

Summary of the roundtable on just transition considerations for bank transition plans

Online meeting, 17 February 2026, 13:00–15:30 (GMT)

1. Introduction

Amid increasing voluntary market initiatives and regulatory requirements on disclosing transition plans, the Just Transition Finance Lab is commencing research to examine how such plans may be a tool for increasing deployment of just transition finance from the banking sector. To help inform this research, an expert roundtable was convened to gather views on the challenges and opportunities for embedding the just transition in bank transition plans, at both the policy regime and bank activity levels. The roundtable was held under the Chatham House Rule and participants included: (i) senior representatives from international organisations championing the just transition; (ii) policy experts on central banking, prudential regulation and bank transition plans; and (iii) sustainability leaders of the largest banks in the UK and globally.

2. Key takeaways

There is a growing commitment to the just transition in governments' climate ambitions, and private sector transition plans (including from the financial sector) are seen as instrumental in helping to achieve it. This is evidenced by 80% of countries stating a commitment to a just transition in their latest Nationally Determined Contributions (NDCs), as of 2025, compared to just 50% that expressed a commitment to do so in previous NDC submissions (based on a [study](#) by the International Labour Organization [ILO]). In the context of constrained fiscal resources, there is a pressing need for the private sector to contribute to climate/just transition financing. Transition plans are seen as a tool to facilitate climate transition pathways of both the real and financial sectors and they are also increasingly being explored as a tool to promote just transition objectives.

While the general concept of the just transition was clear for roundtable participants, there is no universal standard for how the just transition should be captured and measured in bank transition plans. The Taskforce on Inequality and Social-related Financial Disclosure (TISFD) is aiming to fill this gap by developing the conceptual foundations, metrics and targets for social and inequality-related issues across ecosystems, economies and societies, which will also touch on the just transition. The TISFD is also aiming to produce an implementation guidance on how these metrics and targets may be embedded in existing global standards, such as those of the International Sustainability Standards Board (ISSB).

At the country/jurisdiction level, market regulators and central banks have implemented mandatory and/or promotional policies to integrate social considerations in banks' climate-related activities, but efforts vary in focus and direction. Within the European Union framework, for example, entities are required to disclose qualitative social risk management, social safeguards need to be in place for an entity's activity to be aligned with the sustainable finance taxonomy, and issuers of green bonds are required to report use of proceeds which may include social considerations. In emerging markets and developing economies (EMDEs), where many central banks have a development mandate alongside a price/financial stability mandate, there is active policy thinking on how financial inclusion intersects with the just transition. Some approaches include ensuring that access to inclusive financial services is

considered when defining green finance in national taxonomies, and directing resources to inclusive green finance (e.g. through credit guarantees, refinancing facilities).

As bank transition plans are being brought under the remit of financial supervision, integration of social risk management brings with it potential benefits, including: (i) building fundamental data on climate-related social risks; (ii) promoting ex-ante community engagement which can generate local knowledge and subsequently enhance location-specific climate and social risk identification and management; and (iii) enhancing the overall credibility of assumptions made in banks' transition scenario analyses (e.g. are risk management systems plausible under certain socioeconomic pathways?), among others. As global disclosure frameworks on bank transition plans mature, the challenge is in finding opportunities to embed/align (and not create new requirements for) the just transition within existing/developing frameworks. In many EMDE contexts, transition plan disclosure standards should be implemented with proportionality (i.e. commensurate to a bank's risk profile, systemic importance and capacity) to avoid potential unintended trade-offs such as financial exclusion and retrenchment.

Bank representatives shared the practical challenges of implementing just transition considerations in their transition planning, plans and activities. Common challenges cited include:

- (i) **Challenges related to the scope and definition of the just transition.** One bank representative shared that within their institution, there is a lack of clarity on what distinguishes the just transition from human rights due diligence, labour standards, or good social risk management which makes it challenging to operationalise. Another bank representative echoed this point and highlighted that there are elements of the just transition that sit with government and are therefore beyond the bank's control, requiring that the bank defines the scope and stakeholders in its own climate and social strategies.
- (ii) **Difficult internal buy-in due to unclear/lack of evidence on the business case for the just transition.** A participant expressed that while climate risks are well-integrated into credit, strategy and disclosure, social dimensions of the transition are often seen as reputational risks, difficult to quantify, and disconnected from financial performance. This resonated with the experience of another participant, who shared that data and a business case for the just transition are a pre-requisite before a case can be made for bank-wide just transition action. Policy experts at the roundtable shared that evidence could be drawn from the related literature showing the relationship between firms' ESG (environmental, social and governance) performance and financial performance, as well as the operational and transaction costs associated with the social backlash to extractive/infrastructure/multilateral development bank (MDB) projects (e.g. non-engagement from communities, land rights issues, human rights abuses, etc.).
- (iii) **Limited decision-useful, forward-looking social data.** Most existing data on climate-related social risks are incomplete and backward-looking. In this context, banks find it difficult to: assess the social risks associated with clients' transition efforts and the financial risks these social risks create for the banks; and to find the evidence that may inform the action they should take to preserve clients'/customers' financial resilience given a certain transition scenario. Given this limitation, one bank's approach focuses on assessing the client's capacity to manage the potential impacts of their transition activities on workers and communities (e.g. by assessing whether the client conducts social and human rights due diligence, etc.).

Nevertheless, **both banking and policy experts highlighted areas where the just transition is positively progressing, and other potential avenues that may help unlock opportunities for just transition considerations by banks.** These include:

- (i) **Framing the just transition as value protection and value enablement by unpacking how social risks might affect the cost, pace and feasibility of a transaction.** One bank representative illustrated this point by sharing the high degree of success they had achieved from adopting social considerations in their climate-related project finance portfolio. This was due to the clear business case for enhancing social due diligence in this type of financing as social risks can be easily framed by the bank in terms of costs, pace and feasibility of energy infrastructure. The challenge is to build a strong general business case for the just transition that sits outside of project finance, such as corporate and retail lending, etc.

- (ii) **Designing the right technical and financial support may help increase the commercial viability of bank-financed projects that are aligned with the just transition.** As an example, one bank representative shared that they use seed funding to support small- and medium-sized enterprise (SME) clients' efforts to retrain engineers to prepare themselves for future demand for home energy efficiency improvements. Another participant highlighted examples from the MDB space, where credit lines extended to a bank for SME/just transition financing were coupled with technical assistance. There is ongoing policy work in London exploring the policy/blended finance design that could facilitate this kind of just transition integration.
- (iii) **Maximising the role of transition plans and planning in bringing together different internal bank actors to make a case for the just transition.** The comprehensive coverage of transition plans automatically brings together different parts of bank organisations that may otherwise operate in silos. This creates a platform, for example, for teams from climate and social strategies, risk management, capital allocation, research and public affairs to think collectively in situating the bank's just transition approach and actions within its transition plans. One example shared was of a bank's effort to help internal bank actors find social opportunities in the bank's work with young coal fleets which need to be repurposed for lower carbon, greener energy distribution in a way that promotes health benefits, continues local employment and does not increase land use or land conversion.
- (iv) **Further evidence obtained from research will help enable banks to adopt the just transition in transition planning and activities.** Bank representatives expressed that there is much scope for finding evidence on how unmanaged social risks in climate-related portfolios have financial ramifications (e.g. how they affect earnings volatility or the cost of capital); or on incorporating social/just transition considerations or policies in climate stress-testing, scenario analysis and sensitivity analysis, among others. There may also be benefits from promoting case studies, peer learning and data/information sharing among banks on successful approaches to the just transition.

3. Close and next steps

We posted a closing poll question to participants, "*Where do you see the standards on the adoption of just transition considerations in bank transition plans going in the next 3 years?*" The results were as follows:

- 40%: fragmented (individual firm-driven; based on various guidelines)
- 40%: voluntary guidance from financial regulator (jurisdiction level)
- 20%: alignment of global standards for just transition (ISSB, TNFD, TISFD)

The Lab informed the participants that relevant roundtable insights will be incorporated in the forthcoming Lab research paper, under the Chatham House Rule (or with permission for specific citations).

If you have queries on the roundtable or the Lab's ongoing research related to the banking sector, kindly reach out to Sherilyn Raga, Just Transition Finance Lab Policy Fellow and Bank Workstream Lead at s.raga@lse.ac.uk