transition, as it may lead to human rights and socio-economic impacts, environmental degradation and societal discontent. Acknowledging and acting on the nexus between climate-land-nature and other sustainability issues is paramount to ensuring a fair and successful net-zero transition.

In an increasingly interconnected world, the speed, scale and universal character of the just transition hold implications for interconnected justice; that is, the cross-border implications of climate and nature transition policies. Put simply: one place's just transition affects another place's just transition. This is a complex process that will not look the same for any two countries or communities, as the social, economic, and ecological opportunities, challenges, needs and historical contributions to the climate crisis differ amongst countries. This is underscored by the principle of Common but Differentiated Responsibilities and Respective Capabilities in light of national circumstances, as per the Paris Agreement and the UN Framework Convention on Climate Change (UNFCCC).[2]

To date, the scope of just transition interventions has been *place-based* and rightfully so; measures to ensure social equity in the transition must consider the contextual characteristics of affected stakeholders. However, governmental climate and nature transition policies should also require non-state actors (NSAs), (corporates, financial market participants and subnational governments) to consider and mitigate the uneven distributional impacts, uphold principles of human rights and make decisions through inclusive processes.

Understanding interconnected justice is an exercise in systemic thinking. Any effective just transition intervention needs to uphold multiple interpretations of justice and consider the interconnected character of the transition itself. Approaching the just transition as both a place-based and interconnected challenge encourages policymakers and NSAs to better account for the needs of affected stakeholders. Without this approach, there can be risks of burden shifting to other geographies, thus deepening existing systemic inequalities.

This report relies primarily on semi-structured interviews with key stakeholders. Analyses in this report are also supplemented by literature review and desk research. The interviewed stakeholders come from policy (policymaking and policy analysis), civil society and advocacy, research and the finance industry. More than half of the interviewees are based in, come from or specifically focus their work on the Global

[1] While the context and focus of this paper is on the cross-border impacts of climate transition policies on developing countries, in particular, just transition challenges and impacts within developed countries do indeed exist.
[2] UNFCCC (2021) The Explainer: The Paris Agreement | UNFCCC.

South. In line with the focus of the HLEG and the Net Zero Policy Matters report, this document focuses on specific types of policies, namely due diligence, disclosures and transition plans, and carbon offsets. **This report provides normative proposals on how to widen policymakers' and NSAs' approach when addressing the question of justice in climate and nature transition policies.** It highlights:

- The interconnected nature of the global just transition to low emissions and climate-resilient development.
- How NSA policies can influence NSA activity towards greater interconnected justice outcomes.
- How local, national and supranational policymakers can enhance multi-actor dialogue towards stronger interconnected justice outcomes.

It aims to support policymakers in developing NSA policies and enhance the integrity of NSA justice commitments in an increasingly interconnected world. Furthermore, it underscores the importance of pursuing the just transition at speed and scale across jurisdictions, underpinned by policy provisions on cross-border impacts and interconnected justice.

KEY FINDINGS

1. **For the just transition to be achievable by all, policymakers and NSAs (large multinational companies and financial institutions) should adopt a widened interpretation of justice that accounts for its interconnected character.** The just transition unites various types and concepts of justice into one. Adopting a wider concept allows policymakers to better grasp contextual and existing injustices and thus design policies that deliver concrete justice outcomes while upholding the principle of Common but Differentiated Responsibilities and Respective Capabilities.[3] NSAs also have a role in upholding these responsibilities.
2. **Accordingly, governments and policymakers should aim towards better coordination to tackle the risks and seize the opportunities presented by the global just transition.** Collaborative climate governance, improving information symmetry, technology transfers and climate finance provision are all tools at policymakers' disposal to achieve this goal. Regulation and promotion (through measures such as capacity building and technology transfer) are key levers for policymakers to strengthen the responsibilities of NSAs to contribute to interconnected justice.
3. **At the same time, NSA policies should, first, streamline the integration of social and environmental 'do no significant harm' (DNSH) principles; and second, expand their focus from limiting the negative impacts ('doing no significant harm') to one that includes seizing the opportunities of the just transition ('do more good').** 'Doing no significant harm' or seeking a 'social license to operate' is critical, but it is insufficient when dealing with existing and potential injustices. 'Doing more good' requires policymakers and NSAs to actively contribute to redressing existing social inequities and disproportionate climate impacts on developing countries to ensure that the transition offers sustained social and economic development opportunities for communities at the ends of value chains. It requires moving from an extractive paradigm to a circular paradigm that recognises planetary boundaries and the right for inclusive and resilient development. Policies should maximise opportunities for affected communities in the transition while mandating stringent due diligence around risks caused by NSAs on the ground. Interconnected justice must be embedded in policy design, measurement and monitoring to achieve accountability and continual improvement. Effective indicators can be developed to integrate interconnected justice into NSA target setting and reporting.
4. **In practice, interconnected justice hinges on inclusive decision-making processes where affected stakeholders' voices and rights are fully respected in transition processes and outcomes.** This requires NSAs to consider the power asymmetries in engagements and consultations

[3] The principle of Common but Differentiated Responsibilities and Respective Capabilities was formalised in the UNFCCC in the 1992 Rio 'Earth Summit', Article 3(1) as one of the foundational rules of international environmental law.

and use collective dialogues as one mechanism to promote place-based and interconnected justice. For policymakers, this requires clearly identifying all affected stakeholders and pursuing complementary policy reforms that establish environmental and social 'red lines' that safeguard communities' rights. Furthermore, whether through soft law or hard law, it is the implementation of international human and labour rights, along with adherence to do no significant harm standards and the gradual pursuit of doing more good, that truly makes the difference. Effective engagement through co-development and co-ownership of policies and adaptation to specific local conditions are essential to achieving this goal.

5. **NSA policies are part of a wider policy regime, and climate policy goals are best implemented in mixes or packages of complementary policies, tackling the just transition from multiple angles.** These policies range from micro-level, firm-specific NSA policies to macro-level policies at the national and supranational levels. The effectiveness of the policy also depends on the sector and context in which it is implemented. For instance, structural barriers, such as the lack of recognition of the economic value of nature and the ecosystem services it provides, hinder the mobilisation of economic resources to rich biodiverse developing countries and to local and Indigenous communities, delaying the climate and nature transitions.
6. **This report provides a set of 'policy prompts' (questions or topics for discussion intended to support multi-actor policy dialogues) on the rights and responsibilities of policymakers and NSAs regarding interconnected justice.** This enhanced engagement across jurisdictions can strengthen policy coordination efforts across NSA policies and policies at the national and supranational levels.

SECTION I. THE STATE OF PLAY FOR NSA POLICIES

In an increasingly interconnected world, the speed, scale and universal character of the just transition hold implications for **interconnected justice: the cross-border implications of climate transition policies. Put simply, this is how one place's just transition affects another place's just transition.**

The transboundary character of climate and nature transitions has long been regarded as a barrier to policy coordination. However, it is precisely because of this interconnectedness that we must account for the cross-border implications of climate and nature transition policies. Today, as countries and regions ratchet up their climate ambitions, it is crucial to remember that some developed countries supercharging their decarbonisation efforts have benefitted from resources from developing countries. This includes fossil fuels and other resources that can create carbon lock-ins and path dependencies for developing countries.

This dynamic extends today to NSAs, particularly large corporate actors and financial institutions, who increasingly operate with globalised footprints along their global value chains. There is a danger that the transition and its positive impacts shift burdens that further exacerbate inequitable outcomes.

Policies and regulations that shape and strengthen NSA behaviours, or NSA policies, have a critical role in affecting justice transnationally.

NSAs, specifically corporates, financial institutions and sub-national and local governments, exist within an ecosystem of key agents of climate governance, politics and decision-making. Climate change, biodiversity loss and environmental deterioration are caused by, and implicate, every facet of the global socio-economy. For this reason, all actors should be involved to provide solutions. Figure 1 highlights the types of NSAs that fall within the scope of this report. This report mainly focuses on large corporate actors and financial institutions with significant cross-border exposure and influence.[4]

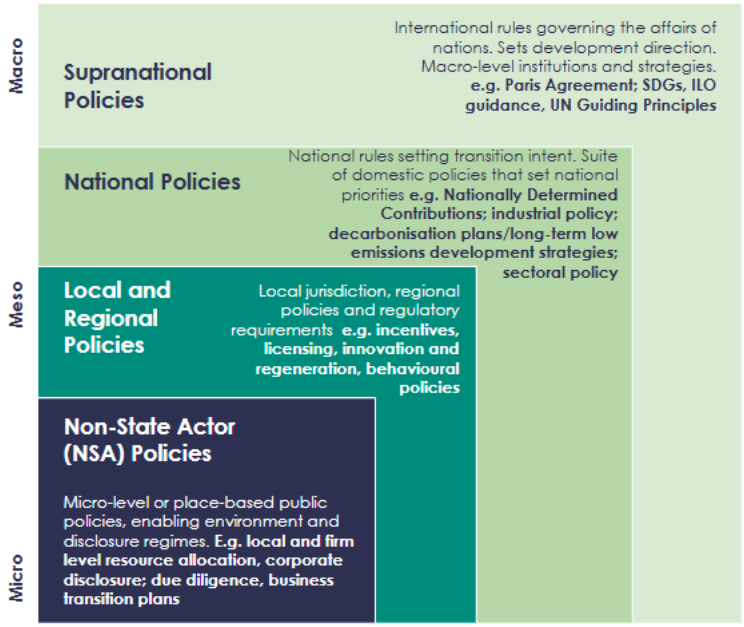
Figure 1: Typologies of non-state actors (NSAs)

Type of NSAs	Examples of actors
Corporate actors (non-financial)	● Multinational enterprises & large companies with global value chains ● Business coalitions with common social/climate goals
Financial institutions	● Institutional investors, credit institutions and insurance companies ● Finance industry coalitions focused on net zero or social issues
Sub-national, local and regional governments	● Municipal governments and regional governments (and any other forms of sub-national governments) that are embedded in international economic and trade networks that provide goods and services globally. ● Coalition of sub-national governments

NSAs are influential players in global value chains and are responsible for significant portions of global economic activities across borders. Global value chains link companies, producers and consumers globally, involving all stakeholders in the climate and social risks and opportunities of the transition. Annex I provides a conceptualisation of NSAs and their agency in the transition.

[4] While this report predominantly focuses on corporates and financial institutions, sub-national governments also fall within HLEG's definition of non-state actors. They are central in many policy processes that have interconnected justice outcomes, including democratised climate governance; regional planning around housing, transport, energy and other sectors; economic diversification; and influencing/contributing to national climate transition efforts. As such, this report may also be beneficial for sub-national governments.

Figure 2: NSA policies within a policy regime for the just transition



As Figure 2 shows, NSA policies sit within a wider, multi-scale policy regime; climate policy goals are best implemented in mixes or packages of complementary policies, tackling just transition from multiple angles.[5] These policies range from micro-level, firm-specific NSA policies to macro-level policies at the national and supranational levels. The effectiveness of the policy not only depends on the NSA policy instrument design itself but also on the sector and context in which the policies are implemented. Macro-level, supranational and national policy architectures such as investment, trade and other supranational regimes can play an influential role in NSA policies. Currently, existing micro-level corporate policies are broadly split into transparency-based and behaviour-based (responsible conduct). NSA policies have played a crucial role in enhancing the transparency of NSA actions; this report mainly discusses policies of information disclosure and value chain due diligence.

While not addressed in this report, as not directly connected to the HLEG recommendations, it should be noted that a wide range of policies beyond NSA policies (e.g. carbon pricing, industrial policies) can still have significant impacts on NSAs and can have substantial cross-border implications. For example, industrial policies in one jurisdiction can have substantial spillover effects on another jurisdiction through international trade and investment channels. Diversification for commodity producer communities remains key to overcoming low human capital development and low productivity development. Without this, resulting socioeconomic vulnerabilities and fiscal constraints can materialise as stressors towards maladaptation, low adaptive capacity and weakening communities' adaptability to exogenous shocks, which are exacerbated by climate events. This is just one example of how interconnected justice plays out both systemically and locally.

[5] Annika Stechemesser et al. (2024) Climate Policies That Achieved Major Emission Reductions: Global Evidence from Two Decades.

EXAMPLE 1: DISCLOSURE REGIMES AND TRANSITION PLANS

Disclosure and transparency play a significant role in holding NSAs accountable for implementing their climate commitment, demonstrating progress, building trust and informing evidence-based policies. The proliferation, integration and streamlining of disclosure standards have been primarily aimed at informing financial market participants to manage climate-related risks, with a focus on publicly traded companies. Risk management has also been a central concern for prudential regulators to ensure financial stability. The demand and supply of transparency exists broadly amongst regulators, NSAs, consumers and civil society. Information is important, not only to investors and consumers to make informed investment (buying) decisions, but also to affected communities, such as Indigenous peoples and their rights to free, prior and informed consent. Indigenous peoples comprise approximately 5%–6% of the world's population but protect 80% of the remaining terrestrial biodiversity.[6] As such, transparency and disclosure also need to be retained as a form of public good.

Disclosure is one piece of the puzzle and is inextricably tied to the equity of climate actions and burden sharing to address climate impacts. Integration of cross-border and justice considerations in the transition is key to ensuring that disclosure regimes respond to cross-border dynamics. For example, the International Financial Reporting Standards Board Climate-related Disclosures standard (IFRS S2) requirements include a focus on an entity's *value chain*, which covers 'the financing, geographical, geopolitical and regulatory environments in which the entity operates'. According to the standard, entities are required to disclose their Scope 3 emissions, including both upstream and downstream emissions. Further, the European Sustainability Reporting Standards (ESRS) reference the need to build capacity and support smaller players, especially in developing countries. In terms of support to actors along the value chain, the ESRS acknowledge the challenges that smaller suppliers, particularly in developing countries, may face in meeting sustainability standards and disclosures. Companies are encouraged to understand their value chain impacts and dependencies and consider how they can support these smaller actors to align with sustainability goals; they can provide resources, capacity-building or technical assistance, for example. Moreover, the ESRS approach to double materiality considers both financial and environmental/social impacts, encouraging companies to take a holistic view of their responsibilities within the value chain. This framework encourages companies to foster sustainable practices among smaller or developing-country suppliers, promoting broader environmental and social objectives.

The just transition dimensions of value chain impacts, including capacity building and support to small players, are not, however, well-specified in current disclosure regimes. Meanwhile, at the national level, just transition-relevant policies (including on disclosure) are proliferating across sectors, notably in the energy transition.[7] These national rules setting transition intent can stimulate more robust NSA policies that capture the transition's associated justice impacts.

Within disclosure regimes, interconnected justice implications can exist around a number of issues. These include evaluating the human consequences of transition in subsidiaries and portfolios; data quality; reporting challenges on Small and Medium-sized Enterprises (SMEs); disjointed requirements; and how reporting can reflect meaningful engagement with affected stakeholders given the transboundary nature of NSA operations. The collection and preparation of information, including systematic data collection, measurement of emissions and other performance areas and communication of additional information needs is a prerequisite for disclosure. These can pose challenges to smaller NSAs or entities with fewer capabilities, both upstream and downstream, that might require support. Furthermore, the design of disclosure frameworks that fail to capture transition effects on communities may entrench systemic injustice against those communities.

[6] Kanyinke Sena (2020) Recognizing Indigenous Peoples' Land Interests Is Critical for People and Nature.
[7] Tiffanie Chan, Jodi-Ann Wang and Catherine Higham (2024) Mapping Justice in National Climate Action: A Global Overview of Just Transition Policies.

Interconnected justice effects may arise not only in the design but also in the implementation of policies. SMEs, which contribute up to 40% of GDP in emerging economies and provide a large quantity of employment opportunities, particularly need access to finance for decarbonisation efforts.[8] While the existing and upcoming standards from the International Sustainability Standards Board (ISSB) primarily target listed companies, some jurisdictions are extending reporting requirements to all large companies (e.g. the EU ESRS or Canada's standards). Nonetheless, non-listed SMEs remain exempt but will likely be affected by spillover effects (especially related to scope 3 emissions) and may be required to provide information that can be challenging to gather and report.

Moreover, by their own nature, disclosure requirements influence investment decisions, potentially redirecting capital flows away from high-risk regions. Raising awareness, building capacity and support and promoting proportional disclosure standards that are tailored to small and medium-sized enterprises have been proposed as necessary steps in several studies and in the interviews conducted for this paper.

While measuring and reporting are essential first steps towards managing and reducing emissions and environmental impacts, SMEs frequently lack the necessary capabilities and expertise to implement these processes effectively. Policymakers are increasingly aware of the potential negative consequences that disclosure regulations may have if they do not address the specific needs of SMEs. Consequently, considerations to mitigate these impacts are being integrated into policy frameworks to better support smaller enterprises.

Capital Markets Malaysia published the *Simplified ESG Disclosure Guide (SEDG) for SMEs in Supply Chains*,[9] to consolidate and simplify several global and local ESG-related frameworks. These include 35 'priority disclosures', split into three categories (basic, intermediate and advanced) that cater to different maturity levels among SMEs. These are accompanied by guides for specific sectors, including agriculture.[10] The EU is in the process of finalising a simplified ESRS for listed SMEs and an even more streamlined, voluntary standard for unlisted SMEs. Additionally, a streamlined voluntary approach inspired by the EU Taxonomy is being developed specifically to support SMEs' access to sustainable finance.[11] Moreover, the IFRS includes a 'proportionality mechanism' in its sustainability standards, aimed at 'companies that might be less able to comply with the disclosure requirements'.[12]

Initiatives are being developed internationally to reduce the impacts of disclosure requirements on smaller companies in emerging markets and developing economies (EMDEs). In June 2024, the IFRS Foundation and the World Bank Group's International Finance Corporation announced the establishment of a strategic partnership with the aim of improving sustainability reporting in these markets. The focus of the partnership will be on promoting and building capacity for the application of IFRS Sustainability Disclosure Standards across EMDEs, as well as providing technical assistance and support for the adoption and implementation of the standards.[13]

Following the issuance of IFRS S1 and IFRS S2 and their endorsement by the International Organization of Securities Commissions (IOSCO), a key priority is now to promote capacity-building and support this new global disclosure framework. Providing continued support is particularly crucial for SMEs and companies in EMDEs due to regulatory uncertainty, lack of data, perceived cost of reporting and lack of knowledge. The ISSB and other international organisations (such as IOSCO and World Bank) have undertaken several activities to support consistent application of the ISSB Standards and address specific challenges for SMEs and entities in EMDEs. These activities include the creation of dedicated fora to discuss concrete implementation issues (for example, the ISSB established the Transition Implementation Group in 2023); mechanisms within the ISSB Standards to cater to the needs

[8] World Bank (2019) World Bank Small and Medium Enterprises (SMEs) Finance.
[9] Capital Markets Malaysia (2023) Simplified ESG Disclosure Guide (SEDG).
[10] Capital Markets Malaysia (2023) Simplified ESG Disclosure Guide (SEDG) – Sector Guidance: Agriculture.
[11] Helena Viñes Fiestas (2024) Statement by the Chair Helena Viñes Fiestas on Facilitating Access to Sustainable Finance for Small and Medium Enterprises (SMEs).
[12] IFRS (2024) Voluntarily applying ISSB Standards—A guide for preparers.
[13] International Finance Corporation (2024) IFC and IFRS Foundation Announce Partnership to Improve Sustainability Reporting in Emerging Markets.

of SMEs and companies in EMDEs; the development and publication of guidance and educational materials (for example, the ISSB's 2024 Jurisdictional Guide was created to support jurisdictions' adoption or other use of the ISSB Standards); and various capacity building activities. As for the latter, these activities can be grouped into three broad categories: (i) learning from the experience gained in supporting the implementation of IFRS Accounting Standards in EMDEs; (ii) a multi-year approach by IOSCO and the IFRS Foundation directed at securities regulators, aiming to build awareness and internal capacity of securities regulators; and (iii) the IFRS Foundation's 'Capacity Building Partnership Framework', launched at COP27 in November 2022, which aims to build market capability and readiness for effective implementation and adoption of sustainability-related disclosure practices.

Disclosure frameworks should also be accompanied by behavioural, action-oriented interventions to convert data and disclosed information into real strategies and NSA policy outcomes. As shown above, complementary policies can help support this goal.

Furthermore, as transition plans are increasingly required for large companies and financial institutions and these entities start implementing risk management plans, phasing out of fossil fuels as stranded asset management and increasing clean energy investments, recipient countries and communities should be made aware of those plans. Companies should engage with how their plans are going to impact affected stakeholders and rights holders, especially Indigenous peoples and local communities, and consider this element in their planning.

Nature, disclosure and transition planning

Biodiversity is fundamental to human well-being, sustainable development and a just transition. Biodiversity loss is caused primarily by land and sea use change, resource extraction, pollution, invasive alien species, habitat loss and climate change, among other direct and indirect factors.[14] Over half of the world's GDP is moderately or highly dependent on natural assets and their ecosystem services.[15] Emissions from tropical deforestation and land use change are responsible for nearly 20% of global greenhouse gas emissions. It has significant inter-species justice impacts, both in terms of the harms done to other species and in exposing the most vulnerable communities to losing their means of sustenance and key ecosystem services. Land degradation harms the well-being of at least 3.2 billion people.

Effective actions to tackle biodiversity loss require prohibiting exploitative behaviours and empowering local stewards. One example of a *voluntary* NSA framework designed to tackle biodiversity loss can be seen in the Taskforce for Nature-Related Financial Risks (TNFD). As voluntary frameworks such as TNFD become mandated, referenced or built upon by international standards such as those developed by the ISSB,[16] they can ensure, at a firm level, that NSAs are contributing to practical actions. Existing instruments, such as the upcoming Brazilian Taxonomy and the EU sustainable taxonomy, recognise the fundamental role of nature and its connection to justice outcomes. The ESRS disclosure standard E4, focused on Biodiversity and Ecosystems, requires undertakings to 'disclose [their] policies implemented to manage its material impacts, risks and opportunities related to biodiversity and ecosystems', including whether and how these 'address social consequences of biodiversity and ecosystems-related impacts'.

Disclosure frameworks need to capture the risks and opportunities for firms that arise from their reliance on nature; in addition, they need to capture business activities' actual or potential risks to nature and the people who defend it (i.e. double materiality). Empowering and safeguarding the knowledge and rights of Indigenous peoples, women, local communities and defenders is equally important and must be adequately addressed. **Disclosure and transition planning frameworks should not only be science-based but also rights-based, evidence-led and community-informed.**

Policymakers need to differentiate between the risks associated with biodiversity loss as a physical phenomenon and systemic risks associated with the root drivers of biodiversity loss. While an NSA's impact on nature may not create a foreseeable risk to the NSA itself, it can exacerbate the systemic risk of nature loss that affects everyone. Biosphere integrity is central to interconnected justice for all, and transparency

[14] Pedro Jaureguiberry et al. (2022) The Direct Drivers of Recent Global Anthropogenic Biodiversity Loss.
[15] Partha Dasgupta (2021) The Economics of Biodiversity: The Dasgupta Review citing World Economic Forum (2020) Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy.
[16] IFRS (2024) ISSB to commence research projects about risks and opportunities related to nature and human capital.

standard-setting should ensure that those with lived experiences and knowledge of these risks can determine materiality. This also includes recognising the intrinsic value of nature in its own right.

For example, many developed countries pursue large-scale renewable energy projects as means of achieving climate targets. However, these projects can create a detrimental impact on nature and livelihoods in developing countries along the value chain, particularly when extractive activities are planned to take place in biodiversity hotspots, environmentally protected zones and all areas that provide non-substitutable ecosystem services. This calls into question whether the inevitable disturbance to a unique ecosystem and local culture can be equitably weighed against the economic uplift the project claims to bring. The principle of 'do so significant harm' and minimum social and environmental safeguards, as included in existing sustainable finance taxonomies, can help assess and evaluate the risks.

Disclosing biodiversity risks is not the same as addressing biodiversity decline. **Similarly, market-based, voluntary, transparency-focused frameworks should be complemented with policies that target implementation.** Reporting or transparency without liability and enforcement is rarely effective as a means of changing conduct. Halting and reversing biodiversity decline requires interventions at the regional, national and supranational levels and concrete 'red lines' that safeguard the livelihoods of land-connected communities and defenders.

The recent agreements at the Biodiversity COP16 in Colombia show steps forward towards achieving justice on nature-related issues. The benefit-sharing mechanism for genetic resources (the so-called Cali Fund) may help support the needs of Indigenous communities in developing countries, while the establishment of the Subsidiary Body on Article 8(j) can help ensure that the Global Biodiversity Framework is implemented in full partnership with Indigenous peoples and local communities. However, substantial **challenges remain towards developing effective ways to mobilise financial resources to guarantee management, conservation and restoration of global ecosystems in the Global South**.

Example 2: Value chain due diligence instruments

Due diligence mandates businesses to identify, prevent or mitigate and account for potential and actual adverse human rights and environmental risks and impacts caused by or contributed to through their own activities or 'directly linked' to their operations, products or services by their business relationships. It also requires stakeholder engagement to address potential impacts. Due diligence is increasingly transposed into legally binding instruments.

Due diligence policies already contain interconnected elements. Due diligence instruments like the EU Corporate Sustainability Due Diligence Directive (CSDDD) mandate the operationalisation of supply chain risk mitigation, mandatory human rights due diligence, burden-sharing and support for small and medium-sized enterprises. Accounting for effects and contextual realities beyond the domiciled jurisdiction is a core aspect of strengthening interconnected justice. For example, the CSDDD encourages companies to account for specific 'contexts or intersecting factors' including race, gender, age, class and others, as part of a 'gender- and culturally responsive approach to due diligence' while paying attention to already vulnerable communities.

Importantly, the CSDDD also establishes legal recourse for communities and broader rights holders to hold NSAs to account in their domiciled jurisdictions (the EU) for behaviours such as improper due diligence in processes like engagement. While this has yet to come into full effect, it is a step forward towards affected communities' access to justice.

As the first adopted regulation expressly mandating human rights and environmental due diligence, the CSDDD's implementation will be key to demonstrating how to best operationalise the principle of DNSH. The current experience of implementing soft law instruments such as the OECD Guidelines for MNEs on Responsible Business Conduct (OECD Guidelines)[17] – themselves a significant step forward in ensuring the respect of human rights along value chains – shows that there are areas for improvement when working towards interconnected justice.

[17] OECD (2018) OECD Due Diligence Guidance for Responsible Business Conduct.

For example, due to the spatially and temporally dispersed nature of environmental and human rights impacts, there are *operational* and *structural* limits to conducting environmental and social due diligence.[18] This limitation also extends to the ways in which intergenerational implications of today's risks can be captured in due diligence when the stakeholders (future generations) are not yet born. The quantity, quality, outcomes and impacts of meaningful consultation with affected groups and stakeholders can be influenced by **existing structural issues of imbalanced flows of information and resources,** which are affected by the intersecting factors outlined in the CSDDD. **Addressing these imbalances and intervening can also expand the scope of due diligence towards more intergenerational and restorative outcomes**. Getting the implementation of due diligence right is essential to ensure its effectiveness and prevent unintended consequences. Properly accounting for structural dynamics can help avoid interconnected harms and contribute to the reduction of existing inequities.

Well-intentioned regulations can have far-reaching impact, little to no impact or even negative consequences for distant, vulnerable stakeholders if unintended effects are not anticipated. A key example is the risk that companies or investors, when faced with salient human rights risks, may choose to end their business relationships with entities in high-risk regions or industries (so-called **disengagement)**.[19] This may stem from a limited analysis of risks, audit and organisational costs, lack of effective engagement or failed attempts at mitigating severe adverse impacts. The OECD Guidelines refer to disengagement as a 'last resort' measure. The UN Guiding Principle (UNGP) describes disengagement as:

> *'If the business enterprise has leverage to prevent or mitigate the adverse impact, it should exercise it. And if it lacks leverage there may be ways for the enterprise to increase it. Leverage may be increased by, for example, offering capacity-building or other incentives to the related entity, or collaborating with other actors. There are situations in which the enterprise lacks the leverage to prevent or mitigate adverse impacts and is unable to increase its leverage. Here, the enterprise should* ***consider ending the relationship, taking into account credible assessments of potential adverse human rights impacts of doing so****.'*

Disengagement can have various socio-economic consequences for affected communities and rights holders, both immediate and incremental. These can include losses in jobs, tax revenues and the sale of projects to less responsible NSAs, resulting in more severe impacts on rights holders and the environment. As such, the framing of disengagement in due diligence policies requires careful consideration, including consideration of when and how an NSA should consider disengagement. Policies should align with existing international standards, which highlight that where no possible alternatives are available, termination of relationships should be seen as a last resort.

Under the CSDDD, the European Commission will publish guidance and best practices on how to comply with the directive, including guidance on responsible disengagement and information for stakeholders and their representatives on how to engage throughout the due diligence process.

An element of interconnected just transition that policymakers should actively consider is the fact that poor and vulnerable communities often face multiple challenges, including high debt burdens, lack of productive diversification and acute exposure to climate change, that further exacerbate debt burdens from relief efforts.[20] The world's poorest and most climate-vulnerable countries are spending twice as much to service their debts as they receive to fight the climate crisis.[21] High exposure to climate change and high existing debt burdens also limit countries' access to finance and credit or incur high cost of finance.

[18] Julia Dehm (2023) Beyond Climate Due Diligence: Fossil Fuels, 'Red Lines' and Reparations.
[19] According to the OECD Guidance for Meaningful Stakeholder Engagement.
[20] This phenomenon has been defined by some as 'greenlining'.
[21] IIED (2024) World's least developed countries spend twice as much servicing debts as they receive in climate finance.

Due diligence in the extractives sector

Each sector has its distinct challenges in the transition, **and mining critical minerals, as an extractive activity, is presenting significant cross-border justice impacts.** Recent estimates show that around 25,000 mining companies are active globally, reflecting different types of mining activities and different typologies of corporate ownership (including private, publicly listed, state-owned enterprises and hybrid).[22] More than 50% of the energy transition mineral resources are located on or near Indigenous lands, while approximately 44,670,000 people are employed in artisanal and small-scale mining (ASM) globally. This raises questions about how NSA policies can protect transnational rights holders, including land-connected peoples outside of NSAs' domiciled jurisdiction. Policies also need to ensure that existing engagement criteria are not short-circuited, guarantee communities' 'right to say no', and make sure that the legal protection offered by free, prior and informed consent (FPIC) is duly upheld.

Mining has a complex footprint that affects land tenure rights and has direct impacts on ecosystems.[23] These include surface disturbance, deforestation, linked habitat destruction, land-use change at mine sites and substantial and complex waste, among others. These socio-ecological impacts are directly detrimental to justice outcomes, jeopardising communities' livelihoods and adaptation efforts as part of a just transition.

The economic implications of extractive industries are complex: benefits include potential employment growth, income growth, economic diversification, infrastructure improvement, social service provision and sectoral linkage creation. The UN Secretary General's Panel on Critical Energy Transition Minerals echoes both the need for interconnected justice and the need to redress past inequalities that 'banish[ed] developing countries to the bottom of value chains to watch others grow rich by exploiting their people and putting their environment in jeopardy.'[24] The economic gains must be weighed alongside the social and environmental impacts, particularly the *in-situ* benefit of ecosystem services.

The topic of mining, especially with regard to minerals originating from conflict-affected and high-risk areas, has been the object of specific guidance by the OECD through the application of its Guidelines for Responsible Business Conduct. Recently, the OECD has published a handbook focused on Environmental Due Diligence in Minerals Supply Chains supporting companies to 'identify, assess and prioritise environmental issues at the beginning of their global supply chains and take measures to prevent, mitigate or to provide remedy in such cases.'[25]

In practice, the CSDDD explicitly recognises that 'global value chains, and in particular critical raw materials value chains, are impacted by detrimental effects of natural or man-made hazards. The frequency and impact of shocks involving risks to critical value chains are likely to increase in the future.'

In addition to the CSDDD, the 2010 US Dodd-Frank Act and the EU Conflict Minerals Regulation also impose legal obligations concerning due diligence measures by traded companies in the tin, tungsten, tantalum and gold supply chains from the Democratic Republic of Congo and neighbouring countries, or in the case of the EU, from a list of 'conflict-affected and high-risk' countries.[26] They differ from the CSDDD due to their sector-specific, limited geographical scope. Social and environmental considerations along supply chains are also included in specific product-related regulations such as the EU batteries regulation.

The just transition challenge of the extractive industry is, in particular, one of restorative and intergenerational justice. Climate change reflects the inequalities that are perpetuated by existing linear patterns of extraction, production and consumption, and it reproduces such injustices, given its uneven distributional effects. Decisions around infrastructure or extractives today will remain in service well into the second half of the century and beyond, making it crucial to ensure resilience, adaptive capacity and contribution to climate neutrality and sustainable livelihoods.

[22] R. Anthony Hodge et al. (2022) The Global Mining Industry: Corporate Profile, Complexity, and Change.
[23] Antonina Scheer and Nick Robins (2024) Unjust Minerals: Investing in the Changes Needed for a Just Transition in the Mining Sector.
[24] United Nations (2024) Secretary-General's Message on the Launch of the Panel on Critical Energy Transition Minerals Report | United Nations Secretary-General.
[25] OECD (2023) Handbook on Environmental Due Diligence in Mineral Supply Chains.
[26] Boukje Theeuwes, Catarina Vieira and Lotte Hoex (2023) Due Diligence and the Risk of Disengagement: Experiences from the Mineral Sector and a Way Forward for the CSDDD.

EXAMPLE 3: CARBON OFFSETS

Offsetting is 'a climate action that enables individuals and organizations to compensate for the emissions they cannot avoid, by supporting worthy projects that reduce emissions somewhere else.'[27] Put simply; while reducing absolute emissions is a priority, carbon removal offsetting is used for any residual emissions. As the Net Zero Policy Matters report highlights, jurisdictions have developed or are in the process of developing specific certification schemes for carbon removals, including guidelines for the use of credits. Such schemes aim to ensure transparency, credibility and environmental integrity in carbon removal projects and help to address concerns about additionality and permanence.

To date, regulation on carbon offsets has mostly focused on implementing disclosure requirements, both mandatory and voluntary, to create transparency. The EU corporate disclosure standards, IFRS standard (and therefore regulation in Australia, Brazil and Türkiye), guidelines from the Shanghai Stock Exchange and the Japanese Act on Promotion of Global Warming Countermeasures all mandate disclosure of greenhouse gas (GHG) offsets. In the UK, these disclosures are recommended under mandatory TCFD reporting.[28]

There are several interconnected justice implications around carbon markets and offsetting practices, particularly around land tenure, rights of Indigenous peoples, human rights, transparency and power and information imbalances. In terms of geographical distribution, while large-scale plantation offset projects are in the Global South, a majority of them are run by entities in the Global North.[29] Research highlights interconnected injustices such as 'displacement and dispossession, undermining local governance structures, and community conflict.'[30] There have also been instances where the promised benefits do not materialise.[31] Moreover, without meaningful consultation and understanding of existing inequities, projects can replicate systemic past harms against Indigenous peoples. These harms can include perpetuating issues including low or no compensation for their loss of access to forest resources and perpetuating existing challenges around territorial self-determination.[32]

Carbon offsets have often been promoted as a way to fill the widening climate finance gap between developed and developing countries. However, there has been minimal transparency around the actual climate finance transfer to communities where projects are implemented, and equally to project business developers.[33] In the case of Kariba, Zimbabwe, the amount reaching communities was only around 6%.[34]

There have been calls to course correct existing voluntary carbon markets and offsetting principles, specifically around the environmental integrity of credits, the need for durable storage for removals and low risk of reversal and the need to ensure justice for communities and the ecology.[35] **A justice-centred approach to protect and safeguard the rights of Indigenous peoples and land-connected communities should also include these key policy design principles:**

- Account for Indigenous peoples' role in forest protection, the Rights of Nature and its value (including economically unquantifiable values) to land-connected communities, to planetary stability and the goal of net zero.
- Foster Indigenous leadership and rights to self-determination.
- Safeguard and respect Indigenous peoples' right to say no, ensure their participation in decision-making, strengthen land tenure and promote Indigenous technical expertise.

[27] United Nations Carbon Offset Platform About Offsetting.
[28] For a more detailed analysis of the regulation surrounding the issue, please see the accompanying Net Zero Policy Matters report.
[29] Grain (2024) From land grabbers to carbon cowboys: a new scramble for community lands takes off.
[30] Osborne T. et al. (2024) Climate justice, forests, and Indigenous Peoples: toward an alternative to REDD + for the Amazon.
[31] Financial Times (2022) Surge of investment into carbon credits creates boom time for brokers.
[32] Hein J. et al. (2020) A political ecology of green territorialization: frontier expansion and conservation in the Colombian Amazon.
[33] Research shows that 9/10 intermediaries in the offsetting industry do not disclose their fees or profit margins.
[34] Heidi Blake (2023) The great cash-for-carbon hustle.
[35] Axelsson K. et al. (2024) Oxford Principles for Net Zero Aligned Carbon Offsetting (revised 2024).

- Develop stringent behaviour-based carbon market policies with environmental integrity, ensure meaningful consultation with communities, and in parallel, develop non-market mechanisms.
- Scale up direct access of new, additional and concessional climate finance to land-connected communities, Indigenous peoples, women and youth.

Mitigation, adaptation and the insurance sector

Insurance can play an important role in enabling households and businesses to recover from climate-related losses. Insurers can encourage and support investments in adaptation and resilience by aligning insurance pricing and availability with proven mitigation and adaptation measures that reduce risk and loss.

Climate change poses challenges for private non-life general insurers and reinsurers as extreme weather-related natural catastrophe losses increase and are projected to keep increasing. Without policy intervention, insurance gaps will grow globally, particularly in emerging economies. As climate change-related extreme weather events increase in frequency and severity, this growing lack of insurance undermines efforts to ensure a just transition.

In response, financial regulators and policymakers are requiring not only disclosure of climate-related risks but also net zero transition plans for the investing and underwriting sides of the insurance business. Transition planning and meaningful commitments to net zero on both the underwriting and investing sides of the insurance business are needed to support the global economic transition to net zero.

Several transition planning frameworks (including those in Brazil, Canada, the EU and New Zealand, among others) apply to insurers on the investment side of their business, while the EU Taxonomy includes certain types of underwriting as an adaptation activity. This includes substantial contribution criteria such as publicly disclosing how climate change risks are considered in the insurance activity and ensuring that the insurance products sold under the insurance activity offer risk-based rewards for preventive actions taken by policyholders. This represents a positive first step towards ensuring the contribution of non-life insurance providers to climate adaptation and resilience. Some leading insurers have also undertaken net zero transition planning for the underwriting side of their business, notwithstanding the absence of a broad framework for transition planning for underwriting. Initiatives such as the UN Forum for Insurance Transition to Net Zero (UN FIT) and the Science-Based Targets Initiative (SBTi) are developing such frameworks. By nature, these are voluntary initiatives, and it will be up to regulators and policymakers to incorporate these frameworks into regulatory and policy measures. The International Association of Insurance Supervisors recently published its Strategic Plan 2025-2029, which includes strengthening the supervisory response to climate change and supporting insurance to serve its societal purpose of building resilience among its strategic themes.

Best practice involves including just transition considerations in net zero transition plans. For example, the recommendations from the UK Transition Plan Taskforce, the EU Platform on Sustainable Finance and the UN Forum for Insurance Transition to Net Zero call for the inclusion of just transition considerations in transition plans.

In terms of cross-border impacts, it is important to note that major global insurers operate across borders, often with holding companies domiciled in the Global North (and G20 economies specifically) but with subsidiaries or affiliates in emerging economies. To ensure that insurers support just transition across borders, transition plans should include actions that G20-based insurers can take to make insurance available and affordable in emerging economies.

Examples include providing capital for or directly providing micro-insurance, as well as providing insurance for or through regional sovereign disaster risk facilities like the Caribbean Catastrophe Risk Insurance Facility (CCRIF).

To ensure that just transition considerations are integrated into insurers' activity across borders, supervisory colleges chaired by lead regulators in whose jurisdiction the insurance company parent or holding company is legally domiciled could be used to ensure that just transition considerations are included in transition plans that apply across borders to the subsidiaries of the insurance holding company in other jurisdictions.

In addition, in the design of insurance instruments, the Caribbean region's recent experience in the wake of Hurricane Beryl highlights the need for broader and more flexible trigger conditions around insurance instruments and insurance-linked securities. As the V20 insights note, the 'current structure of these bonds may likely result in significant returns for investors, but the affected, insured countries will scramble to find alternative

funding for relief and recovery.'[36] Interviews conducted for this report also unveiled that, amidst the lag of implementing fair carbon tax mechanisms, there is a dire need to ensure that climate insurance does not become a 'regressive backdoor climate tax' on the most vulnerable, an antithesis to interconnected justice and global just transitions.

As extreme weather events increase in intensity and frequency, insurance as an adaptation measure alone will be insufficient to address vulnerabilities and losses, given the growing insurance gap that limits access and affordability for the most vulnerable communities and countries. Other direct interventions that support risk reduction include linking insurance with incentives that enhance climate resilience, enhancing universal protection through accessible and adequate early warning systems, providing community education, providing nature-based investments that reduce risk and loss, improving land use and building codes and strengthening infrastructures.

CONCLUSION

Disclosure due diligence, offsets and insurance are means to, and not ends of, interconnected justice. While the growing solidification and consolidation of due diligence are necessary steps, disclosure and due diligence alone cannot address the global political and economic inequities that already exist. To bolster NSAs' accountability to interconnected justice, policymakers can strengthen the effects of net zero policy instruments and:

- Interrogate how regulatory frameworks may be shaped by and reflect inequalities and disparities already entrenched in the global political-economic system.
- Design and implement complementary policies and regulatory reforms that enhance the provision of and access to remedies and reparations if negative social impacts occur despite due diligence.
- Integrate cross-border accountability provisions into due diligence directives in all jurisdictions to provide legal recourse for those concerned with adverse impacts, including civil liability, procedural protections and whistle-blower protections.
- Communicate more transparent and precise standards to guide assessments of how NSA activities contribute to social and environmental impacts and criteria for robust transition plans that account for interconnected justice.
- Provide support to those facing reporting challenges, such as capacity building for small and medium-sized enterprises, a gradual approach for information disclosure by actors in developing countries and financial and technological support from developed countries to developing countries.
- Transpose well-designed disclosure and due diligence frameworks into legally binding obligations to safeguard justice outcomes and accountability.
- Ensure that mitigation commitments and policies (e.g. emissions reductions) are not achieved at the expense of other environmental goals (e.g. biodiversity or land restoration). If an NSA policy enables significant emissions reduction but produces significant negative effects on biodiversity or land degradation, then its contribution to fixing one planetary problem is undone by the exacerbation of another. This has deep implications for interconnected justice.

As such, for NSA policies – and policies in general – to target more interconnected outcomes and capture the transformative potential of the just transition, the interpretation of justice associated with the just transition should be widened.

[36] Ahmed S.J. and Rambarran J. (2024) World banks should course-correct for more flexible CAT bond trigger conditions in the wake of Jamaica's experience with hurricane Beryl.

SECTION II: WIDENING THE LENS TO A TRANSFORMATIVE GLOBAL JUST TRANSITION

No single just transition definition applies to all countries and communities, as the transition unfolds at different scales, over different geographies and across time frames. At the multilateral level, the UAE Just Transition Work Programme represents the broadest consensus on key considerations and elements for action.[37] In practice, the just transition integrates the multiple priorities and needs of communities across time and space, including both mitigation and adaptation needs.

The just transition draws on a range of concepts of justice and consolidates them into one term. Globally, governments are articulating diverse types of justice, most prominently featuring **distributive** and **procedural** justice; others also consider broader types, including **intergenerational justice** and **restorative justice**. Established frameworks for human rights and labour standards provide ways to operationalise some of these diverse types of justice in NSA behaviours. Annex II provides an expansive list of justice types and their definitions. In addition, Figure 3 presents a summary of the notable types of justice and contrasts them at the place-specific and interconnected/internationalised levels.

Figure 3: Concepts of justice and examples of their place-specific and international impacts

	Place-specific	**International**
Distributive Justice	Ensuring that climate projects (i.e. renewable energy projects) provide and allocate economic and social benefits for workers and nearby communities[38]	Providing additional resources and support (i.e. finance, technology transfer) to countries with low historical emissions suffering disproportionately more from environmental harm
Procedural Justice	Meaningful social dialogue and stakeholder participation in climate projects and policy design, implementation, monitoring and evaluation	Meaningful consultation processes across jurisdictions for all affected stakeholders across project life cycles, with particular attention paid to developing country impacts that can contribute to uneven development
Restorative Justice	Restoring degraded or destroyed ecosystems to achieve sustainability transitions for humans and other species in nature	Establishing and operationalising the loss and damage fund to provide financial assistance to compensate for losses and damages from disasters caused by climate change
Intergenerational Justice	Establishing intergenerational generational justice clauses as constitutional protections[39]	Ensuring that public authorities, including multilateral agencies, remain compliant with principles of intergenerational justice when exercising decisions (i.e. UN endorsement of the Common Principles on Future Generations)

Understanding interconnected justice is an exercise in systemic thinking. Any effective just transition interventions need to uphold multiple types of justice and consider the interconnected nature of the transition itself. Approaching the just transition as both a place-based and interconnected challenge encourages policymakers and NSAs to widen the scope of their interventions to better account for the needs of affected stakeholders. Without this, there can be risks of

[37] UNFCCC (2024) United Arab Emirates Just Transition Work Programme | UNFCCC.
[38] Davor Petrić (2019) Environmental Justice in the European Union: A Critical Reassessment.
[39] For more comprehensive research on the establishment of intergenerational justice in national constitutions, see the Handbook of Intergenerational Justice, chapter 10.

burden shifting to other geographies, thus deepening existing systemic inequalities. An example of such burden shifting is the high risk of asset stranding, particularly in least-developed countries with large fossil fuel reserves.

Stranded assets: interconnected justice effects in practice

Stranded assets in one place-based just transition can reverberate through the global economy and create compounding effects in other distant locations. Resource-rich developing countries, particularly least-developed countries (LDCs)[40] with fossil fuel reserves, are particularly exposed to risks of asset stranding. This has justice implications, constraining countries' sovereign right to development and global fair burden sharing, as industrialised countries have engaged in the very fossil fuel-dependent development practices that have bolstered their historical responsibilities to climate change.[41] LDCs only account for about 1.1% of total CO2 emissions from fossil fuel and industrial processes.[42] **Low productivity development** can create socio-economic vulnerabilities and fiscal constraints that materialise as stressors towards **maladaptation, low adaptive capacity and heightened vulnerability**, weakening vulnerable countries' adaptability to exogenous shocks, which are exacerbated by climate events. These vulnerabilities can be both *localised/direct* or *systemic*, materialised from existing racial, gender, class or other axes of inequalities.[43] Furthermore, policies designed and implemented to strengthen resilience and adapt to current and expected changes may result in outcomes that safeguard or jeopardise the livelihood of **future generations**.[44]

Similarly, and in the agriculture supply chain in particular, **stranded assets** can materialise for physical (e.g. animals or on-farm infrastructure), natural (e.g. water), human (e.g. knowledge), social (e.g. farmer networks) or financial assets (e.g. loans for farms).[45] Risks, particularly environmental risks contributing to agriculture assets' vulnerability, can include increased risks of viruses and diseases, water scarcity and weather variability, land degradation, changing land use regulations or consumer behaviour changes. These material risk factors can contribute to resource depletion or decreases in yield that reverberate across the global value chain, causing potential **supply chain disruptions**.[46] Supply shortages or high production costs may mean higher food prices for **consumers** or lower profit margins for farmers. Climate change affects temperature and rainfall and will decrease cereal yields in low-latitude regions, where most developing countries are located. This can impact **transnational rights holders**, including farmers and consumers in importing countries, thus visualising the interconnected justice dimension of stranded assets in one locale and its knock-on effect on another place.

To address these justice implications, multinational NSAs' **transition plans** can be a key tool for delineating their ambitions and intentions, implementation timelines and policies, engagement strategies, metrics and governance. These plans can contain important information regarding just transition responses to planned operations and phaseouts and should be made available to affected communities and countries during the negotiation process. This action could offer one step towards ensuring equitable dialogues around early decommissioning, planned phase-out, broader benefits and risk mitigation for affected communities.

[40] Data from 2015 shows that Africa will need to leave 26% of its gas, 34% of oil and 90% of coal untouched to limit warming to 2°C, from Christophe McGlade and Paul Ekins, The Geographical Distribution of Fossil Fuels Unused When Limiting Global Warming to 2 °C.
[41] Paul Akiwumi (2021) Least Developed Countries Cannot Afford to Strand Their Assets, Given Their Development Challenges | UNCTAD'.
[42] UNCTAD (2021) Smallest Footprints, Largest Impacts: Least Developed Countries Need a Just Sustainable Transition | UNCTAD.
[43] E. Lisa F. Schipper (2020) Maladaptation: When Adaptation to Climate Change Goes Very Wrong.
[44] Jose D. Teodoro et al. (2023) Flexibility for Intergenerational Justice in Climate Resilience Decision-Making: An Application on Sea-Level Rise in the Netherlands.
[45] Ben Caldecott, Nicholas Howarth and Patrick McSharry (2013) Stranded Assets in Agriculture: Protecting Value from Environment-Related Risks.
[46] Luca De Lorenzo (2018) Framing Stranded Assets in an Age of Disruption.

SECTION III: TOWARDS INTERCONNECTED POLICY: THE NSA ECOSYSTEM AND COLLABORATIVE GOVERNANCE

To date, the dominant narrative around how NSAs can contribute to a global just transition has primarily focused on 'doing no significant harm' (DNSH) to obtain a *social license to operate.*

The implementation of the DNSH principle in regulation is an essential step towards achieving justice. If effectively implemented, it can ensure that negative environmental and social impacts are limited; when occurring, managed; and, where possible, remedied. This could be achieved, for example, through the National Contact Points established by the OECD Guidelines or through national courts in the case of the CSDDD.

However, NSA policies can further strengthen collective multi-actor dialogue, shifting the focus towards the promotion of 'doing more good' and interconnected, restorative justice. This means bolstering multi-actor dialogue – dialogues between policymakers, NSAs and stakeholders – and further strengthening NSA policies' role within the broader policy regimes for a just transition.

Figure 4: The spectrum of NSA action towards interconnected justice and transformative outcomes

FROM 'DO NO SIGNIFICANT HARM' TO 'DOING MORE GOOD'

As a diligence obligation, the DNSH principle intends to mandate entities to reduce, mitigate and address the harm caused by their activities. It is a compliance-based mechanism within the broad spectrum of policy instruments designed to ensure justice and equitable outcomes for affected groups based on international human and labour rights standards and environmental conventions and standards. DNSH cannot always prohibit harm from happening but instead binds NSAs to address foreseeable harm considering the available data, information and knowledge as extracted from relevant impact assessments. **While more should still be done to ensure its effective implementation, it is a major step up from 'doing nothing**'.

There are, however, limitations to compliance-based policy instruments and existing international human rights standards in safeguarding interconnected justice and managing cross-border effects. First, the DNSH principle binds NSAs to a framework to 'do something' in harm

prevention and to ensure human rights, but it may not fully capture the context-specific justice needs and priorities of the affected communities. **Second**, spatially and temporally, 'harm' can be immediate or cumulative, linked to the past, present or future. Immediate harm can include an on-site accident, and more cumulative and gradual harm can include water pollution, reduced water flows caused by upstream development on downstream communities or slow-onset events such as sea level rise. A future-oriented perspective on harm would integrate systemic vulnerability and the impacts of chronic low adaptive capacity on future generations' livelihoods. **Third**, as justice is in the eye of the beholder, so too is the significance of the harm. For land-connected peoples and coastal communities, the loss of biodiversity or sea-level rise are significant, cumulative harmful effects that also increase the frequency and intensity of immediate harm. Without meaningful engagement with those most affected, it would be difficult to discern the source, impact, size, nature and direction of harm and qualify its significance. **Fourth**, DNSH cannot fully capture the different economic capacities, agency and power imbalances among various affected communities, such as race, gender, class or age.[47]

While the DNSH principle is a necessary step towards achieving interconnected justice, overcoming the limitations highlighted above requires innovative NSA policies that push NSAs to not only prevent harm but also shift towards a framework of 'doing more good' through extensive and collaborative dialogue and engagement.

To date, achieving a **'social license to operate' (SLO)** has been seen as a mechanism and barometer for including affected stakeholders' voices in negotiations and agreement-making. Over the last two decades, the concept of SLO has emerged as an unwritten contract indicating ongoing acceptance of an activity by stakeholders affected by a project or operation.

By itself, the achievement of an SLO does not simply equate to the delivery of justice. Obtaining an SLO is grounded in many justice-relevant aspects, including the strategies and behaviours used by the company to secure it, and determining who was involved in the process and for what purpose (e.g. corporate reputational management, financial loss prevention, benefit-creation for communities or others). Power asymmetries also mediate the engagement process between the company and affected communities. Interviews conducted for this report revealed that when such a power and information imbalance is unaccounted for, the agreement-making process can perpetuate injustice, limiting communities' voices, needs and agency, especially Indigenous people's right to say 'no'.

Beyond the business case,[48] transitioning to 'doing more good' requires policies to uphold, respect and promote interconnected and restorative justice through multi-actor collaborative dialogues. Procedural fairness in engagement requires collective dialogues that address power and information asymmetries. As a baseline, additional policies in both the domiciled and affected/recipient jurisdictions can create 'red lines' for safeguarding individuals' and groups' rights to protect their environment, their interests and needs. This is foundational for safeguarding the integrity of meaningful participation of affected communities and avoiding power abuse or other corruptive practices for the sake of obtaining consent. Aligning 'harms', 'benefits' and 'justice' with the lived realities of affected communities can also better capture the non-immediate, longer-term effects of the transition across space and time.

Furthermore, movement towards increased justice outcomes can also be supported by policies put in place by hosting countries to limit impacts. Better coordination in policy design and implementation between domiciled and affected jurisdictions could also help ensure that NSAs are held to account and communities' voices and priorities are respected.

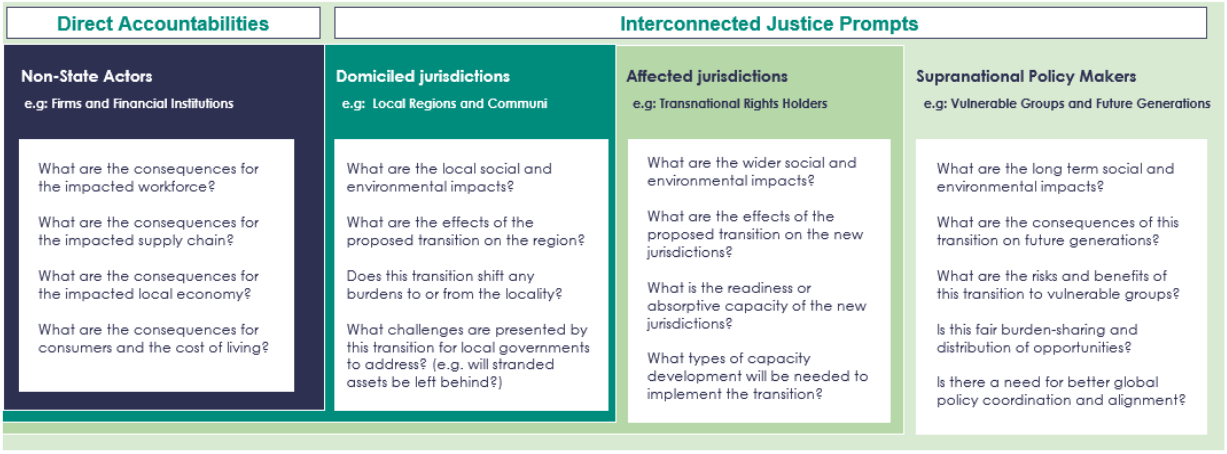
[47] Joyeeta Gupta and Susanne Schmeier (2020) Future Proofing the Principle of No Significant Harm.
[48] Ekaterina Chubarova et al. (2022) Just Transition Finance Tool for Banking and Investing Activities.

POLICY PROMPTS FOR MULTI-ACTOR DIALOGUE TOWARDS INTERCONNECTED JUSTICE

Importantly, NSA policies do not operate in a vacuum and rely on complementary implementation with other interventions within multi-level policy regimes. Net zero policies (including NSA policies) are tools for countries to achieve their national net zero targets and plans. This report provides some policy prompts for multi-actor dialogues to shift the spectrum of possible outcomes towards greater interconnected justice. To begin a dialogue, different parts of the NSA ecosystem can use the policy prompt as an 'opener' about the rights and responsibilities of interconnected justice.

The prompts encourage actors to think beyond their immediate sphere of operation and consider the **local** (e.g. job losses, stranded assets, industrial actions, community displacement), **global** (e.g. emissions offshoring supply chain shocks) and **systemic** (e.g. maladaptation and low adaptive capacity, top-down policy inequity and impact spillover) **impacts** of their activities. These impacts can affect a spectrum of **direct** (e.g. workers, local communities, suppliers), **indirect** (e.g. transnational rights holders, consumers) and **systemically** (e.g. future generations) **vulnerable stakeholders** in their domiciled and affected jurisdictions.

Figure 5: Policy prompts for multi-actor dialogue on interconnected justice



Re-orienting policymakers' and NSAs' assessments of direct/indirect, immediate/cumulative risks, harms and opportunities towards systemic impacts allows for more transformative visions of justice to be integrated. Such a reorientation is also important for actors to understand how direct impacts can materialise systemically, and how, in turn, systemic impacts play out locally.

The policy prompts also encourage policymakers to widen the scope of existing regulatory instruments and 'soft laws' and to strengthen implementation. For example, enhanced stakeholder engagement can help better capture the social and environmental risks caused by NSAs on communities across all international standards. It will also allow for more transparency and accountability around opportunity creation. This will encourage a wider understanding of justice, geared towards 'doing more good'. In the design of policies, policymakers should take the increased difficulties presented by moving the multi-actor dialogues from national to supranational levels into account (as impacts and benefits become more dispersed and therefore more challenging to quantify and manage).

Multi-actor dialogues can strengthen collaborative climate governance across borders. They can also inform policymakers at the national and supranational levels to coordinate and align in policy design and deployment to minimise interconnected injustices.

SECTION IV: THE WAY FORWARD

This report provides foundational thinking around the concept and application of **interconnected justice**, as gathered from interviews conducted with a diverse group of stakeholders, policymakers and broader actors in the just transition. However, critical areas remain that require deeper exploration and action.

1. **Support further research and analysis of cross-border effects of broader, complementary policies.** Climate policies influence and are influenced by other policies at the national and supranational levels. They are best implemented in packages of complementary policies, all of which shape the socio-economic landscape of climate actions that can either support or hinder progress towards interconnected justice. A focused analysis on these intersections will allow policymakers to design more holistic solutions that mitigate unjust cross-border effects. Increased knowledge exchange and sharing, as well as collaboration between countries and capacity building, can help ensure that policies have a 'do more good' impact.

2. **Deepen research into other interconnected justice issues that are currently under-analysed but may have significant transition effects**. These examples were suggested as areas of further examination during the interview and review process of the report:

    a. **Adaptation** is a systemic challenge with significant local effects. It is an issue that directly reflects historical injustices. Efforts by NSAs and policymakers to invest in communities' resilience is an act of interconnected justice. Uneven transitions can create socio-economic vulnerabilities and fiscal constraints that materialise as stressors leading to maladaptation and heightened vulnerability, weakening countries' ability to withstand exogenous shocks, which are exacerbated by climate events. For all countries, but especially vulnerable, developing countries, adaptation and resilience is central to a just transition. Systemic maladaptation and vulnerability can also jeopardise the livelihood of future generations.
    b. **Nature** is not only critical to achieving net zero, but its degradation is detrimental to the safeguarding of justice for communities and other species. This report highlights some 'hotspots' of interconnected injustices that hinge on nature restoration and protection, such as the effects of extractives or unregulated carbon offset projects. More analysis is needed on the value (including economically unquantifiable values) of nature and how policies can uphold the Rights of Nature and respect its importance to communities and other species.
    c. **Climate-induced displacement** can arise from a variety of situations whereby environmental hazards and transition processes contribute to the displacement of individuals. More understanding is needed on how cross-border effects of policies impact displacement and how legal and policy frameworks that are sufficiently sensitive to the needs of at-risk or displaced peoples can be developed.
    d. **Climate finance mobilisation and delivery** is a core part of international and national transition efforts. The equitable and effective delivery of concessional finance that closes the implementation gap can enable interconnected justice between developed and developing countries. The quantity, type and mechanism of delivery can either hinder or promote interconnected justice.
    e. **Cross-border emissions leakage and burden shifting through carbon markets** can violate interconnected justice and intensify cross-border inequities in the transition. Without tackling the cross-border implications of carbon markets, there is a risk of regulatory arbitrage amongst jurisdictions. Carbon markets can have implications for Common but Differentiated Responsibilities, land rights and human rights, all of which should be seen through an interconnected lens to avoid burden shifting and emissions off-loading from developed to developing countries. While this report does not fully dive

into the cross-border effects of carbon markets, we note that it is an important field of inquiry necessary to understand cross-border effects of climate and nature transition policies and how the interests and rights of land-connected communities can be respected and upheld.

3. **Ensure that measures taken to minimise negative cross-border effects, such as DNSH and broader NSA policies, are particularly attuned to their effects on historically marginalised groups**, namely women, local communities, Indigenous peoples, youth, the elderly, children, people with disabilities and the poor. This is an important step towards recognising and fixing existing inequalities that already affect marginalised groups and ensure that the climate and nature transition do not render them more marginal in its process and outcomes.

4. **Policymakers, NSAs and stakeholder communities can convene multi-actor dialogues and build 'coalitions of the willing' to advance research, experimentation and knowledge exchange** in policy design, implementation and monitoring to embed interconnected justice. These convenings can foster shared learnings around policy coordination that tackle interconnected challenges at local and systemic levels. Coalition-building will have to occur parallel to policy efforts to bring all NSAs – and not just leaders or voluntary first movers – towards strengthening justice outcomes for all.

5. **The role of local governments in affecting interconnected justice** is key in terms of economic diversification, resource mobilisation and overall contribution to national climate transition efforts. Sub-national and regional governments also often interact with and influence each other to strengthen their collective action. We highlight the ongoing initiatives led by sub-national coalitions, such as C40 Cities, and underscore the need to enhance and support sub-national efforts in the global just transition.

6. **Policymakers, NSAs and affected stakeholders can co-design and pilot an 'Interconnected Justice Opportunities and Risks Assessment Framework' integrating the identification and analysis of cross-border effects of policies and behaviours.** The multi-actor dialogues can support this co-design process, with the aim of diagnosing and analysing some of the common interconnected justice challenges across local, global and systemic levels, and help determine what can be done to overcome them. Doing so can also equip policymakers and NSAs with a broader lens through which to consider the varied impacts of their transition behaviours to local, cross-border and systemically vulnerable stakeholders.

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KEY TERMS AND ABBREVIATIONS

Adaptation: In human systems, the process of adjustment to actual or expected climate and its effects, in order to moderate harm or exploit beneficial opportunities. In natural systems, the process of adjustment to actual climate and its effects; human intervention may facilitate adjustment to expected climate and its effects.

Biodiversity: Biodiversity or biological diversity means the variability among living organisms from all sources including, among other things, terrestrial, marine and other aquatic ecosystems, and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

Climate: In a narrow sense, climate is usually defined as the average weather, or more rigorously as the statistical description in terms of the mean and variability of relevant quantities over a period of time ranging from months to thousands or millions of years. The classical period for averaging these variables is 30 years, as defined by the World Meteorological Organization (WMO). The relevant quantities are most often surface variables such as temperature, precipitation and wind. Climate in a wider sense is the state, including a statistical description, of the climate system.

Climate Change: The Convention on Climate Change (UNFCCC): in its Article 1, defines climate change as: 'a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods'. The UNFCCC thus makes a distinction between climate change attributable to human activities altering the atmospheric composition and climate variability attributable to natural causes.

Climate Finance: The financial resources devoted to addressing climate change by all public and private actors from global to local scales, including international financial flows to developing countries to assist them in addressing climate change. Climate finance aims to reduce net greenhouse gas emissions and/or to enhance adaptation and increase resilience to the impacts of current and projected climate change. Finance can come from private and public sources, channelled by various intermediaries, and is delivered by a range of instruments, including grants, concessional and non-concessional debt, and internal budget reallocations.

Climate Justice: Justice that links development and human rights to achieve a human-centred approach to addressing climate change, safeguarding the rights of the most vulnerable people and sharing the burdens and benefits of climate change and its impacts equitably and fairly**.**

Climate Resilient Development: The process of implementing greenhouse gas mitigation and adaptation measures to support sustainable development for all.

Climate Resilient Development Pathway: Trajectories that strengthen sustainable development and efforts to eradicate poverty and reduce inequalities while promoting fair and cross-scalar adaptation to and resilience in a changing climate. They raise the ethics, equity and feasibility aspects of the deep societal transformation needed to drastically reduce emissions to limit global warming (e.g., to well below 2°C) and achieve desirable and liveable futures and well-being for all.

Deforestation: Conversion of forest to non-forest.

Developed / developing countries (Industrialised / developed / developing countries): There is a diversity of approaches for categorizing countries on the basis of their level of development, and for defining terms such as industrialised, developed, or developing. Several categorisations are used in this report. (1) In the United Nations (UN) system, there is no established convention for the designation of developed and developing countries or areas. (2) The UN Statistics Division specifies developed and developing regions based on common practice. In addition, specific countries are designated as least developed countries, landlocked developing countries, Small Island Developing States (SIDS), and transition economies. Many countries appear in more than one of these categories. (3) The World Bank

uses income as the main criterion for classifying countries as low, lower middle, upper middle, and high income. (4) The UN Development Programme (UNDP) aggregates indicators for life expectancy, educational attainment, and income into a single composite Human Development Index (HDI) to classify countries as low, medium, high, or very high human development.

ESG: Environmental, Social and Governance issues.

ESRS: The European Sustainability Reporting Standards cover the range of environmental, social, and governance issues, including climate change, biodiversity and human rights. They aim to provide information for investors to understand the sustainability impact of the companies in which they invest.

EU: European Union (EU): international organization comprising 27 European countries and governing common economic, social, and security policies.

Fossil Fuels: Carbon-based fuels from fossil hydrocarbon deposits, including coal, oil and natural gas.

G20: The G20 (Group of 20) is a forum for global economic co-operation. It brings together leaders and policymakers from the world's major economies to discuss key economic, development and social issues. G20 members represent around 80% of global GDP, 75% of global exports and 60% of the global population.

Offset (in climate policy): The reduction, avoidance or removal of a unit of greenhouse gas (GHG) emissions by one entity, purchased by another entity to counterbalance a unit of GHG emissions by that other entity. Offsets are commonly subject to rules and environmental integrity criteria intended to ensure that offsets achieve their stated mitigation outcome. Relevant criteria include, but are not limited to, the avoidance of double counting and leakage, use of appropriate baselines, additionality, and permanence or measures to address impermanence.

HLEG: High Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities, convened by the UN Secretary General in 2022 to help ensure credibility and accountability of net-zero pledges.

IFRS: The International Financial Reporting Standards Foundation is a not-for-profit responsible for developing global accounting and sustainability disclosure standards, known as IFRS Standards.

Impacts: The consequences of realised risks on natural and human systems, where risks result from the interactions of climate-related hazards (including extreme weather/climate events), exposure, and vulnerability. Impacts generally refer to effects on lives, livelihoods, health and well-being, ecosystems and species, economic, social and cultural assets, services (including ecosystem services), and infrastructure. Impacts may be referred to as consequences or outcomes and can be adverse or beneficial.

IPCC: Intergovernmental Panel on Climate Change.

ISSB: The ISSB was established as part of the IFRS Foundation to provide investors, companies and international policy makers with decision-useful, comparable information on sustainability issues. As of the publication of this paper, the ISSB has published two standards (S1 and S2) related respectively to "General Requirements for Disclosure of Sustainability-related Financial Information" and "Climate-related Disclosures".

Just Transitions: A set of principles, processes and practices that aim to ensure that no people, workers, places, sectors, countries or regions are left behind in the transition from a high-carbon to a low-carbon economy. It stresses the need for targeted and proactive measures from governments, agencies, and authorities to ensure that any negative social, environmental or economic impacts of economywide transitions are minimized, whilst benefits are maximized for those disproportionately affected. Key principles of just transitions include: respect and dignity for vulnerable groups; fairness in energy access and use, social dialogue and democratic consultation with relevant stakeholders; the creation of decent jobs; social protection; and rights at work. Just transitions could include fairness in energy, land use and climate planning and decision-making processes.

Land Use: The total of arrangements, activities and inputs applied to a parcel of land. The term land use is also used in the sense of the social and economic purposes for which land is managed (e.g., grazing, timber extraction, conservation and city dwelling). In national *greenhouse gas (GHG)* inventories, land use is classified according to the IPCC land-use categories of forest land, cropland, grassland, wetlands, settlements and other lands.

Maladaptation: Actions that may lead to increased risk of adverse climate-related outcomes, including via increased greenhouse gas (GHG) emissions, increased or shifted vulnerability to climate change, more inequitable outcomes, or diminished welfare, now or in the future. Most often, maladaptation is an unintended consequence.

Mitigation (of climate change): A human intervention to reduce emissions or enhance the sinks of greenhouse gases.

Net Zero: Referring to the world as a whole, the IPCC defines net zero as: When anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period.

Net Zero GHG Emissions: Condition in which metric-weighted anthropogenic greenhouse gas (GHG) emissions are balanced by metric-weighted anthropogenic GHG removals over a specified period. The quantification of net zero GHG emissions depends on the GHG emission metric chosen to compare emissions and removals of different gases, as well as the time horizon chosen for that metric.

Non-State Actors/Entities: The HLEG recommendations focus on private and financial sectors, as well as local government and regions.

OECD: The Organization for Economic Co-operation and Development (OECD) is a unique forum where the governments of 37 democracies with market-based economies collaborate to develop policy standards to promote sustainable economic growth.

Paris Agreement: The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015. It entered into force on 4 November 2016.

Renewable Energy: Any form of energy that is replenished by natural processes at a rate that equals or exceeds its rate of use.

Resilience: The capacity of interconnected social, economic and ecological systems to cope with a hazardous event, trend or disturbance, responding or reorganizing in ways that maintain their essential function, identity and structure. Resilience is a positive attribute when it maintains capacity for adaptation, learning and/or transformation.

Risk: (I) The potential for adverse consequences for human or ecological systems, recognising the diversity of values and objectives associated with such systems. In the context of climate change, risks can arise from potential impacts of climate change as well as human responses to climate change. Relevant adverse consequences include those on lives, livelihoods, health and well-being, economic, social and cultural assets and investments, infrastructure, services (including ecosystem services), ecosystems and species. (II) In the context of climate change impacts, risks result from dynamic interactions between climate-related hazards with the exposure and vulnerability of the affected human or ecological system to the hazards. Hazards, exposure and vulnerability may each be subject to uncertainty in terms of magnitude and likelihood of occurrence, and each may change over time and space due to socio-economic changes and human decision-making. (III) In the context of climate change responses, risks result from the potential for such responses not achieving the intended objective(s), or from potential trade-offs with, or negative side-effects on, other societal objectives, such as the Sustainable Development Goals (SDGs). Risks can arise, for example, from uncertainty in implementation, effectiveness or outcomes of climate policy, climate-related investments, technology development or adoption, and system transitions.

Scope 1: According to the Greenhouse Gas Protocol, Scope 1 emissions are direct emissions from owned or controlled sources.

Scope 2: According to the Greenhouse Gas Protocol, Scope 2 emissions are indirect emissions from the generation of purchased energy.

Scope 3: According to the Greenhouse Gas Protocol, Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

SMEs: Small and Medium-sized Enterprises.

Sustainable Development: Development that meets the needs of the present without compromising the ability of future generations to meet their own needs and balances social, economic and environmental concerns.

UNFCCC: The United Nations Framework Convention on Climate Change was adopted in May 1992 and opened for signature at the 1992 Earth Summit in Rio de Janeiro. It entered into force in March 1994 and, as of September 2020, had 197 Parties (196 States and the European Union). The Convention's ultimate objective is the 'stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system' (UNFCCC, 1992). The provisions of the Convention are pursued and implemented by two further treaties: the Kyoto Protocol and the Paris Agreement.

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ANNEX I: CONCEPTUALISATION OF NSAS IN AN ECOSYSTEM OF CHANGE

We conceptualise NSAs in an ecosystem of change to understand the constituent elements that enable them to act against their roles and responsibilities. Existing research has shown how these elements could be mapped into a heuristic approach to understanding determinants of agency in socio-technical transitions. They include:

- Resources that an actor can deploy;
- Discourses that convey an actor's beliefs, interests and visions and serve as a means of persuasion and collective sense-making;
- Social networks indicate the position and relational stance of an actor with others.

Below is an integrated analysis of NSAs' agency in affecting interconnected justice. It is informed primarily by interviews with key stakeholders, supplemented by adaptations of key findings from existing research on multi-stakeholder governance.[49] NSA agencies are heavily dictated by the 'soft' incentives and 'hard' regulations that set the guardrails and parameters of acceptable NSA actions, while affected stakeholders also play an influential role (though the power dynamics also mediate such influence between stakeholder communities and NSAs).

Constituent elements of agency		**Examples of levers and roles within the ecosystem***
Resources	Physical-material resources	All: NSAs' access to technological elements and infrastructures that they develop, own and/or operate (transport structures in cities, electricity purchases by firms) CAs/SNGs: contribute to mitigation and adaptation actions in excess of national commitments, accelerating progress SNGs: sub-state/regional planning tends to focus more heavily on increasing resilience and adapting to the effects of climate change.
	Financial resources	CAs/FIs: capital, funds and monetary stocks used towards more sustainable procurement, product development or financing mitigation and/or adaptation projects FIs: reorient finance towards just transition-related goals
	Intellectual resources	CAs: expertise and technical abilities towards innovation and strengthening access to new technologies for vulnerable groups. All: information exchange, technical support, and other enabling conditions for accelerated implementation amongst NSAs globally
	Political resources	CAs/FIs: lobby and advocacy with policymakers FIs: engagement, resolutions and voting with portfolio companies All: support the central government in delivering national climate pledges, whereby the accelerated implementation can enable more ambition in the future All: the governance and decision-making structures of NSAs are nimbler than nation-states

[49] Thomas Hale, 'The Role of Sub-State and Nonstate Actors in International Climate Processes' (United Kingdom: Chatham House, 2018), https://www.geg.ox.ac.uk/publication/role-sub-state-and-nonstate-actors-international-climate-processes; Mert Duygan, Michael Stauffacher and Grégoire Meylan, 'A Heuristic for Conceptualizing and Uncovering the Determinants of Agency in Socio-Technical Transitions', *Environmental Innovation and Societal Transitions* 33 (1 November 2019): 13–29, https://doi.org/10.1016/j.eist.2019.02.002.

Discourse	Epistemic abilities, core narratives and articulated beliefs	CAs/FIs: transition plans can shape visions of what a just transition looks like for the entity's own transition, which can inform policy and regulatory gaps for governments. SNGs: bottom-up advocacy for more democratised governance such as local ownership of energy generation CAs/FIs: socially responsible investment/corporate policies becoming a mainstreamed part of net zero commitments, including ensuring meaningful stakeholder consultation across the supply chains as an aspect of due diligence FIs: transform risk management systems and finance due diligence criteria to account for social and environmental risks and opportunities in new financing SNGs: policy innovations through experimentation on a local scale, towards national/international diffusement
Networks	Social capital and influence	CAs/FIs: partaking in industry initiatives and advocacy coalitions that commit to just transition by mobilising allies (i.e. We Mean Business Coalition, Net Zero-Asset Owners Alliance) CAs: engaging with upstream suppliers to strengthen/improve existing practices CAs: direct engagement with affected/local communities and workers and along supply chains around anticipated changes SNGs: coalitions of sub-state efforts can positively influence the political climates of key countries (i.e. C40)

**CA= corporate actors; FI= financial institutions; SNGs= sub-national governments*

ANNEX II: JUSTICE TYPES AND DEFINITIONS

Type of justice	Description
Distributive justice	Concerns the fair distribution of risks and opportunities, cognisant of gender, race and class inequalities; typically focuses on ensuring impacted workers and communities do not carry the overall burden of the transition.
Procedural justice	Focuses on the agency of those affected by the economic and industrial transitions to have a say in the decisions that will affect them
Environmental justice	Acknowledges existing inequality between communities in terms of exposure to pollution and health hazards associated with environmental damage and the need to address this through fair treatment and meaningful involvement of all stakeholders in environmental action
Restorative justice	Concerns redressing historical damages, often in the context of just transition, and healing the land and people that have been harmed by the traditional fossil fuel and other extractive industrial practices that led to the climate crisis
Intergenerational justice	Concerns the idea that present generations have certain duties towards future generations and addresses how to balance the rights of those alive today against the rights of future generations
Climate justice	Addresses the moral and legal implications of vulnerability to climate change and the unequal historic contributions of different actors to greenhouse gas emissions
Transitional justice	A human rights-based concept that centres on redress for victims of past harm, with the transformation of social and political systems at its root. In the context of just transition, transitional justice principles can inform the objectives of achieving transformational change through decarbonisation action, and the concept shares many similarities with restorative justice
Ecological justice	Includes non-human beings and ecosystems in the concept of justice and emphasises the need to challenge extractive cultures and systems

Source: Chan, Wang and Higham, 'Mapping Justice in National Climate Action', adapted from Wilton Park and the Institute for Human Rights and Business, 2022.