

WBA submission to the Call for Inputs by the Katowice Committee of Experts on the Impacts of the Implementation of Response Measures

Dated 30 September 2022

Reference MTP/O/KCI/Inputs

The World Benchmarking Alliance (WBA) presents its complements to the KCI and wishes to respond to the call for inputs on the following activities:

3. *Workplan Activity 11: “Facilitate, exchange and share experiences and best practices on the assessment of the environmental, social and economic co-benefits of climate change policies and actions informed by the best available science, including the use of existing tools and methodologies” as per annex III by 30 September 2022*

1. Which climate change policy(ies) and actions, informed by the best available science, were assessed for environmental, social and economic co-benefits and what were the co-benefits identified from your assessment?

In response to this question, please:

(i) Define the climate change policies and actions, including scope (e.g. local, sectoral, national, international), category (e.g. mitigation, adaptation) and type (e.g. market-based instrument, regulatory instrument, voluntary programme, mitigation strategy, individual action)

(ii) Describe what the environmental, social and economic co-benefits of the policies and actions are according to the assessment

(iii) Specify how the best available science informed the assessment

The World Benchmarking Alliance (WBA) assesses how the world’s 2000 most influential companies (public, private, and state-owned) are performing in meeting the SDG targets. To do so, WBA examines seven system transformations that are interconnected (urban, decarbonisation and energy, digital, nature and biodiversity, food and agriculture, and financial system). Social transformations are also at the core of each of WBA’s assessments. For the decarbonisation and energy transformation, in particular, WBA assesses how the world’s highest carbon emitters are on track to meeting the Paris Agreement goals. WBA further examines how these companies are meeting the social challenges of the low-carbon transition including their contribution to a just transition as part of its [2021 just transition assessment](#). WBA’s decarbonisation and energy assessments are sectoral and mitigation-focused, with an initial assessment of the world’s 180 highest carbon emitters. This includes an assessment of oil and gas companies, electric utilities, and automotive manufacturers. WBA will also be releasing in October 2022, ahead of COP27, the results from its assessment of major transport companies including on just transition. WBA’s climate and energy benchmarks use the [Assessing Low-Carbon Transition](#) (ACT) methodology and measure how companies’ emission reduction commitments, targets, and transition plans align with a 1.5C scenario. The IEA’s Net Zero by 2050 roadmap released in May 2021 enabled WBA to use a 1.5C scenario for its Oil and Gas Benchmark, for example.

However, examining companies’ climate plans is only part of the story. It is essential to evaluate how companies plan for the social impacts of the low-carbon transition. To do this, WBA developed core social indicators (CSI) and just transition-specific indicators to bring more transparency to how companies protect human rights and decent work, act ethically and contribute to a just transition.

WBA's just transition methodology and indicators are further holistic and reflect multiple social impacts and SDGs, and are not solely about worker-related impacts. These indicators are also bottom-up, as they were built with inputs from civil society, the business community and academia and include six areas of measurement: social dialogue and stakeholder engagement, planning for a just transition, green and decent job creation, retaining and re-and/or upskilling, social protection and social impact management, and advocacy for policies and regulation supporting a just transition.

WBA's just transition findings show that overall, company performance on just transition is low, with very few companies performing well across all the indicators. The lack of correlation between a company's relative performance on climate and human rights and human rights and just transition also shows how these issues are still considered separately. Only 9 out of 180 companies assessed in 2021 score higher than 50% across the six indicators. While these low scores do reflect the fact that just transition is a relatively emerging topic at the company level, they remain nonetheless concerning given the multiple co-benefits the transition can have. WBA does not assess the co-benefits of a just transition per se but partnered with just transition allies who do and whose findings complement WBA's assessment. These findings also show the risks of a lack of just transition planning at the company level. Net job gains are one of the main co-benefits of the transition to a low-carbon economy. The [ILO projects](#) the net creation of 18 million jobs while the [IEA's net zero scenarios](#) anticipates the creation of 14 million jobs and 16 million additional jobs linked to job switching to clean energy. It is important to caution that while these represent net gains they will not be evenly distributed (for example with job losses concentrated in fossil fuel-producing regions). In addition, without green and decent job creation, retaining and re-and/or upskilling and social protection, clean energy jobs may not prove to be decent (in terms of pay, working conditions, and gender parity amongst other factors).

Beyond increased net job creation, just transition presents [several other co-benefits](#). These include reduced market, policy, reputational and technological risks for companies. Companies that are more proactive and ambitious in their just transition plans are less likely to lose market share linked to technological disruptions, can experience higher productivity and employee retention linked to better working conditions, and can benefit from increased public and private investments. The latter is particularly the case given investors are increasingly wary of [stranded assets](#) and pushing companies to align with net zero emissions (as in the case of Climate Action 100+). WBA's just transition assessment is therefore a helpful guide for investors in assessing which companies present more risks and opportunities linked to the low-carbon transition.

WBA's findings also reveal several first movers and relatively best performers that can serve as models for other companies to implement robust just transition policies. SSE and Enel are two examples as electric utility companies. In the case of Enel, the company openly advocates for a just transition and works with its suppliers and contractors to ensure human rights due diligence is respected along its value chain. It also seeks to transition its workforce as part of the closure of its coal-fired power plant in Andorra and actively works with trade unions and local communities as part of its stakeholder engagement while investing in clean energy alternatives. A similar case can be made for SSE, which is also investing in clean energy projects, supporting communities in their transition through community-benefit funds, and reskilling its workforce. However, these examples remain more the exception than the norm. WBA's findings can therefore not only show where gaps exist but how companies can learn from each other to increase their climate and social ambition.

2. How such assessment was conducted? Were there any standards used? What are challenges and opportunities, and lessons learnt from these assessments?

In response to this question, please elaborate on:

- (i) *The assessment approach (e.g. qualitative and/or quantitative)*

- (ii) *The tools and methods used for the assessment (e.g. surveys, models)*
- (iii) *The factors considered in selecting the assessment approach and data collection*
- (iv) *The challenges and opportunities in, and lessons learned from, each step in the process*

WBA's Just transition assessment is both qualitative and quantitative. It includes a scoring system (further outlined in WBA's [just transition Methodology](#)) and fundamental actions expected from companies for each indicator based on international standards. The indicators are built around six areas of measurement and are agnostic to which high-emitting sector a company is in, given the cross-cutting nature of just transition. These are social dialogue and stakeholder engagement, planning for a just transition, green and decent job creation, retaining and re-and/or upskilling, social protection and social impact management, and advocacy for policies and regulations supporting a just transition. WBA's just transition indicators were informed by desk-based scoping research, technical experts in the field including groups such as the ILO, the Just Transition Centre of the International Trade Union Congress, BSR, the B Team, and the Institute for Human Rights and Business (IHRB), and a public consultation process. This consultation process was extremely valuable in better guiding the weighting of the indicators and ensuring they represent a wide range of stakeholder views and international best standards including the [ILO just transition guidelines](#). [WBA's core social indicators](#) were also applied to the 180 companies assessed in 2021, with a strong human rights component, to measure how these companies are aligning with the UN Guiding principles on business and human rights. The data collected for WBA's just transition assessment is publicly available information disclosed by companies, including from annual and sustainability reports.

One of the challenges of WBA's just transition assessment was to develop indicators that reflect the fundamentals of a just transition. At this stage, the indicators remain sector-agnostic and do not encompass several challenges such as energy access and the social impacts of increasing demand for critical minerals needed for the low-carbon transition. While these aspects were not incorporated in WBA's 2021 assessment, they are being considered for future assessments, and WBA's [Corporate Human Rights Benchmark](#) provides a deep diver assessment on human rights. The findings from WBA's 2021 just transition assessment also show a consistent lack of disclosure from companies on how they anticipate and manage the social impacts of the transition. While more than half of the 180 companies demonstrate the measures they take to provide or support access to green and decent jobs, overall scores remain low and particularly so for certain indicators. Only 4% of companies show advocacy efforts for just transition policies. Similarly, only 3% of companies meet the first of the four fundamentals of social protection and social impact management. A key insight from the stakeholder consultations WBA undertook is that companies cannot plan for a just transition alone and need the active involvement of governments. WBA's just transition assessment, therefore, shows the need for governments to better integrate just transition planning into their low carbon strategies and actively work with companies in doing so. To date, while some countries have started embracing a just transition, few countries, except for some countries such as [Scotland](#), are actively developing just transition indicators to assess the impacts, benefits, and risks of the transition from a social point of view.

3. What actions were/are/will be taken based on the co-benefit assessment and what specific measures taken to maximise the co-benefits if any?

In response to this question, please specify:

- (i) *How the results of the assessment have informed the policymaking process*

(ii) How the results of the assessment have incentivized further action to maximize the co-benefits

As part of its 2021 assessment, WBA worked closely with just transition experts (including the ILO, ITUC, BSR, B Team, Ninety One and Newton AM, Africa Investor Group, Grantham Research Institute, Finance for Tomorrow, IHRB, Ceres, and Council for Inclusive Capitalism) to inform the policy-making process. As an example, WBA's findings were used by investors to urge the 100 oil and gas companies benchmarked to incorporate just transition in their decarbonisation plans. Similarly, WBA's assessment has been used to inform recommendations to EU policymakers as part of CSR Europe's "Financing an inclusive & green transition" leadership initiative and also more recent work done by the UN Global Compact think lab on just transition. At the country level, WBA's assessment has also been used by policymakers to inform company engagement as is the case in Scotland with SSE and the government's just transition commission.

WBA also integrated its findings as part of its efforts to push for mandatory climate disclosures when responding to comments from the Securities and Exchange Commission (SEC) in the United States and the International Sustainability and Standards Board (ISSB). WBA's recommendations include a double materiality view and the need for companies to also disclose their commitments against core elements of social inclusion and to align with just transition guidelines.

It is also relevant to note that WBA's data is increasingly recognized internationally and in emerging, middle and low-income economies. [Johannesburg Stock Exchange's \(JSE\) 2022 Sustainability Disclosure guidance](#) for example refers to the work of the World Benchmarking alliance. This is relevant given the South African Treasury is considering developing a [just transition taxonomy](#). Similarly, WBA's just transition assessment, particularly on social dialogue and stakeholder engagement informed the [G7 Impact Taskforce's 2021 paper](#) *Financing a better world requires impact transparency, integrity, and harmonization*.