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The Role and Strategic Responses of Commercial Banks in the Era of the Just Transition

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I. Background

1.1 The Concept of Just Transition

The Paris Agreement adopted in 2015 was the first international accord to explicitly affirm the necessity of a Just Transition. Its preamble stressed that, in acting to address climate change, parties must ensure "Just Transition of Work Force," thereby creating decent work and quality employment opportunities. Since then, the concept has emerged as a key theme in global climate policy and sustainable finance. For example, the G20 Sustainable Finance Working Group (SFWG) introduced a Transition Finance Framework in 2022 that integrates "justice" and the "social dimension" into its evaluation and disclosure requirements, emphasizing information transparency, pathway credibility, and governance.

Although the notion originated from the protection of labour rights, it now covers a far broader scope. Just Transition emphasizes that during the low-carbon transition, protecting labour rights must go hand in hand with ensuring procedural justice — through open decision-making and stakeholder participation—and distributive justice, by fairly sharing the costs and benefits of transition. It also incorporates goals of poverty reduction and inclusive development, ensuring that vulnerable groups are not marginalized. According to the International Labour Organization (ILO), the overarching objective is to build a sustainable economic and social environment that achieves an integrated balance among decent work, social inclusion, and environmental protection.

As an emerging and evolving concept, the specific connotation of "Just Transition" is still under discussion and expansion, and remains subject to a certain degree of ambiguity and debate. This paper defines the Just Transition as: a process that, while pursuing net-zero emissions, systematically assesses and mitigates social impacts on workers, communities, and supply chains to ensure fairness in both decision-making and outcomes.

1.2 International Consensus: Key Principles from the 2025 Leaders' Summit

The 2025 Leaders' Virtual Summit on Climate and the Just Transition further underscored the importance of this concept and reached a set of shared principles.

(1) People-centred transition. Participants emphasized that Just Transition must place human well-being at its core—advancing climate governance while improving livelihoods and balancing multiple goals such as environmental protection, economic growth, job creation, and poverty alleviation. As President Xi Jinping emphasized, "Countries must adopt a people-centered approach to advance the well-being of people and climate governance in tandem, and strike a balance between multiple goals including environmental protection, economic growth, job creation, and poverty alleviation. Developed countries are obliged to extend assistance and support to developing countries, help drive the global shift toward green and low-carbon development, and contribute to the common and long-term well-being of people of all countries." This captures the global consensus that climate action must reconcile emission reduction with the right to development and social equity.

(2) Inclusion of marginalized groups and social justice. The summit also stressed that climate action should incorporate dimensions of social justice, paying particular attention to vulnerable and historically marginalized communities. President Lula of Brazil noted that "we cannot talk about a just transition without including the perspectives of women, people of African descent, and indigenous peoples," urging focus on the unique circumstances of the Global South. This implied that policymaking for the transition must guarantee transparency, inclusiveness, and equitable distribution of both costs and benefits—so that no one is left behind.

Together, these principles highlight the human-centred and socially equitable foundations of Just Transition and provide a strong political mandate for embedding justice in global climate governance.

1.3 Why Commercial Banks Matter in Just Transition

As financial intermediaries and catalysts of economic transformation, commercial banks play a pivotal role in advancing just transition process.

(1) Risk prevention and compliance

Banks must prevent risks arising from social challenges accompanying the climate transition. Neglecting employment resettlement or community welfare may provoke public criticism, regulatory dissatisfaction, or even litigation. Credit-rating agencies such as S&P and Moody's have pointed out that if banks improperly handle the social consequences of transition—for example, by overlooking employment or community stability—they could face social unrest, reputational damage, asset-quality deterioration, and credit-rating downgrade. Accordingly, ignoring Just Transition can expose banks to tangible risks:

Reputational risk — public backlash from inadequate social responses;

Credit risk — defaults resulting from layoffs or production halts; and

Regulatory risk — penalties for failing to meet social-responsibility standards.

(2) Business opportunities and policy incentives

Banks that proactively integrate Just Transition principles may access new sources of growth and policy support. Research by BCG shows that institutions able to identify and mitigate the negative social impacts of low-carbon transition—while maximizing its positive outcomes—achieve more sustainable earnings. Attention to justice reduces reputational exposure, while proactive integration enhances eligibility for government incentive schemes and financing programs designed to cushion social shocks. In the long term, embedding social considerations into climate-finance strategies yields lasting commercial returns and helps banks establish differentiated advantages within the green-finance domain.

(3) Avoiding new systemic risks

Overly narrow decarbonization strategies may themselves generate new socio-economic risks. Indiscriminately withdrawing credit from high-carbon sectors might appear to lower climate exposure but can trigger a “greenlining” effect—marginalizing workers and communities tied to those sectors, turning “stranded assets” into “stranded workers” and “stranded communities.” Such outcomes contradict the very purpose of a Just Transition and may ultimately rebound upon the banks themselves.

Analysis by the U.S. Federal Deposit Insurance Corporation (FDIC) shows that when labour markets weaken and unemployment rises, delinquency and default rates on personal loans also increase. Therefore, banks must balance economic efficiency with social objectives, supporting clients through equitable transition pathways to prevent unemployment waves and community decline—thereby safeguarding both credit portfolios and social stability.

Collectively, these developments have created a cascading mechanism linking international initiatives, standard-setting, regulatory policies, and market practice, transforming the Just Transition from a guiding principle into a concrete operational requirement for the banking industry.

II. Practical Explorations: Integrating the Social Dimension into Green Finance

The convergence of low-carbon transition pressures and growing social-equity concerns presents both opportunities and challenges for banks’ strategy, risk management, and innovation. In practice, banks must address regulatory expectations while capturing emerging opportunities for sustainable growth.

Around the world, financial institutions are attaching increasing importance to social inclusion and equitable development, exploring ways to embed Just Transition principles into product and service innovation to align environmental and social benefits.

2.1 Mainland China

Several leading Chinese banks have begun to integrate social dimensions into green-finance product design. For example, Industrial Bank launched energy-efficiency enhancement loans targeting small- and medium-sized manufacturers, complemented by employee-retraining and advisory services to maintain workforce stability while reducing energy consumption and emissions. Some banks provide transition financing with grace periods for high-carbon clients, assisting affected employees and communities to adapt smoothly to industrial change. Embedding social-protection mechanisms within green finance helps mitigate transitional pain, strengthen project sustainability, and enhance the long-term viability of transition lending.

2.2 Hong Kong

Major banks in Hong Kong are also integrating social considerations with environmental goals, experimenting with diversified models of green-finance services. For instance, In September 2024, Bank of China (Hong Kong) served as Coordinating Bank, Mandated Lead Arranger, Bookrunner, and Facility Agent for the Hong Kong Housing Society's 12 billion HKD, five-year syndicated loan — the largest financing in the Society's history, which includes a $3 billion HKD social-responsibility loan. The social-responsibility tranche is allocated to the Designated Rehousing Estate projects, and has been certified by the Hong Kong Quality Assurance Agency (HKQAA) as compliant with the Sustainable Finance Framework. The initiative demonstrated how the banking sector leverages financial innovation to advance affordable-housing development while balancing environmental and social benefits, providing long-term funding support for Hong Kong's vision of "Creating Homes・Building Sustainable and Inclusive Communities." Similarly, Hang Seng Bank introduced a green-taxi financing scheme offering preferential loans to traditional taxi drivers transitioning to electric vehicles. The program is coupled with vocational-retraining and up-skilling initiatives to help transport workers achieve a smoother and fairer shift toward clean mobility.

These examples show that even within a regional market, social-welfare elements can be effectively integrated into green-finance products. They provide valuable reference models for peer markets seeking to localize Just Transition practices.

2.3 International Banks

Many global banks have made explicit commitments to support a Just Transition, embedding social-equity considerations into climate-finance strategies. Common approaches include:

- Incorporating social clauses in climate-finance facilities (e.g., linking loan terms to employee re-employment or community-development outcomes);

- establishing dedicated funds or incentive mechanisms to assist regions and groups most affected by transition;

- participating in multilateral cooperation programs such as Just Energy Transition Partnerships (JETPs) to share costs and mitigate social shocks; and

- enhancing disclosure and transparency by publicly reporting employment and community impacts in sustainability reports.

These practices offer valuable lessons for aligning environmental and social objectives within the banking sector.

To provide a clearer comparison of how international banks are positioning themselves in the field of the just transition, several representative commercial banks and their key strategies and illustrative initiatives are summarized below (see Table).

Table : Major International Banks' Just Transition Strategies and Practices

Bank	Key Strategic Highlights on the Just Transition	Representative Measures Integrating the Just Transition	Sources, Original Quotations, and Keywords
Citibank	Citibank explicitly identifies the Just Transition as a key element for achieving its net-zero goal in its climate strategy.	Citibank launched the Sustainable Progress Strategy, embedding the Just Transition concept into business practice. For example, the strategy links loan interest rates with indicators of borrowers' employment stability and community economic transition, encouraging enterprises to protect jobs and sustain local prosperity during decarbonization. In addition, Citibank established a dedicated fund in the Appalachian region of the United States to support the economic diversification and skill retraining of local coal communities, helping prevent marginalization and unemployment arising from the energy transition.	**Source:** 2023 Citi Climate Report **Original text:** "We recognize that a just transition is critical in achieving our net zero ambition, ensuring that impacted communities and workers are supported throughout the transition." **Keywords:** just transition is a critical factor; communities and workers … supported
HSBC	HSBC states that achieving a "just and inclusive" net-zero transition is essential, considering the impacts on workers, communities, and other stakeholders. It emphasizes that its net-zero pathway "must be just and inclusive, supporting an equitable transition that considers impacts on communities, workers, and broader society." This principle has become a core component of HSBC's net-zero strategy. The 2024 Annual Report ESG section further highlights that the bank is incorporating Just Transition principles into client engagement, operations, and financing decisions.	HSBC integrates the UN Sustainable Development Goals (SDGs) into its climate-finance framework, emphasizing the social implications of transition. In the Southeast Asian market, HSBC launched dedicated Transition Loan Programs requiring participating companies to design and implement employee-retraining plans to help affected staff upgrade skills and find new jobs during the low-carbon transition. Borrowers must also submit regular reports on employment protection and community-development outcomes as a condition for continued loan support. By imposing these additional requirements, HSBC ensures its green financing not only reduces carbon emissions but also advances social equity—helping employees and communities "not be left behind" in the net-zero transition.	**Source:** HSBC Net Zero Transition Plan **Original text:** "Our net zero approach must be just and inclusive, supporting an equitable transition that considers impacts on communities, workers, and broader society." **Keywords:** just and inclusive; equitable transition
Standard Chartered Bank	Standard Chartered stresses the importance of the Just Transition for emerging markets and recognizes its responsibility as a financial institution to promote a fair net-zero transition across its operating regions. It pledges to balance decarbonization objectives with development needs in emerging economies.	The bank focuses particularly on just energy transitions in developing countries, supporting clean-energy projects while maintaining local economic and social stability. Standard Chartered has participated in the Just Energy Transition Partnerships (JETPs) in Indonesia and South Africa. In Indonesia, the bank, together with development-finance institutions, financed the Saguling Reservoir floating-solar project, which reduces over 63,000 tons of carbon emissions annually. Crucially, part of the financing is allocated to retraining former coal-industry workers and developing alternative industries to help them shift to clean-energy-related employment, thereby preventing large-scale job loss and community decline. In South Africa, the bank likewise supports projects that enable the transition from coal to renewables, providing dedicated funds to help affected communities create new economic opportunities.	**Source:** Standard Chartered Net Zero Methodological White Paper, 2nd Edition **Original text:** "As a financial institution, we know that we have a unique and key role to play in achieving a just transition to net zero across our markets." **Keywords:** financing a just transition

Bank	Key Strategic Highlights on the Just Transition	Representative Measures Integrating the Just Transition	Sources, Original Quotations, and Keywords
Crédit Agricole	Crédit Agricole explicitly includes employment protection and community equity within its transition-finance framework, emphasizing that the net-zero transition must incorporate a social dimension. It treats these social safeguards as prerequisites for achieving net-zero emissions, ensuring that decarbonization does not come at the expense of vulnerable groups.	The bank applies Just Transition principles across its green-finance products and services. On one hand, it issues targeted social bonds and sustainability financing instruments to support economically underdeveloped regions most affected by transition, with proceeds allocated to local infrastructure upgrades and clean-industry development to boost regional vitality. On the other, Crédit Agricole has set up a Transition Fund to assist enterprises in high-carbon regions while requiring borrowers to protect employment. For instance, companies receiving transition loans must pledge not to conduct large-scale layoffs and must provide re-employment training plans. The bank also incorporates community-equity and job-security indicators into credit evaluation as part of its sustainability assessment.	**Source:** Crédit Agricole Climate Strategy **Original text:** "Our climate transition approach explicitly integrates principles of just transition, ensuring employment stability, social equity, and community development in our net zero commitments." **Keywords:** explicitly integrates just transition; employment stability
Barclays	Barclays pledges to support a Just Transition by balancing clean-energy financing with socio-economic stability.	The bank views regional socio-economic stability as a key consideration in transition financing and launched the Barclays Community Transition Support Fund, dedicated to assisting small-business transformation and community revitalization in the United Kingdom's coal-dependent areas. In former coal-mining regions, the fund finances entrepreneurship-training and skills-upgrade programs, helping former coal-sector workers find employment in clean-energy or other industries. These projects set clear indicators for community economic stability and job creation as benchmarks for success, ensuring that transition benefits are equitably shared among local residents. Through funding and training, Barclays helps such regions avoid economic recession or unemployment surges resulting from fossil-fuel decline, making the net-zero transition more inclusive.	**Source:** Barclays Climate Strategy 2023 **Original text:** "Barclays is committed to supporting a just transition, focusing on balancing clean energy financing with socio-economic stability and employment security in impacted communities." **Keywords:** supporting a just transition; socio-economic stability
Lloyds Banking Group	Lloyds has explicitly embedded Just Transition principles into the core of its updated net-zero strategy, with special focus on industries and communities most affected by climate transition.	Lloyds prioritizes workers and regions most impacted by industrial transition and implements the Just Transition through specific financial products. The Clean Growth Financing Initiative includes clauses for skills training and re-employment subsidies within green-financing agreements. Beneficiary companies must commit to providing retraining or financial compensation for employees affected by low-carbon transition, helping them move into new roles. Lloyds also pays particular attention to disadvantaged UK regions suffering from industrial decline (e.g., fossil-fuel-related areas), offering concessional lending terms and advisory support. Loan agreements require that part of the funding be directed to community-revitalization or small-business-incubation projects to generate new employment.	**Source:** Lloyds Banking Group Net Zero Activity Update **Original text:** "We explicitly include just transition principles in our net zero strategy, focusing particularly on those industries and communities most affected by climate transition." **Keywords:** explicitly include just transition principles

Sources: official climate reports, net-zero transition plans, and annual sustainability reports of the respective banks. Third-party assessments such as ICCR reviews were also consulted for benchmarking.

III. Emerging Trends and Future Directions

As an evolving paradigm, the Just Transition is expanding beyond energy decarbonization to encompass wider sustainability themes. Two emerging frontiers—biodiversity finance and digital transformation with social equity—are particularly relevant to the banking sector.

3.1 Intersection of Biodiversity Finance and the Just Transition

The concept of justice in transition is extending into ecosystem protection, giving rise to the idea of a Just Nature Transition. The Kunming–Montreal Global Biodiversity Framework adopted in 2022 established ambitious targets for the coming decade of ecological conservation. The challenge now lies in reconciling environmental protection with local economic development.

For banks, this represents a promising new market frontier. Financial institutions can support projects that integrate biodiversity protection with community development, channeling funds toward initiatives that deliver both ecological and social gains. Integrating biodiversity considerations into the Just Transition framework allows banks not only to capture new opportunities in green finance but also to enrich the substance of transition finance itself.

To achieve this, banks should strengthen expertise in environmental and social impact assessment, collaborate with governments and environmental organizations, and jointly design innovative financial instruments that balance ecological outcomes with community well-being. In doing so, banks can act as early movers and key enablers of a Just Nature Transition.

3.2 Convergence of Digital Transformation and Social Equity

Digitalization, much like decarbonization, should advance in a socially just manner. Rapid developments in big data, artificial intelligence, and blockchain are transforming both finance and the real economy while introducing new challenges of fairness and employment. On the one hand, these technologies can enhance efficiency and expand the reach of green finance. On the other, they risk widening the digital divide and accelerating job displacement among workers lacking digital skills.

To ensure that technological progress supports rather than undermines fairness, equity principles must be embedded throughout the digital-economy transition.

In external operations, banks can:

- develop inclusive digital-finance platforms that simplify SME access to sustainable-transition loans, improve approval efficiency, and reduce information asymmetry;

- create online training and employment-information services for workers affected by industrial change, offering skill-training courses, re-employment resources, and start-up-finance guidance through mobile applications.

When designing digital-finance products, banks should assess their accessibility for different customer groups, paying special attention to senior citizens and low-income users to prevent exclusion.

In internal management, digital transformation should follow employee-friendly principles. Banks are encouraged to offer diverse internal training and communication programs to help staff at all levels adapt to new systems and technologies, alleviating workplace pressure. Broader career-development pathways should also accompany this shift, allowing digitalization to serve as a driver of skill upgrading and professional growth rather than a source of anxiety.

As the Just Transition extends into biodiversity, digital transformation, and other fields, banks should continually enhance research and strategic-adaptation capabilities. Amid the global drive toward net zero, they are expected to act as capital providers, risk managers, and corporate citizens—delivering innovative financial solutions that bridge the path toward a greener and fairer future. Strengthened collaboration among banks, regulators, and communities will be essential to foster a financial ecosystem that genuinely supports a just transition.

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主要經濟指標 (Key Economic Indicators)

	2023	2024	2025/Q1	2025/Q2
一、本地生產總值 GDP				
總量(億港元) GDP(HKD 100million)	29,010	29,729	7,997	7,852
同比增長率(%) YoY change(%)	3.3	2.5	3.1	3.1
二、對外商品貿易 External merchandize trade			**2025/8**	**2025/1-6**
外貿總值(億港元) Total trade(HKD 100million)				
總出口 Total exports	45,317	41,774	4,366	33,373
總進口 Total imports	49,275	46,450	4,620	35,806
貿易差額 Trade balance	-3,958	-4,676	-254	-2,433
年增長率(%) YoY Growth(%)				
總出口 Total exports	-8.6	-7.8	14.5	13.0
總進口 Total imports	-7.2	-5.7	11.5	13.0
三、消費物價 Consumer Price				
綜合消費物價升幅(%) Change in Composite CPI(%)	1.9	2.1	1.1	1.5
四、零售市場 Retail market				
零售額同比升幅(%) Change in value of total sales YoY(%)	-0.9	16.2	3.8	-1.9
五、訪港遊客 Visitors				
總人數(萬人次) Total arrivals(10 thousands)	60.5	3,400.0	515.3	3,317.9
年升幅(%) YoY change(%)	561.5	5,523.8	15.7	12.4
六、勞動就業 Employment			**2025/5-2025/7**	**2025/6-2025/8**
失業人數(萬人) No. of unemployed(10 thousands)	16.3	11.3	14.5	15.1
失業率(%) Unemployment rate(%)	4.3	2.9	3.7	3.7
就業不足率(%) Underemployment rate(%)	2.3	1.1	1.4	1.6
七、住宅買賣 Domestic property sales and price index			**2025/7**	**2025/8**
合約宗數(宗) No. of agreements	45,050	43,002	5,766	5,291
住宅售價指數(1999=100) Domestic price index	369.7	337.4	288.1	288.5
八、金融市場 Financial market			**2025/8**	**2025/9**
港幣匯價(US$100=HK$)期末值 HKD exchange rate (US$100 = HK$), end of period	780.8	781.1	779.7	778.2
銀行體系收市總結餘(億港元)期末值 Closing aggregate balance(HKD 100million), end of period	962.5	449.5	540.6	542.1
銀行總存款升幅(%) Change in total deposits(%)	1.7	5.1	8.7	-
銀行總貸款升幅(%) Change in total loans & advances(%)	-3.0	-3.6	1.0	-
最優惠貸款利率(%)期末值 Best lending rate (%), end of period	5.6250	5.8750	5.1250	5.1250
恒生指數 Hang Seng Index	19,781	17,047	25,078	26,856