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RESPONSIBLE INVESTMENT

JUST TRANSITION IN BANKING: ENGAGEMENT OUTCOMES

February 2026

Guidance for investors – A report by Royal London Asset Management, Border to Coast Pensions Partnership and Friends Provident Foundation

ROYAL LONDON ASSET MANAGEMENT

BORDER TO COAST PENSIONS PARTNERSHIP

Friends Provident Foundation
Fair economy. Better world.

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This report reflects the power of sustained, collaborative engagement in driving progress on just transition. By working with the UK's largest banks, we've helped elevate the social dimension of climate action – not only as a matter of fairness, but as a core component of long-term value creation. We hope these insights support investors, banks and policymakers in embedding just transition more deeply into financial decision-making

Carlota Garcia Manas
Head of Climate Transition and Engagement
Royal London Asset Management

Royal London Asset Management engages with companies as part of its responsible investment and stewardship strategy, aiming to drive long-term value for clients while promoting sustainable business practices. Our voting, engagement and advocacy activities are designed to be pragmatic, informed by research, evolving market insights and local best practices, and aligned with the long-term interests of our clients. These activities aim to enhance the value and integrity of our investment decisions.

Please note that voting and engagement practices may not apply uniformly across all Royal London Asset Management funds or strategies, as each have distinct investment objectives. Please refer to the investment documents for specific details.

Reference to any security in this report is for information purposes only and should not be considered a recommendation to buy or sell.

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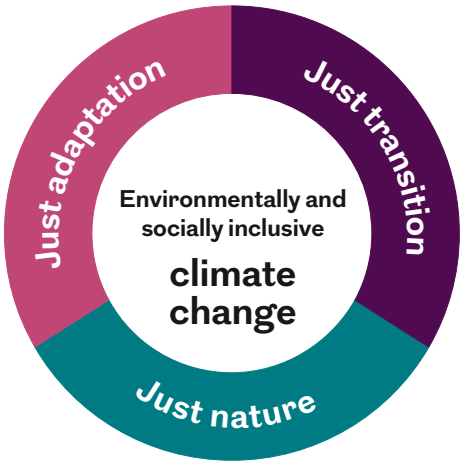

Collaborative banking engagement programme

This report provides an overview of a multi-year collaboration involving Royal London Asset Management, Border to Coast Pensions Partnership, and Friends Provident Foundation. Together, we engaged with four major UK banks to evaluate how these institutions measured up against our investor expectations:

1 Barclays Plc (Barclays)

2 HSBC Holdings Plc (HSBC)

3 Lloyds Banking Group Plc (Lloyds)

4 NatWest Group Plc (NatWest)

- Just transition integrates social risks and opportunities, and place-based impact into decarbonisation strategies, and has an important role in addressing systemic threats to long-term stability and value creation.
- Banks have a key role to play in the green transition, both via capital allocation and support for customers to transition. They are better placed than most companies to consider place-based investment at a regional level and have material social risks that require management. While this report focuses specifically on just transition integration, we acknowledge that broader questions remain regarding the pace and credibility of some banks' overall climate strategies, which have been subject to external scrutiny.
- Having published our investor expectations for this sector in 2024, in 2025 we assessed each bank's progress against our 15 investor expectations. this report details progress seen over the course of our engagement and analysis of how the banks meet our expectations. The programme received support from the London School of Economics Grantham Institute's Just Transition Finance Lab and select engagement support from Amundi Asset Management.

Summary of activity

- Longstanding engagement with four of the UK's largest banks requesting that they either develop or integrate just transition judiciously into climate transition plans.
- Dialogue with each bank was constructive and sustained, with multiple meetings held between 2022 and 2025. These engagements enabled us to explore how just transition could be embedded across products, sectoral strategies and regional approaches.

Summary of findings

- All four banks demonstrated improvements in their practices and disclosures over the period, with varying degrees of integration of just transition into their strategies.
- Notable progress was observed and to differing degrees, the banks now consider elements of just transition in product design, sectoral strategies and through place-based approaches.
- Gaps remain, particularly in the development of regional decarbonisation strategies, support for communities facing transition-related disruption, and the pursuit of community benefit through corporate lending.
- While no bank has yet established itself as a clear leader across all expectations, in our view the improvements made to date support the investment case and provide greater confidence in the banks' ability to achieve their own transition plans and deliver long-term value for our clients and society.

Collaborative partnership

ROYAL LONDON ASSET MANAGEMENT

Owned by clients, managed for clients. We're a different kind of asset manager.

- £181 billion assets under management*
- We're committed to delivering outstanding active asset management value for clients around the world, with proven expertise in key areas including fixed income, equities, multi asset, property and responsible investment.
- Aim is to move for a fair and just approach to climate change through championing a fair and inclusive approach to climate and nature-related issues. We advocate for best practice, support stakeholder engagement, and the integration of socially inclusive approaches into corporate and policy decision-making in our investee companies and their value chains.
- We believe industry collaborations and partnership are essential, and that only a fair and just approach is more likely to deliver resilient, equitable outcomes for all.

Read our latest responsible investment views, here

Learn more www.RLAM.com

* Source: Royal London Asset Management, Global AuM data as at 30 June 2025, subject to rounding.

BORDER TO COAST PENSIONS PARTNERSHIP

Border to Coast Pensions Partnership is one of the UK's largest investment pools managing £55.4bn* of assets for 11 Partner Funds in the Local Government Pension Scheme (LGPS).

Border to Coast Pensions Partnership exists to make a difference for the LGPS. It does this by working in partnership for sustainable success through innovation, expertise, scale, and good governance.

The Partner Funds represent nearly 3,000 employers and over 1.1 million members and have c.£65.3bn in investments, of which Border to Coast is directly responsible for the management or oversight of £55.4bn.

"Our collaborative engagement has shown that clear investor expectations, backed by sustained dialogue, can drive real change, and we welcome the progress made integrating just transition into product and sector strategies. We encourage the banks to continue this momentum with more attention to regional transition risk."

Colin Baines, Stewardship Manager at Border to Coast

Learn more www.bordertocoast.org.uk

* Source: Border to Coast Pensions Partnership as of 31 March 2025.

Friends Provident Foundation
Fair economy. Better world.

Friends Provident Foundation is an independent charity that makes grants and uses its endowment towards a fair and sustainable economic system that serves people and planet.

We connect, fund, support and invest in new thinking to shape a future economy that works for all. Since 2004, we've pioneered the creation of fair economy for a better world. We're a catalyst for wider change, making an impact through continuous experimentation and shared learning. We invest in great social enterprises and use our money in line with our values.

"As a values-aligned investor, we engage banks because their decisions shape how quickly – and how fairly – the real economy can decarbonise. We've seen progress. But we are acutely aware that much more is needed to ensure banks are supporting customers, workers and communities to transition."

Charlie Crossley, Investment Engagement Manager, Friends Provident Foundation

Learn more www.friendsprovidentfoundation.org.uk

Introduction

Banks are central to the transition to a low-carbon economy; not only through their financing decisions, but also in how they support customers, communities, and sectors to navigate change. A just transition – ensuring this transition is fair and inclusive – is, in our view, essential to delivering long-term value and mitigating systemic risks.

Recognising this, in 2022 Royal London Asset Management, Border to Coast Pensions Partnership and Friends Provident Foundation launched a multi-year engagement programme with four of the UK's largest banks:

- Barclays Plc (Barclays)
- HSBC Holdings Plc (HSBC)
- Lloyds Banking Group Plc (Lloyds)
- NatWest Group Plc (NatWest)

Our aim was to:

- encourage these institutions to integrate just transition principles into their climate strategies,
- embed social considerations into products, sectoral approaches and regional place-based processes.

This report presents the outcomes of that engagement. It assesses each bank's progress against 15 investor expectations (see appendix), informed by the Transition Pathway Taskforce (TPT) and GFANZ frameworks. These expectations offer a practical guide for how just transition can be embedded into credible climate transition plans. In 2025, we evaluated each bank's performance and held final meetings to discuss our findings.

The results show clear progress:

- All four banks now acknowledge the importance of just transition and have taken steps to reflect this in their strategies.
- While no single bank has emerged as a sector leader, we have seen meaningful improvements – from inclusive product design to early efforts at regional engagement.

This report highlights examples of good practice, identifies areas for further development, and offers insights for investors, banks and policymakers seeking greater resilience and reduced transition risk through the integration of just transition.

Our engagement has also informed broader work in the field. Since we commenced the programme, Royal London Asset Management and Border to Coast were invited to co-chair the IIGCC[1] Working Group on Just Transition, which is developing supplementary guidance for just transition integration in the Net Zero Investment Framework (NZIF). Royal London Asset Management also contributed to the Transition Pathway Taskforce's (TPT) guidance on just transition and were invited to join the External Advisory Board of the International Labour Organization (ILO) and United Nations Environment Programme Finance Initiative's (UNEP FI) Just Transition Finance Project, and Border to Coast is advising the London School of Economics' Just Transition Finance Lab.

For further detail of our specific engagements and ongoing stewardship work, please see Royal London Asset Management's Stewardship and Responsible Investment Reports and Border to Coast's Responsible Investment Publications.

1 The Institutional Investors Group on Climate Change.

Context and history of programme

What is a just transition?

Rapid climate action is required to prevent the worst human and economic costs of climate change and a just transition aims to ensure that decarbonisation is both fast and fair. The social impact of the low carbon transition on workers, communities, customers and supply chains has the power to either accelerate or prevent progress to decarbonise the economy, creating competitive advantages or uncertainty and added costs. Just transition aims to connect climate goals with associated social outcomes and seeks to promote and encourage development of a sustainable economy by mitigating social risks, seeking social opportunities, and focusing on place-based impacts.

Relevance to the banking sector

Banks have a key role to play in the green transition, both via capital allocation and support for customers to transition. They are better placed than most companies to consider place-based investment at a regional level and have material social risks that require management.

A Place-based approach to just transition is one which considers local context and stakeholders in its shift to a green economy. It means that residents are engaged in decision making, benefits are distributed equitably, and cultural identity is respected, making the transition practical, inclusive and resilient at a local level.

For banks, we see this manifest through products, services and processes that are targeted or tailored to the circumstances of different locations.

This provides a compelling reason for banks to increase their awareness of and approach to a just transition. As investors we can help refine this approach for the benefit of our holdings and society. We believe banks that integrate just transition into their net zero strategies will be in a better position to manage the transition and benefit from lending, investment and reputational opportunities presented. Moreover, just transition is a hallmark of credible climate action, and is becoming a core expectation for various frameworks as shown later in this report.

Risks and opportunities will present themselves in different ways in banks' core business activities, which may include:

- Corporate banking and project finance
- Commercial banking (Small and medium-sized enterprise (SME))
- Retail banking
- Investment banking

Framework for investor expectations

It is necessary to integrate just transition across products and services, and operations. Our expectations used the Transition Pathway Taskforce (TPT) Disclosure Framework to break down just transition integration in a way that is consistent with the TPT Banks Sector Guidance. Our engagement programme focused on **Action**, but there are also important considerations relating to **Ambition** and **Accountability** which we address in the Appendix.

Of the TPT disclosure framework (see image below), our investor expectations focused on the Action component and companies' implementation strategies, as this is where we felt we as investors had the best insights.

Transition Pathway Taskforce (TPT) Disclosure Framework

Ambition	Action	Accountability
1 Foundations	2 Implementation Strategy	3 Metrics & Targets
	4 Engagement Strategy	5 Governance

Source: TPT, 2023

To implement just transition, we expect banks to consider key stakeholder groups (customers, workers, communities and supply chains). Using three lenses – product, sector and region – can help identify where action is most needed. Through these expectations, banks can see how social risks, opportunities and processes should be considered to translate just transition ambition into action.

Engaging with the banks

We chose to engage with Barclays, HSBC, Lloyds Banking Group and NatWest due to their size, systemic importance, and our equity and bond holdings in each. As the UK's largest banks by market capitalisation and revenues, they play a critical role in financing the transition to a net zero economy domestically and globally.

2022	2023	2024	2025
This engagement began in 2022, when we attended and spoke at the Annual General Meetings (AGMs) for all four banks, encouraging them to integrate just transition principles into their climate transition plans. The response was constructive, and over the following years we held regular meetings with each institution, often multiple times annually, to explore how just transition could be embedded across their operations, products and services. These meetings brought together subject-matter experts, including heads of climate and sustainability, directors of specific business lines, and investor relations teams.	We were a member of the external advisory group to the International Labour Organization and the United Nations Environment Programme Finance Initiative's Just Transition Finance report. We also joined the TPT Just Transition Working Group, further informing the engagement.	In 2024, we returned to NatWest's AGM to specifically raise, to the new CEO and the Board, the integration of just transition into climate disclosures. In parallel, we engaged with banks across North America, Asia and Oceania, which helped shape our understanding of global approaches and informed the development of our investor expectations. Our expectations, published in May 2024, provided a clear and public framework for assessing how banks can incorporate just transition into credible climate strategies. They also served as a tool for other investors to support their own engagements.	In 2025, we assessed each bank's progress against the 15 expectations using a Red-Amber-Green (RAG) rating system. This process involved a detailed review of public disclosures including annual financial and sustainability reports, climate transition plans, financing frameworks and corporate websites, followed by bilateral meetings with each bank. We shared our preliminary assessments and invited feedback to ensure accuracy and completeness.

This report reflects the culmination of that engagement and presents our final assessments and highlights examples of good practice, as well as areas where further progress is needed. It also captures the evolution of our dialogue with the banks and the broader insights we gained into the challenges and opportunities of embedding just transition in this segment of the financial sector.

We consider a just transition to be fundamental to a credible climate strategy. The sustained, constructive engagement and open dialogue with these banks shows encouraging acknowledgement that social impacts are inseparable from effective, long-term decarbonisation strategies.

Jack Loudon
Senior Responsible Investment Analyst

Assessment of banks' approach to just transition

Products		HSBC	Barclays	Lloyds	NatWest
1.1	Inclusive & accessible products	🟠	🟢	🟢	🔴
1.2	Responsible product decarbonisation	🟠	🟠	🟠	🟠
1.3	Sustainable/transition finance	🟢	🟢	🟢	🟢
1.4	Public-private partnerships	🟢	🟢	🟢	🔴
1.5	Respect and promote fundamental rights	🟠	🟢	🟢	🟢
Sectors					
2.1	Enable high-emitting sector transition	🟢	🟢	🟠	🟢
2.2	Sector-specific transition roadmaps	🟠	🔴	🟢	🔴
2.3	Embed just transition in CTP assessments	🟠	🟢	🟠	🔴
2.4	Encourage community benefits	🔴	🔴	🔴	🔴
2.5	Build advisory capacity	🟢	🟢	🟠	🟠
Geographic regions					
3.1	Regional decarbonisation strategy	🔴	🟠	🟠	🔴
3.2	Leverage regional reach	🟢	🟠	🟢	🟠
3.3	Dialogue and policy advocacy and engagement	🟠	🟢	🟠	🟢
3.4	Common but differentiated responsibilities[1]	🟢	⚫	⚫	⚫
3.5	Support distressed region clients	🔴	🔴	🔴	🔴

🔴 **Red** = Expectation not met

🟠 **Amber** = Expectation partially addressed

🟢 **Green** = Expectation met

⚫ [1] **N/A** = Due to bank specific business models, this expectation is considered Not Applicable.

Overall progress

Starting point

Before we commenced engagement in 2022, the banks made little if any at all reference to a just transition, even if certain banks did disclose how customers were considered through their operations in more general yet important senses, such as access to physical banking services, digitalisation, and consumer protection.

However, as banks started to build out their approaches to climate change, set targets and disclose more, few made any detailed link to the social impacts and dependencies. One of the first milestones when engaging with the banks was getting companies to commit to not using just transition as an excuse for delayed responses or inaction. For certain banks this risk was already understood, while others needed the investor group to explain the trade-off and how to manage them.

In the energy utility sector, we were able to work with a willing leader to establish new best practice. Banks, however, were more hesitant – likely due to sector structure and regulation – and less inclined to be first movers. Demonstrating peer progress proved the most effective driver of improvement. As our engagements continued, certain banks demonstrated a more proactive approach, exploring avenues through which just transition could be integrated, such as client engagement and product offerings. Another bank felt that just transition relevant considerations were already enacted through its purpose, and while this remained an ongoing point of discussion throughout our engagements, improvements were made despite reticence to use the just transition framing.

Solid foundations

Each bank has laid the groundwork for supporting clients through the transition, with clear commitments to financing decarbonisation and enabling customers, whether individuals, SMEs, or large corporates, to transition. Our engagement suggests that the leading banks see their role as more than simply lenders; they aim to act as partners in transition, offering relevant products and advisory support.

Holistic bank-wide approach

While climate ambition amongst these four banks is well established, the integration of social impacts remains inconsistent. The best examples show banks recognising that addressing workforce and community impacts strengthens resilience and business outcomes. However, we also observed pockets of disconnect between climate and social teams in our subsequent analysis.

Innovation necessary as part of transition

In order for society as a whole to transition in a fair and just manner, innovation is we believe to be necessary. The Green Finance Institute's efforts, supported by Lloyds and NatWest, to investigate the barriers to property-linked financing, exemplifies the kind of innovation needed to scale decarbonisation solutions while integrating social considerations.

Current state

Overall, the trajectory is positive: all banks now consider just transition to some extent across products, sector strategies and regional plans. Our review shows that the banks have made meaningful strides in embedding just transition principles into their strategies, with most demonstrating strong transparency and disclosure. The key challenge – and opportunity – is to turn these foundations into integrated, measurable action that ensures no one is left behind in the shift to a low-carbon economy.

This assessment focuses solely on just transition integration and does not represent a broader evaluation of the banks' climate performance.

In focus: Products

Viewed through the product lens, we consider that banks have made clear progress and this is where the most evidence of just transition considerations can be seen.

Product investor expectations		HSBC	Barclays	Lloyds	NatWest	Progress
1.1	**Inclusive & accessible products**					Progress is uneven for **inclusive & accessible products**. While all banks have accessibility initiatives and green products, few explicitly link the two. Lloyds demonstrates the strongest integration of fairness and inclusion language alongside green propositions, such as in its Green Living Reward for home improvements, whereas others treat these themes separately.
1.2	**Responsible product decarbonisation**					By contrast, **responsible product decarbonisation** is a universal weak spot, with little evidence of how retail products in particular, such as mortgages and loans, can be decarbonised. All banks shared with us that they would manage housing residential mortgage portfolios in a way that avoids excluding customers or stranding at-risk customers.
1.3	**Sustainable/transition finance**					The strongest performance is seen in the provision of **sustainable/transition finance**. All banks are involved in the offer or origination and spreading of Green, Social and Sustainability bonds and have sustainable-financing and climate-financing targets, thereby achieving green status. Specific referencing to just transition in transition financing frameworks would help to demonstrate clear strategic intentionality. Barclays is the most explicit of the banks in embedding just transition language directly into its financing framework.
1.4	**Public-private partnerships**					**Public-private partnerships** are key to enabling projects which might otherwise not be commercially viable. Several of the banks were able to highlight projects undertaken, including Lloyds' case study below. HSBC supported the Just Energy Transition Partnerships (JETPs) in Vietnam and Indonesia, by committing to helping develop solutions to current barriers for private financing and support the early retirement of coal assets in Asia.
1.5	**Respect and promote fundamental rights**					Finally, **respect and promote fundamental rights** was generally addressed through ESG frameworks by the banks. The best performing banks made explicit reference to the human rights risk presented by climate change (see NatWest case study).

Areas for improvement

- No bank currently meets Expectation 1.2, Responsible product decarbonisation.
- This calls for the development and implementation of a responsible decarbonisation strategy for existing products and portfolios, including mortgages that ensure customers are not excluded and that 'stranded customer' risk is mitigated.
- While all banks verbally confirmed that they would avoid excluding customers or energy-inefficient properties in the process of decarbonising their mortgage books, none have formalised this commitment in their public disclosures.
- We encourage banks to address this gap by clearly articulating how they will manage decarbonisation in a way that can help protect vulnerable customers and supports an inclusive transition.

Social housing

Barclays, Lloyds and NatWest cite £500 million portfolio per bank that is dedicated to make loans for social housing providers, with all parties working with the UK's National Wealth Fund to take on some of the risks.

Decarbonising housing is one of the major just transition challenges in the UK and providers of social housing can use such loans on eligible measures for retrofit, including the installation of low carbon heating and insulation.

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Did you know?

Social housing sector (private and local authority registered) makes up around 4.5 million homes across England, with a net increase of nearly 38,000 social homes since 2024.

Source: Regulator Social Housing (RHS) publishes annual statistics on stocks and rents in the social housing sector - GOV.UK

Examples of best practice

Case study: Lloyds

Community Development Finance Initiative

In 2025, Lloyds became the first major UK bank to lend to Community Development Finance Institutions (CDFIs), committing £43 million as part of a £62 million fund to support SMEs in disadvantaged regions. This initiative channels capital to businesses that struggle to access mainstream finance and is designed to support 800 businesses and over 10,000 jobs.

By targeting underserved communities and regeneration and the bank's low-carbon goals, Lloyds in our view are demonstrating core just transition principles – fairness, inclusion, and place-based support – within Lloyds' community lending activity. The approach ensures that low-income communities have increased opportunity to participate in an era of economic transition.

Source: What are CDFIs and how do they support SMEs? Lloyds Banking Group plc

Case study: NatWest

Human Rights Report

NatWest's Human Rights Report provides a detailed example of how a bank sets a benchmark in linking human rights and climate change. Guided by the ILO Declaration, UN Guiding Principles, and OECD Guidelines, it identifies "Contribution to climate change" as a salient human rights issue, including the negative impact of climate change on rightsholders' (particularly vulnerable communities') health and livelihoods, and standard of living.

The report addresses climate-related impacts relating to NatWest Group's commercial customers, investments, own operations and supply chain. By integrating stakeholder engagement on land rights, labour rights issues and climate matters, NatWest demonstrates how financial institutions can align climate strategy with human rights principles.

Source: Human rights and modern slavery | NatWest Group

In focus: Sectors

Across the banks, sector-related expectations reveal a consistent pattern: banks are strongest on mobilising finance for the transition of high-emitting sectors but weakest on embedding social dimensions and formalising just transition criteria.

Sector investor expectations		HSBC	Barclays	Lloyds	NatWest	Progress
2.1	**Enable high-emitting sector transition**	🟢	🟢	🟠	🟢	Banks generally perform well when **enabling high-emitting sector transition**, with all banks providing strong financial support but limited detail on social safeguards. HSBC and NatWest disclose frameworks and lending programmes to support transition in hard-to-abate sectors, while Lloyds shows partial progress.
2.2	**Sector-specific transition roadmaps**	🟠	🔴	🟢	🔴	Our expectations were less evenly met for **sector specific transition roadmaps**. All banks provide some level of disclosure and analysis to accompany sectoral decarbonisation targets. However, few successfully demonstrate the social impacts and dependencies of a sector's transition and the actions taken by the bank in response in the way that the leading bank does (see Lloyds case study).
2.3	**Embed JT in CTP assessments**	🟠	🟢	🟠	🔴	The case is similarly mixed for the **embedding of just transition in climate transition plan assessments**. For banks' corporate and commercial operations, they should analyse and actively engage with their clients on their transition plans, as failure to successfully achieve transition plans presents a risk to banks' lending. The leaders within this engagement programme explicitly assess whether social impacts and dependencies of the transition plan are considered (see Barclays case study), whereas integration of social considerations is to varying degrees not explicitly analysed or reviewed by other banks.
2.4	**Encourage community benefits**	🔴	🔴	🔴	🔴	None of the four banks met our expectation for **encourage community benefits**. Our expectation is that through corporate and commercial operations, banks help relevant corporates to seek out community benefits. Banks generally indicated that this expectation went beyond their remit. However, this remains an area where we believe lenders should use their relationship and advisory expertise.
2.5	**Build advisory capacity**	🟢	🟢	🟠	🟠	Each bank describes some provision of sustainability training for relationship managers which we assessed through our **build advisory capacity** expectation. These included specific tools and support which can assist clients in tackling their decarbonisation challenges. For example, HSBC highlighted sector and technology focused workshops for bankers working with high transition-risk customers, while Barclays's Business Bank has a 'Net Zero Specialists' team to support clients in their decarbonisation journey.

Areas for improvement

- Most banks could strengthen their sector-specific transition roadmaps by more clearly integrating social risks and opportunities into them. We would like to see banks explicitly identify the just transition considerations embedded within their sectoral decarbonisation targets, and outline the actions being taken to address them (see Lloyds case study).
- Banks are still in the early stages of incorporating just transition into their assessments of corporate clients (see Barclays case study). Our discussions suggest that institutions are actively exploring how best to evaluate companies' social transition considerations and how to apply the insights gained through this process. We encourage banks to build on emerging good practice in this area.
- No bank currently meets Expectation 2.4 to Encourage community benefits, which calls for enabling and encouraging companies in transition sectors to pursue community benefit as part of their transition plans. This expectation is grounded in the principle that inclusive planning, where local stakeholders are engaged and offered opportunities to co-benefit, can reduce resistance to new infrastructure and enhance long-term outcomes. We see this as a critical gap in current practice.

Examples of best practice

Case study: Barclays
Integration of just transition into company assessments

Barclays has piloted just transition elements in its Client Transition Framework (CTF), a tool used to evaluate corporate clients' progress transitioning to a low-carbon economy. In addition to the CTF, the bank has also tried to understand how its clients are managing just transition topics, with considerations including:

- How clients manage the impacts of the transition on people through human rights policies and enhanced due diligence.
- Plans for workforce transition.
- Extent to which just transition factors may have commercial ramifications for the pace or cost of a client's transition.

We hope to see more metrics on how clients perform against this assessment in the future, including with actions the company has taken where it has found that just transition elements are lacking.

Source: Barclays Plc Annual Report 2025

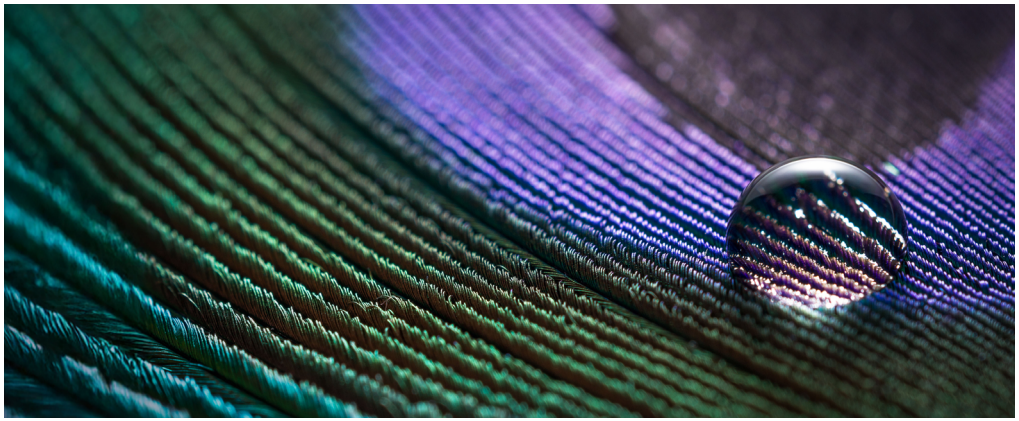
Case study: Lloyds
Just transition considerations in a systems approach

Lloyds continues to embed just transition considerations into its sectoral decarbonisation strategy through a systems-based approach. Where relevant, for its priority systems (the energy transition, low-carbon transport, greening the built environment, and sustainable farming and food) the bank has set targets and is putting in place specific actions to support a fair and inclusive transition.

Under its 'greening the built environment' system, Lloyds highlights the need to support vulnerable and low-income households in accessing energy efficiency upgrades. The bank also recognises the skills gap in sectors such as residential retrofitting and sustainable construction, where a shortage of qualified tradespeople poses a barrier to progress. In response, it has developed interventions across housing tenures and established partnerships and initiatives aimed at developing a wide and diverse talent pipeline to address these workforce challenges.

By considering sector-specific climate goals with social outcomes, including workforce development and support for at-risk communities, Lloyds demonstrates how banks can help manage the risks of economic disruption and seek to ensure no one is left behind. Its approach reflects a growing recognition that credible sectoral transition plans must account for the people and places most affected by the shift to a net zero economy.

Source: Lloyds Sustainability Report 2024



In focus: Geographic regions

The regional or place-based dimension of just transition remains one of the weaker areas across all institutions. Some banks make good use of their local presence for broader social initiatives, but structured approaches to mapping regional transition risks – and supporting vulnerable communities to decarbonise – are still largely missing.

Geographic regions investor expectations		HSBC	Barclays	Lloyds	NatWest	Progress
3.1	**Regional decarbonisation strategy**	🔴	🟠	🟠	🔴	None of the banks disclosed a process for identifying regions high exposed to transition risk or integrating this into a **regional decarbonisation strategy**. However, there are isolated examples: Lloyds highlighted its work with the North East Combined Authority to support the region's clean energy and green manufacturing. Barclays has partnered with Aberdeen City Council to explore a place-based just transition approach for local communities and workers.
3.2	**Leverage regional reach**	🟢	🟠	🟢	🟠	When it came to providing strategic support and guidance for businesses on place-based risks and opportunities the banks generally perform better. The banks which perform best for **leverage regional reach**, demonstrate how they signpost support mechanisms or provide solutions at the regional level. For example, Lloyds have a Regional Development programme, which is looking to allocate specifically to businesses and projects that will have social, economic or environmental impact at a regional level, and one of its objectives is to capture the benefits of the net zero transition. HSBC notes that its local sustainability teams and relationship managers connect SMEs with a network of specialists which offer local and international assistance. Banks with more average practices offer less transition-specific guidance – for instance, one operates UK Regional Boards to deliver its local strategy, but without any clear link to decarbonisation or the transition.
3.3	**Dialogue, policy advocacy and engagement**	🟠	🟢	🟠	🟢	A key component of a just transition is ensuring that meaningful dialogue is held with stakeholders and acted upon and given banks' importance we are particularly keen for them to engage with policymakers on relevant aspects. All the banks at least partially meet our **dialogue, policy advocacy and engagement** expectation, with some being founding members of the Just Transition Finance Lab. Given banks' importance we are particularly keen for them to engage with policymakers on the challenges and dependencies they foresee, and the banks which demonstrated this to us achieve green on this expectation.
3.4	**Common but differentiated responsibilities**[1]	🟢	⚫	⚫	⚫	Our expectation on **common but differentiated responsibilities** asks banks to support countries based on their economic and technological capacities to address climate change. This indicator is only applicable for banks with significant operations across emerging markets. With significant operations in Asia and China in particular, HSBC performs well against our expectation taking local contexts and principles of a just transition into account, including with common but differentiated policy parameters for customers outside of the EU and OECD countries.
3.5	**Support for distressed region clients**	🔴	🔴	🔴	🔴	None of the four banks met our expectation on **support for distressed region clients**, where we look for tailored assistance for retail customers in communities facing asset or industry closure. Although all banks were rated Red, our discussions helped clarify existing support mechanisms. Banks explained that they offer help to retail and small business customers in financial difficulty, such as by pausing interest and fees, consolidating debt or agreeing repayment plans, regardless of the cause. One bank noted that, in a politically sensitive site-closure case, it provided support discreetly to avoid appearing to intervene. We stressed that, where relevant, we want visibility on how banks support affected communities and individuals.

Areas for improvement

- No bank currently achieves a Green rating for Expectation 3.1 regional decarbonisation strategy, which calls for the integration of just transition into regional corporate banking decarbonisation strategies.
- We believe this is notable given the materiality of place-based transition risks and the potential for reputational and credit exposure.
- We encourage banks to develop regional decarbonisation strategies that identify geographic areas with heightened exposure to transition risk, such as communities reliant on high-emitting industries, and outline how they will mitigate 'stranded community' risk. Leveraging regional networks and data to inform these strategies will be essential to delivering a place-sensitive and inclusive transition.

Examples of best practice

Case study: HSBC
Leveraging regional reach to support SME decarbonisation

HSBC has taken steps to embed local context into its sustainability strategy by leveraging its regional presence to support small and medium-sized enterprises (SMEs) in their transition to a low-carbon economy. The bank's relationship managers and local sustainability teams work directly with SME clients, connecting them to a network of local and international specialists who provide tailored advice and technical assistance.

To address the specific challenges SMEs face in accessing sustainable finance, HSBC has also established region-specific funds that offer lending tied to financial incentives. These initiatives aim to make sustainable investments, such as renewable energy adoption or production process improvements, commercially viable for smaller businesses. In addition, HSBC's sustainability risk policies explicitly account for local contexts and the principles of just transition, including differentiated policy parameters for customers outside the EU and OECD.

HSBC's Greater Bay Area Sustainability Fund, provides businesses in the Hong Kong region with financial support to capture opportunities while transitioning to a low-carbon economy.

By aligning its advisory services and lending practices with regional needs, HSBC demonstrates how banks can use their local reach to seek to mitigate place-based risks and unlock opportunities – a key component of a just transition.

Source: HSBC Net Zero Transition Plan 2025

Case study: Barclays
Stakeholder dialogue and policy engagement on just transition

Barclays has demonstrated how it seeks to foster dialogue and collaboration on just transition by actively engaging with a broad range of stakeholders, including policymakers, NGOs, academia and local communities. In 2024, the bank hosted and participated in key global forums such as London Climate Action Week, Climate Week NYC, COP16 and COP29, using these platforms to share insights and advocate for inclusive climate action.

As a founding funder of the Just Transition Finance Lab at the London School of Economics and the Grantham Research Institute on Climate Change and Environment, Barclays has helped to shape the agenda on how finance can support socially inclusive decarbonisation. The bank also published a UK Homes paper in 2024, outlining a comprehensive action plan to accelerate home energy upgrades. Drawing on behavioural insights, case studies and historical analysis, the paper proposed five policy recommendations to support the UK Government's Warmer Homes Plan – highlighting the importance of public-private collaboration in delivering equitable climate outcomes.

Through these initiatives, Barclays illustrates one of the ways a bank can utilise its access and voice in advancing a just transition. By engaging across sectors and reflecting stakeholder insights in its policy positions, the bank is helping to ensure that community voices are heard and embedded in the UK's decarbonisation strategy.

Source: Barclays Annual Report 2024

Conclusion

This report marks the culmination of a four-year engagement programme with the UK's largest banks on the integration of just transition into their climate strategies. Since 2022, we have seen meaningful progress: all four banks now recognise the importance of just transition and have taken steps to reflect this in their products, sectoral strategies and regional approaches.

While no single bank has emerged as a clear leader, each has laid solid foundations. In our view, the strongest performers demonstrate how integrating social considerations into climate action can help enhance business resilience, stakeholder trust and long-term value – outcomes that we believe are directly aligned with the interests of our clients. In our assessment, these improvements support the investment case for the sector and provide us greater confidence in the banks' ability to manage transition-related risks and seeking to capitalise on emerging opportunities.

Nevertheless, significant gaps remain – particularly in regional decarbonisation strategies, support for communities facing transition-related disruption, and the pursuit of community benefit through corporate lending. Addressing these areas will be, we believe, critical to ensuring that the transition is not only environmentally credible but also socially inclusive, a prerequisite for long-term, sustainable value creation.

Our engagement suggests that clear investor expectations, backed by sustained dialogue, can help influence corporate behaviour and drive progress. We encourage banks to continue building on this momentum by embedding just transition more deeply into governance, disclosures and decision-making. We also call on investors, regulators and policymakers to support this shift to support a transition to net zero is not only fast, but fair.

Although this report concludes our formal engagement programme with the UK banking sector, we will continue to engage on an ad hoc basis and share insights to support broader efforts in delivering a just transition for the benefit of clients, the financial system, and society at large.

Further reading

- IIGCC Just transition: Supplement to the Net Zero Investment Framework
- ILO and UNEP FI Just Transition Finance Pathways for Banking and Insurance
- TPT Banks Sector Guidance
- LSE and ILO report
- TPT Just Transition Working Group advisory paper
- IIGCC and TPI Net Zero Standard for Banks
- Green Finance Institute: A green print for property linked finance in the UK
- AIGCC-Place-Based-Just-Transition-Report_2025

Appendix

Just transition for banks investor expectations

Products

1.1 Ensure inclusion and accessibility are features in new green product development, to enable all customers to participate and benefit from the transition (e.g., home retrofitting loans).

1.2 Develop and implement a responsible decarbonisation strategy for existing products and portfolios, such as mortgages, ensuring that decarbonisation is achieved without excluding customers and mitigates 'stranded customer' risk.

1.3 Offer financial instruments promoting transition and combined environmental and social impact (e.g., sustainability-linked loans or bonds, where the interest rate or coupon is tied to the borrower's achievement of predetermined environmental and social targets).

1.4 Develop partnerships with public banks and community development finance institutions (CDFIs) or equivalent to support SMEs and microenterprises and provide blended finance solutions to support place-based just transition.

1.5 Ensure that corporate and commercial banking products respect and promote stakeholders' fundamental rights (e.g., the ILO's Declaration on Fundamental Principles and Rights at Work).

Sectors

2.1 Facilitate investment and leverage lending relationships to support corporates and SMEs in high-emitting sectors access the capital required to enable and encourage the just transition to net zero.

2.2 Develop sector-specific transition roadmaps for high-emitting sectors where appropriate, encouraging a managed phase-out that ensures worker dialogue, retraining, redeployment, and fair early retirement/redundancy to mitigate 'stranded worker' risk.

2.3 Integrate just transition strategy into client transition plan assessments, particularly for high-risk sectors, and include sector specific expectations in client engagement covering workers, customers, communities, and supply chains.

2.4 Enable and encourage companies involved in transition sectors to seek community benefits as part of transition plans.

2.5 Build internal capacity to engage and advise corporate and SME clients on a sector-specific basis on transition opportunities.

Geographic regions

3.1 Integrate just transition into regional corporate banking decarbonisation strategies and identify geographic areas with high exposure to transition risk, seeking to mitigate 'stranded community' risk.

3.2 Use banks' regional reach to provide strategic advice and guidance through lending relationships to help mitigate place-based risks and seek place-based opportunities (e.g., signpost regional support and incentives available to customers).

3.3 Establish dialogue and feedback mechanisms with trade unions, communities, local authorities, NGOs and policymakers that will enable community voices to be heard. Reflect outputs in bank decarbonisation strategy and develop partnerships to advocate for just transition policies at local, national and international levels.

3.4 Recognise global disparities between developed and emerging markets in client transition plan expectations and assessments, with differentiation in timeframes where appropriate.

3.5 Consider implementing specific support for retail clients in regional communities which face asset or industry closure.

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