

Business Leaders Guide to a Just Climate Transition



About the Business Leaders Guide to a Just Climate Transition

Developed by 50+ companies and expert organizations under WBCSD's People Action Team with support from ERM, this guide clarifies the boundaries of corporate responsibility on climate-related social risks based on existing sustainability rules, thereby translating the International Labour Organization's vision of a just transition that "leaves no one behind" into actionable business practice.

Focusing on boards and C-suite leadership, it articulates a company's role and responsibility and provides practical guidance and examples on embedding people considerations into corporate climate transition strategies and implementation, answering key questions: What's the business case? Who owns which actions? What does good practice look like?

Climate transition and people considerations – an urgent priority in a volatile world

The transition to a low-carbon economy is not only a technological and financial challenge – it is a people challenge. Climate change is already disrupting communities and displacing populations, exacerbating social instability. Likewise, corporate mitigation and adaptation actions can profoundly affect people's lives and livelihoods, including employees, communities, customers, and consumers.

If left unaddressed, these human impacts, risks, and opportunities may have material consequences for companies, affecting their financial resilience, performance, and cash flow. Conversely, companies that integrate people considerations into their climate transition will be better positioned to unlock new opportunities – enhancing competitiveness, talent retention, and customer loyalty.

Boards and executive teams are therefore increasingly expected to lead and empower their teams to address the social dimensions of climate change and climate action.

As a threat multiplier, climate change intensifies conflict, insecurity, and displacement in fragile regions. This is occurring alongside rapid advances in AI and a volatile geopolitical context, increasing people-related business risks.

At the same time, due diligence standards and regulatory frameworks are raising the bar for corporate accountability. Standards such as the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, the UN Guiding Principles on Business and Human Rights, and the upcoming EU Corporate Sustainability Due Diligence Directive, together with disclosure standards

like the International Financial Reporting Standards' (IFRS) S2 climate standard – which integrates the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Transition Plan Taskforce (TPT)– which integrates the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Transition Plan Taskforce (TPT) – and the Taskforce on Nature-related Financial Disclosures are establishing a global baseline to embed accountability for social risks and impacts in corporate climate and nature strategies.

Today's political, economic, and technological realities demand that corporate leaders take direct ownership for the social dimensions of the climate transition across governance, strategy, risk management, and performance monitoring. The first step is understanding the business case: how the social aspects of the climate transition intersect with a company's ability to create and protect value, and the corresponding roles and responsibilities of leadership.

The business case for embedding people considerations into corporate climate action

Companies face significant transition and physical climate risks that impact both business and people.

Transition risks arise from changes in regulation, financing requirements, and

stakeholder expectations as the world shifts to a low-carbon economy.

Physical risks result from the direct physical impacts of climate change on companies and their value chains, often at an asset level. These risks can generate both negative impacts or positive opportunities for people – i.e., workforces, value chain workers, communities, and consumers. From a business perspective, they manifest in two main ways:

Inside-out impacts result from company decisions to manage transition and physical risks through mitigation and adaptation strategies.

Examples include:

- Adverse impacts arising from companies closing high-emitting assets, acquiring land to build renewables, or changing suppliers to reduce Scope 3 emissions
- Positive impacts arising from companies investing in green skills development and paying living wages in host communities

Outside-in impacts result from factors beyond the scope of the company's climate strategy.

Examples include:

- Adverse impacts arising from companies suspending operations when workers are affected by floods for which the community was not prepared
- Positive impacts arising from companies gaining a competitive advantage thanks to a reduction in operational risk from community flood preparedness

Figure 1: Inside-out and outside-in impacts for business

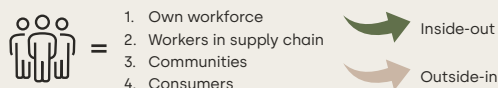
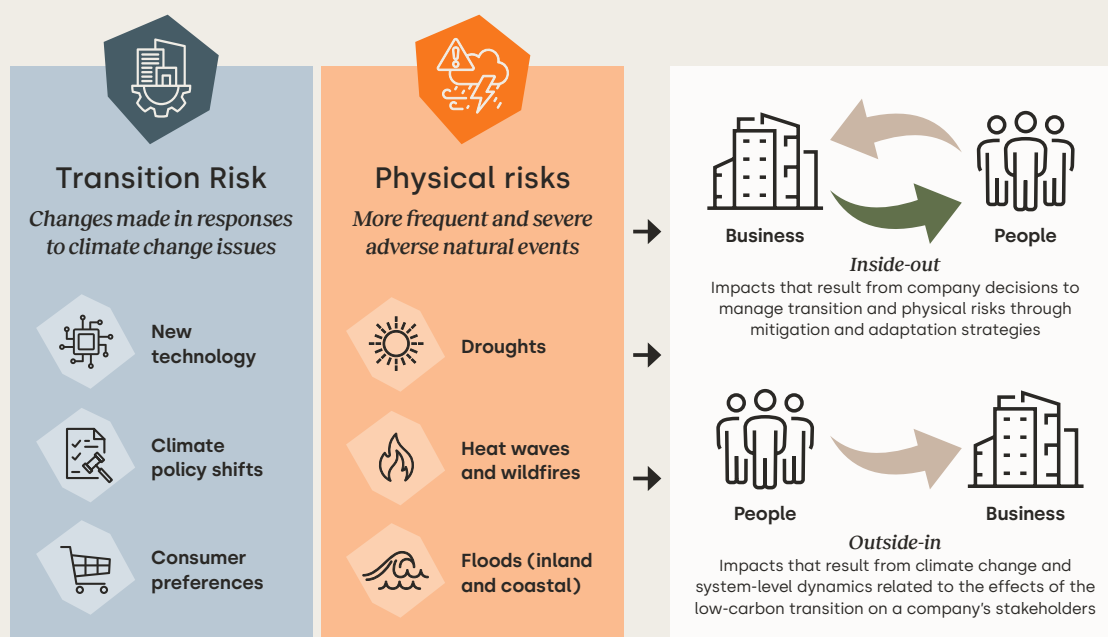
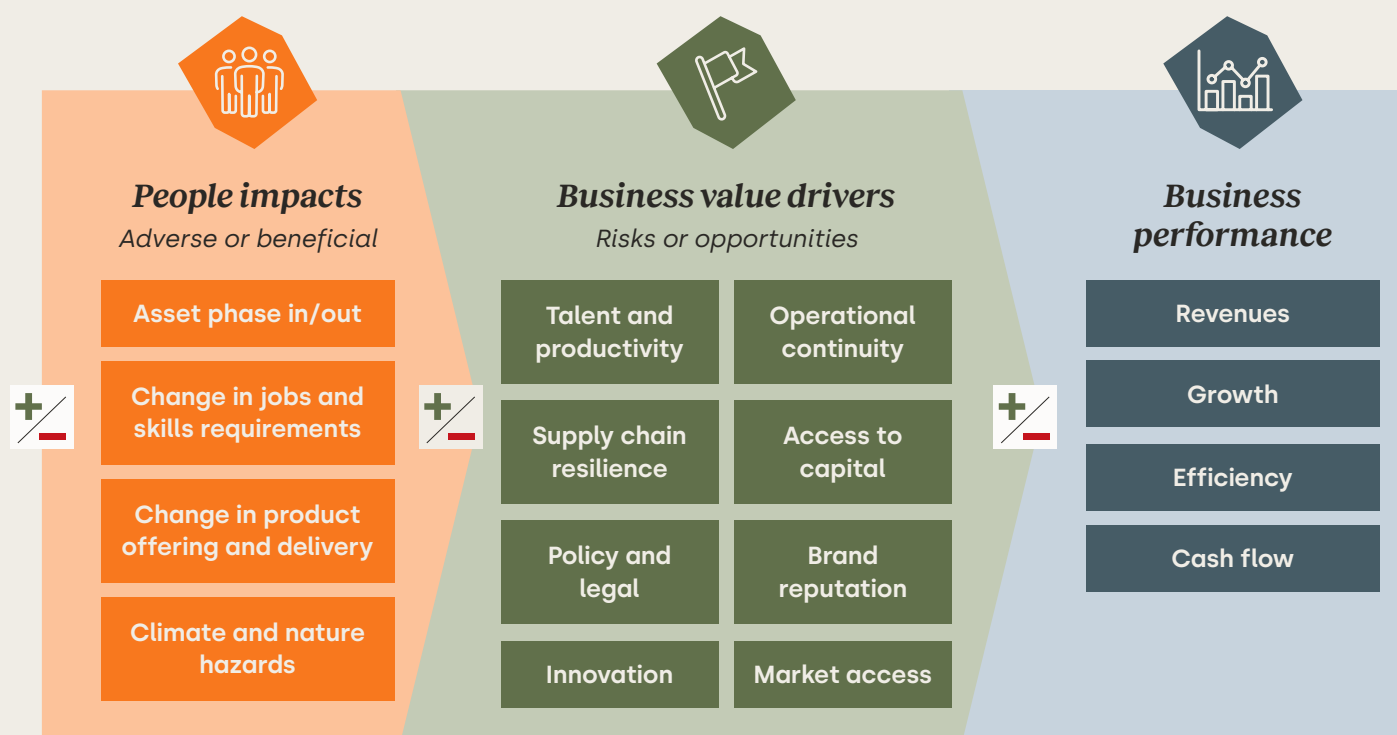


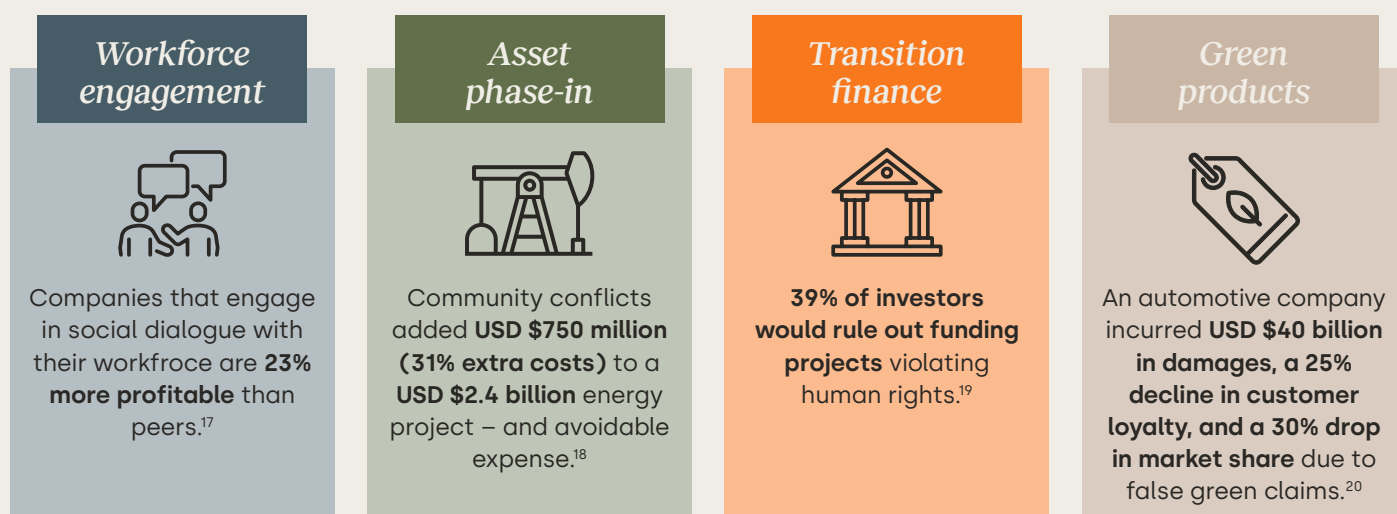
Figure 2: Dimensions of the business case for a just transition



Transition and physical risks can create negative or positive impacts for people – i.e., workforces, value chain workers, communities, and consumers – therefore influencing positively or negatively business value drivers and business performance.

There are many potential impacts, dependencies, risks, and opportunities linked to the people dimension of climate change and climate action. Some are more direct and easily identifiable; others are more indirect or harder to foresee. Depending on the company's circumstances, many may also be financially material and influence (positively or negatively) a company's cash flow, performance, and financial position.

Figure 3: Examples of impacts on business performance



While the Business Leaders' Guide to a Just Climate Transition focuses on climate strategy and transition planning, it recognizes that nature is inextricably linked to the transition to a net-zero economy. The natural environment – i.e., the ecosystems that provide essential services to people such as food, shelter, recreation, and carbon storage – underpins both climate stability and human well-being. Companies must therefore address climate, nature, and people impacts in an integrated way.

As shown in the examples below, a company's climate-related decisions, as well as climate change itself, affect people in profound ways:



Workforce

Decarbonization will displace workers, especially in high-emitting sectors, while rising temperatures and extreme weather events will threaten worker health or livelihoods. Proactive reskilling and upskilling, embedding just transition principles into worker recruitment and retention, and supporting for community adaptation can help mitigate disruptions, reduce turnover costs, and sustain innovation.



Communities

Asset closures and new infrastructure projects can cause job losses, reduce tax revenues, or create land-use conflicts. By planning ahead – through site reuse, diversification, and environmental and social impact management – companies can avoid litigation, delays, and reputational harm, while helping communities thrive.



Consumers

Rapid electrification and infrastructure upgrades combined with volatile energy prices and supply chain shocks can raise costs for consumers, while physical climate change-induced supply chain disruptions can limit consumer access to essential goods and services. Companies that prioritize affordability, design inclusive products and services, and build supply chain resilience simultaneously protect their customer base and strengthen brand equity.

These examples illustrate how climate-related social risks and opportunities translate into tangible business impacts. Evidence from the World Benchmarking Alliance (WBA) shows the payoff. Among more than 1,100 companies, those with stronger social performance – measured through practices on human rights, decent work, and ethical conduct – **delivered 3-7% higher five-year total return growth**, and companies with science-based targets outperformed peers by **2-7% higher growth**. These benefits underscore that aligning people and climate priorities strengthens both purpose and performance.¹

Finally, the nature and materiality of social impacts, risks, and opportunities varies widely by industry and geography. The guide explores these sectoral and regional differences, underscoring that just transition priorities and strategies must be inherently place-based and tailored to local realities.



An actionable framework for business leaders

The guide clarifies who within company leadership holds responsibility and authority to act, what this means for transition planning, and how strategies can be operationalized. Boards and executives should treat people considerations in climate change and climate action with the same rigor as any financial or operational risk. Oversight responsibilities should include the following:

Figure 4: Role of Boards and executives

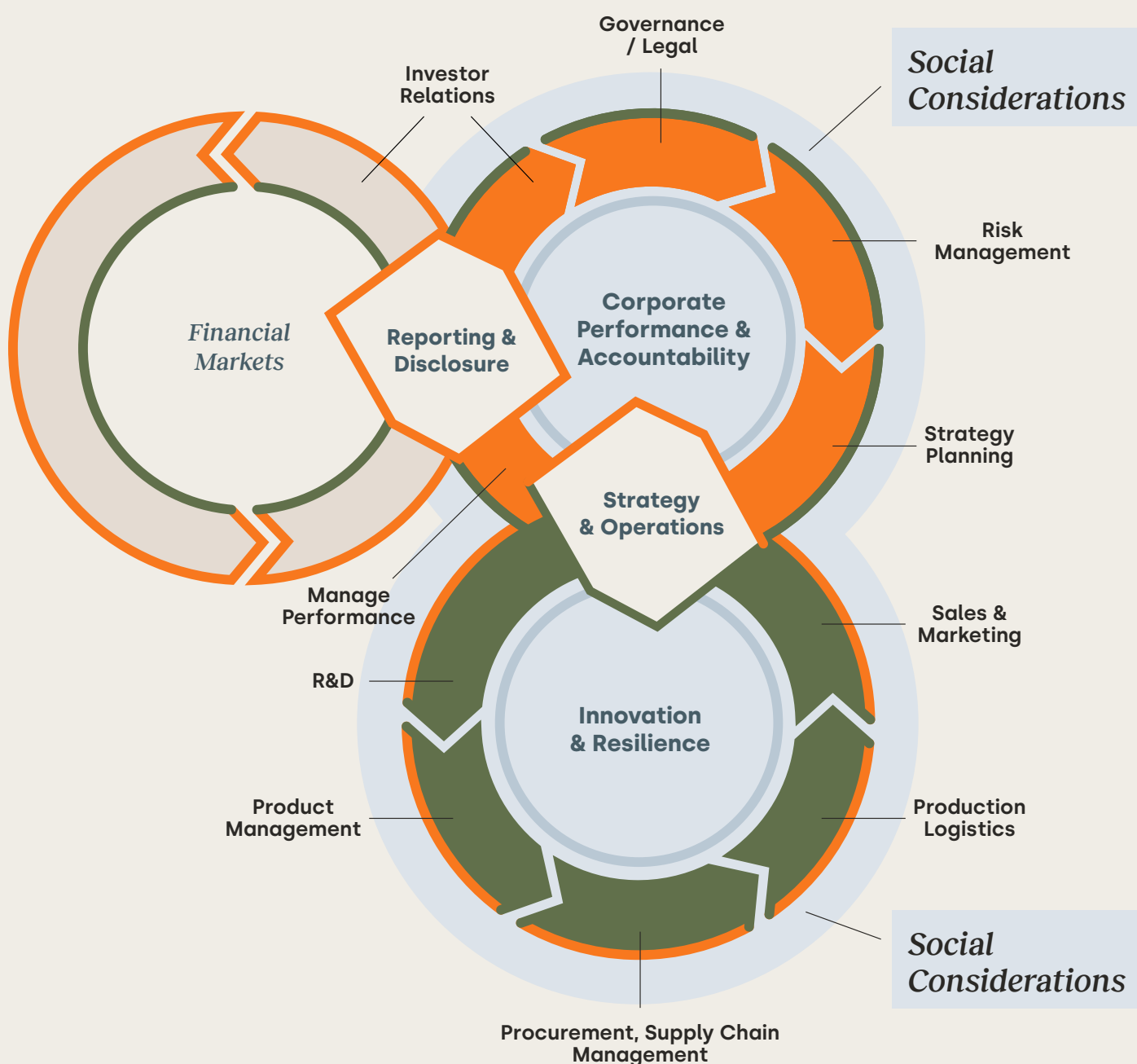


Integrated Planning for a Just Transition

Companies must think holistically and cross-functionally about how sustainability intersects with their core economic value creation function when developing a climate transition plan.

WBCSD's climate-related Corporate Performance & Accountability (CPAS) guide² positions climate transition planning as an integral part of a company's strategy development, connecting it with capital allocation, R&D, product and service design, and operations.³ Therefore, transition planning is the natural entry point for embedding people considerations into corporate climate strategy and implementation, especially through impact assessments (e.g., human rights due diligence), stakeholder engagement, and governance and strategic decision-making processes. A just transition is not about adding another sustainability agenda, rather it is about integrating people considerations into existing teams, systems, policies, and processes.

Figure 5: Integrating People into a Corporate Performance & Accountability System



The guide outlines a framework and guidance for boards and management teams to develop transition strategies tailored to their company's individual circumstances. It defines leadership responsibilities and how they can be exercised, outlines implications of integrated, company-wide transition planning for strategy development, explains how to embed these strategies into existing management systems for effective implementation, and proposes how to track performance of sample climate-related social actions.

Figure 6: Four pillars to integrate people dimensions



Climate-related social impacts, risks, and opportunities



Source: [New ISSB guidelines](#) / [Acuity Knowledge Partners](#)

Achieving a successful just transition: Six guiding principles for action

The successful integration of people considerations into transition planning involves a company-wide approach, guided by strong leadership oversight and direction, to ensure these issues are prioritized. Boards and executive leaders should consider six guiding principles for action when planning for a just transition.

Business structure



A clear vision set by the Board and C-suite, accompanied by appropriate oversight and accountability structures at the top, is essential to inform strategic decision-making.

Take a multi-disciplinary approach



Engagement across divisions and departments within an organization – at the corporate and asset level – is needed to inform not only planning but to ensure effective implementation.

Embed within business management systems and planning



Policies, processes, and controls to manage climate-related social impacts, risks, and opportunities need to be integrated into the heart of the company's climate transition plan and business strategy and embedded in corporate management systems to ensure sustained implementation.

Monitor, adapt, and report on progress



Establishing corporate goals and asset-level targets and metrics that support the monitoring of performance, and the tracking of progress towards successful avoidance or mitigation of long-term impacts are likely to be key to meeting rapidly evolving external expectations and climate conditions.

Facilitate continuous engagement with affected people



Impacted people should be engaged throughout the process. Companies will need to take special care to identify vulnerable individuals and groups, ensuring they understand the potential impacts and actions taken. The ongoing engagement is often the aspect that sets just transition planning apart from other business planning processes, as it plays a critical role in addressing inequality and creating social inclusion.

Partnerships



Achieving a just transition will require collaboration and partnerships across a company's value chain and business partners and with governments and non-governmental actors. Cooperative relationships can help companies address systemic risks to their business and the wider economy and co-create credible and sustainable solutions.

Endnotes

1. World Benchmarking Alliance (to be released in 2025), 'Profit Meets Purpose: Data on How Sustainability Performance Strengthens Business Growth and Supply Chain Standards'
2. WBCSD, CEO Guide to the Climate-related Performance and Accountability System (CPAS), https://www.wbcsd.org/wp-content/uploads/2024/07/CEO-GUIDE_Climate-related-Corporate-Performance-and-Accountability-System-CPAS.pdf.
3. WBCSD (2024), Moving transition from plans to action: A transition planning primer, <https://www.wbcsd.org/resources/moving-transition-from-plans-to-action-a-transition-planning-primer/?submitted=true>.

Disclaimer

This publication has been developed in the name of WBCSD. Like other WBCSD publications, it is the result of collaborative efforts by representatives from member companies and external experts. A wide range of member companies reviewed drafts, thereby ensuring that the document broadly represents the perspective of WBCSD membership. Input and feedback from stakeholders listed above was incorporated in a balanced way. This does not mean, however, that every member company or stakeholder agrees with every word.

The report has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice.

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About WBCSD

The World Business Council for Sustainable Development (WBCSD) is the leading community of over 250 global businesses making sustainability performance a key driver for competitiveness. Established in 1995, WBCSD is a non-profit member-led organization that connects business leaders through all sectors and major economies, and creates the tools and frameworks to scale collective impact, drive cross-sector innovation, and shape an ambitious, enabling policy agenda. We operate from seven offices worldwide — in Geneva, New York, Chicago, Amsterdam, London, Singapore and Wuhan — enabling collaboration across value chains and geographies. Together with our members, we are rewiring economic and financial systems to support the transition to a net-zero, nature-positive, and inclusive future that creates business value

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