



Investor
Group on
Climate
Change

Just Adaptation

An Introduction for Institutional Investors

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About the Investor Group on Climate Change

We are the leading network for Australian and New Zealand investors to understand and respond to the risks and opportunities of climate change.

Our members include our countries' largest superannuation and retail funds, specialist investors, and advisory groups. They are custodians of the retirement funds and savings for more than 15.8 million Australians and millions more New Zealanders.

Our members manage almost \$5 trillion locally.

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Summary

- Without fair and equitable adaptation (*just adaptation*), a lack of community support can block projects that are essential to safeguarding investor returns. This exposes investors to avoidable climate-related losses, erodes social licence, and undermines long-term portfolio performance.
- Just adaptation produces more efficient and cost-effective outcomes, reducing future loss and damage while opening investable opportunities in resilience infrastructure and adaptation solutions.
- By embedding just adaptation into investment decisions, risk assessment, stewardship, and policy advocacy, investors can prevent the redistribution of climate risk, protect beneficiaries' long-term interests, and contribute to a more resilient, investable economy.
- Just adaptation is an emerging area for investors, and good practice is still evolving. This paper introduces just adaptation as a people-centred lens that can be integrated into existing investor processes to help identify and manage social and systemic risks arising from both adaptation action and inaction.

1. Introduction

This paper introduces IGCC members to the concept of *just adaptation* and identifies potential areas for future work. It aims to explain why just adaptation matters for institutional investors, not only at the asset or portfolio level, but also for managing system- and economy-wide risks that ultimately affect long-term returns.

The paper explores how investors can start to incorporate just adaptation into their investment strategies, stewardship activities, and policy engagement to strengthen portfolio resilience while supporting fairer and more effective adaptation outcomes.

2. What is Just Adaptation?

Climate change impacts are inherently unequal. Some communities face greater exposure to climate hazards and have fewer resources to cope with them.¹ While institutional investors have increasingly engaged with the social dimensions of the transition to a net zero economy (*just transition*),² there is far less focus on the social risks and impacts associated with climate adaptation.

Even under lower temperature pathways, adaptation will be essential to protect people, ecosystems, assets, and services. As global temperatures rise, the need for adaptation increases. If adaptation is not undertaken fairly and equitably, or if it does not occur, existing vulnerabilities may worsen or new ones may emerge.³

This occurs in several ways:

- **Adaptation by one group can increase the vulnerability of others if fairness and equity are not considered.** At the local scale, a common example is flood

defences (e.g., levees, seawalls) that reduce risk for some people or assets but increase risk for others.⁴ At the international scale, poorer and more vulnerable countries may be harmed by the adaptation choices of wealthier and less exposed countries.⁵ For example, retailers may cancel contracts or sell assets in countries highly exposed to physical risks without considering the impacts on workers and communities. These outcomes are described as *maladaptation*, where adaptation shifts climate risk to other communities, sectors, and regions.⁶

- **Decisions not to adapt can negatively affect others.** Communities rely on governments and companies to maintain resilient infrastructure, assets, and services. When adaptation is delayed or absent, services may become reduced, disrupted, or more expensive.⁷ In extreme cases, governments or companies may retreat from a region rather than adapt.⁸ Workers similarly rely on their employers to provide safe

1 IPCC (2022) *Sixth Assessment Report: Impacts, Adaptation and Vulnerability*.

2 For example, IGCC (2024) *Investor Expectations for Corporate Just Transition Planning*.

3 Future Earth (2022) *A National Strategy for Just Adaptation*.

4 Schipper, E. L. F. (2020) *Maladaptation: When Adaptation to Climate Change Goes Very Wrong*.

5 Adaptation Without Borders (2021) *A Just Transition for Climate Change Adaptation: Towards Just Resilience and Security in a Globalising World*.

6 IPCC (2022) *Sixth Assessment Report: Impacts, Adaptation and Vulnerability*.

7 Climate Council (2019) *Compound Costs: How Climate Change Is Damaging Australia's Economy*.

8 Hanna C. et al. (2021) *Managed retreats by whom and how? Identifying and delineating governance modalities*.

and climate-resilient workplaces.⁹ In these situations, people are exposed to climate risks because of decisions they did not make.

These examples show that climate adaptation is not only a technical challenge, but a social one. Fair and equitable adaptation (*just adaptation*) helps maintain reliable infrastructure, essential services, and a productive workforce. These, in turn, underpin resilient communities and a stable, well-functioning economy. Just adaptation also

3. Why is Just Adaptation Important for Institutional Investors?

Institutional investors rely on a resilient and productive economy to deliver long-term returns for beneficiaries.¹⁰ Just adaptation is therefore financially material.

Poorly designed, contested, or delayed adaptation can reduce social licence, slow implementation, and increase physical risks to assets and operations.¹¹ At the same time, inattention to just adaptation can entrench and amplify inequality, increase financial stress, and weaken labour participation and local economies.¹²

For investors, these dynamics can translate into more volatile returns, slower progress towards net zero, weaker long-term economic growth, and heightened systemic risks, including disrupted supply chains, climate migration, and civil unrest.¹³

Just adaptation is particularly relevant for sectors and assets that provide services or underpin community wellbeing. Failures to address physical climate risks, within the

4. IGCC's Work on Just Adaptation

IGCC has already begun integrating just adaptation into its policy and investor guidance work. In its *Policy Priorities for 2026–30*,¹⁷ IGCC recommends that governments “ensure adaptation plans and policies support groups that are disproportionately vulnerable, involve communities in decision-making that affects them, and avoid maladaptation”. IGCC’s *Investor Expectations of Companies on Physical Risk Management and Resilience*¹⁸

requires considering the social harms that may result from delayed, inadequate, or absent adaptation.

In this Introduction, *just adaptation* refers to climate adaptation that reduces physical climate risks without shifting those risks onto other people, communities, places, or future generations, and that considers the social impacts of both adaptation actions and failures to adapt. Just adaptation is relevant across both chronic physical risks (e.g., increasing heat, drought, and sea-level rise) and acute risks (e.g., floods, fires, and cyclones).

scope of company or investor responsibility, can have significant and inequitable social impacts.¹⁴ These sectors include power generation and distribution, transport services and infrastructure, consumer goods and food retail value chains, residential real estate, and community housing.

Supporting just adaptation can also create tangible benefits for investors:

- Adaptation measures that are designed with communities may be more effective and cost-efficient.¹⁵
- Just adaptation can unlock new investment opportunities, including through innovative financing mechanisms for communities that may not otherwise be able to adapt.¹⁶
- Investors can ensure their investments do not exacerbate beneficiaries’ exposure to climate-related risks.

also includes an expectation that a company “demonstrates how adaptation actions consider workers, communities, First Nations people, shared infrastructure and/or nature and avoid maladaptation”.

These highlight two key investor levers to support just adaptation: policy advocacy and corporate engagement.

9 ACTU (2025) *Work Health and Safety in the Era of Climate Crisis*.

10 IGCC (2024) *Activating Private Investment in Adaptation*.

11 For example, Kazeminia E. and Mortreux C. (2026) *Institutional Barriers to Sea Level Risk Adaptation in Australia's Coastal Towns: A Systematic Review of Academic Literature*.

12 Future Earth (2022) *A National Strategy for Just Adaptation*.

13 Adaptation Without Borders (2021) *A Just Transition for Climate Change Adaptation: Towards Just Resilience and Security in a Globalising World*.

14 For example, Farmers for Climate Action (2025) *The Cost of Climate Change at the Checkout*.

15 For example, Sova C. et al. (2012) *Community-based adaptation costing: An integrated framework for the participatory costing of community-based adaptations to climate change in agriculture*.

16 NAP Global Network (2024) *Inventory of Innovative Financial Mechanisms for Climate Change Adaptation*.

17 IGCC (2026) *Supercharging Australia's Future: Mobilising Capital for Clean Energy, Industry, and Climate Resilience*.

18 IGCC (2025) *Beyond Risk to Building Resilience: Investor Expectations of Companies on Physical Risk Management and Resilience*.

5. How Can Investors Support a Just Adaptation?

Just adaptation is an emerging area for investors, and good practice is still developing. The actions outlined below are indicative and should be applied flexibly, depending on investment approach, asset class, and level of influence.

1. **Integrating just adaptation into existing decision-making processes**, including risk management, due diligence, and investment appraisal. This may involve:
 - a) Identifying where adaptation actions could shift risk onto other groups (i.e., maladaptation).
 - b) Considering the financial and social costs of delayed or absent adaptation.
 - c) Assessing whether affected communities and workers are meaningfully involved in climate adaptation decisions that affect them.
2. **Advocating for just adaptation to be embedded in government adaptation plans and policies**, including explicit consideration of the costs of not adapting. Clear, consultative, and long-term adaptation policy settings can reduce the risk of reactive or maladaptive outcomes.
3. **Supporting the development of equitable adaptation financing models**, where aligned with investor fiduciary duties. This may include engaging with blended finance pilots or other mechanisms that direct capital to underfunded adaptation needs.
4. **Engaging with investee companies on just adaptation**, through stewardship and corporate engagement, to understand how adaptation decisions incorporate social considerations and avoid maladaptation (per Recommendation 1).

6. Investor Roundtable and Future Work

In March 2026, IGCC convened an investor roundtable to explore the role of investors in enabling just adaptation and to identify priorities for future work. Three areas emerged:

- **Stakeholder mapping for just adaptation.** Investors highlighted the need to clarify roles and responsibilities across governments, investors, companies, community groups, and other actors to support fair and equitable adaptation.
- **Research to identify priority regions, sectors, and asset types.** Unlike just transition, where priority areas are relatively well defined, areas most at risk of inequitable adaptation outcomes are less well understood. Targeted research would help investors focus their efforts and ground discussions in practical examples.
- **Guidance to integrate just adaptation into existing investor activities.** While just adaptation is referenced in some existing guidance, participants noted that good practice remains unevenly understood and applied, particularly in risk assessment, due diligence, and investment appraisal.

7. Next Steps

Just adaptation is essential to enabling effective adaptation in Australia and globally. It supports a resilient, net zero economy while protecting long-term investor returns.

This Introduction is intended as a foundational resource to inform future IGCC guidance, research, and engagement. It aims to support early discussions on how investors, working with governments and companies, can embed just adaptation into their processes. If you are interested in getting involved with IGCC's work on just adaptation, please get in touch.



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