Nordic Financial Unions

NFU Position Paper

Mainstreaming the social agenda in sustainable finance

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1. Introduction

In recent years, sustainability and sustainable development have dominated the conversations on all levels. Governments, academia, industries, civil society, trade unions, and other stakeholders have showed their interest and commitment to the sustainability agenda through ambitious policies, activities, and partnerships.

Global initiatives such as the Paris Agreement[1], the Sustainable Development Goals (SDGs)[2] and the Addis Ababa Action Agenda[3], as well as regional milestones such as the EU Action Plan: Financing Sustainable Growth[4] and the European Green Deal[5], have become some of the more common references used as inspiration and grounds for action. These instruments, as well as many others used across the world, might have a different starting point but share **a common end goal - to improve people´s lives and wellbeing while caring for the planet and society´s long-term development**.

In parallel to the increased interest and support, the question of financing the achievement of the goals and indicators behind the global and regional initiatives started to surface[6]. This is how **sustainable finance gained momentum**, with the EU assuming global leadership in the discussion. The EU level-work meant setting the grounds for new legislation on sustainable finance and setting up a strategy that would lead to satisfying the financing needs.

Two noteworthy outcomes were noticed soon after: sustainable finance was almost equally defined as sustainable investing, and the EU decided that a step-by-step approach will be pursued in working with sustainable finance – meaning that the climate/environmental agenda will be prioritized, and the social and governance work will follow at a later stage.

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[1] The Paris Agreement (2016) is a legally binding international treaty on climate change. More information is available here

[2] The SDGs are at the heart of the 2030 Agenda for Sustainable Development, adopted in 2015. They represent a blueprint and a call for action for achieving a better and more sustainable future. More information is available here

[3] The Addis Ababa Action Agenda (2015) provides a global framework for financing the sustainable development agenda by aligning all financial flows and policies with economic, social, and environmental priorities. More information is available here

[4] The EU Action Plan (2018) sets out a strategy for connecting finance and sustainability, thus helping to implement the Paris Agreement and SDGs. More information is available here

[5] The European Green Deal (2019) is the new EU growth strategy consisted of policy initiatives with the aim of making Europe climate-neutral by 2050 while ensuring a just transition. More information is available here

[6] 2021 Strategy for financing the transition to a sustainable economy (page 2, here) and 2020 Employment and Social developments in Europe, Executive Summary (page 17, here) provide investment needs overview.

1.1 NFU´s position

For NFU, the work with sustainable finance meant seizing the potential of the Nordic countries, the financial sector, the Nordic model, and finance sector employees while actively participating in the formation of this new EU agenda.

To channel NFU´s positions on sustainable finance, NFU adopted a Policy Paper[7] at the end of 2019. One of the highlights from the Policy Paper is the wider understanding that NFU has on sustainable finance, as opposed to the narrower definition dominant in the EU-level discussions. The second highlight is the different approach to sustainable finance, that considers climate/environmental, social and governance considerations holistically and on an equal footing *(See Box I).*

With the EU deciding to go forward with a step-by-step approach starting with the climate/environmental agenda, the social agenda was left for later development, until now. This Position Paper aims to lift the key areas and initiatives in the current EU sustainable finance agenda and related fields where social objectives, indicators and considerations are needed, as well as to present the perspectives of finance sector employees and trade unions in these discussions.

Box I: NFU´s views on sustainable finance

One of the main challenges in addressing sustainable finance so far has been the definition of sustainable finance and sustainable investing and their overlap with each other and with other terms, such as responsible investing, impact investing and more. The common thread behind these definitions is the usage of ESG – environmental, social and governance considerations. Based on the EU Action Plan: Financing Sustainable Growth sustainable finance is referred to as *the process of taking due account of environmental and social considerations in investment-decision making, leading to increased investments in longer-term and sustainable activities.*

[7] NFU Policy Paper ´Making Headway to Sustainable Finance´(2019), available here

Box I: NFU´s views on sustainable finance (cont´d)

Similar albeit broader definition (on sustainable investment) is offered in the Sustainable Finance Disclosure Regulation (SFDR). All in all, both definitions mean that sustainable finance and sustainable investment are seen as almost identical terms.

In NFU´s view, the full potential of sustainable finance can be seized if sustainable finance is assessed beyond the scope of sustainable investment. To achieve that, a wider approach that **re-defines sustainable finance** needs to be adopted, as well as a **shift in perspective**.

Therefore, *sustainable finance is an orientation to holistically use the ESG approach in making people and community-centered decisions, and to tailor all societal aspects to meet the present and future needs of citizens in a flexible, inclusive, and self-sufficient way*.

In this context, sustainable finance speaks to supporting job creation and sustainable workplaces; redefining formal, non-formal and informal education; strengthening social dialogue; promoting local growth; increasing efforts towards gender equality and diversity; fostering innovation that serves society; advancing consumer protection; enabling digital inclusion; and ensuring financial inclusion.

The shift in perspective means that the financial sector and all involved stakeholders need to adopt an orientation in line with sustainable finance, which is based on transparency, long-termism and trust-building. Finance sector employees and trade unions can play a significant role in helping to shape this organizational culture and carry it throughout their relations with customers and other stakeholders.

2. The evolution of social considerations

Social considerations, in a wide context, are an integral part of policy and legislative work on EU level in all areas. The social effects (of different magnitudes and types) are also supposed to be considered in the process of conducting impact assessments, as a first step in the preparation of legislative proposals. Additionally, both the EU Treaties and the Charter of Fundamental Rights[8] enshrine the care for fundamental rights, including labor rights.

On top of that, the EU has come forward with specific proposals and instruments targeting social areas of particular interest to Europeans. The most recent example are the initiatives around the European Pillar of Social Rights[9]. Globally, the social considerations gained traction with the adoption of the Sustainable Development Goals (SDGs) and the Paris Agreement. In parallel to this, the work of international organizations and social partners has also put spotlight on different social considerations, particularly connected to human rights abuses.

Over the past years, the interest in social issues has been steadily rising among regulators, the finance sector and among Europeans[10]. Additionally, the previously mentioned developments in sustainable finance, focusing on the environmental/climate agenda, have left a good basis for developing the sustainable finance agenda in a social direction. The next steps lie in assessing what social considerations really are, and where in the sustainable finance legislative landscape they can be introduced.

With that in mind, **social considerations could be defined as the manner in which any entity engages with its key stakeholders and the footprint that its policies and operations leave on their rights.** This could relate to **positive outcomes** towards people (including workers and customers), value/supply chains, and communities, leading to dialogue, respecting, or advancing their rights; or **negative outcomes** towards the mentioned stakeholders, leading to harming or denying their rights.

Throughout the paper, we will refer to the term ´social agenda´ when giving a broad picture and referring to elements that apply to social considerations as well as social objectives and social indicators, which as terms are tied to specific legislative files.

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[8] The EU Charter of Fundamental Rights brings together all the personal, civic, political, economic, and social rights enjoyed by the people in the EU in a single document. More information is available here

[9] The European Pillar of Social Rights includes 20 key principles towards ensuring and strengthening the vision of a fair, inclusive, and socially strong Europe. These principles are further detailed with the European Pillar of Social Rights Action Plan. More information is available here

[10] Eurobarometer, Future of Europe, March 2021 here and Eurobarometer, Social issues, March 2021 here

The next chapter explores the main areas in/connected to sustainable finance where the social agenda could be further taken into account and advanced.

2.1 Current state of play

The EU sustainable finance agenda has largely been based on the EU Action Plan: Financing Sustainable Growth (2018), which includes several areas relevant for the social agenda. Other initiatives that have had connections to sustainable finance are the European Green Deal (2019) and the new instruments aiming to support the recovery from the COVID-19 pandemic.

Illustration: Current state of play

With this in mind, the relevant areas include:

- **Taxonomy** – the EU Taxonomy is a classification system that establishes a list [11]of environmentally sustainable economic activities. The Taxonomy Regulation[12] defines the framework under which the taxonomy itself is developed. Currently, the Taxonomy focuses on climate/environmental objectives. The only social reference in it are the minimum (social) safeguards[13], which are used as assessment criteria and can benefit further

[11] Sustainable Finance Disclosure Regulation (Regulation on sustainability-related disclosures) available here

[12] More information about the EU Taxonomy and the Taxonomy Regulation (Regulation on the establishment of a framework to facilitate sustainable investments) is available here

[13] The minimum safeguards should be procedures that companies should follow, to adhere to several

development. Additionally, in order to address sustainable finance holistically, the Taxonomy should be extended to include social objectives.

- **Disclosure** - broadly speaking, the disclosure framework aims to provide investors and other relevant stakeholders with information about the impact of a company´s activities on climate, environment and society as well as the risks faced by the company due to its sustainability exposures (the so-called principle of double materiality). The Sustainable Finance Disclosure Regulation (SFDR) is the most specific one for the financial sector as it targets financial market participants and financial advisers, introducing disclosure requirements on entity and product level. Social (and governance) considerations and indicators are part of the disclosure and an area that can be further developed and aligned to the Taxonomy.
- **Corporate Sustainability Reporting** – the newly proposed Directive[14], replacing the Non-Financial Reporting Directive (NFRD) is also part of the new sustainability disclosure regime. It includes an extended scope of entities, an obligation to publish the financial and non-financial reports at the same time and ultimately, it introduces an obligation for assurance while promising sustainable reporting standards. This is set to lead to a wider scope of actors covered and a better quality of sustainability data made available. Human rights and labor/trade union rights are an important social backbone in the proposal, that needs further detailing.
- In the **Sustainable Corporate Governance** frame, companies are encouraged to frame their business decisions in terms of their climate/environmental and social impact as well as considering the company´s long-term development (as opposed to short-term interests). This upcoming initiative[15] will reflect on directors´ duties of care and introduce obligations connected to due diligence, extended to value/supply chains. Human and trade union rights can be particularly strengthened in the frame of this proposal.
- The **European Green Deal** represents a milestone for the European

instruments such as the fundamental ILO Conventions, the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights and the International Bill of Rights (Taxonomy Regulation, Art.18)

[14] More information about the proposal is available here

[15] More information about the upcoming initiative is available here

Commission concerning climate and environmental policy. Deemed as the new growth strategy for the EU, the social considerations in this framework have been captured through the element of just transition where ´no one is left behind ‘and its connected (financing) mechanism[16]. Further developing the European Green Deal to include social safeguards and wider examinations of the social effects of the transition would be a meaningful way forward.

- The **COVID-19 pandemic** took the world by a storm, leaving devastating effects on health systems, but also economies, human lives and society as a whole. To mitigate the impact, the European Commission proposed a different long-term budget, including a temporary mechanism to support the Member States recovery[17]. The mechanism includes mandatory fund allocation to support the digital and green transition, but not specifically the fair/just transition. Thus, developing the social angle to this mechanism could be the next step.

3. Rationale

The purpose behind this paper is to strengthen the ongoing work that NFU carries out as a proactive contributor to the core EU sustainable finance processes as well as connected areas that are of relevance to the social agenda. More precisely, this paper provides better clarity on the **needs and positive role of finance sector employees and trade unions in accelerating sustainable finance** through the carryout of their daily professional roles and activities. It also provides **recommendations, particularly from a social angle**, for some of the key legislative files shaping the sustainable finance agenda.

3.1. Role of trade unions and finance sector employees

The financial sector has been put at the forefront of the sustainable finance agenda as one of the most important stakeholders equipped to help individuals, companies, and

[16] More information about the Just Transition Mechanism is available here

[17] More information about the Multiannual Financial Framework 2021-2027 and recovery package is available here

communities to contribute to the transition efforts. Assigning this role to the financial sector means putting finance sector employees in the driver´s seat.

In the wake of the financial crisis, record amount of financial regulation was rolled out by the EU aiming to stabilize financial markets and prevent further turmoil. However, these rules and frameworks did not consider the effect of the new requirements on finance sector employees, their working environment, and daily realities, particularly when meeting customers. Financial trade unions took the initiative to explore these effects on employees and took steps to inform decision makers of their findings.

Now, at the forefront of another, albeit different than before, significant regulatory change the input and perspectives coming from finance sector employees and trade unions need to be one of the key considerations to take in upfront. To do that, it is important to reflect on **the specific roles finance sector employees carry out and can support, in the context of sustainable finance**:

Toward consumers: Finance sector employees are the face of the financial sector to consumers and key creators of trust and long-term customer relations. Employees are central to the customer experience and to ensuring sound consumer protection. They are the ones customers will approach to better understand what sustainable finance is and receive sound, personalized advice, based on their sustainability preferences, suitability and needs. Employees will also be the ones preparing documentation, including mandated templates, and entering a dialogue with customers on their content and purpose. All these situations lift the need for sufficient time and resources to be given to employees for carrying out their tasks, as well as the need for competence development on sustainable finance, not only for employees in advisory functions, but across all departments in the company.

Toward a sound financial sector: Employees are one of the main value-creators in the financial sector, and together with trade unions, one of the main supporters in accelerating the efforts to sustainable finance and sustainable working life. This support refers to both advancing the internal business processes related to the carryout of their duties, as well as advancing the physical and mental working environment, the working conditions, and employee representation in decision-making and other relevant bodies. All of this strengthens the financial sector and contributes to its sustainable development.

Toward sound implementation of financial regulation: Employees, through their daily work, are central to the implementation of financial regulations. They have first-hand experience working with consumers on one hand, as well as experience from the practical implementation of rules and procedures. Their insights can be valuable for both companies and regulators, especially in finding the right balance when it comes to disclosing sustainability-related data to consumers. Employees' know-how can significantly contribute to assessing the administrative burden and streamline the sustainable finance legislative framework for optimal effects.

Toward the financial system and wider society: Employees´ efforts and insights have the capacity to contribute to improving financial inclusion, as well as increasing transparency on sustainability issues and trust in the sector. By being directly involved in all aspects of financial operations, employees are also part of the watchdog mechanism, strengthening the efforts against fraud, tax evasion and money laundering. Furthermore, the employee right to ´blow the whistle´ in cases of greenwashing, social washing or discrepancies in the sustainability-related suitability of financial products can be an early warning mechanism and should be further strengthened and secured.

In the Nordic countries, the majority of finance sector employees are organized in trade unions. Following the Nordic model, **trade unions** are active stakeholders on national level and have strong impact in political decision-making and the shaping of public policy. Coming from a position of having broad understanding of national political realities, of policy implications on the labor market and wider society, and of knowing the everyday work realities of employees, trade unions are uniquely equipped to support the vision of sustainability. The added value of financial trade unions in particular can be seen when moving forward with the social sustainability work – here the dual power of financial trade unions lies in their ability to understand financial regulation while approaching it with the social agenda lens.

In the past couple of years, the financial trade unions across the Nordic countries have carried out many activities related to sustainability, in a wider context. For inspiration and information, some of their efforts are presented in the separate *Annex* to this publication.

In summary, recognizing and engaging finance sector employees and trade unions in the sustainable finance agenda, whether in a narrower or wider context, is a winning approach on multiple levels.

4. Social agenda: general considerations

Working with the social agenda in a broad context, including social considerations, objectives and indicators, leads to the understanding that there are both certain specificities to the field and fundamental differences compared to the methodology used when working with the broad climate/environmental agenda. This means that addressing social considerations, developing social objectives in the Taxonomy or working on social indicators within disclosure, would be different, but possible to achieve, as long as some general considerations are taken into account.

- *Foundation* – the foundation behind the social objectives/indicators/considerations relies on the EU Treaties or international instruments (for example, the UN Guiding Principles on Business and Human Rights[18]) which have been politically agreed. The daily realities and actions on the other hand are closely tied to the local communities and national legislation and need to be carefully assessed on a case-by-case basis. As opposed to this, the climate/environmental agenda has a more solid scientific basis and is less tied to a local context.

- *Definitions* – looking for a uniformed definition for a number of social issues might be a daunting task. Most reporting frameworks and legislative pieces would have a varying and often vague definitions of key terms. This challenge has started to gain attention and will hopefully be remedied both through future EU sustainability reporting standards as well as through continuous dialogue with stakeholders with social competence.

- *Data* – historically, the quality and availability of data on social and labor issues has not been uniformed. This has affected the composition of social objectives and indicators, their understanding, and their comparability. The recent surge in interest on social issues and the new regulatory requirements have given space for improving social data. In the next years, the reporting practices are also expected to improve.

- *Activity vs entity* – the social impact of a company´s operations, policies and strategies is usually visible at entity level, and as such it is much more difficult to break apart by activities. As opposed to this, the approach for the environmental/climate agenda has been focused on separate economic activities.

- *Efforts vs effects* – when data on social issues is available, it will usually indicate the effort of a company (for example, the existence of a diversity policy) but not the effect of it (how and whether it is implemented and yields the foreseen results). Over the long term, the effects of actions/policies will be the signs of success with the social agenda, and both companies´ ambitions and data management need to evolve in that direction.

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[18] The UN Guiding Principles on Business and Human Rights (UNGPs) seek to provide a global standard for preventing and addressing the risk of adverse human rights impacts linked to business activity. More information is available here

- *No offsetting* – in climate change adaptation, for some sectors, an alternative to decarbonizing is offsetting (practically paying someone else to reduce/absorb CO_2 to compensate for own emissions). In a social context this is not possible, meaning that social considerations, indicators and objectives would have a direct, measurable effect that cannot be offset.

5. Overarching policy principles

NFU´s efforts have been directed towards highlighting the needs of finance sector employees and trade unions, their role as accelerators of the sustainable finance agenda, and their visions concerning key EU policy and regulatory developments.

Central to NFU´s efforts so far have been the processes surrounding the Taxonomy and the area of Disclosures, with particular focus on the Sustainable Finance Disclosure Regulation (SFDR). These represent the **main areas of NFU´s work**. To inform its work, NFU has also participated in the processes connected to the main areas, such as corporate sustainability reporting and sustainable corporate governance, the European Green Deal and the ongoing post-pandemic recovery. These represent **the connected areas**. Specific recommendations on both main and connected areas will follow.

In addition to them, there are also certain overarching policy principles whose practice would improve the implementation of the various legislative files and instruments across the sustainable finance agenda:

- *Holistic approach* – a strong social base needs to be the pre-condition behind any action that aims to help and advance our planet and our societies. Working towards sustainable finance means that environmental (including climate), social and governance considerations are given the same level of attention and taken into account holistically, as opposed to one-by-one.

- *Policy coherence* – as several significant files for the sustainable finance agenda have been developed at a different point in time, policy coherence would help to provide a uniform understanding and a set of definitions, as well as smoother and uniformed reporting, as opposed to reporting on same/similar issues several times due to different reporting requirements.

- *Social dialogue reinforcement and the role of social partners* – many of the social indicators, objectives, or considerations that are being addressed under the sustainable finance agenda could be better informed by direct engagement with social partners or discussed through the process of social dialogue. Trade unions in particular hold unique competences and are often the logical but not obvious partner to the discussions, which NFU is working to advance.

- *Inclusion and competence* – initiatives towards financial (and digital) inclusion and sustainability-related competence across the financial system are important elements to consider in order to allow for equitable access to sustainable financing options. Consumer´s access to sound, personal advice has a significant role to play in this context. In addition, the trend of closing local branches can limit this opportunity and also potentially diffuse the access to finance for some SMEs.

- *New challenges/opportunities* – digitalization, customer (and employee) data management and governance, the risks of greenwashing and social washing, and the unleveled playing field with FinTech and BigTech companies remain as some of the main challenges for the financial system. They need to be considered, with varying levels of relevance, in the sustainable finance agenda, and with appropriate legislative and policy action, turned into opportunities.

5.1 Policy recommendations - main areas

With their role and competence appropriately recognized and seized, finance sector employees and trade unions can act as sustainable finance accelerators. This is particularly relevant for the area of social sustainability. Advancing the social agenda in sustainable finance would mean achieving more than making investment decisions, as the actions triggered through financing can bring material and direct improvements to job creation and retention, human and labor rights, and society at large.

Given the listed general considerations and the current legislative developments on EU level, NFU finds that a regulatory system that aims to facilitate the transition to sustainable finance and support the financial sector, communities, and societies on this pathway would need to deliver across several areas.

Taxonomy

- Prioritize on **formally expanding the scope of the Taxonomy Regulation to include social objectives**, as well as to further detail them through a social taxonomy. An essential part of these efforts would be to set up an inclusive, continuous, outcome-related dialogue with all relevant stakeholders that will aim to create a common ground on the social objectives.

- The social taxonomy should be geared towards the **Sustainable Development Goals (SDGs)** and informed by both fundamental EU legislative and strategic instruments, as well as internationally recognized human/labor rights frameworks, standards, and conventions. Furthermore, successful national/regional approaches and social dialogue outcomes should be considered where relevant.
- NFU sees that a set of wide **social objectives needs to include**:

  - Fostering social dialogue, collective bargaining and ensuring freedom of association, including across value/supply chains;
  - Contributing to decent job creation, career development and long-term employability, including the creation of ´People Plans´;
  - Improving access to (essential) products and services through inclusive approaches, and sustainable business models, including social innovation;
  - Fostering occupational health and safety at work, including physical and mental health promotion;
  - Creating quality work environments, including policies for employee data management and governance, right to disconnect and remote work and policies promoting a work environment free from violence, harassment and discrimination;
  - Advancing gender equality and diversity, including through providing equal, inclusive and meaningful opportunities for life-long learning, personal and career development as well as ensuring opportunities for participating and being an active stakeholder in the workplace, community and society at large;
  - Fair compensation and benefits, including fair working conditions and employer-supported, continuous competence development;
  - Advancing democracy at work, including employee representation in decision-making bodies, consultation and information rights, grievance mechanisms as well as the establishment of safe whistleblowing internal and external guidelines and structures;
  - Measuring impact on local communities, including on land, human, labor and child rights (across sectors, fields, and supply chains) as well as efforts and outcomes in identifying, preventing, mitigating and resolving them.

- The existing minimum (social) safeguards in the current (environmental) taxonomy should be accompanied with **clearly defined procedural asks and standards** that will support their application and reporting in a uniformed way.

This will help with providing more depth in how they are applied, close potential knowledge gaps and identify both best practices as well as bottlenecks. At the same time, it can help in preventing green/social washing and internal market issues.

- In the same line of thinking, a social taxonomy should also take into account **minimum environmental safeguards**, developed based on the lessons learned with the minimum social safeguards. Furthermore, the concepts of do-no-significant-harm and significant contribution should be adjusted to the specificities of the social taxonomy. Lastly, **governance-related safeguards** should be part of both the environmental and social taxonomy.
- The **Platform on Sustainable Finance**[19] should be reimagined to specifically include a wider representation of (financial) trade unions in its work and an opportunity for direct input from finance sector employees and other relevant stakeholders, as needed. Having in mind the regulated tasks of the Platform, financial trade unions can specifically help with the definition of the social objectives, the evaluation of compliance and administrative burden, convey the practical implementation of provisions in daily life, and more.

Disclosure

- In the context of the Sustainable Finance Disclosure Regulation (SFDR), which requires assessment and public disclosure of ESG information, the number of new requirements has been substantial, both regarding entity and product-related disclosures. Undoubtedly, more ESG information is needed to improve the knowledge gaps and to make informed decisions but for the regulations to achieve the desired effect, it is important to ensure a **right balance** between the quality, relevance and amount of information disclosed.
- There has been a missed opportunity to **align the social indicators under SFDR and the social taxonomy objectives**, as well as to establish a proper space for dialogue and benefit from the expertise of stakeholders with social competence in the development of the indicators. Both should be re-assessed. Additionally, in the future reviews, governance considerations should be included as a stand-alone category in the SFDR.
- The SFDR remains as one of the more **complex pieces of legislation** which, as seen through the implementation questions raised by the supervisory

[19] The Platform on Sustainable Finance is a permanent expert group of the European Commission, established with the Taxonomy Regulation. More information is available here

authorities, requires further clarification by the legislators. Such examples include the classification of products and the treatment of products making sustainable investments with social objectives in the current environmental taxonomy.

- The impact assessment behind the SFDR reporting requirements should re-assess the costs of integrating ESG considerations. Currently, the perceived costs relate to obtaining data for the purpose of disclosure only - buying external data, doing additional internal research and engagement with (investee) companies.

  The next steps need to be part of the impact assessment and evaluation of policy options, as well. These include the **costs, time and other resources** devoted to the usage and interpretation of the obtained data by employees, competence development, changes in the provision of advice or meeting regulatory demands and more.

- One of the largest needs behind the creation and implementation of the sustainable finance agenda lies in **competence development** and this is particularly evident with the SFDR. The financial sector has a key role to play in transitioning to sustainable finance, and as such finance sector employees face increased competence development needs through educational and certification programmes.

  Financial trade unions across the Nordic countries have been developing such approaches, which could serve as best practices. At the same time, the need for competence is equally important throughout the financial system, including regulators and supervisors, particularly concerning social and governance considerations.

- The availability, relevance, quality, consistency and comparability of **sustainability-related data**, and the different methodologies used by data providers will play a significant role in the correct understanding of the disclosed information. While there is progress, ESG data remains far less consolidated and unequally developed and ESG data providers are yet to be regulated.

  This slow evolution needs to be considered and balanced with the reporting needs. Clear, measurable, consistent, and comparable way of reporting on these items needs to be included, as well as the possibility for a machine-readable content.

- The practical implementation of the SFDR relates to the use of templates while meeting consumers that should provide the needed transparency around different financial products, and in addition to other mandatory documentation. The **testing phase of these templates** needs to be strengthened, so they are assessed after every alteration by EU legislation, and before they are released for use.

So far, the testing has been carried out through selected consumer panels. Including finance sector employees, who in fact will use the templates in their daily work, is essential for a successful testing process and the usability of the templates.

- As consumers are increasingly interested in making meaningful contributions to the sustainability agenda, it could be challenging for some to understand the difference between ´sustainability´ in SFDR and ´sustainability´ in the Taxonomy Regulation – for example, when a product relates to a sustainable investment while not being Taxonomy-aligned. It can be confusing for the customers and challenging for financial advisers to address these differences. Further clear and **detailed guidance on usage of templates and addressing potential dilemmas** could be useful to facilitate the process.

5.2. Policy recommendations - connected areas

Corporate Sustainability Reporting Directive (CSRD)

- The CSRD now applies to all listed companies and large companies meeting certain criteria. Together with changes to turnover and total assets, one of the new criteria is for the company to have more than 250 employees (instead of the former 500), with the reasoning that it will expand the scope of companies that need to report. The **added value** of this change should be reassessed as implementation reports of the earlier directive state that this has already been the case in 11 (out of 27 EU Member States), including in the Nordic countries[20].
- The **treatment and credibility of the reported sustainability-related information** has been strengthened, including through auditing and formal responsibilities by the management body to certify about the internal risk and control frameworks put in place, and forward-looking projections. Additionally, the sustainability-related information is to be presented together with financial information, which should strengthen the attention and importance given to it.

[20] GRI & CSR Europe, Member State Implementation of Directive 2014/95/EU: Comprehensive overview of how Member States are implementing the EU Directive on Non-financial and Diversity Information, available here

- There is a **clear role for trade unions** and finance sector employees in meeting the new requirements (selecting material topics, disclosing social impact and capital information, reporting) as well as in the assurance process that has been introduced. Trade unions can support the process of data assurance, particularly because of the limited audit.
- The **scope of reported governance and social information** should be extended to particularly reflect internal and external reporting channels/whistleblowing mechanisms; employee representation in company boards; data management and integrity; diversity; and better disclosure of value/supply chains-related information.
- Trade union representation and involvement in the **European Financial Reporting Advisory Group (EFRAG)**[21] and its working structures responsible for developing sustainability reporting standards is essential for achieving an informed process and solid outcome.

Sustainable Corporate Governance

- Setting up **binding due diligence** obligations for companies that will focus on the assessment, identification, mitigation, prevention and remediation of human rights violations and environmental impact across business operations and value/supply chains is one way of contributing to advancing the social agenda and ensuring sustainable development.
- The rights to freedom of association, collective bargaining rights, social dialogue, democracy at work, and decent working conditions should be an important part of this framework, as they are part of both key EU and international instruments, agreements, and conventions. Fulfilling and respecting these rights would enable the fulfillment of other human rights.

  This is relevant **internally, but particularly pertinent for companies´ external, outsourced operations** where widespread breaches tend to happen[22]. Ensuring these rights across all business operations could also shift the basis for competition among companies to new products and innovation.
- As key internal stakeholders, trade unions and employee representatives should take an active part in the process of **due diligence**, the assessment of actual/potential adverse impact on operations and be represented in company boards and other relevant bodies. Through their expertise in assessing human

[21] EFRAG is a private association established in 2001 with the encouragement of the European Commission to serve the public interest. More information is available here
[22] More information is available here

rights risks and particularly workers´ rights and their role in remediation of harm, they would add value to the process. At the same time, trade unions negotiate **Global Framework Agreements**[23], which can be a good basis for implementing due diligence requirements.

- Potential regulatory requirements and other measures concerning the wider corporate governance field should make sure **not to hamper current actions** to improve diversity on company boards and increase the representation of women in top management. At the same time, due consideration needs to be given to national regulations and traditions, such as the mandates of social partners, collective bargaining practices, as well as the labor market specificities, including varying payroll taxation models.

European Green Deal

- Action on climate/environmental concerns is undoubtedly needed, and the European Green Deal is a milestone that guides the industrial transition and the need to ´finance green´. However, a key element missing is a **wider analysis of the social impact** that the greening of the economy would bring.

  The current focus on re-skilling and up-skilling is important, but the effects on workers, families and communities are much wider than that. Carrying out a comprehensive analysis on the social effects would shed light on areas for action beyond skills. It will also lift the social considerations on the same level as opposed to secondary to the climate/environmental concerns.

- A comprehensive analysis on the social effects could give the Just Transition Mechanism, which foresees support to mitigate some of the transition effects on regions, industries and workers, a new, **more targeted purpose** and call for the reform of other relevant mechanisms. The recent **Social Climate Fund**[24], for example, could be repurposed to go beyond addressing the social impact of the new EU Emissions Trading System (ETS) only.

- Social partners and employee representatives need to take an active role in the creation and assessment of decarbonization plans, skills-related initiatives, and other areas of action. The **introduction of safeguards that protect against harming human/labor rights** need to be part of these initiatives as workers are more than mere objects of the just transition but active stakeholders in it.

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[23] Global Framework Agreements are global agreements negotiated between trade unions and multinational companies

[24] More information about the European Social Climate Fund is available here

The **Just Transition Platform**[25], as a space for assistance, dialogue, and exchange of best practices for Member States, should also involve social partners. Given the magnitude of the European Green Deal, the possibility to establish an EU-wide civil society mechanism should be explored, comprised of stakeholders with various competencies, including employee representatives and trade unions. This body could enable for more hands-on monitoring on the ground and assess the ambition of the regional plans in real life.

- The policies and activities foreseen with the European Green Deal need to consider the work and the findings of the **EU Taxonomy** (the current environmental one as well as the future social taxonomy) as well as to ensure that Member States´ plans and work with the European Semester align with the **Sustainable Development Goals (SDGs)**.

COVID-19 recovery plans

- The main premise behind supporting the post-pandemic recovery has been to ensure for a digital and green recovery. The spending around these two major areas has been specifically mandated and earmarked within the Recovery and Resilience Facility (RRF)[26], with Member States´ spending on digitalization going beyond the mandated. This concept needs to be broadened to take into account the need for **just/fair transition and mandate funding towards advancing the social agenda,** while mitigating the effects of the pandemic.
- In this present context, at least **social safeguards** need to be part of the framing and implementation of recovery plans which is largely focusing on a digital and green recovery. They could be introduced as an assessment/conditioning tool to ensure the protection of human and labor rights, similarly to the introduction of the rule of law conditionality.
- A guiding framework for the Member States´ recovery plans have been the **six pillars** defined with the RRF[27]. While the green transition and digital transformation are directly addressed in the first two pillars respectively, the social initiatives have been addressed indirectly through the headings related to crisis preparedness and sustainable growth.

  Re-imagining this framework to motivate social initiatives and facilitate their classification could boost the number of social initiatives taken. Challenges

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[25] More information about the Just Transition Platform is available here
[26] More information about the RRF is available here
[27] More information about the pillars within the RRF is available here

with the latter have been noted when initiatives cover multiple areas, which has led to some Member States introducing their own classifications.

- The pandemic has undoubtedly had an impact on gender equality. ´The European Commission should analyze and monitor the implementation of the recovery plans from a gender perspective and release recommendations and guidance to advance efforts in that direction.

  Furthermore, the impact and comprehensiveness of the initiatives included in the recovery plans should be assessed against the inclusiveness of the process practiced by Member States i.e., to flag initiatives that have been developed in **consultation with relevant stakeholders** and encourage cooperation in the same spirit. Trade unions and employee representatives should be involved in both the assessment, identification, and implementation of initiatives, particularly those connected to social challenges and opportunities.

- The **environmental and social taxonomy and the SDGs** should form a basis for the sustainability-related efforts of the initiatives. Furthermore, **public procurement rules** should be aligned with the existence of collective agreements and freedom of collective bargaining.

6. About NFU

NFU – Nordic Financial Unions is an organization that promotes the interests of the Nordic financial trade unions in Europe. Through a high level of competence and dialogue, NFU contributes to shaping a sustainable financial sector, fundamental for job creation. Currently, NFU represents eight trade unions in the bank, finance and insurance sector in Denmark, Finland, Iceland, Norway and Sweden.

Mission

NFU – Nordic Financial Unions builds cooperation among Nordic financial trade unions and promotes their interests in Europe.

- Through a high level of competence and dialogue, NFU contributes to a sustainable financial sector, fundamental for job creation and long-term economic development.
- NFU creates value for the affiliates by acting as a knowledge hub among trade unions in the Nordic financial sectors, strengthening their cooperation and expertise.

Vision

NFU strives to make the financial sectors prosper in a way that is sustainable for employees, companies, consumers and societies.

- This is done through influencing regulation, framework conditions and business strategies that support job creation, economic growth, gender equality and diversity.

For more information, please visit www.nordicfinancialunions.org