

# POLICY BRIEF

No.3 · Policy Brief · 10.2019

## SUSTAINABLE AND RESPONSIBLE FINANCE

A concern for strong Workers' Voice



## 1 INTRODUCTION

The public debate about sustainability is nowadays prevalent. The protection of the environment in order to preserve our planet for the generations to come is of utmost importance. Sustainability is more than environmentalism, as it is a holistic approach of long term orientation rather than looking at short term (economic) gains.

To foster sustainability it is necessary to shift the approach from the short-sight interests of very few privileged people towards the long term interests of the many. This is true for corporate governance and finance, too.

The financial crisis starting in 2008 has revealed the consequences of high risk deals and unregulated financial markets. Global rules are needed as financial markets are interconnected.

### Infobox 1

#### **The Global Framework Agreement between UNI Global Union and UniCredit on Human Rights and Fundamental Labour Rights**

The Global Framework Agreement between UNI Global Union and UniCredit has been adopted in January 2019. Before joint declarations between UniCredit and UNI Global Union regarding work-life balance, equal opportunities and non-discrimination and learning, training and professional development were introduced.

## 2 SUSTAINABLE AND RESPONSIBLE FINANCE

The UN Sustainable Development Goals are set up to achieve a better and sustainable future not only for current but also for future generations. The financial system is an important backbone for the economy on the one hand, but also plays a key role when it comes to reaching the sustainable development goals of the UN as the financial system can work as an engine towards a fair transition.

Sustainable finance in an environmental context means more investment in green technologies and enabling green companies to acquire sufficient capital to grow. The European Commission presented first legislative proposals in that context in May 2018 (European Commission 2018). From a governmental and regulatory perspective on the macro level, regulation of the financial market and its institutions as well as policy instruments for long term growth are needed to ensure economic sustainability. Integrity and soundness of financial markets

are the backbone of the economy. Global regulatory oversight frameworks are necessary due to the global interconnection of financial transactions. Long term orientation in the financial markets is therefore needed rather than shortsightedness (UN Environment and World Bank Group 2017).

What is more, the business model of companies is relevant. Sustainability considerations need to be implemented prominently in the business strategies. Information regarding the consequences of managerial decisions on sustainability matters need to be provided. Beyond that, incentives towards more sustainability are necessary to change attitudes in financial institutions. Reporting standards as part of key performance indicators would be an appropriate way to hold directors accountable (UN Environment and World Bank Group 2017).

## 3 GLOBAL FRAMEWORK AGREEMENT

Global Framework Agreements (GFAs) are one way to establish binding rule on global level in multinational companies in the financial sector. GFAs ensure minimum standards are established and enforced in transnational companies. GFAs are negotiated between transnational companies and trade unions on a global level. Hence, GFAs can be considered social dialogue on the global scene. The goal of GFAs is to ensure the implementation of core labor rights across the global supply chain of transnational companies as well as transparency for all workers as the minimum standards are implemented in all business premises of the respective company. What is more, examples show that GFAs can go beyond ensuring rights for workers.

GFAs are one way to express Workers' Voice in a company: collective bargaining, works councils on local, national, European and global level. However, GFAs include similar to European Works Council a cross border element which is different from works councils and collective bargaining on local, sectoral or national level.

” *The European Works Council has been an important engine on the road towards the Global Framework Agreement.*

Lucia Peveri, Deputy Representative of Deutsche Bank EWC

Negotiations for a GFA can be a platform to enter into social dialogue on global level as other successful examples of GFAs have shown.

### Further information:



I.M.U. Policy Brief No. 2  
[www.boeckler.de/pdf/p\\_imu\\_pb\\_2019\\_2.pdf](http://www.boeckler.de/pdf/p_imu_pb_2019_2.pdf)

In the case of Solvay, next to a Global Framework Agreement, a form of a Global Works Council was introduced. In Europe, there are several agreements between trade unions and multinational companies tackling issues from core labor rights, discrimination, recognition of trade unions, youth unemployment.

## 4 WORKERS' VOICE PROTECTS WORKERS AND SOCIETY

Workers' Voice is the representation of employees in different forms such as International Framework Agreements, collective bargaining contracts, work councils or employee board level representation.

Firstly, GFAs contain rules regarding core labor rights in all business premises. Even in plants located in countries which have weaker legal rules, the Global Framework Agreement applies. Thus, GFAs

help to set a level playing field for companies in the area of respecting core labor rights.

Workers' Voice can contribute to better welfare as it solves organizational failures in companies. When it comes to corporate governance, restructuring and corporate responsibility, Workers' Voice can improve the flows of information and may have a positive impact on management decisions. Works councils and board level representation of employees is linked to higher investment in research and development, productivity and civic engagement by workers (Hassel, von Verschuer and Helmerich 2018).

Moreover, a study conducted by Rapp/Wolff shows that companies with board level representation of employees are more resilient and have recovered faster than other European companies after the financial crisis. The rate of return for companies with employee board level representation is higher, too, and during the crisis, the return on assets of these companies was more stable during and after the financial crisis (Rapp and Wolff 2019).

Infobox 2

### Excerpt from the International Framework Agreement between UNI Global Union and UniCredit

#### Responsible Sales

The finance sector plays an important role in the economy, which goes much further than the stability of the financial institutions themselves. It has the responsibility to ensure stable markets and to support the real economy. Thus, the primary purpose of financial institutions is to provide reliable and sustainable financial services.

Furthermore, UniCredit reaffirms its commitment to the following fundamental principles as stated in the Joint Declaration signed with the European Works Council:

- Customer Centricity: customers' needs are the pillar of our investments. Sales and financial advice activities shall responsibly meet the customers' needs.
- Employees' development: UniCredit will continue providing employees with proper training and indications about the conduct for managing the relationship with customers as for the correct evaluation of their risk attitude on the occasion of financial product advices and sales.
- Sustainable products: the business strategy and practices shall inspire performance excellence through quality of products and services to generate durable value. It shall be reinforced the attention to design and realise products and services focused on customers' needs.
- Organisational Governance: UniCredit will continue to guarantee the improvement of a proper environment that promotes integrity across the institution and the improvement of internal procedures and principles conducive to the responsible sales of products.
- Fair and Transparent Business Culture: all processes and products shall be suitable for the customers and managed in a transparent manner.

In this context, the Parties recall the Integrity Charter of the UniCredit Group and the UNI Finance Charter on Responsible Sales.

Full agreement available under:



[https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/UNIGlobalUnion/FINAL\\_GFA\\_EN\\_NOSIGNATURE.pdf](https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/UNIGlobalUnion/FINAL_GFA_EN_NOSIGNATURE.pdf)

Beyond the effect on the individual company, countries with strong Workers' Voice are more equal than countries without our with only weak Workers' Voice hinting towards the overall positive effect of Workers' Voice on income distribution (Hörisch 2012).

What is more, the Global Framework Agreement between UNI Global Union and UniCredit illustrates that Workers' Voice can make a contribution to a more responsible economy and more sustainable finance. With ensuring the responsible sales of financial products, trade unions and the employer reinforce their commitment to a sustainable and responsible financial system. GFAs are a possibility to protect third party groups and stakeholders such as consumers. Hence, beyond the overall positive effects for workers, companies and society, as well as specific stakeholder groups benefit, too.

Next to the protection of consumers, the commitment reached in the GFA is a contribution to a more responsible and sustainable financial sector in general. Research has shown that short term incentives for sales of financial products played a part in destabilizing the financial sector which eventually contributed to the financial crisis starting in 2008.

The example of Unicredit confirms the assumption of beneficial impacts of the integration of Workers' Voice into the business focus of a company. Against the backdrop of a multitude of national frameworks for worker' participation in decision-making in companies, it is an open question as to how, at supra-national level, a mechanism can be created that leads to the similar desired result in various ways. The notion of 'functional equivalents' opens up additional options, especially for policy-making. There is no need to come up with a one-size-fits-all solution that would require full legal harmonization at EU level. A certain result that can be achieved in one context through the right to participation in company supervision (as in the case of German codetermination) can be achieved in a different setting using other approaches and practices with a comparable result. Anyway, a strong role of trade unions is essential.

Here we can refer on the fruitful findings and considerations the Workers' Voice Expert Group of Hans-Böckler-Stiftung has made. This body highlights rather the function of Workers' Voice than the institutional settings and differences between EU member states.

## 5 NEED FOR POLITICAL ACTION

Workers' Voice is an important element towards more sustainable corporate governance which is long term orientated and goes beyond short term profits for a few. The example of the Global Frame-

work Agreement between UNI Global Union and UniCredit as adopted in January 2019 illustrates perfectly the power of this instrument. However, negotiations took too long to come to this achievement because the legal framework conditions are weak. The absence of a balance of power between employers and employees in designing future oriented corporate governance at global level weakens the transformation of business models towards more sustainability.

” Globally binding rules in the area of finance are difficult. The Global Framework Agreement shows how responsible sales and social dialogue can be interlinked globally.”

Maxi Leuchters, Consultant at I. M. U.

Workers' Voice can be seen as an instrument to foster a more sustainable and responsible financial sector. Short term orientation in banks and companies needs to end in order to introduce more sustainability in an environmental, economic and social sense.

Workers' Voice is one element towards more sustainable corporate governance which is long term orientated and goes beyond short term profits for a few. This is why, workers' participation in different forms needs to be strengthened on different institutional levels. On European level a framework directive with minimum standards for information, consultation and employee board level representation and a dynamic element would be an important step towards more diversity in boards.

The example of the Global Framework Agreement between UNI Global Union and UniCredit illustrates the importance of European Works Councils in the process towards an international framework agreement. Hence, the existing rights of European Works Council need to be enforced and the organ itself needs to be strengthened.

## 6 CONCLUSION

The European Union is the leading player in designing future standards in doing global business. In facing this challenge Workers' Voice can contribute to building up a more resilient and long-term corporate governance as the issue of responsible sales of financial products negotiated in the Global Framework Agreement between UNI Global Union and UniCredit has shown. Responsible finance can be an important vehicle to a more sustainable development in general. The Global Framework Agreement between UNI Global Union and UniCredit shows that the protection of stakeholder groups next to workers can be regulatory content of a GFA. Sustainable and responsible finance can benefit from a strong Workers' Voice.

## SOURCE

**European Commission (2018) Sustainable finance:** Making the financial sector a powerful actor in fighting climate change. Press release, Brussel. [http://europa.eu/rapid/press-release\\_IP-18-3729\\_en.htm](http://europa.eu/rapid/press-release_IP-18-3729_en.htm) [26. 08. 2019]

**Anke Hassel, Sophia von Verschuer, Nicole Helmerich (2018):** Workers' voice and good corporate governance. Düsseldorf, Hans-Böckler-Stiftung. [https://www.boeckler.de/pdf/mbf\\_workers\\_voice\\_academical\\_final\\_report.pdf](https://www.boeckler.de/pdf/mbf_workers_voice_academical_final_report.pdf) [26. 08. 2019]

**Felix Hörisch (2012):** The Macro-economic Effect of Codetermination on Income Equality, Mannheimer Zentrum für Europäische Sozialforschung, Working Paper Nr. 147 <http://www.mzes.uni-mannheim.de/publications/wp/wp-147.pdf> [13. 09. 2019]

Global Framework Agreement on Human Rights and Fundamental Labour Rights between UniCredit and UNI Global Union [https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/UNIGlobalUnion/FINAL\\_GFA\\_EN\\_NOSIGNATURE.pdf](https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/UNIGlobalUnion/FINAL_GFA_EN_NOSIGNATURE.pdf) [26. 08. 2019]

**Marc Steffen Rapp and Michael Wolff (2019)** Strong Codetermination - stable companies. An empirical analysis in lights of the recent financial crisis. Mitbestimmungsreport, Nr. 51e. Düsseldorf, Hans-Böckler-Stiftung. [https://www.boeckler.de/pdf/p\\_mbf\\_report\\_2019\\_51e.pdf](https://www.boeckler.de/pdf/p_mbf_report_2019_51e.pdf) [26. 08. 2019]

**UN Environment Worldbank Group (2017)** Roadmap for a sustainable financial system [http://unepinquiry.org/wp-content/uploads/2017/11/Roadmap\\_for\\_a\\_Sustainable\\_Financial\\_System.pdf](http://unepinquiry.org/wp-content/uploads/2017/11/Roadmap_for_a_Sustainable_Financial_System.pdf) [26. 08. 2019]

Mitbestimmungsreport „Workers' Voice in European corporate governance – an invitation to open up new perspectives for participatory democracy“. Mitbestimmungsreport, Nr. 52e. Düsseldorf, Hans-Böckler-Stiftung. [https://www.boeckler.de/pdf/p\\_mbf\\_report\\_2019\\_52e.pdf](https://www.boeckler.de/pdf/p_mbf_report_2019_52e.pdf) [26. 08. 2019]



### Mitbestimmungsreport No. 52

The report summarises the results of the Böckler group of experts' "Workers' Voice" and shows that various forms of the Workers' Voice are distributed in Europe - as functional equivalents with similar features and objectives: representing workers' interests, protecting and enforcing workers' rights, and being proactively involved in management decisions. To enable Workers' Voice to play a major role for a social Europe, the EU must revise the European legal framework and strengthen good corporate governance. This includes enshrining co-determination in supervisory and management boards of multinationals in a legally binding way, protecting existing rights to participate on a national level, and stipulating minimum standards for information, consultation and co-determination.



[https://www.boeckler.de/pdf/p\\_mbf\\_report\\_2019\\_52e.pdf](https://www.boeckler.de/pdf/p_mbf_report_2019_52e.pdf)



The I.M.U. (Institute for codetermination and corporate governance) is an institute of the Hans-Böckler-Stiftung. Legal, economic and human resource experts of the institute provide labour representatives on supervisory boards, works councils as well as executive labor directors. Democracy thrives on the active participation. We support a culture in which people can influence their future life. Democracy at work is the main goal.



## TWITTER

---

How do we want to work and live tomorrow? How can we safeguard and enlarge codetermination in the age of digitisation and globalisation? More information about #zukunftmitbestimmung on our Twitter channel:

[@ZukunftMB](#)



## MITBESTIMMUNGSPORTAL

---

The Böckler information service offers codetermination actors specific action and orientation know-how, including sectoral monitors, issue and topical radar, 'knowledge in a nutshell' and Codetermination Scenarios 2035. Register free of charge at:

[www.mitbestimmung.de](http://www.mitbestimmung.de)



## PRAXISWISSEN BETRIEBSVEREINBARUNGEN

---

Analyses and framing assistance, practical examples.

[www.boeckler.de/betriebsvereinbarungen](http://www.boeckler.de/betriebsvereinbarungen)

## IMPRINT

---

### Publisher

Institute for Codetermination and Corporate Governance (I.M.U.)  
of the Hans-Böckler-Stiftung

Hans-Böckler-Straße 39, 40476 Düsseldorf  
Telephone +49 (2 11) 77 78-172

[www.mitbestimmung.de](http://www.mitbestimmung.de)

Press contact: Rainer Jung, +49 (2 11) 77 78-150  
[rainer-jung@boeckler.de](mailto:rainer-jung@boeckler.de)

Layout: I.M.U.

### Editorial

Maxi Leuchters, Financial Services and Corporate Governance,  
Employee Board Level Representation

Hans-Böckler-Stiftung, telephone: +49 (2 11) 77 78-145  
[maxi-leuchters@boeckler.de](mailto:maxi-leuchters@boeckler.de)

### Issue

Policy Brief No. 3

Reproduction and other distribution – also of extracts – permissible  
only with citation of the source.

[WWW.BOECKLER.DE](http://WWW.BOECKLER.DE)