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3 – FAIRNESS

Overarching recommendations

> The European Commission should develop an Action Plan to promote fair access to affordable capital in Europe, including support for a more diverse ecosystem of financial actors

> The European Commission and European Investment Bank should build the capacity of stakeholders at regional and local level to develop bankable projects which support climate transition and social inclusion.

> A broad approach to a transition that is both fast and just should be integrated into financial decision-making by a wide range of actors, starting at Member State level with the creation of plans to identify national financing needs and plans.

In order to support a European Green Deal, finance must work to address, rather than to amplify, economic inequalities and to support a fast and just transition.

The political, social, economic and cultural implications of an economy-wide decarbonisation are becoming increasingly important. The transition to achieve climate safety requires a rapid and deep decarbonisation of all real economy sectors. This will lead to significant changes in business models, jobs, skill needs and consumer prices. Transition challenges will differ across sectors, geographies and social groups, particularly affecting those which are dependent on fossil fuels and carbon-intensive processes, as well as disproportionately affecting lower income households.

These longstanding multi-faceted inequalities across society have been increased by the COVID-19 pandemic. GDP contraction is expected to be higher in Southern Europe and precarious households face additional risks. Negotiations on economic recovery measures have created a North and South division, adding new fragmentation to the previous divide between East and West Europe in advancing the transition to a net-zero and resilient economy.

It is essential to ensure that the recovery and transition is just and equitable for all affected communities. The European Green Deal is based on the premise of delivering prosperity for citizens and a fairer society through a just transition to a sustainable economy. The Renewed Sustainable Finance Strategy provides an opportunity to ensure a green and fair recovery and put in place structural reforms taking an all-Europe approach to addressing its needs and disparities in order to be politically viable in the long term.

Rebalancing access to affordable capital for disadvantaged communities

There is a longstanding economic divide between Western and Eastern Europe. Countries in Central, Eastern and South-Eastern Europe have the smallest economies in Europe; Bulgaria, Croatia, Greece and Latvia have the lowest GDP per capita.[80] However, the economic situation of these countries is improving.[81] Even so, the Member States with the highest level of material deprivation are Bulgaria, Greece and Romania.[82]

The 2008-2009 financial crisis was followed by significant cuts to public investment to limit deficits in Southern and South-Eastern Europe, which came at the expense of economic growth. Investment levels in countries with high debts, including Spain, Italy, Portugal and Greece, never recovered.[83] Southern and South-Eastern countries have stagnated economically since the financial crisis. Greece, Italy and Croatia experienced negative growth while Portugal and Spain experienced very low growth.[84]

Achieving Europe's transition to climate neutrality is a challenge spanning across national and regional borders. Different countries, regions and communities will bear different impacts, which could exacerbate or reduce existing inequalities.

[80] Eurostat (2020) **GDP per capita in PPS**

[81] Eurostat (2020) **Real GDP growth rate**

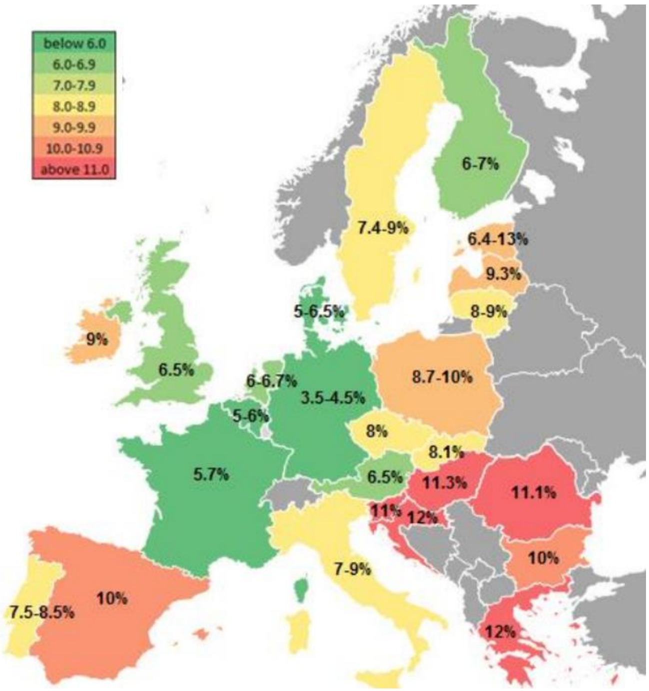
[82] Eurostat (2020) **Material deprivation statistics - early results**

[83] European Commission (2020) **Commission Staff Working Document: Identifying Europe's recovery needs**

[84] Eurostat (2019) **National accounts and GDP**

European countries face different investment needs to decarbonise their economies. Over the next 30 years, countries in Central and Eastern Europe are expected to have to spend two to three times the investment of other European countries as a share of GDP to achieve climate neutrality.[85] The cost of capital is particularly important in this regard, and differs significantly across Europe as shown in Figure 3. For instance, the cost of capital for onshore wind projects varies from 3.5% in Germany to 12% in Greece, which implies that the levelised cost of energy for a project in Germany is approximately half that of Greece.[86]

Figure 3. Cost of capital for onshore wind across the EU, 2016[87]



European countries face different investment needs to decarbonise their economies. Over the next 30 years, countries in Central, Eastern and South-Eastern Europe are expected to have to spend two to three times the investment of other European countries as a share of GDP to achieve climate neutrality.[88] The cost of capital is particularly important in this regard, and differs significantly across Europe as shown in Figure 3. For instance, the cost of capital for onshore wind projects varies from 3.5% in Germany to 12% in Greece, which implies that

[85] European Investment Bank (2019) **Investment Report 2019/2020**

[86] See: Agora Energiewende (2016) **Reducing the cost of financing renewables in Europe;** DiaCore (2016) **The impact of risks in renewable energy investments and the role of smart policies**

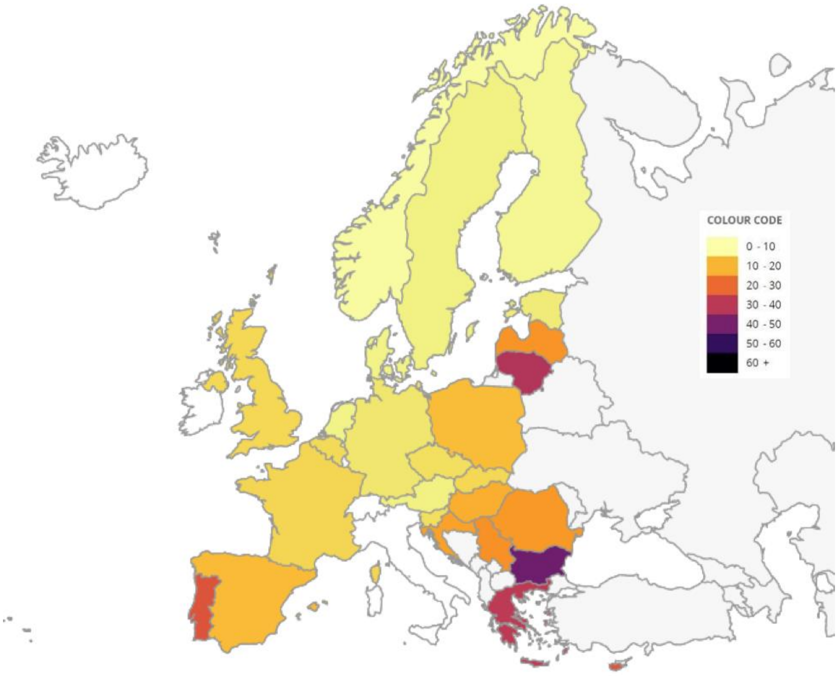
[87] DiaCore (2016) **The impact of risks in renewable energy investments and the role of smart policies**

[88] European Investment Bank (2019) **Investment Report 2019/2020**

the levelised cost of energy (LCOE) for a project in Germany is approximately half that of Greece.[89]

Subnational regions also face significant economic disparities. Investment levels in middle-income regions have declined by 14% while those in high-income regions have increased by 1% since 2002.[90] Many low-income regions are still addressing the challenges of job losses due to the decline of traditional industries.[91] These regions have a heritage of carbon-intensive industries and face deindustrialisation with an inappropriately skilled labour force and high labour costs, rendering it difficult to take advantage of new industries.

Figure 4. Inability to keep home adequately warm in the EU, 2016[92]



European citizens face inequalities across socio-economic groups. Households suffering from material deprivation are more likely to suffer from energy poverty. In 2016, 44.5 million people were unable to keep their home warm and 41.5 million people had arrears on their utility bills.[93] Energy poverty levels differ across Europe, as shown in Figure 4.

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[89] See: Agora Energiewende (2016) **Reducing the cost of financing renewables in Europe;** DiaCore (2016) **The impact of risks in renewable energy investments and the role of smart policies**

[90] European Investment Bank (2019) **Investment Report 2019/2020**

[91] European Commission (2018) **Regions in industrial transition: no region left behind**

[92] European Energy Network (2019) **Position Paper on Energy Poverty in the European Union**

[93] European Energy Network (2019) **Position Paper on Energy Poverty in the European Union**

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The COVID-19 pandemic has created new social and economic inequalities. GDP is forecast to contract by 8.3% across Europe.[94] GDP contraction in Spain, France, Italy and Croatia is expected to be around 11% in contrast to between 4% and 9% in other countries. Four countries are expected to experience job losses of more than 5% in 2020, including Italy, Spain, France and Estonia.[95] While some countries will have recovered job losses by 2021, employment will likely remain below previous levels in seven Central and Eastern European countries.[96]

The pandemic will induce significant losses in production and income levels, but the economic impact will be uneven across sectors. Most industries and services have experienced significant working restrictions, but the fossil fuel and carbon-intensive sectors have also been heavily hit due to a significant reduction in demand.[97] Companies in the oil and gas, aviation and industry sectors have already announced thousands of job losses.[98]

Furthermore, the economic impact of the pandemic will differ across regions within countries while the number of deprived communities already working under precarious conditions could significantly increase.

These economic disparities place an additional burden on countries in the East and South of Europe, carbon-intensive regions and communities suffering from energy poverty. Directing capital to countries, regions and communities to address these inequalities will be needed to maintain political stability in Europe.

The current financial system – in particular the banking system – is not working effectively to meet the needs of all Europeans and it is not likely that this problem can be solved purely by incumbent market actors, no matter how well regulated they are. The banking system is particularly important since it is the largest provider of finance to the real economy.

[94] European Commission (2020) **European Economic Forecast: Summer 2020 (Interim)**

[95] European Commission (2020) **Commission Staff Working Document: Identifying Europe's recovery needs**

[96] Ibid.

[97] IEA (2020) **Global Energy Review;** Eurometaux (2020) **COVID-19: Impacts on the European Metals Industry**

[98] Euronews (2020) **Coronavirus job cuts: Which companies in Europe are slashing their workforces because of COVID-19?**

Channelling finance to new industries and underserved communities is likely to require a more diverse set of financing mechanisms.

> This would include a greater role for public and blended finance and the reform of some public finance institutions, such as national development banks, to have stronger sustainability mandates.

> Another important aspect would be the emergence of smaller and nimbler financial institutions which have the capability to provide credit or insurance to the underserved, and to originate, fund and aggregate smaller or distributed projects. For example, co-operative, mutual and community-led organisations.

The European Commission should develop an Action Plan to promote fair access to affordable capital in Europe, including support for a more diverse ecosystem of financial actors

> Counteracting the economic divisions across Europe requires additional resources to ease the burden on less advantaged countries, regions and communities. Europe can rebalance access to affordable capital across Europe, to deliver the investment needed to meet sustainability goals.

> This includes ensuring that investment is flowing to the East and South, reducing economic inequalities while also meeting the 2030 and 2050 climate targets by investing in the technologies of the future, building in resilience to future crises, and investing in education and training to prepare the workforce for a clean economy.

> The Action Plan should address the role of public and blended finance to support investment in new industries and underserved communities and should identify measures to open credit and insurance markets to enable different types of institutions to flourish.

Raising awareness of the social impacts of the climate transition

The decarbonisation of the economy requires a rapid change in the scale and pace of climate action. This will create significant economic opportunities in new sectors, but it also brings several related socio-economic risks. The transition to climate neutrality creates a risk of stranded assets and requires significant changes to business models in fossil fuel and carbon-intensive sectors. Countries and regions whose economies depend on these assets and sectors may face job losses and higher costs of living which could threaten the livelihoods of entire communities.

The transition will affect the entire economy but will impact different sectors in different ways. The coal sector employs 237,000 people and will completely disappear. On the other hand, other sectors will undergo a large transformation which will have a significant net positive or negative impact on jobs in supply chains. The transport sector entails significantly more jobs with 14.6 million people or 6.4% of total EU employment.[99] The transition to electromobility could have a significant impact as it is expected to lead to less employment in manufacturing and more employment in services.[100] Heavy industries such as steel, cement and chemicals will also need to undergo a significant transformation. Industry provides 36 million jobs or 15.8% of total EU employment.[101] All of this creates a need for re-skilling the labour force and creating new jobs.

The transition will displace jobs for a share of the workforce that is concentrated in a few countries and regions. Coal and carbon-intensive regions in Central, Eastern and South-Eastern European countries are particularly vulnerable due to their dependence on high-carbon jobs.[102] Jobs in the transport sector are also vulnerable since they are more dispersed geographically than other sectors and depend on integrated transboundary supply chains, of which a significant part is in Central and Eastern European countries.[103] Increased regional unemployment could present a systemic financial risk at national and even international level.

The transition could also deepen existing inequalities among citizens and consumers if policies are designed in a socially regressive way. Home renovations could place a higher burden on lower income households without adequate financial incentives. Similarly, higher fuel taxes, the switch to electric vehicles and rising prices for carbon-intensive products such as meat could lead to a higher relative cost of living and increase existing vulnerabilities.[104] All of this creates a risk of potential opposition to climate action which could slow progress

[99] European Climate Foundation (2019) **Net-Zero 2050 series: Research & Innovation for EU Transport**

[100] E3G (2019) **The EU long-term strategy as an opportunity for just transition**

[101] European Climate Foundation (2019) **Net-Zero 2050 series: Research & Innovation for EU Industry**

[102] European Commission (2018) **EU coal regions: opportunities and challenges ahead**

[103] European Investment Bank (2019) **Investment Report 2019/2020**

[104] Bruegel (2018) **The Distributional Effects of Climate Policies**

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and cause economic stagnation and multiple systemic financial risks and political instability.

Info: Facilitating a just transition in Europe

Facilitating a just transition of sectors, regions, communities, workers and consumers is a dual challenge requiring investment in decarbonisation and social inclusion. A just transition is required to ensure that the benefits of the climate transition are widely distributed while those who stand to be affected by the transition are supported.[105] The just transition should be addressed from a multi-faceted lens of prosperity looking beyond local job impacts and environmental concerns to other structural changes affecting labour markets, such as globalisation, digitalisation and the shift to services.

Investment in decarbonisation infrastructure such as renewable energy and energy efficiency can bring about significant jobs. Decarbonising Europe's energy supply is forecast to create 1.8 million additional jobs by 2050.[106] Investments in energy efficiency can stimulate the construction industry which generates 8% of GDP and around 10% of total EU employment.[107] A €1 million investment in energy efficiency can generate around 18 jobs.[108]

Significant investment is also needed in infrastructure, innovation, education and training in new green sectors such as eco-tourism and sustainable agriculture and other economic sectors. This could bring significant socio-economic benefits by mitigating job losses in high-carbon sectors and contributing to the well-being and prosperity of communities through better air quality, health and job prospects.[109]

There are challenges in ensuring a just transition. The socio-economic impacts of the climate transition are less granularly understood across some sectors such as transport, industry and agriculture, rendering it difficult to plan new investments and policy reforms across these sectors.[110] The impacts on different social groups

105 European Bank for Reconstruction and Development (2020) **The EBRD just transition initiative**

106 European Climate Foundation (2019) **Net-Zero 2050 series: Research & Innovation for EU Energy**

107 Renovate Europe (2020) **Building Renovation: A kick-starter for the EU recovery**

108 Renovate Europe (2020) **Building Renovation: A kick-starter for the EU recovery**

109 European Commission (2019) **Employment and Social Developments in Europe 2019**

110 E3G (2020) **The Just Transition Fund: 4 Benchmarks for Success**

are not integrated into investment decisions and policy-making in a preventative manner. Poor policy design related to the transition sparked the French yellow vest movement while tariff changes for renewables are currently causing public criticism in other countries.[111]

The European Commission should raise awareness about the just transition and conduct assessments of vulnerable sectors and communities.

> The EU should conduct comprehensive monitoring and assessment on the social and economic vulnerabilities due to the climate transition across sectors, regions and communities to identify just transition priorities and appropriate policy responses.

> The Just Transition Platform could be key in assessing the social and economic impacts of the climate transition and identifying just transition hot spots across Europe.

[111] Politico (2019) **The Yellow Jackets left behind**; Engie (2020) **Le tarif prosumer en Wallonie**

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Leveraging public funds and technical assistance for just transition

The European Green Deal Communication recognised that the transition can only succeed if it is conducted in a fair and inclusive way.[112] It proposed the Just Transition Mechanism which will focus on the regions and sectors most affected by the transition. As part of this, the Just Transition Fund will be instrumental in mobilising public and private investments for the just transition.

Just transition support will be linked to promoting a transition towards low-carbon and climate-resilient activities. It will target regions and territories impacted by the transition and seek to protect affected communities, providing access to re-skilling programmes, jobs in new economic sectors, and energy-efficient housing. Access to the fund requires the adoption of territorial just transition plans, but there is currently no climate conditionality attached such as coal and high-carbon technology phase-outs.[113] The European Council has recently agreed to exclude gas and nuclear from just transition funding.[114] On the other hand the European Parliament took a less progressive stance on gas.[115]

As the main instrument to leverage private and public funding, InvestEU also has significant potential to contribute to socially fair investment. It will support private and public investment, especially in regions where it is difficult to raise private capital. European structural and investment funds also play a crucial role in supporting social cohesion, notably through the European Regional Development Fund, the European Social Fund Plus and the Cohesion Fund. These funds can be used to invest in small businesses, innovation, infrastructure, employment and training.

[112] European Commission (2019) **The European Green Deal**

[113] E3G (2020) **The Just Transition Fund: 4 Benchmarks for Success**

[114] Council of the European Union (2020) **Just Transition Fund: Council agrees on its partial negotiating position**

[115] European Parliament (2020) **Just transition in EU regions: support to people, economy and environment**

Many Central, Eastern and South-Eastern European countries have failed to include sufficient measures for a just transition in their National Energy and Climate Plans.[116] One of the main bottlenecks to the just transition remains the difficulty in establishing a pipeline of projects.[117] Carbon-intensive regions tend to have limited technical capacity and resources to plan for projects. Yet an effective institutional structure led by high-capacity regional authorities together with an inclusive civil society stakeholder engagement format is necessary to build just transition strategies.[118]

The EU is leading several initiatives to support capacity building for a just transition. The Coal Platform for European Regions in Transitions was established in 2017 for coal regions to learn about assistance available to them. The Just Transition Platform was launched in June 2020 to assist EU countries and regions in making use of the support available through the Just Transition Mechanism.[119] The platform will offer technical and advisory support to stakeholders involved in just transition activities. The European Investment Bank and the European Bank for Reconstruction and Development have also started just transition initiatives.[120] Several domestic players and funders are also active in the just transition space. For example, in Germany development agency GIZ, public bank KfW and the Environment Ministry are all participating in just transition initiatives.

It will be important for these various initiatives to cooperate and build the capacity of regional authorities and the private sector in developing just transition strategies and project pipelines.

[116] CAN Europe (2020) **Pave the way for increased climate ambition: Opportunities and gaps in the final National Energy and Climate Plans**; CAN Europe and Sandbag (2019) **Just transition or just talk?**

[117] European Commission (2018) **Boosting Investment in Social Infrastructure in Europe**

[118] Heinrich Boell Foundation/E3G/DUH (2018) **Europäische Braunkohleregionen im Wandel** (in German)

[119] European Commission (2020) **Just Transition Platform**

[120] European Investment Bank (2020) **Just Transition Mechanism: the EIB and the European Commission join forces in a proposed new public loan facility to finance green investments in the EU;** European Bank for Reconstruction and Development (2020) **The EBRD just transition initiative**

The European Commission should encourage Member States to adopt national and regional capital raising plans for the just transition.

> Just transition funding should be made conditional on a concrete capital raising plan that is aligned with the EU taxonomy with specific public funds and incentives to tackle the risks facing vulnerable communities and crowd in private investment to create opportunities for economic regeneration.

> The European Commission should provide guidance to support Member States in establishing national and regional capital raising plans for the just transition aligned with the EU taxonomy and clear climate and social objectives and implementation milestones.

> These capital raising plans must be developed through an inclusive civil society stakeholder engagement process.

The European Commission and European Investment Bank should build the capacity of stakeholders at regional and local level to develop bankable projects which support climate transition and social inclusion.

> The European Commission should work through public finance institutions to assist regions in planning for a just transition through a formal involvement of companies and civil society to identify local projects and build up effective instruments for social investment.

> The Just Transition Platform should act as an intermediary to improve consistency in national approaches and build on direct cooperation with public finance institutions and municipalities to ensure local presence, particularly in Central, Eastern and Southern-Eastern European countries.

> The Commission should work closely with the European Investment Bank, which will be the conduit for a substantial proportion of just transition funding, on this issue.

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Fostering investments for a fair and just recovery and climate transition

Social investments in Europe have traditionally been undertaken by the public sector and private finance has not played a role in any historical just transition process. Public finance institutions and local governments make up the majority of issuers. However, the current levels of investment are insufficient to upgrade the skills of the workforce and rejuvenate regions in industrial decline.

While a strong public sector response is required for a sustainable economic recovery and a just climate transition, mobilising private investors is also important. The long-term returns and public good nature of social investments tend to make them attractive to large long-term investors. Therefore, financial intermediaries will be key for channelling private investments towards social infrastructure. Public finance institutions have a large role to play in providing a counter-cyclical role in the economy and funding social infrastructure and cross-border initiatives.[121]

The European Commission should stimulate public finance institutions to support a fair economic recovery and a just climate transition by developing a strategy to crowd in private capital.

> The EU should encourage public finance institutions to develop strategies linked to ambitious climate and social goals and to put in place financing instruments that can crowd in private capital.

> Institutional investors can be incentivised to invest in less familiar types of investment which have high sustainability impacts and non-traditional return profiles, such as projects that support just transition, through use of public risk-sharing and blended finance, with clear impact reporting on social benefit.

Institutional investors have the possibility to invest in equity, but there is still a lack of debt instruments or project bonds for social infrastructure.[122] Socially labelled bonds are bonds where the use of proceeds is earmarked for social, or green and social projects. Yet socially labelled bonds are different from green

[121] European Commission (2018) **Boosting Investment in Social Infrastructure in Europe**

[122] Ibid.

bonds in that social impact is much more complex to measure than environmental impact.[123] France, Spain, Germany and the Netherlands are leading the issuance of socially labelled bonds in Europe.

The ESG fund market is characterised by a wide dispersion of definitions and standards in different European markets, which makes it difficult to compare the extent of climate, environmental and social ambition of each product. There is a need for consistency at EU level to help mobilise the broadest possible range of private finance alongside public budgets to contribute to social impact. The EU is currently in the process of developing an EU Green Bond Standard based on the EU taxonomy for sustainable activities.[124] The taxonomy already includes social factors by defining social minimum safeguards alongside the environmental criteria. However, it also alludes to the need for a taxonomy of socially sustainable activities. Other experts have called for a social taxonomy to be developed.[125]

The European Commission should further develop the social element of the taxonomy.

> The minimum social safeguards of the taxonomy should be strengthened to become a social 'Do No Harm' and should be operationalised in a Delegated Act. Use of such safeguards should be required across private and public funds.

> Furthermore, work to develop a social taxonomy should be started in 2022 with a view to completion by the end of the year to enable the identification of activities that deliver socially beneficial outcomes and applied across public and private investments, in line with other aspects of the taxonomy.

[123] Stockholm Sustainable Finance Centre (2020) **A Swedish market for sustainability-related and socially labelled bonds: Institutional investors as drivers**

[124] European Commission (2020) **EU Green Bond Standard;** European Parliament and Council of the EU (2020) **Taxonomy Regulation**

[125] Institut fur Okonomie und Okumene (2020) **A Proposal for a Social Taxonomy for Sustainable Investment**

Despite the abundance of funds and policies which could support a just transition, EU and national initiatives lack a coordinated approach to the just transition together with a more strategic financing model.[126] There is currently no clear standard for the activities that constitute a just transition that can be applied across different sectors, regions and communities.[127] Such a standard could draw on existing best practice initiatives and develop shared approaches to dealing with the industry, worker and community dimensions of the transition.[128]

For example, the World Bank identified a sustainability checklist for assessing economic recovery interventions at project level capturing the impact on job creation, decarbonisation and the mobilisation of private finance.[129] In another example, a research project led by E3G identified conditions for a successful transition drawing upon diverse experts on German and Czech transitions.[130]

Efforts to establish standards related to the just transition are growing. The International Capital Market Association's social bond principles include many areas which are key to a just transition such as education and training, affordable housing and job creation.[131] There are also examples from leading public finance institutions. For example, the Caisse des Dépôts in France developed a framework for green, social and sustainability bonds which directly supports a just transition, stating that the transition towards a resilient, low-carbon and respectful of and the biodiversity economic model "must be fair between all citizens".[132]

[126] Friends of Europe (2018) **The Regional Dimension of Climate Change**

[127] E3G (2018) **A Just Transition for All or Just a Transition?**

[128] Robins et al (2020) **Financing climate action with positive social impact: How banking can support a just transition in the UK**

[129] World Bank (2020) **Planning for the economic recovery from COVID-19: A sustainability checklist for policymakers**

[130] Heinrich Boell Foundation/E3G/DUH (2018) **Europäische Braunkohleregionen im Wandel** (in German)

[131] Robins, N. (2020) **Why governments need to issue just transition sovereign bonds and how they could do it**; ICMA (2020) **The Social Bond Principles**

[132] Caisse des Depots (2019) Framework: **Green, Social and Sustainability Bonds**

The European Commission should develop a standard to define investments which are compatible with the just transition.

> The EU should develop a standard defining the principles of the just transition, in order to ensure that public and private investments and fiscal policy can adequately respond to the socio-economic impacts of the climate transition.

> These principles should be applied across all public funds and in fiscal policy decisions.

> This should be aligned with the EU taxonomy and incorporate elements that make for a successful just transition.[133]

In the last few years, there has been an increase in the number of private investors with a social impact.[134] Earlier this year, 161 investors representing US$10.2 trillion in assets endorsed a statement of commitment to support a just transition.[135] Yet the increase in the quantity of capital will need to be matched by improvements to its quality with a focus on long-term impact in terms of environmental, social and governance outcomes.[136] This requires it to be integrated in corporate governance practices, in particular for large firms linked to the just transition.[137]

133 Heinrich Boell Foundation/E3G/DUH (2018) **Europäische Braunkohleregionen im Wandel** (in German)

134 Eursofi (2018) **European SRI Study**; Deloitte/EVPA/Global Social Entrepreneurship Network (2018) **Central & Eastern Europe: Opportunities for Social Investment**

135 UNPRI (2020) **Statement of Investor Commitment to Support a Just Transition on Climate Change**

136 Robins, N. et al (2020) **Financing climate action with positive social impact: How banking can support a just transition in the UK**

137 Robins, N. et al (2020) **Climate change and the just transition: A guide for investor action**

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The European Commission should require company directors to integrate the just transition into their company strategies and disclosures.

> Company directors should be required to integrate the just transition as part of the upcoming legislative proposal on sustainable corporate governance.

> Companies should incorporate workplace and community dimensions into their sustainability strategies and disclosures and include policies on retraining, reskilling, redeployment and new job creation.

> Sustainability strategies should establish accountability to a range of stakeholders through appropriate board structures and social dialogue with workers.

The European Commission should require institutional investors and asset managers to integrate the just transition into their decisions.

> The EU framework for the Shareholder Rights Directive should be reviewed to strengthen shareholder engagement and stewardship and integrate the just transition into shareholder stewardship.

> Investor duties should be strengthened to ensure that investors assess portfolio exposure to transition risks and opportunities across all asset classes. Investors should integrate the social dimension into their sustainability strategies and disclosures and should be encouraged to engage with companies to promote action towards a just transition.