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JUST TRANSITION PROJECT TAGGING TOOL (1st ITERATION)*

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ABOUT THIS REPORT

To deliver just transition projects on the ground, South Africa needs to be able to ensure that just transition funding and financing starts flowing immediately and is credibly, consistently and transparently deployed. To facilitate this, TIPS has developed a tool using an evidence-based, iterative methodology which can tag (label) a project as: just transition, not just transition, or just transition plus.

A 1st iteration of the tool is presented in this paper.

*Note that the paper was previously called *A Just Transition Transaction Framework: A Framework for Financing Investments in a Just Transition.*

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THE AFRICAN CLIMATE FOUNDATION

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CONTENTS

ABBREVIATIONS

DFI	Development Finance Institution
ED	Enterprise Development
ESG	Environmental, Social and Governance
EU	European Union
GBP	Green Bond Principles
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
ICMA	International Capital Market Association
IFC	International Finance Corporation
III	Impact Investing Institute
ILO	International Labour Organization
JT	Just Transition
JT+	Just Transition Plus
NGO	Non-governmental Organisation
M&E	Monitoring and Evaluation
NPO	Non-profit Organisation
OECD	Organisation For Economic Co-operation and Development
R&D	Research and Development
SD	Supplier Development
SDGs	Sustainable Development Goals
PCC	Presidential Climate Commission
PMU	Project Management Unit
UK	United Kingdom

INTRODUCTION

Research on how to finance a just transition is gaining momentum globally. It is being driven by two factors. The first is an increased public commitment to, and private sector acceptance of, the need to ensure that implementing the transition to net zero is socially responsible and acceptable. This includes ensuring that the costs and benefits of climate action are fairly distributed; that future sustainable growth is purposeful in addressing socio-economic needs and inequality; and that impacted workers and communities have a voice in determining their futures. The second driver is an appreciation of the scale of the finance necessary to deliver a just transition over the next three decades. Increasingly, granular estimations of the vast quantum of funds required demonstrate that public sector finance alone will be insufficient to cover the total costs of ensuring no one is left behind on the journey to net zero. The role of private sector funding and financing of investments will be crucial.

In the Global North the public sector role in financing a just transition has to date been central. Public sector financing activities have included direct fiscal support through department and programme budget allocations and social protection schemes; access to bespoke funds set aside for the specific purpose of just transitioning in impacted areas; and the use of public sector finance to crowd in and leverage private sector finance through incentives, subsidies, matching funds, de-risking and credit enhancements.

In South Africa, the fiscal space for direct public sector funding of a large-scale, sustained just transition is absent. This means the public sector needs to carefully understand which activities it should prioritise and how to allocate its limited funding. Fiscal funding allocation for a just transition in South Africa is not an academic or future dated exercise. The Presidency's Project Management Unit (PMU) is tackling the implementation of the Just Energy Transition Investment Plan (2022) and will in the immediate future need to decide, for example, which just transition initiatives and projects[1] to finance with the grant allocations made available through the US$8.5billion deal. With an anticipated excess demand for such grant funding, the PMU (or other implementing mechanism) will need to be able to distinguish between what counts as a just transition initiative and what does not. It will also need to be able to distinguish *between* just transition initiatives and to rate some as more deserving of preferential funding than others.

While some form of just transition definition will be useful for the PMU and broader government just transition agenda, the clamour for definitional clarity is predominantly being driven by Global North and domestic private sector investors. The Global North is seeking clarity in order to meet the Paris Agreement and COP27 commitments. The local private financial ecosystem is seeking clarity: (1) partly in response to public signals it is receiving locally and internationally to contribute to a just transition and adopt environmental, social and governance (ESG)/just transition reporting; (2) partly to respond to changing customer and shareholder expectations and increased stakeholder lobbying; and (3) partly in response to the economic and financial risks and opportunities of climate change and transitioning to net zero.

Research by Synergy Global (2021) finds that the lack of a clear consistent and unifying framework that allows for a practical identification of what constitutes a just transition transaction impedes investor decision making and the ability to release significant amounts of committed finance.

Recent work by Lowitt and Mokoena (2021), Martens (2021) and Intellidex (2023) also highlights a range of blockages identified by South African financial sector stakeholders which limit their

[1] Initially the framework uses transaction, project, initiative and investment interchangeably.

engagement with, and participation in, the emerging local just energy transition. The studies – based on interviews with commercial and investment bankers, impact investors, development finance institutions (DFIs), private equity funders, asset managers and institutional investors – all highlight significant stakeholder frustration with the lack of clarity about what constitutes the just element of a just transition. Most interviewed stakeholders could not provide a working definition or understanding of what would constitute a just investment, project, initiative or financial vehicle or product. Domestic private sector stakeholders are not alone in struggling with this lack of clarity.

In 2021 the G7 Impact Task Force published its Mobilising Institutional Capital towards the Sustainable Development Goals (SDGs) and a Just Transition Report. It included a Just Transition Blueprint and conceptual guide to assist G7 partner countries to develop a shared understanding of what a just transition entails. The just transition was articulated as comprising three elements: (1) advancing climate and environmental action; (2) improving socio-economic distribution and equality, and (3) community voice. Based on this framework, actions count as just transition only if they commit to meet all three elements. In 2023 the United Kingdom's Impact Investing Institute (III) adopted this in its *Just Transition Criteria* report, and working in collaboration with private financial sector players used these three elements as the foundation for the first ever attempt to annotate and define what "good looks like" in the context of a just transition. The III suggests that its criteria and definition could in time become a just transition label (III, 2023). The III report is seminal and moves the discourse on identifying what qualifies as 'good' substantially forward. A 2023 Intellidex report*, Funding social justice in the energy transition – A role for private sector financing at scale,* suggests that South Africa should adopt the III framework. One of the key reasons behind this recommendation is increased interoperability (and hence increased capital inflows from abroad) if South Africa shares a common framework with the broad international sources of capital.

This research report (supported by a multi-disciplinary working group and multi-stakeholder advisory group) suggests that while the III framework is a very useful starting point to provide clarity on what qualifies as a just transition transaction; its applicability to low- and middle-income country contexts in general, and in South Africa in particular could be improved. This report suggests an alternate methodology and expanded framework with the view that interoperability will not be compromised if a South African framework uses the logic of the III approach and provides rational and transparent explanations for suggested amendments.

The report begins with a set of framework building blocks. Section 2 briefly explains the methodology used to produce an evidence-based first iteration framework and how future iterations will need to be developed. Section 3 describes the framework's upfront screening criteria. Section 4 covers transaction evaluation and introduces the framework's decision-making tree and eligibility criteria. Section 5 raises the difficult topic of measurement and reporting and the need to balance project specific context and materiality with comparability and the risk of just transition washing.

Section 6 concludes by covering next steps and how the completed report will be socialised across stakeholders and used as a draft framework against which on-the-ground projects can be assessed. The Annexures include detailed lists of green and socio-economic improvement objectives and qualifying activities; as well as some standardised indicators which can be used *in part* to monitor and evaluate outcomes and impacts.

This first iteration framework will be continuously improved through testing and further iterations to increase acceptability and applicability with an evolving set of stakeholders.

1. THE BUILDING BLOCKS

The framework seeks to provide a tool to assist users to navigate what a context specific South African just transition transaction could look like. The tool is designed to work at multiple geographic levels for a broad and heterogeneous group of stakeholders, with a special focus on local and international sources of capital. The framework is based on several key principles.

Broad applicability

The first principle is that the framework should be universally applicable across scales, sectors, asset classes, institutions and geographies. It also needs to be flexible enough to adapt and evolve to the rapidly changing just transition context while maintaining integrity and credibility. The framework needs to be applicable across agriculture, mining, manufacturing, and the service sector. It needs to accommodate public infrastructure (social and economic) and work at all three spheres of government across all provinces. It also importantly needs to work across a range of financing scales and activities, including: project finance, portfolio financing, product development and new institutional mobilisation, and deployment structures and mechanisms. This principle aligns with the G7, Impact Investing Institute's thinking on applicability, although the III criteria are more narrowly focused on investment vehicles specifically.

Expansion of existing frameworks and standards

The second framework principle is a deviation from the G7, III approach. In the III approach, a conscious decision was taken to ensure that the just transition criteria proposed were not new contenders but built on existing frameworks, labels and standards including ESG and impact management monitoring and reporting. The III report specifically references the UN Global Compact, UN Principles for Responsible Investing, Global Reporting Initiative and the SDGs. The thinking behind the approach is to leverage existing tools and reporting as a means of increasing acceptance and early adoption by the financial sector, which will in turn maximise qualifying flows in the short run.

Due to the complexity of the South African baseline of historic and current injustice and deepening inequality, a local designation requires an understanding of a just transition in South Africa that includes activities, impacts, outcomes and metrics *in excess* of those considered in ESG and existing Global North frameworks. The proposed framework is therefore based on an understanding that the breadth of issues arising to achieve a just transition in the Global South in general, and South Africa in particular, will require multiple impact dimensions in excess of those considered in Global North frameworks and standards. A key contribution of a South African framework is to show alignment to global frameworks and principles while offering direction and precision on the more substantial justice, social and socio-economic outcomes that need to be demonstrated for the attainment of a just transition in a developing country context. This requires additional consideration of qualifying activities which will then need to be defined, measured and supported.

The framework applies the principle that indicators should be material to the investment and sector under consideration and must be place and context specific. Indicators must be meaningful without being unduly prescriptive, and should help the transaction driver to focus on impact dimensions which the transaction is most likely to contribute to in a significant manner. The framework embraces this principle by adopting a broad menu of metrics and indicators from which transaction drivers can choose, as well as the scope for additional self-defined indicators that can be externally verified. Bespoke indicators are seen as a crucial contribution to support the measurement of just outcomes and impacts.

The proposed framework indicators are aligned with, *but importantly not limited to*, impact indicators included in: the South African National Development Plan for 2030, the National Broad-Based Black Economic Empowerment Policy, the UN's Sustainable Development Goals, the Global Impact Investing Network's IRIS+ database, the Global Reporting Initiative, as well as the frameworks and standards considered by the III Criteria Report. While this alignment is crucial for uptake it is nevertheless the intention of the framework to move beyond these indicators in a manner which supports the foundational thinking of a just transition. The framework seeks to make early progress in considering processes to support the articulation of additional just transition indicators.

It is understood that this approach will create difficulties for the financial ecosystem and create fundamental disruption (which is a necessity of system level change)[2]. It will decrease standardisation, comparability and the ability to benchmark. It also opens up the potential for just transition washing. Equally, if the South African definition of a just transition transaction deviates too substantially from the Global North's working definition (as currently articulated in the III 2023 report), interoperability will be negatively impacted resulting in lower levels of inbound foreign funding. The framework makes some contribution to dealing with these challenges but acknowledges that they will take time to resolve. In meeting these challenges the framework focuses on actively supporting the integrity of the concept of a just transition in a developing country context, while supporting the flow of funding to investments in communities and regions most impacted by the move away from fossil fuels.

Understanding and ambition will increase over time

The third principle on which the framework is based is that both the understanding of what constitutes a just transition transaction, and the level of just transition ambition in South Africa, will improve over time. In relation to the former, the framework supports improved understanding of the idea of what constitutes a just transition transaction by adopting an evidence-based iterative methodology similar to that adopted by the OECD when first measuring global government support for climate change following the 1998 Rio Summit. The chronology of the development of a green finance taxonomy from the humble Rio Marker project passed through three distinct phases. First was a need for project developers and implementers to *tell* the world what they were doing in support of the green economy. Later this was upgraded to developers having to *show* the world how they were contributing, before the final (current) phase of needing to *prove* to the world what is being done. Understanding the just transition will require an equivalent journey, with increased understanding being supported by increasingly refined and sophisticated monitoring, evaluation and reporting.

In relation to the latter, the framework supports the idea that the level of just transition ambition will improve over time. Different projects and investments will be characterised across a spectrum of just transition ambition, ranging from low and moderate ambition to high ambition activities (Montmasson Clair and Patel, 2020; Lowitt and Mokoena, 2021). It is accepted that all eligible just transition projects, irrespective of their level of ambition, are important in South Africa's socio-economic context. However, it is critical to be able to signal to funders and developers that higher ambition outcomes are preferred. The framework caters for this by differentiating between a just transition (JT) transaction and a "just transition plus" (JT+) transaction. A just transition plus transaction is more ambitious than a just transition transaction and is rewarded by prioritised access to grant and philanthropic funding, and/or attracting superior concessionary finance access, terms and credit enhancements.

[2] Despite these difficulties, progress has been made for example through the IFC's Sustainability Linked Loans which support a process of project developer and financier co-creating bespoke social economic impact indicators that are material to the investment.

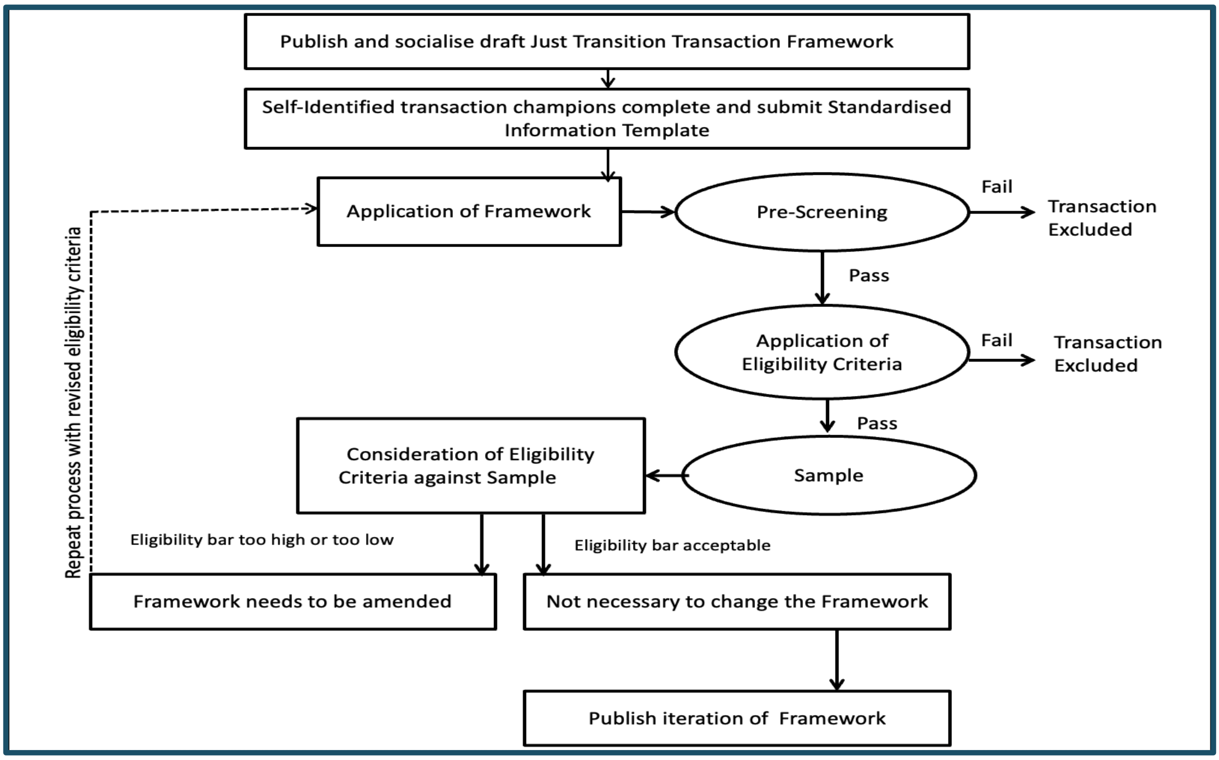
Pragmatism and realism

The final principle underpinning the designation of a just transition transaction is that it must be pragmatic and realistic. Local stakeholders across sectors have voiced the need for just transition finance to begin flowing and support projects and investment on the ground where the negative impacts of the transition away from fossil fuels are already being felt by workers and communities. Given current work on existing and planned self-identified just transition projects, the principle of pragmatism is captured in the framework through: (1) a dual entry path into just transition transaction eligibility; (2) the accommodation of varying levels of just transition ambition; (3) a menu of standardised and bespoke indicators; and (4) an incremental methodology based on learning by doing, experimentation and iteration development.

2. METHODOLOGY TO DEFINE AND REFINE THE JUST TRANSITION TRANSACTION FRAMEWORK

The methodology is based on an evidence-based approach to research; the need to be agile and adaptive when operating in a nascent, rapidly changing field; and the fundamental necessity to experiment and learn by doing. The methodology supports a framework which will be refined and improved through multiple iterations with strong (evidence-based) feedback loops ensuring that increased understanding from on-the-ground transactions drives improvements in designation. The methodology to develop a single iteration is shown in Diagram 1[3].

Diagram 1: Methodology to define the just transition transaction framework



Source: Authors

The process begins with the publication and socialisation of this Draft Just Transition Transaction Framework. Socialisation activities aim to reach a broad cross-section of stakeholders, including: individual project champions and drivers; all financial sector ecosystem players that are thinking about

[3] Current and future iterations of the framework are being planned by TIPS based on availability of funding. The aim is that as the understanding and functioning of the framework improves it would be adopted by institutions or mechanisms to support just transition funding and financing.

just transition investments, products, services, vehicles, mechanisms or instruments; public sector institutions and spheres of government (including departmental programming); private and public sector international sources of capital; civil society; non-profit organisations (NPOs), non-governmental organisations (NGOs) and non-financial corporates. Socialisation activities seek to spark discussion and debate but also to encourage stakeholders to participate in the research by submitting transaction information through a standardised Information Template.

Once the required information has been captured, screening and evaluation begins. Pre-screening is completed against the pre-screening criteria and a transaction is automatically excluded from further consideration if it fails to comply with *any* one of the four pre-screening criteria. Evaluation is undertaken by applying the framework's green and socio-economic improvement objectives and their associated eligible activities to the submitted transactions. Transactions which do not meet any of the eligibility criteria will be excluded. Qualifying transactions will be included in the sample.

The appropriateness of the framework will be assessed by the research team and working group against the sample. If too few transactions make it through the screening and evaluation process the framework may be amended to decrease the eligibility bar. If too many transactions prove to be eligible, steps may be taken to raise the eligibility bar.

The result of the methodology will be the publication of a First Iteration of a Just Transition Transaction Framework. This framework will be socialised and critiques and lessons learned documented to improve future iterations. It is envisaged that an evidence collection and framework iteration process will be undertaken every couple of years to further develop thinking on what constitutes a just transition transaction and how to monitor, evaluate and report on such activities.

3. ASSESSING TRANSACTIONS: PRE-SCREENING

To proceed to the evaluation stage a transaction must first pass *all* the pre-screening criteria. These criteria have been established using international best practice, existing frameworks and standards, in addition to South African specific contextual considerations.

Excluded Activities

First, in line with international best practice, the framework excludes new investments in fossil fuel, tobacco, armaments and sex enterprises. The framework is designed to be applied at a transaction level not a company level. Companies already operating in an excluded industry such as fossil fuels can still successfully submit a new just transition transaction for consideration. For example, if Sasol or Eskom submit a new project to reskill workers who will in the future be negatively impacted by the company's emission reduction plans, such a project will be accepted and proceed to the evaluation stage. A project to build a new coal-based chemical or electricity plant would, however, be excluded and not proceed to evaluation.

Application of South African Constitution and Laws

Second, a transaction will be pre-screened against the South African Constitution and all existing legislation. A transaction will be excluded from further consideration if it transgresses in its purpose, objectives, and goals; or in its method of implementing the Bill of Rights enshrined in the South African Constitution. A transaction will also be excluded if it contravenes any South African law in force at the time of its consideration. These pre-screening criteria act as a minimum do no harm safeguard. If a transaction transgresses the Constitution or any South African law it will be excluded from further consideration. If it complies with the Constitution and all existing laws it will progress.

This threshold is important when accounting for differences between developed and developing country contexts. For example, if a transaction meets all of South Africa's labour law requirements but falls short of the decent work definition articulated by the International Labour Organization (ILO) in 2015, the project will be deemed to have met the pre-screening requirement. While this threshold may be interpreted as a lack of ambition on the part of the framers, the counter argument is that, given the high levels of South African unemployment, poverty and inequality, all lawful job creation should be encouraged even if such jobs do not meet higher (and more desirable) standards.

Community and/or Labour Voice and Action

In the III approach, community voice is seen as one of the three pillars of the just transition. In the III approach a just transition vehicle must be *committed* to all three of the just transition pillars but only needs to *impact* advancing climate and environmental action, and improve socio-economic distribution and equality *and/or* community voice. This means that a just transition vehicle under the III approach could seek to impact climate and environmental action and improve socio-economic distribution and equality *without* taking the community voice into account. In this framework making an impact towards *all* three elements is seen as crucial and non-negotiable. This is particularly true of community voice.

Given the colonialist and apartheid history of South Africa, the marginalisation of non-urban populations, labour-sending area dynamics, and the neglect of poor communities, the framework requires community and/or labour engagement as a necessary pre-condition for any just transition transaction. This is in line with the findings of the Presidential Climate Commission (PCC) consultation on the Just Transition Framework, and an understanding that a just transition entails a system-level change which recognises the need to consult and engage with parties impacted by climate action.

The focus of community and/or labour engagement is determined by the objective and activities of the transaction. For example, a company launching a project to retrain its workforce would need to engage with labour but not necessarily the broader community. A project aimed at rehabilitating waterways in a region would require engagement with the impacted community but not a separate engagement with labour.

The pre-screening requires a just transition transaction to not only produce a community and/or labour engagement policy but also a costed implementation plan. By raising the threshold from a process, to a process with an implementation plan and associated budget it is hoped that the notion of community and/or labour consultation can be translated into meaningful on-going activity on the ground and avoid the trap of a meaningless once-off tick-box exercise. It is noted that engagement may need to be undertaken *in order to* prepare a costed implementation plan. In such cases, a time limited *commitment* to an engagement strategy and costed implementation plan will suffice.

Internal Approval and Committed Funding

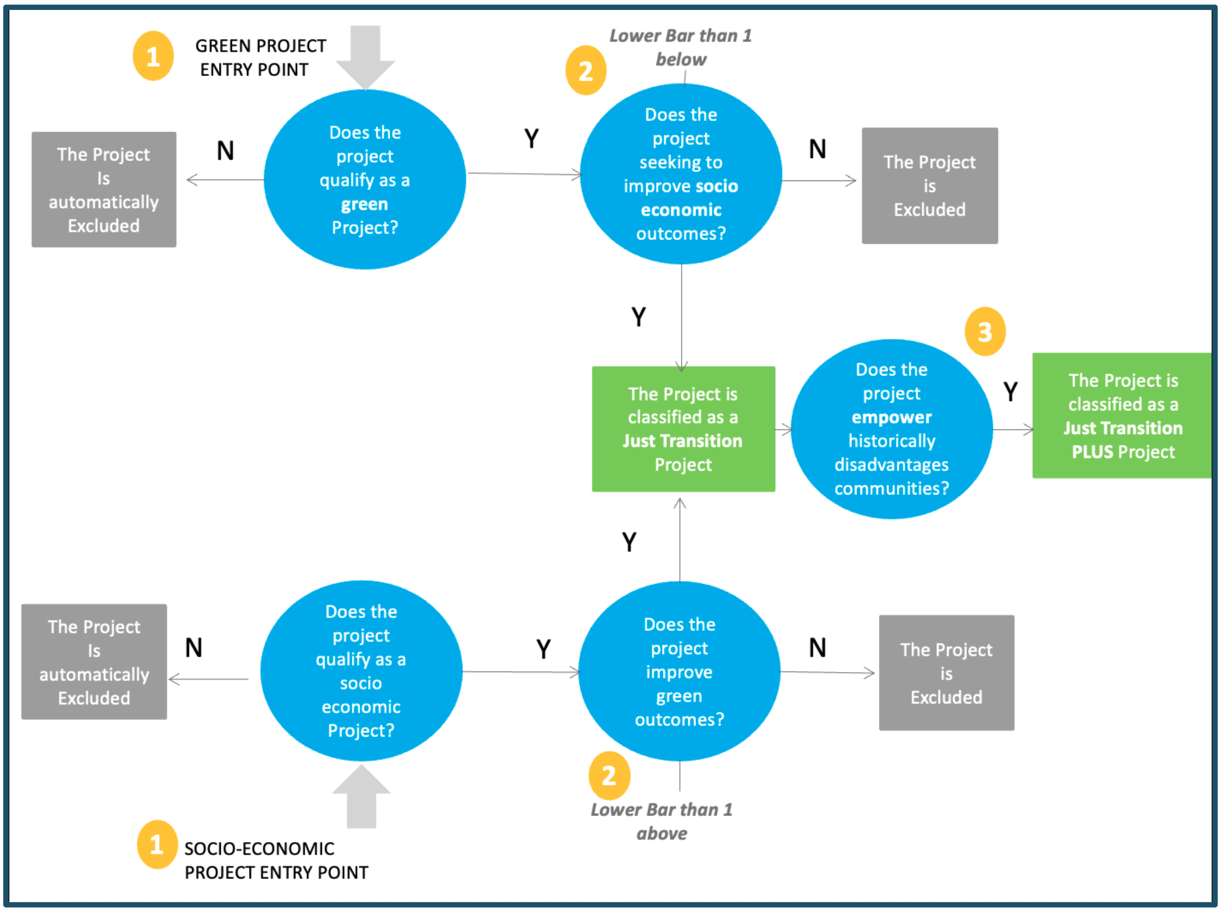
The final pre-screening requirement is that a transaction must be formally approved by the relevant authority in the submitting institution's hierarchy and have funding secured. The relevant authority could be: the Board of Directors, the Chairman's Office, an Investment or Credit Committee. This threshold ensures that transactions are ready for implementing and excludes purely abstract and conceptual ideas on which no transaction preparation has been completed. The threshold requires that financing for the transaction be formally committed but funds need not be disbursed for the transaction to pass this pre-screening criterion.

A transaction needs to meet *all* four pre-screening criteria to advance to evaluation. Failing to meet even one requirement will exclude the transaction from further consideration.

4. ASSESSING TRANSACTIONS: TRANSACTION EVALUATION AND ELIGIBILITY CRITERIA

Once a transaction has passed pre-screening it progresses to the evaluation stage shown in Diagram 2. The framework seeks to recognise transactions which contribute to climate action and the environment *and* socio-economic improvement. The G7 terminology of improvement to socio-economic distribution and equality is contracted in the Framework. The term socio-economic improvement is adopted on the understanding that meaningful socio-economic improvement will have positive impacts on equality.

Diagram 2: Dual Entry Gate Evaluation Process



Source: Authors

Entry Gate System

A dual entry system allows the framework to capture transactions across a broad spectrum of activities and motivations. It supports a project entering the evaluation process either through a Green Project Entry Gate or a Socio-Economic Improvement Entry Gate.

If the principal objective of a project is a green activity and the green activity is fundamental to the design and motivation of the transaction it will enter through the Green Project Entry Gate. The idea is that the green activity is fundamental to the project, and the project would not exist if it were not for the green activity. This thinking was applied by the OECD in its Rio Marker system designed to identify climate action projects after the 1998 Rio Conference. (OECD, 2018). Conversely, if the principal objective of a project is socio-economic improvement, and that socio-economic activity is fundamental to the design and motivation of the project, the project will enter through the Socio-Economic Entry Gate.

For example, a transaction to finance a wind turbine rotor manufacturing plant, which will also include the provision of a community health clinic, would enter the evaluation process through the green gate as the main motivation driving the transaction is the production of a green good. In contrast, a transaction to finance a new training facility for wind turbine mast and rotor installers would enter through the socio-economic gate as the driving motivation of the project is the delivery of new green skills.

To differentiate between the Entry Gates and subsequent evaluation routes differing green activity and socio-economic activity thresholds are necessary. A project entering through the Green Entry Gate will be required to meet a lower socio-economic threshold or bar than a project entering through the Socio-Economic Entry Gate. A project entering through the Socio-Economic Entry Gate will have to meet a lower green bar than a project entering through the Green Entry Gate. Establishing relevant relative thresholds should be evidence based. This will require an on-going process developed by experimentation and learning by doing over multiple iterations of the framework.

Evaluation Steps

The first evaluation step through the Green Entry Gate is to test if the transaction qualifies as green. As with the III approach, the framework adopts the Green Finance Taxonomy. This requires that a transaction contribute to ***at least one*** of the six objectives of South Africa's Green Finance Taxonomy: (1) climate change mitigation; (2) climate change adaptation; (3) sustainable use of water and marine resources; (4) pollution prevention; (5) sustainable resource use and circularity; (6) ecosystem protection and restoration. As the local and international green taxonomies only cover the first two objectives, Annexure 1 provides indicative guidance on qualifying activities under the remaining four objectives. If a project entering through the green gate does not qualify as green against any of these six objectives and their associated qualifying activities it is excluded from further consideration.

If the transaction does qualify as green, the transaction proceeds to the second step of evaluation to determine whether it *also* contributes to improvements in socio-economic outcomes. To do so a green project must contribute to ***at least one*** of the framework's socio-economic improvement objectives.

The socio-economic improvement objectives and their associated qualifying activities are shown in Table 1. The objectives and activities have been designed to align with the core documents referenced under the framework principles including: the South African National Development Plan for 2030, the National Broad-Based Black Economic Empowerment Policy, the UN's SDGs as well as the frameworks and standards considered by the III Criteria Report.

The four socio-economic improvement objectives are to:

(1) Support employment and livelihood opportunities.

(2) Improve access to services.

(3) Support the strengthening and development of existing and new supply chains.

(4) Improve community spaces, organisations and services.

Activities under these objectives *must be new and must be inclusive*. Activities must also take place in *geographic areas impacted by climate action*. For example, a new training facility in Johannesburg offering a course in eco-tourism would not qualify as a just transition transaction, whereas an equivalent investment in eMalaghleni would qualify. While this is controversial (given the scale of South Africa's need), a just transition transaction must be different from a transaction undertaken in the normal course of business in the broader economy.

Table 1: Socio-Economic Improvement Objectives and Qualifying activities

OBJECTIVES	QUALIFYING ACTIVITY
1. Support employment and livelihood opportunities. Qualifying activities include:	
	1.1 The opening of productive, new small, medium or large sustainable enterprises; opening and operating incubation facilities; roll-out of sustainable infrastructure; design and operation of public works programmes. Productive new enterprises and projects may be in any sector not excluded in pre-screening.
	1.2 Provision of training, retraining, skilling, reskilling, up-skilling, capacity building, capability development, vocational training, apprenticeships, life skills upgrading; job placement and job search schemes. Includes the actual provision of training by the transaction. Excludes establishing a training facility or increasing the capacity of an existing educational facility (2.2 below).
	1.3 Increase in research and development (R&D) funding and innovation support for new value chains, product and services.
	1.4 Activities which deliver regional economy diversification by attracting investment to new sectors and value chains.
2. Improve access to services. Qualifying activities include:	
	2.1 Access to healthcare including the provision of health infrastructure and services in areas negatively impacted by climate action. May include primary and secondary healthcare services, physical and mental healthcare services, and care of the elderly.
	2.2 Access to education including the provision of new education infrastructure and services in areas negatively impacted by climate action. May include early childhood development, primary, secondary and tertiary education. Includes provision of scholarships.
	2.3 Access to water and sanitation including the provision of new water and sanitation infrastructure and services in areas negatively impacted by climate action.

	2.4 Access to affordable energy including the provision of renewable energy to community members, workers and/or an area negatively impacted by climate action.
	2.5 Access to relevant finance and technical assistance to support: new enterprise development, supplier development, social and microenterprises.
	2.6 Affordable access to communication technology and the digital economy including the provision of telephony, internet and data infrastructure and services on an on-going basis.
	2.7 Access to social safety net programmes available for community members, workers or areas negatively impacted by climate action. May include cash transfers, food assistance, vouchers and coupons.
	2.8 Access to affordable, safe and sustainable sources of food and nutrition to improve food security, including promotion of regenerative and sustainable agricultural activities, productivity enhancement programming for small-scale farmers, waste and loss reduction programming, and technology deployment such as smart irrigation.
3. Support the strengthening and development of existing and new supply chains. Qualifying activities include:	
	3.1 Localisation policy that requires a portion of materials, products and services to be sourced from a supplier or stakeholder in the immediate vicinity. This may be implemented through preferential procurement strategies.
	3.2 Working with new and established suppliers to improve their business growth and competitiveness.
	3.3 Formal partnering and collaboration relationships with new and established enterprises that provide tangible access to either finance/skills/technology/ inputs/processes that will improve the volume and value of the enterprises operations.
4. Improve community spaces, organisations and services. Qualifying activities include:	
	4.1 Regeneration of urban centres in areas affected by climate change through: the diversification and upgrading of infrastructure, enterprise and service development, improved safety and policing, improved sports and leisure

	infrastructure and services, improved access and increased community gathering spaces, including repurposing projects which positively transform community spaces.
	4.2 Community building, social inclusion, awareness and communication including establishing and funding of community, business and place-based associations and forums. Includes working with local government structures to provide human settlement transformative services to communities, workers and areas negatively impacted by climate action.
	4.3 Expansion of public transport in areas negatively impacted by climate action, including increased connectivity with other urban and industrial centres.

Source: Authors

For a green project to pass the socio-economic improvement evaluation it must also contribute to at ***least one*** socio-economic improvement activity. If the transaction does not meet at least one qualifying activity it is excluded from further consideration.

If a transaction entering through the green gate successfully meets both the green and socio-economic hurdles, the transaction is deemed to be a just transition transaction. A just transition transaction could benefit from access to preferential financing terms and access to speciality financing schemes and mechanisms.

Research by Montmasson-Clair and Patel (2020) and Lowitt and Mokoena (2021) shows a spectrum of different levels of just transition ambition in South Africa. All levels of ambition need to be embraced given the scale of South Africa's unemployment, poverty and inequality. However, higher levels of ambition are preferred. To support more ambitious behaviour the framework introduces the idea of a just transition plus (JT+) transaction. This more ambitious transaction could be rewarded with better financing terms and conditions than just transition transactions. A just transition plus transaction could also enjoy priority access to funding mechanisms and vehicles.

The objective of a just transition plus designation is to support the meaningful *empowerment of previously disadvantaged people*. This objective is likely to be approached and developed during the community and/or labour engagement pre- screening requirement. To be evaluated as a "just transition plus" transaction, a transaction would need to achieve *at least one* of the JT+ objective's activities shown in Table 2[4]. Thresholds will be informed by evidence over multiple iterations of the framework.

[4] It is likely that the range of qualifying activities for Just Transition Plus designation will increase as communities and workers views on how they would like to participate and be empowered are recorded and taken into account. New ownership models and existing vehicles such as community trusts will also need to be considered.

Table 2: Just Transition Plus (JT+) Qualifying Criteria

To qualify as a JT+ a transaction will need to meaningfully empower previously disadvantaged people. This could be achieved by:
1. Ownership of productive assets, intellectual property or shareholding in an entity by workers, communities or other vulnerable groups.
2. Representation of workers, communities or other vulnerable groups in the management structures of enterprises.

Source: Authors

The evaluation process for a project entering through the socio-economic gate is identical to that described above except that a transaction must meet ***at least two***[5] of the socio-economic objectives listed in Table 1 before progressing to an evaluation of its green outcomes. As with a green transaction, a socio-economic transaction which passes the socio-economic improvement requirement and meets a single green activity as per Annexure 1 shall be deemed a just transition transaction. To qualify as a just transition plus transaction, meaningful empowerment of previously disadvantaged people is required.

5. ASSESSING TRANSACTIONS: MEASUREMENT AND REPORTING

Global thinking on how to finance a just transaction is dominated by the challenge of just transition reporting, monitoring and evaluation (M&E). This has resulted in a plethora of disclosure research, the vanguard of which is led by ESG thinking. These research efforts have produced a multiplicity of frameworks and principles including: the Task Force on Climate Related Financial Disclosures, the Global Reporting Initiative, the UN's SDGs, and locally the JSE's Sustainability Guidance.

Indicators (sometimes also called metrics) are important. They provide transparency, visibility and accountability for just transition activities. At a functional level they are pivotal because they: enable just transition washing to be identified and avoided; provide objective quantification of deliverables against use of funds; allow the development of new company KPIs, capital allocation decision frameworks, as well as providing the basis for management incentives to change behaviour and support system level change. In this way indicators can unlock financial flows and change behaviour away from a business as usual scenario.

Given the breadth, depth and range of just transition activity needed to support a just pathway to net zero in South Africa it is impossible to devise a list of indicators that will cover all transactions across all sectors and geographies. The challenge is to devise indicators that are meaningful without being overly prescriptive. Indicators should help the transaction driver to focus on areas in which the transaction is likely to contribute most significantly. This means that transaction indicators need to be material to the project, enterprise, and industry; as well as context specific at a place-based level. Above all, the impacts to be delivered against an indicator must be within the transaction implementers' control.

Unfortunately, embracing materiality and context specificity undermines one of the key arguments for developing indicators in the first place – the need for standardisation and comparability. Dealing with this trade-off will be one of the many just transition finance challenges researchers and policymakers will need to deal with.

[5] Two objectives are required as the bar for a transaction entering through the socio-economic gate. The rationale is that a transaction which has socio-economic improvement as a fundamental part of its design will need to meet a higher bar than a transaction entering through the green gate and needing to contribute to a single socio-economic objective.

The trade-off is not dissimilar to what climate finance reporting and M&E faced (and continues to face). As with climate finance, it is necessary to open the tap of just transition funding and to facilitate just transition activity on the ground even before clarity on indicators (and the specific methods and units by which they will be enumerated) has been achieved. Learning from the chronology of climate finance disclosure, the framework supports an incremental approach to measurement. The incremental approach is supported in two ways.

First, the framework initially adopts a low reporting and M&E bar with the view of raising the bar over time (through the framework iteration process). Initially transaction drivers will only need to *tell* financiers, evaluators and other decision-makers about planned impacts and outcomes. Narrative descriptions will suffice (as they did with the 1998 OECD's Rio Marker system). Over time the bar will be raised and transaction drivers will need to *show* just transition activity. Showing may include qualitative and anecdotal information verified by an independent third party. Finally, in the future, just transition transaction drivers will need to *prove* just transition impacts and outcomes as they currently do with in some areas of climate finance[6].

The progression of raising the measurement bar, while simultaneously ensuring that just transition funding flows, and on-the-ground activities are implemented, has been described as building an aeroplane while already flying. In this first iteration of a just transition transaction framework, transaction drivers will only be required to clear the lowest measurement bar of *telling* evaluators what the transaction's activities, impacts and outcomes are.

Even with this low bar the driver of a transaction will still need to *tell* progress *against a specific list of indicators* and provide starting benchmarks and desired impacts over a specific period of time. The second framework response to the challenge of comparability versus specificity and materiality is to offer a hybrid approach to indicator selection.

The hybrid approach allows a transaction driver to: (1) pick indicators from a globally recognised standardised list. These can then be augmented by (2) bespoke indicators which talk more directly to the materiality and specific context of the transactions. For example, a mining house may have a local school improvement project which falls under activity 2.2 in the access to services objective. The mining house would select two indicators from a standardised list such as that in Annexure 4. These could hypothetically include: (i) the number of learners who achieve a matric; and (ii) class room learner/educator ratio. The requirement of at least two standardised indicators provides a first level safeguard against just transition washing.

Once the most relevant standardised indicators have been selected bespoke indicators may be added. In a real world example a mining house designed an education indicator for an International Finance Corporation (IFC) sustainability loan. The mining house aimed to have a system level impact in education in the mine's vicinity and hence designed an indicator which aimed to increase the number of schools in the mine's immediate vicinity that would be counted in the top 30% of all national public schools as determined by the Department of Basic Education's data on the schools matric pass rate. Bespoke measurements thus allow transaction drivers to embrace materiality and context specificity.

The standardised list of indicators in Annexure 2 (green) and Annexure 4 (socio-economic improvement) are an amalgam of existing international thinking. The indicators are sourced from: the

[6] In July 2023 the UK Treasury's Transition Plan Taskforce Framework reduced the initial reporting bar for transition impacts due to public pressure about anticipated difficulties in implementation and specifically quantifying impacts. Institutions will now be expected "to ***explain*** the principal contribution of the planned actions towards their objectives, rather than quantifying their expected impacts" (Gambetta 2023).

Global Reporting Initiative, the Global Impact Investing Network's IRIS+ database, the UN's Global Indicators framework for the SDGs and targets of the 2030 Agenda for Sustainable Development, the Common Output and Results Indicators for the EU's Just Transition Fund, and the International Capital Market Association's Working Group Metrics. As it is not feasible to account for every possible standardised indicator relevant to green and socio-economic activities, the framework accepts other standardised indicators based on reputable source material. This could include the World Benchmarking Associations Just Transition Framework, the JSE's Sustainability Guidance Note, and indicators and sources of indicators identified in the III Report.

Work on a standardised indicator list appropriate for South Africa will be an on-going and iterative process, with issues of interpretation of terminology and appropriate quantifiable measurements and units being refined and clarified over time. For example, what will the term "restorative agriculture" include and exclude; or what exactly are the limits to a "geographic location negatively impacted by climate action". Over and above definitional clarity, devising appropriate measurements for each indicator will be crucial as the reporting bar increases from "telling" to "showing" and ultimately "proving" activities, outcomes and impacts.

To date there is no local or internationally agreement on standardised definitional, measurement and units for specific indicators. This is the cardinal challenge for the inclusion of meaningful social indicators. To date, international sustainable socio-economic improvement transactions are dealing with the challenge of meaningful socio-economic improvement indicators on a project by project basis

In the IFC's 2023 report on Social KPIs, six case studies are examined where the IFC worked collaboratively with companies seeking to access their Sustainable Finance Loans. In extended, interactive joint collaborations, IFC staff worked with transaction partners to agree on acceptable definitions, wording and measurement of indicators. In many instances collaborations took over six months to reach clarity and consensus. This puts into context the complexity of the challenge ahead.

6. NEXT STEPS

The framework will be widely socialised and amended where necessary. Following dissemination and engagement a standardised information Template will be circulated to all possible just transition transaction drivers. They will include, among others: local and foreign DFIs, banks, institutional investors, asset managers, venture capitalists, private equity firms, impact investors, philanthropists, government departments, state-owned enterprises, non-financial corporates, industry-supported Special Purpose Vehicles, NGOs and NPOs.

Transaction drivers will be encouraged to complete and submit an information template for each transaction which they feel may meet the requirements of the framework. The research team will then assess and evaluate submissions. Based on the outcome of the evaluation process the research team in collaboration with the working group will amend the framework. This allows for an evidence-based approach to pitching the pre-screening and evaluation correctly, such that the sample of transactions which do receive a just transition or just transition plus designation broadly fit the spirit and aim of the National Development Plan and the PCC's Just Transition Framework.

Transaction information concerning indicator selection, definition and measurement will also be recorded and analysed to assist in refining and adding to the indicator and measurement challenge and setting of appropriate thresholds.

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ANNEXURE 1: GREEN OBJECTIVES AND QUALIFYING ACTIVITIES

OBJECTIVE	ACTIVITY
1. Climate change mitigation which includes:	
	1.1 Generating, transmitting, storing, distributing or using renewable energy, including through using innovative technology with the potential for significant future savings, or through necessary reinforcement or extension of the grid.
	1.2 Improving energy efficiency except for power generation activities.
	1.3 Increasing clean or climate neutral mobility.
	1.4 Switching to the use of sustainably sourced renewable materials.
	1.5 Increasing the use of environmentally safe carbon capture and utilisation and carbon capture and storage technologies that deliver a net reduction in greenhouse gas (GHG) emissions.
	1.6 Strengthening land carbon sinks, including through avoided deforestation and forest degradation, restoration of forests, sustainable management and restoration of croplands, grasslands and wetlands, afforestation and regenerative agriculture.
	1.7 Establishing energy infrastructure required for enabling the decarbonisation of energy systems.
	1.8 Producing clean and efficient fuels from renewable or carbon neutral sources.
	1.9 Enabling any of the above.
2. Climate change adaption which includes:	
	2.1 An economic activity that includes adaptation solutions that either substantially reduce the risk of adverse impact or substantially reduce the adverse impact of the current and expected future climate on that activity without increasing the risk of an adverse impact on other people, nature and assets.
	2.2 An economic activity that provides adaptation solutions that contribute substantially to preventing or reducing the risk of adverse impact or substantially reducing the impact of the current and expected future climate on other people, nature or assets, without increasing the risk of an adverse impact on other people, nature or assets.
3. Pollution prevention which includes:	
	3.1 Hazardous waste management including activities that prevent the release of hazardous waste into the environment through proper storage, treatment and disposal of hazardous materials.

	3.2 Air pollution control activities that reduce the emissions of air pollutants such as particulate matter, nitrogen oxides and sulphur dioxide.
	3.3 Chemical management including the production of safer chemical alternatives, improved disposal and storage of waste chemicals, and reduced use of environmentally unfriendly chemicals.
	3.4 Noise pollution control which includes activities that reduce noise pollution.
4. Sustainable use of water and marine resource which includes:	
	4.1 Water conservation and management, including activities that promote sustainable use of water resources, reduce water usage, improve irrigation efficiency and promote rainwater harvesting.
	4.2 Water pollution prevention such as improvements to wastewater treatment and technology, reducing agricultural runoff and promoting the use of eco-friendly products.
	4.3 Marine habitat protection, including activities that protect and preserve marine habitats such as coral reefs and sea grass beds.
	4.4 Sustainable fishing practices such as reducing catch, and implementing and enforcing fishing quotas.
	4.5 Marine litter management.
	4.6 Coastal zone management that promotes sustainable development and management of coastal zones such as implementing coastal protection measures and promoting sustainable tourism practices.
5. Sustainable resource use and circularity which includes:	
	5.1 Activities which support and promote the reusing, repairing, refurbishing and recycling of existing materials and products so as to increase circularity and minimise waste generation.
	5.2 Sustainable agriculture and forestry practices not included in (1) above, including promotion of reforestation, and reduced use of fertilisers and pesticides
	5.3 Sustainable waste management including practices such as reducing waste generation, promoting recycling, and promoting the use of composting.
	5.4 Sustainable manufacturing practices such as reducing waste and emissions, promoting the use of renewable energy, promoting the use of eco-friendly materials, increased energy efficiency, and materials usage minimisation.
	5.5 Sustainable construction practices such as reducing waste, materials reuse, promoting use of sustainable materials, improving energy efficiency of design, increasing material reuse, and increasing lifespan of buildings and infrastructure.

6. Ecosystem protection and restoration which includes:	
	6.1 Habitat restoration, revitalisation and rehabilitation, including activities that restore degraded or destroyed habitats such as wetlands, forest and grasslands.
	6.2 Biodiversity conservation including activities that protect and conserve endangered or threatened species of fauna and flora; and/or any actions which increase the genes, species or ecosystem in a geographic area.
	6.3 Activities that promote the sustainable management of natural resources such as water, soil and minerals not included in other categories.
	6.4 Soil conservation including activities that prevent soil erosion or reduced soil fertility caused by overuse, acidification, salinisation or other chemical soil contamination.
	6.5 Invasive species management, including activities that promote early detection and rapid response plans to limit existing and avoid new invasions.
	6.6 Ecotourism activities which promote sustainable tourism practices and the protection of natural areas, and the promotion of community-based tourism.
	6.7 Wildlife management activities which include reducing human-wildlife conflict and the implementation of wildlife management plans and wildlife protection.

ANNEXURE 2: GREEN INDICATORS

CLIMATE CHANGE MITIGATION	
Indicator	**Source**
Amount of renewable energy-generating capacity installed or rehabilitated (MW/kW)	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C200208) International Capital Market Association (ICMA) / Proposal for a harmonized framework for impact reporting on Renewable Energy/ Energy Efficiency projects (December 2015)
Amount of reductions in energy consumption achieved as a direct result of project conservation and efficiency initiatives.	Global Reporting Initiative (GRI) (Disclosure 302-4 Reduction of energy consumption)
Reduction in annual indirect (Scope 2) GHG emissions as a direct result of clean energy activities/initiatives designed and implemented by the project (metric tons of CO2 equivalent).	GRI (Disclosure 305-2 Energy indirect (Scope 2) GHG emissions)
Reduction in annual indirect (Scope 3) GHG emissions as a direct result of clean energy activities/initiatives designed and implemented by the project (metric tons of CO2 equivalent).	GRI (Disclosure 305-3 Other indirect (Scope 3) GHG emissions)
Reduction in annual GHG emissions in metric tons of CO2 equivalent as a direct result of clean energy activities/ initiatives designed and implemented by the project (metric tons of CO2 equivalent).	GRI (Disclosure 305-5 Reduction of GHG emissions)
Reduction of ODS as a direct result of project activities / initiatives in metric tons of CFC-11 (trichlorofluoromethane) equivalent.	GRI (Disclosure 305-6 Emissions of ozone-depleting substances (ODS))
Estimated value of project investments in support of clean energy research and development and renewable energy production, including in hybrid systems.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C070a01)
Estimated value of project investments (infrastructure or otherwise) enabling or supporting the decarbonisation of existing energy systems.	Adapted Global Impact Investing Network IRIS+ (P12764)
Number and estimated value of successful energy efficiency solutions/schemes implemented by the project.	Global Impact Investing Network IRIS+ (PI1586,OI4531)
Number and estimated value of successful clean/climate neutral mobility solutions/schemes implemented by the project.	Adapted Global Impact Investing Network IRIS+ (C110201)
CLIMATE CHANGE ADAPTATION	
Indicator	**Source**

Number of local/district municipalities adopting and implementing local disaster risk reduction strategies in line with national disaster risk reduction strategies.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C200305)
Increase in transmission/distribution grid resilience, energy generation and storage (MWh).	ICMA) / Green Bond Principles (GBP) Impact Reporting Working Group: Suggested Impact Reporting Metrics for Climate Change Adaptation Projects (December 2020)
Reduction in flood damage costs as a direct result of project interventions.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Climate Change Adaptation Projects (December 2020)
Reduction in land-loss from inundation and/or coastal erosion as a direct result of project interventions (km^2).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Climate Change Adaptation Projects (December 2020)
Increase in area under wetland management as a direct result of project interventions (ha/km^2).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Climate Change Adaptation Projects (December 2020)
Increase in agricultural land using more drought resistant crops (ha/km^2).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Climate Change Adaptation Projects (December 2020)
Increase in area cultivated by precision agriculture (ha/km^2).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Climate Change Adaptation Projects (December 2020)
Increase in number of households with access to resilient energy systems.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Climate Change Adaptation Projects (December 2020)
Number of people and/or enterprises (e.g. companies or farms) benefitting from measures to mitigate the consequences of floods and droughts.	Adapted Global Impact Investing Network IRIS+ (CO60401, CO60501, CO60601, CO20401)
POLLUTION PREVENTION	
Indicator	**Source**
Proportion of municipal solid waste collected and managed in controlled facilities out of total municipal waste generated.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C110603)

Amount of hazardous waste treated or diverted from disposal, by type of treatment and composition of waste (metric tons).	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C120402) GRI (Disclosure 306-4 Waste diverted from disposal)
Amount of non-hazardous waste treated or diverted from disposal, by type of treatment and composition of waste (metric tons).	GRI (Disclosure 306-4 Waste diverted from disposal)
Amount of hazardous waste directed to disposal, by type of disposal operation and composition of the waste (metric tons).	GRI (Disclosure 306-5 Waste directed to disposal)
Amount of non-hazardous waste directed to disposal, by type of disposal operation and composition of the waste (metric tons).	GRI (Disclosure 306-5 Waste directed to disposal)
Annual energy generation from non-recyclable waste in energy/emission-efficient waste-to-energy facilities in MWh/GWh (electricity) and GJ/TJ (other energy).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Waste Management and Resource-Efficiency Projects (February 2018)
Energy recovered from waste (minus any support fuel) in MWh/GWh/KJ of net energy generated per annum.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Waste Management and Resource-Efficiency Projects (February 2018)
GHG emissions from waste management before and after the project (metric tons of CO2 equivalent).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Waste Management and Resource-Efficiency Projects (February 2018)
Annual absolute (gross) amount of waste that is separated and/or collected, and treated (including composted) or disposed of (in metric tons per annum and as a % of total waste).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Waste Management and Resource-Efficiency Projects (February 2018)
Increase in % of population with access to waste collection services as a direct result of project interventions.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Waste Management and Resource-Efficiency Projects (February 2018)
Increase in % of population provided with improved municipal waste treatment or disposal services as a direct result of project interventions.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Waste Management and Resource-Efficiency Projects (February 2018)
SUSTAINABLE USE OF WATER AND MARINE RESOURCES	
Indicator	**Source**

Increase in % of population in target area using safely managed drinking water services.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C060101)
Increase in % of population with access to clean drinking water (or annual volume of clean drinking water in m3/a supplied for human consumption) through infrastructure supporting sustainable and efficient water use (where average consumption per person is consistent with internationally recognised standards for sustainable water use).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Sustainable Water and Wastewater Management Projects (June 2017)
Increase in proportion of domestic and industrial wastewater flows in target area safely treated, reused or avoided (m^3).	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C060303) ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Sustainable Water and Wastewater Management Projects (June 2017)
Increase in number of local administrative units with established and operational policies and procedures for participation of local communities in water and wastewater management.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C060b01)
Increase in proportion of fish stocks in target area within biologically sustainable levels as a direct result of project interventions.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C140401)
SUSTAINABLE RESOURCE USE AND CIRCULARITY	
Indicator	**Source**
The % increase in materials, components and products that are reusable, recyclable, and/or certified compostable as a result of the project (and/or in absolute amount in tons per annum).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Circular Economy and/or Eco-Efficient Projects (June 2021)
Waste that is prevented, minimised, reused or recycled before and after the project (% of total waste and/or as absolute amount in tons per annum).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Circular Economy and/or Eco-Efficient Projects (June 2021)
Increase in components, products or assets with circular design as a result of the project (valorised amount, % of the total product portfolio, and/or absolute amount in tons per annum).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Circular Economy and/or Eco-Efficient Projects (June 2021)
The % and/or absolute amount in tonnes per annum of virgin raw materials that are substituted by secondary raw materials and by-products from manufacturing processes as a result of the project.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Circular Economy and/or Eco-Efficient Projects (June 2021)

Increase in products or parts derived from redundant products or components as a result of the project (valorised amount, in % of the total product portfolio, and/or in absolute amount in tonnes per annum).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Circular Economy and/or Eco-Efficient Projects (June 2021)
Increase in the number of end-of-design life or redundant immovable assets that have been refurbished and/or repurposed as a result of the project.	ICMA/ GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Circular Economy and/or Eco-Efficient Projects (June 2021)
Increase in redundant products that have been repurposed, refurbished or remanufactured as a result of the project (% of total products to be discarded and/or in absolute amount in tonnes per annum).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Circular Economy and/or Eco-Efficient Projects (June 2021)
Increase in annual absolute (gross) amount of biodegradable waste, digestate and compost that is recovered (in tonnes p.a. and/or in % of total waste).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Circular Economy and/or Eco-Efficient Projects (June 2021)
Increase in food, feed nutrients product, fibres or fertiliser produced from biodegradable waste and/or by-products (tons per annum or in valorised amount).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Circular Economy and/or Eco-Efficient Projects (June 2021)
Increase in revenue derived through tools and services enabling circular economy as a result of the project.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Circular Economy and/or Eco-Efficient Projects (June 2021)
Increase in number of products and/or the share of production awarded an internationally recognised eco-label, or energy, eco-efficiency or other relevant environmental certification as a result of the project.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Circular Economy and/or Eco-Efficient Projects (June 2021)
Increase in land area under sustainable cultivation or sustainable stewardship as a result of the project (ha/km^2).	Adapted Global Impact Investing Network IRIS+ (CO20401)
ECOSYSTEM PROTECTION AND RESTORATION	
Indicator	**Source**
Increase in proportion of land under certified land management as a result of the project (ha/km^2).	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Biodiversity Projects (April 2020)
Increase in proportion of land in target areas under sustainable forest management as a result of the project (ha/km^2).	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C150201)

Increase in natural habitats restored, protected and/or safeguarded as a result of the project (ha/km²).	GRI (Disclosure 304-3 Habitats protected or restored) ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Biodiversity Projects (April 2020)
Increase in natural landscape areas in urban areas restored, protected and/or safeguarded as a result of the project (km²).	GRI (Disclosure 304-3 Habitats protected or restored) ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Biodiversity Projects (April 2020)
Reduction in proportion of traded wildlife poached or illicitly trafficked from target area as a result of the project.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C200206)
Number of local/district municipalities adopting and implementing local strategies to prevent and control invasive alien species in line with national strategies/ guidelines.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C150801)
Absolute number of predefined target organisms and species per km² (bigger fauna) or m² (smaller fauna and flora) before and after the project.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Biodiversity Projects (April 2020)
Absolute number of protected and/or priority species that are deemed sensitive in protected/conserved area before and after the project.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Biodiversity Projects (April 2020)
Absolute number of invading species and/or area occupied by invading species in m² or km² before and after the project.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Biodiversity Projects| (April 2020)
Absolute number of indigenous species, flora or fauna (trees, shrubs and grasses, etc.) restored as a result of the project.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Biodiversity Projects (April 2020)
Number of conservation workers (e.g. game wardens, rangers, natural park officials) trained in biodiversity conservation.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Biodiversity Projects (April 2020)
Number of forestry personnel trained in biodiversity conservation.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Biodiversity Projects (April 2020)

Number of farmers trained in sustainable farming and biodiversity.	ICMA / GBP Impact Reporting Working Group: Suggested Impact Reporting Metrics for Biodiversity Projects (April 2020)
Increase in coverage of protected marine areas as a direct result of project interventions (km^2).	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (CI40501)

ANNEXURE 3: SOCIO-ECONOMIC IMPROVEMENT OBJECTIVES AND QUALIFYING ACTIVITIES

OBJECTIVES	QUALIFYING ACTIVITY
1. Support employment and livelihood opportunities. Qualifying activities include:	
	1.1 The opening of productive new small, medium or large sustainable enterprises; opening and operating incubation facilities; roll-out of sustainable infrastructure; design and operation of public works programmes.
	1.2 Provision of training, retraining, skilling, reskilling, up-skilling, capacity building, capability development, vocational training, apprenticeships, life skills upgrading; job placement and job search schemes. Includes the actual provision of training by the transaction. Excludes establishment of a training facility or increasing the capacity of an existing educational facility (2.2 below).
	1.3 Increase in R&D funding and innovation support for new value chains, product and services.
	1.4 Activities which deliver regional economy diversification.
2. Improve access to services. Qualifying activities include:	
	2.1 Access to healthcare including the provision of health infrastructure and services in areas negatively impacted by climate action. May include primary and secondary healthcare services, physical and mental healthcare services and care of the elderly.
	2.2 Access to education including the provision of new education infrastructure and services in areas negatively impacted by climate action. May include early childhood development, primary, secondary and tertiary education. Will include provision of scholarships.
	2.3 Access to water and sanitation including the provision of new water and sanitation infrastructure and services in areas negatively impacted by climate action.
	2.4 Access to affordable energy including the provision of renewable energy to community members, workers and/or an area negatively impacted by climate action.

	2.5 Access to relevant finance and technical assistance to support: new enterprise development, supplier development, social and micro enterprises.
	2.6 Affordable access to communication technology and the digital economy including the provision of telephony, internet and data infrastructure and services on an on-going basis.
	2.7 Access to social safety net programmes available for community members, workers or areas negatively impacted by climate action. May include cash transfers, food assistance, vouchers and coupons.
	2.8 Access to affordable, safe and sustainable sources of food and nutrition to improve food security, including promoting regenerative and sustainable agricultural activities, productivity enhancement programming for small-scale farmers, waste and loss reduction programming and technology deployment such as smart irrigation.
3. Support the strengthening and development of existing and new supply chains. Qualifying activities include:	
	3.1 Localisation policy that requires a portion of materials, products and services to be sourced from a supplier or stakeholder in the immediate vicinity. This may be implemented through preferential procurement strategies.
	3.2 Working with new and established suppliers to improve their business growth and competitiveness.
	3.3 Formal partnering and collaboration relationships with new and established enterprises that provide tangible access to either finance/skills/technology/inputs/ processes that will improve the volume and value of the enterprises' operations.
4. Improve community spaces, organisations and services. Qualifying activities include:	
	4.1 Regeneration of urban centres in areas affected by climate change through: the diversification and upgrading of infrastructure, enterprise and service development, improved safety and policing, improved sports and leisure infrastructure and services, improved access, and increased community gathering

	spaces. Includes repurposing projects which positively transform community spaces.
	4.2 Community building, social inclusion, awareness and communication including the establishment and funding of community, business and place-based associations and forums. Includes working with local government structures to provide human settlement transformative services to communities, workers and areas negatively impacted by climate action.
	4.3 Expansion of public transport in areas negatively impacted by climate action, including increased connectivity with other urban and industrial centres.

ANNEXURE 4: SOCIO-ECONOMIC IMPROVEMENT INDICATORS

NOTE: All indicators apply to new and additive action; all indicators apply to a geographic location negatively impacted by climate action (such as decarbonisation plan of an existing company or a new investment to produce novel green products to avoid future GHG production).

SUPPORT EMPLOYMENT AND LIVELIHOOD OPPORTUNITIES	
Number and value of investments in new enterprises supported (small, medium, micro, large).	Common Output and Result Indicators for the Just Transition Fund of the European Union (EU-RCO-01); Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C080302)
Number and value of research organisations, technical innovation organisations and research and development (R&D) organisations with the aim of supporting new employment and livelihood opportunities in the local area.	Common Output and Result Indicators for the Just Transition Fund of the European Union (Adapted EU-RCR02-05); Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C80201,C90501,C90201); Global Impact Investing Network IRIS+ (O14718)
Number, capacity and value of investments in new Incubators created.	Common Output and Result Indicators for the Just Transition Fund of the European Union (Adapted EU-RCR17)
Number of new direct jobs created in a supported entity and the number of indirect jobs created that fall within the direct control of the investing party (e.g. supplier development programme).	Common Output and Result Indicators for the Just Transition Fund of the European Union(EU-RCR01); Global Impact Investing Network IRIS+ (O18266,019028)
Number of existing workers retrained and/or reskilled due to implementation of an in-house decarbonisation plan.	Global Reporting Initiative, GRI Sustainable Standards (Adapted GRI-11)
Implementation of recognised skills/training development programmes, and continuing vocational training aimed at developing skills that increase the recipients future mobility, career development and or income-earning potential (recipients can be workers or community members).	Global Reporting Initiative, GRI Sustainable Standards(GRI 404-2); Global Indicator Framework for the sustainable Development Goals and targets of the 2030 Agenda for sustainable Development (C40401-C200306)
Increase in economic inclusion in number of new employees/opportunities created by age group, gender, disability or other relevant diversity indicator.	Global Reporting Initiative, GRI Sustainable Standards (Adapted GRI 401-1; 202-2), SASB 310
Number and value of investment in new facilities and/or services to support employment placement and other employment services in the local area.	Common Output and Result Indicators for the Just Transition Fund of the European Union(Adapted EU-RCR65)

Number and value of scholarships offered to local workers and community members.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C040b01)
Number and value of learnerships offered to local workers and community members.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C40401-C200306)
Number and value of apprenticeships offered to local workers and community members.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C40401-C200306)
Number and value of existing educational or training establishments partnered with to support improved career mobility of learners.	Impact Investing Institute (UK) Criteria for Just Transition
IMPROVE ACCESS TO SERVICES	
Value of resources (human and financial) invested in childcare in support of: building new infrastructure, upgrading existing infrastructure, increasing resource capacity and efficiency, delivering affordable new services and/or increasing access to such services.	Common Output and Result Indicators for the Just Transition Fund of the European Union (EU-RCR70); Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (CC04202
Value of resources (human and financial) invested into educational learning in support of: building new infrastructure, upgrading existing infrastructure, increasing resource capacity and efficiency, delivering new, affordable services and/or increasing access to such services.	Common Output and Result Indicators for the Just Transition Fund of the European Union (Adapted EU-RCR 67); Global Indicator framework for the Sustainable Development Goals and target of the 2030 Agenda for Sustainable Development (C040a01)
Value of resources (human and financial) invested in healthcare in support of: building new infrastructure, upgrading existing infrastructure, increasing resource capacity and efficiency, delivering new services and/or increasing access to such services.	Common Output and Result Indicators for the Just Transition Fund of the European Union(Adapted EU-RCR 73); Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C030801)
Value of resources (human and financial) invested in affordable energy provision by supporting: building new infrastructure, upgrading existing infrastructure, increasing resource capacity and efficiency, delivering new services and/or increasing access to such services.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C06070a01); Global Impact Investing Network IRIS+ (PI19448)
Supply of new services and/or increased access to services for relevant finance especially to support social enterprises, micro finance and SME finance; (this includes direct access to finance as well as technical assistance and project preparation support to achieve increased financial flows).	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C090501); Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C081001-2,C90301); Global Impact Investing Network IRIS+ (D9681)

Value of resources invested in communication technology supporting: building new infrastructure, upgrading existing infrastructure, increasing resource capacity and efficiency, delivering new services and/or increasing affordable access to such services to improve interaction with the knowledge and digital economy.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C090c01)
Value of new social safety net programming.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C10301,10b02)
Value of investments to support improved access to affordable, safe and sustainable sources of food and nutrition.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C20101-2)
Value of investment into water and sanitation provision by: building new infrastructure, upgrading existing infrastructure, increasing resource capacity and efficiency, delivering affordable new services and/or increasing access to such services.	Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development (C200305,C060101)
SUPPORT THE STRENGTHENING AND DEVELOPMENT OF EXISTING AND NEW SUPPLY CHAINS	
Percentage of, and preferential terms offered for, inputs and materials purchased from local suppliers.	Global Reporting Initiative, GRI Sustainable Standards(GRI-201-4); Adapted Supplier Development (SD) and Enterprise Development (ED) Guide B-BBEE
Number of local suppliers trained or graduating from company supported supplier development programme.	Global Reporting Initiative, GRI Sustainable Standards (414); Adapted SD and ED Guide B-BBEE
Increase in investment directed to supplier development programming and support for local businesses and entrepreneurs.	Global Reporting Initiative, GRI Sustainable Standards GRI (414-1, 201)
Value of financial and non-financial support made available to local suppliers aimed at increasing their competitiveness and capacity to supply inputs or materials (this includes partnering with local firms to improve competitiveness).	Global Reporting Initiative, GRI Sustainable Standards GRI (201)
IMPROVE COMMUNITY SPACES, ORGANISATIONS AND SERVICES. QUALIFYING ACTIVITIES INCLUDE:	

Regeneration of urban centres in areas affected by climate change through: the diversification and upgrading of infrastructure, enterprise and service development, improved safety and policing, improved sports and leisure infrastructure and services, improved access, and increased community gathering spaces. Includes repurposing projects which positively transform community spaces.	Global Impact Investing Network IRIS+ (OI 1619, P12410,II6610)
Community building, social inclusion, awareness and communication including the establishment and funding of community, business and place-based associations and forums. Includes working with local government structures to provide human settlement transformative services to communities, workers and areas negatively impacted by climate action.	Global Impact Investing Network IRIS+ (PI5576,) 12319, O14324, O17914, II0324)
Expansion of public transport in area negatively impacted by climate action, including increased connectivity with other urban and industrial centres.	Common Output and Result Indicators for the Just Transition Fund of the European Union (Adapted RCO55-60)

APPENDIX SOURCES

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