



UN
environment
programme

finance
initiative

Just Transition Finance in Latin America and the Caribbean

Pathways for Banks
and Insurers

Executive Summary

Imagen de portada:
Stevano Vicigor

October 2025

Executive Summary

This report provides guidance to banks and insurers in Latin America and the Caribbean on their role in promoting a just transition. It includes key elements of just transition integration, emerging practices, and examples from the region.

Climate action to limit the increase in global average temperature to 1.5 °C is urgent and requires a deep transformation across all sectors, regions, and societies. However, **the climate crisis is also a social crisis, and its solution must necessarily place people at the center.** In this context, promoting a just transition is essential to ensure broad support for ambitious climate policies and to generate both environmental and social benefits. In Latin America and the Caribbean (LAC), this need is particularly salient: it is one of the most vulnerable regions to the effects of climate change, the most unequal in socioeconomic terms, and the richest in biodiversity.

The financial sector plays a crucial role as a catalyst for this transition. By mobilizing capital for sustainable solutions, transforming businesses, and supporting affected communities, banks and insurers can drive a fairer, more inclusive, and more sustainable economy. Integrating climate and social objectives is not an additional option, but a necessary condition for a truly transformative transition.

The strategies and approaches that banks and insurers can adopt to contribute to a just transition can be summarized in the following key recommendations:

- 1 Commit to the just transition.**
Identify what the just transition means for the financial institution, considering the local realities in which it operates, the sectors of the real economy it engages with, and the people potentially affected by its operations. Integrate the results of this assessment into the institutional strategy and commit to its implementation.
- 2 Put people at the center of the transition.**
Engage and consult relevant stakeholders, especially those most affected by climate actions, leveraging their knowledge and perspectives to strengthen institutional strategies and design financial solutions tailored to their realities. Furthermore, social dialogue between governments, employers, and workers should be promoted as a fundamental pillar to ensure participatory and legitimate processes.

3

Adopt a holistic and flexible approach.

Ensure coherent integration of climate, social, and human rights dimensions into institutional strategies. Each entity may start this process through different routes: by incorporating social aspects into climate actions, or by integrating climate goals into inclusion and inequality reduction strategies.

4

Develop products aligned with the just transition.

Create financial solutions that contribute to climate action while promoting decent work, entrepreneurship, inclusion and financial health. This includes products that support small business adaptation, investment in green technologies, and inclusion promotion. In LAC, a region highly vulnerable to climate change, it is essential to finance adaptation actions and close the insurance gap to strengthen the resilience of groups in vulnerable situations and historically excluded such as women, youth, Indigenous Peoples, and small enterprises. Sectors such as Agriculture, Forestry, and Other Land Use (AFOLU) are priorities due to their exposure, role in food security, and importance for rural employment and economic stability.

5

Strengthen internal and monitoring mechanisms.

Enhance internal capacities and processes aimed at preventing and mitigating negative social impacts. To this end, it is essential to establish clear, measurable, and locally adapted metrics that consider territorial dynamics, vulnerable groups, and existing public policies, reflecting progress in both environmental sustainability and inclusion and equity.

6

Foster behavior changes through client engagement.

Understand how clients' transition processes can generate social and environmental opportunities or risks. Support the development of credible transition plans to ensure they are fair and promote responsible decision-making through financial incentives integrated into products and solutions.

7

Engage in strategic partnerships.

Collaborate with other stakeholders to generate a shared vision and effectively implement just transition strategies.

8

Promote Indigenous Peoples' participation in the transition and ensure respect for their rights.

Indigenous Peoples play a key role in the region's transition. Through product development and strengthened internal operations, financial institutions can help uphold their rights, ensure their meaningful participation in decision making, and facilitate the negotiation and implementation of equitable benefit-sharing mechanisms.

This report is based on the guide developed by UNEP FI and the ILO in 2023: [Just Transition Finance – Pathways for Banking and Insurance.](#)



UNEP Finance Initiative (UNEP FI) brings together a large network of banks, insurers and investors that catalyses action across the financial system to deliver more sustainable global economies.

For more than 30 years the Initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda establishing the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance challenges.

Convened by a Geneva, Switzerland-based secretariat, more than 500 banks and insurers with assets exceeding USD 100 trillion are individually implementing UNEP FI's Principles for Responsible

Banking and Principles for Sustainable Insurance. Financial institutions work with UNEP FI on a voluntary basis to apply the sustainability frameworks within their industries using practical guidance and tools to position their businesses for the transition to a sustainable and inclusive economy.

Founded in 1992, UNEP FI was the first initiative to engage the finance sector on sustainability. Today, the Initiative cultivates leadership and advances sustainable market practice while supporting the implementation of global programmes at a regional level across Africa & the Middle East, Asia Pacific, Europe, Latin America & the Caribbean and North America.

unepfi.org

 unepfi.org

 info@unepfi.org

 [UN Environment Programme Finance Initiative](#)