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Sustainable Finance & Human Rights

How are financial institutions in Europe addressing human rights in their core business activities?

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February 2025
Third study (following 2020 and 2022)

Research conducted by **Geneva Center for Business and Human Rights** (GCBHR), **University of Geneva**, Switzerland, with the support of **Finance and Human Rights** (FaHR)

Project leads and authors:
Dr. Berit Knaak (GCBHR) and
Prof. Dr. Dorothée Baumann-Pauly (GCBHR)

Overview of the study

How are financial institutions addressing human rights in their core business activities? This is the central question guiding the third study conducted by the Geneva Center for Business and Human Rights in a research series that is tracking the perceived role of human rights for financial institutions in Europe over time.

The aim of these expert interviews was twofold – to understand the latest developments in the financial services industry's approach to human rights and to contextualise the findings from the survey.

The goal of this research is to understand how decision-makers in the financial services industry perceive the role of human rights in their own operations and in relation to the clients and companies they do business with. This research also provides insights into advancing the integration of human rights in finance, focusing on banks, asset managers and insurance companies based primarily in six European countries: France, Germany, Luxembourg, the Netherlands, Switzerland, and the UK.

A total of 75 complete survey responses were collected, complemented by ten semi-structured interviews with finance practitioners and experts from Belgium, Luxembourg, France, the Netherlands, Norway and Switzerland. The interviews were conducted between January and October 2024. The aim of these expert interviews was twofold – to understand the latest developments in the financial services industry's approach to human rights (with a particular focus on the past two years) and to contextualise the findings from the survey.

A majority of survey respondents hold senior management positions.

A majority of survey respondents hold senior management positions. 70% of participating institutions provided data on their assets under management (AuM) as of 31st December 2023, and collectively, these 70% of institutions represent €14 trillion in AuM.

Key findings and developments

1.

Regulation on human rights due diligence has created unprecedented awareness levels. However, this awareness has yet to translate into structures that systematically incentivise investee companies to implement human rights due diligence and measure impacts.

Sustainable finance experts inside financial institutions demand more resources to move beyond legal compliance and create leverage and real-world impacts.

2.

Financial institutions often address human rights issues in response to external drivers, such as regulatory requirements and reputational considerations.

There is, however, an opportunity for these institutions to take a proactive role as agenda-setters, leveraging their products and services to systematically promote and advance human rights.

3.

Lack of standardised reliable human rights data remains a critical barrier for financial institutions.

Current ESG data does not adequately serve the purpose of assessing the human rights performance of clients and investee companies, as it does not meet the level of detail or reliability needed for such evaluations. Human rights data is often incomplete, lacks granularity, omits critical factors, and suffers from inconsistencies in the methodologies used by data providers.

Recommendations in brief

For financial institutions

- Invest more resources in building internal human rights management capacity.
- Encourage companies, rating agencies and ESG data providers to deliver better data on human rights.
- Identify allies in the industry to build a collective engagement strategy.
- Monitor progress at the level of the investee company over time.
- Request independent impact assessments from corporations.

For trade bodies

- Provide platforms for financial institutions to convene, exchange best practices and advance specific human rights topics.

For policymakers

- Ensure consistent regulatory standards. Offer coherent and comprehensive guidance to ensure that requirements, processes, and reporting obligations are aligned, consistent and free from contradictions for financial institutions and companies.
- While taking into account the specificities of the financial sector, consider how financial firms can effectively contribute to the due diligence obligations in current and future legislations.

For investee companies and clients

- Support financial institutions by providing human rights data that accurately captures both risks and impacts.
- Demand financial products and services with a dedicated human rights focus.

For data providers

- Provide more complete and more coherent data on human rights indicators, going beyond corporate disclosures.

Introduction

Human rights in finance – keeping pace

The regulatory landscape for human rights in Europe changed fundamentally with the adoption of the EU Corporate Sustainability Due Diligence Directive (CSDDD) in July 2024. From now on, companies above a certain size are legally required to conduct human rights due diligence (HRDD) across their own operations and supply chains. What were once soft-law guidelines under the UN Guiding Principles for Business and Human Rights (UNGPs) are - and will soon be - hard law requirements, with penalties for companies that fail to comply. While the legislative details of CSDDD are still evolving, HRDD has advanced as a common expectation for corporate conduct.

Since 2023, companies in the EU have also been subject to new reporting requirements outlined in the EU Corporate Sustainability Reporting Directive (CSRD). These detailed reporting requirements should help financial institutions to access standardised human rights data in the future. The first reports in line with CSRD will become available in 2025, but only for large undertakings and large groups.

Additionally, the EU Sustainable Financial Disclosure Regulation (SFDR), in effect since 2021, requires financial market participants to report on human rights based on the Principal Adverse Impact (PAI) indicators. The SFDR standardises sustainability reporting for financial products, but its effectiveness hinges upon the availability of reliable, good quality sustainability data from investee companies. [1]

While these regulatory texts are potentially powerful instruments to advance human rights in corporate practice, their complexity presents challenges. The European Commission has acknowledged the need to streamline existing sustainability regulations, including by clarifying key concepts, reducing unnecessary administrative hurdles, and simplifying the interplay between regulatory requirements to facilitate effective implementation by market participants. [2]

The finance sector itself falls under the CSDDD's due diligence obligations for their own operations, those of their subsidiaries, and the upstream of their chain of activities. It was in part exempted from CSDDD in a last-minute political compromise among EU institutions, thus excluding their downstream activities. [3]

To date, the financial services industry has yet to fully embrace its potential as a key accelerator for advancing human rights. Although industry representatives assert that respecting human rights is integral to their fiduciary duty and maintain a strong commitment to these principles, the implementation of such commitments remains incomplete. While businesses are making strides to adapt to new regulatory requirements, financial institutions can go further by actively leveraging their influence to drive meaningful progress on human rights issues.

[1] European Commission (2024), Sustainability-related disclosure in the financial services sector, https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en (accessed 2nd December 2024).

[2] See, e.g., European Commission (September 2024), The future of European competitiveness, https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en (accessed 2nd December 2024); European Commission (17 September 2024), Mission letter to Maria Luís Albuquerque, Commissioner-designate for Financial Services and the Savings and Investments Union, https://commission.europa.eu/document/ac06a896-2645-4857-9958-467d2ce6f221_en (accessed 2nd December 2024); Enrico Letta (April 2024), Much more than a market, https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf (accessed 2nd December 2024).

[3] European Council (14 December 2023), Corporate sustainability due diligence: Council and Parliament strike deal to protect environment and human rights, https://www.consilium.europa.eu/en/press/press-releases/2023/12/14/corporate-sustainability-due-diligence-council-and-parliament-strike-deal-to-protect-environment-and-human-rights/ (accessed 2nd December 2024).

Most financial institutions screen investee companies for adverse human rights impacts, yet institutions with more advanced human rights approaches point to the current lack of clarity in policies and criteria leading to the exclusion of certain sectors of potential investee companies. Some financial institutions have begun to explore proactive engagement with investee companies on salient human rights risks, but these efforts remain isolated. To be effective, these engagement strategies require collaboration across the industry and with human rights experts. Some financial institutions already use the expertise of non-governmental organisations (NGOs) and work with industry peers to increase their leverage on selected issues with a small subset of their investee companies.

Financial institutions must actively keep pace with the transformation occurring in other industries rather than falling behind. While they are responsive to external drivers, there is a significant opportunity for them to take a proactive role in shaping the human rights agenda, both within their own operations and in collaboration with their clients and investee companies.

To support business transformation, financial institutions need to translate commitments into concrete implementation measures. Developing financial products and services that create additional financial incentives for businesses to address human rights in corporate practice is one key step towards this objective.

Methodology

This research report presents the results of a longitudinal study on human rights in the European financial services industry. The findings are based on semi-structured expert interviews and a survey that was distributed to financial institutions across Europe for the third time since 2020.

The research follows studies from 2020 and 2022. [4] Its primary goal is to understand how decision-makers in the financial services industry perceive the role of human rights in their own operations and in relation to their clients and companies they do business with. The study provides insights into advancing the integration of human rights in finance.

This research focuses on banks, asset managers and insurance companies based primarily in six European countries: France, Germany, Luxembourg, the Netherlands, Switzerland, and the UK.

We conducted ten semi-structured interviews with practitioners and experts in the financial services industry from Luxembourg, the Netherlands, Norway and Switzerland. [5] The interviews were conducted between January and October 2024. The aim of these expert interviews was twofold – to understand the latest developments in the financial services industry's approach to human rights (with a particular focus on the past two years) and to contextualise the findings from the online survey.

The survey data was collected between July 2024 and October 2024, using the questionnaire of the 2022 survey as a baseline, with updates to some sections. Approximately 50% of the questions remained unchanged, 25% were slightly modified (e.g., to reflect recent regulatory developments), and 25% were replaced (e.g., to add relevant questions based on expert interviews). The goal of this revision was to preserve the comparability with previous surveys from 2020 and 2022 by maintaining the main themes of the survey while ensuring that the survey is factually up to date.

The survey was divided into six sections: (1) general approach to human rights, (2) clients, (3) regulatory framework, (4) data and reporting, (5) organisational structure, and (6) drivers and barriers. The survey was composed of 24 key questions, predominantly close-ended, asking respondents either to mark their answers on a 6-point Likert scale (from strongly agree to strongly disagree) or to check all answers that apply in multiple-response options. Throughout the survey, respondents had the option to comment and elaborate on their answers.

We approached data collection through several channels:

- Distributing the survey to practitioners listed in the database used in the 2020 and 2022 studies (with updates). Most of these contacts hold senior positions in the financial services industry based in Europe.
- Inviting personal contacts in the target group via e-mail to participate in the study and to share the survey with additional potential respondents.
- Announcing the survey through sustainable finance forums, including the European members of the Investor Alliance for Human Rights (IAHR), the Swiss Sustainable Finance (SSF) newsletter, the Sustainable Finance Geneva (SFG) newsletter, and the Luxembourg Sustainable Finance Initiative (LSFI) summit's masterclass on human rights.

We acknowledge that the survey results are likely affected by self-selection bias. Survey respondents probably have above-average experience with sustainable finance and human rights compared to the wider financial services industry. However, these participants are also likely best positioned to provide differentiated insights on the perceived achievements and gaps in integrating human rights into finance.

The topic of the study, human rights in finance, remains a niche topic. The overall low participation rate aligns with our experience in previous years and is not unusual for this survey type. **[6]** Despite these limitations, we consider the survey results highly relevant for two reasons: Firstly, a majority of survey respondents hold senior management positions who have in-depth knowledge of the industry. Secondly, 70% of the responding institutions reported that their assets under management (AuM) collectively represent €14 trillion, thus representing a noteworthy group of investors.

[4] For the previous studies, see FaHR, GCBHR (2020) Sustainable Finance and Human Rights – How are European financial institutions addressing human rights in their activities?, https://gcbhr.org/backoffice/resources/sustainable-finance-and-human-rights-survey.pdf (accessed 4th December 2024) and FaHR, GCBHR, Löning (2022) Sustainable Finance and Human Rights – The 2022 Perspective, https://gcbhr.org/backoffice/resources/sustainable-finance-and-human-rights.pdf (accessed 4th December 2024).

[5] Seven of the experts work for banks or asset managers, most of them in senior positions on human rights and/or sustainability (incl. as Chief Sustainability Officer, Head of Human Rights, Sustainability Program Lead, or Responsible Investment Specialist). The remaining three interviews were conducted with experts from academia and industry associations with long-standing experience on finance and human rights.

[6] Interpreting the low response rate is speculation. It could reflect a general fatigue with surveys, or a general disinterest in the topic of human rights. It could also be an indication for the limited number of individuals in financial institutions that feel qualified to respond to a survey on human rights in their industry. In expert interviews, individuals highlighted lacking internal organisational capacity for human rights. Sustainable finance remains, after all, a topic driven by environmental topics, mostly relating to climate change and, more recently, also biodiversity.

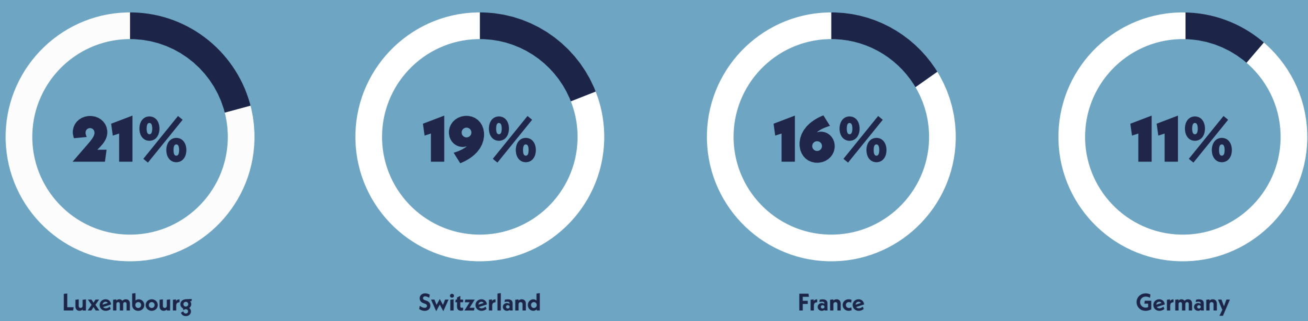
Survey respondents

Overview of the survey respondents and financial institutions

The findings presented in this report are based on 75 completed survey responses. Only fully completed surveys were included in the data analysis.

Respondents represent financial institutions headquartered in different European countries: Luxembourg (21%), Switzerland (19%), France (16%), Germany (11%), the United Kingdom (8%), the Netherlands (8%), and 17% from other countries, including Italy, Belgium, Sweden, Denmark, Finland, Norway and Spain.

The survey responses come from different types of financial institutions: 49% come from asset managers, 32% from banks, and 19% from other financial services institutions, such as insurance companies. In terms of size, 56% of the institutions surveyed employ more than 500 employees, with 12% employing over 100,000 employees. 70% of respondents provided information on their institution's assets under management (AuM), which collectively amounts to €14 trillion in AuM as of 31st December 2023.



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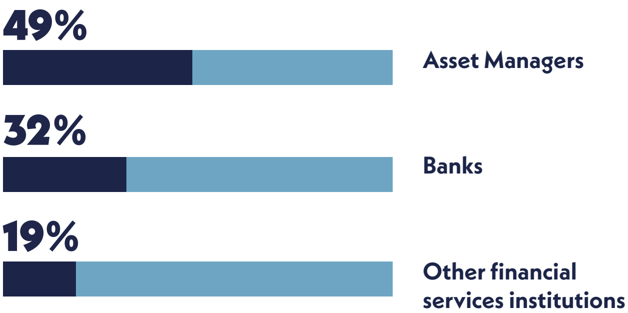
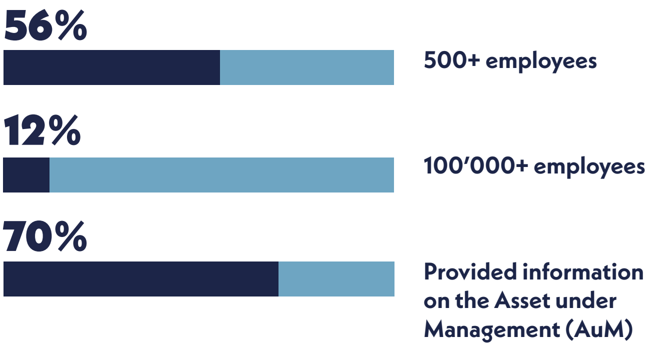


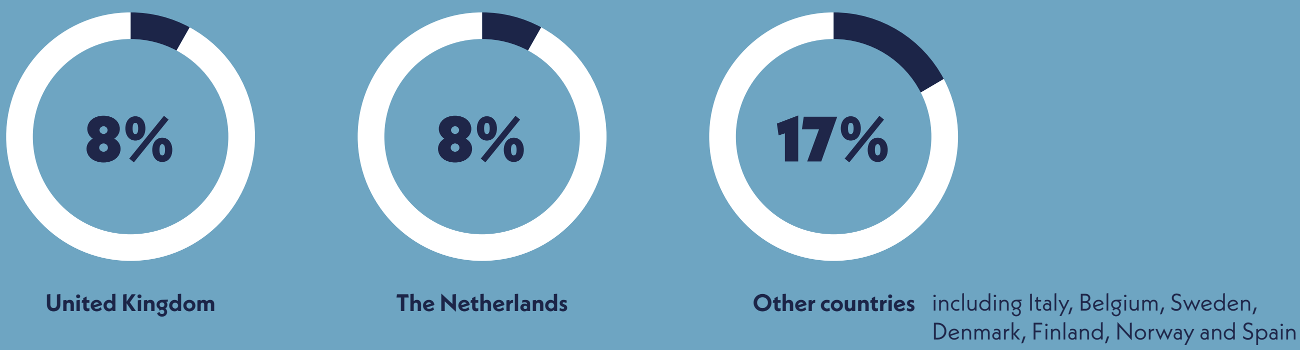
In terms of size, the percentage of institutions represented in this study:



75%

Survey respondents in positions as board members, at the executive level or senior level

A majority of respondents (75%) hold positions as board members, at the executive level or senior level. This highlights that human rights in financial institutions is a topic addressed at senior leadership level, with respondents representing their organisations' leadership in the survey.



Survey results

The discussion of the key findings is organised around the 6 main themes of the survey.

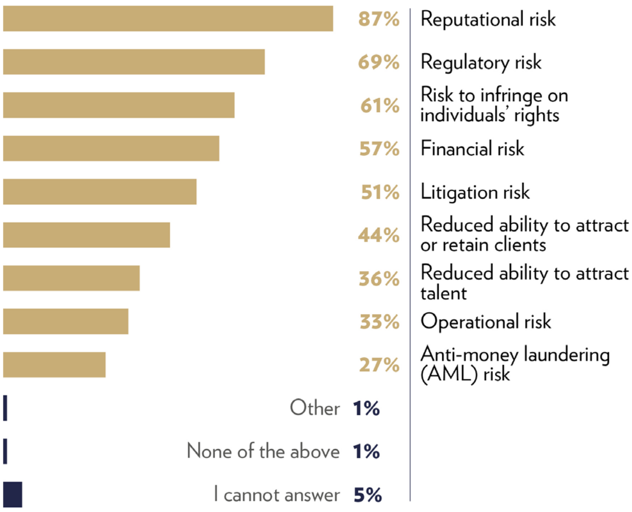
1. General approach to human rights

There is consensus among the survey respondents that respecting human rights is part of the industry's fiduciary duty.

Over two-thirds of the financial institutions represented in the study say they have a formal approach to human rights (e.g., in the form of a stand-alone human rights policy, a human rights strategy, or human rights guidelines). Respondents are divided on the question whether their approach has changed in the past years. Less than half indicate no major changes, while the other half cite regulatory developments, geopolitical shifts, and stakeholder pressure as factors driving change in their approach.

Most respondents agree that addressing human rights is linked to risk mitigation. As in the 2020 and 2022 surveys, reputational risks are cited most frequently, followed by regulatory risks and risks to individuals' rights. Compared to 2022, fewer respondents believe that addressing human rights mitigates risks to individuals' rights. Also, fewer respondents consider human rights as a factor in attracting talent to financial institutions.

Notably, while over three-quarters of respondents agree that addressing human rights can create opportunities for better financial performance, support for this statement has decreased from 2020 to the present.



Financial institutions in Europe acknowledge the relevance of human rights and have implemented some formal human rights due diligence structures. At the same time, insights from the survey and interviews indicate that, compared to 2022, experts are more sceptical about whether current human rights approaches of financial institutions are adequate to generate actual positive impacts on individuals' rights, for example, within the supply chains of investee companies.

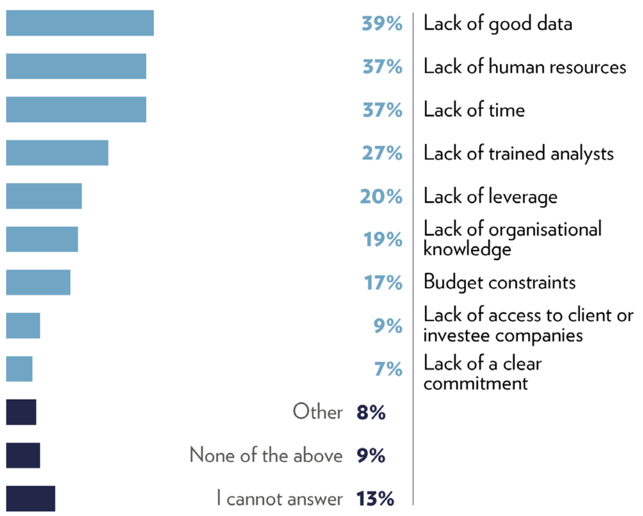
"Global frameworks and client expectations around climate and nature have risen, whereas they have not for human rights despite regulatory developments like CSDDD. … There is much less appetite and interest among clients to raise these issues because they are not understood well or not seen as material, which in turn means there is less resource and understanding on this issue internally."

2. Clients

Over two-thirds of the survey respondents agree that human rights influence their decisions on whether to work with a client, and half of them report having refused clients in the past due to their human rights track record.

Two-thirds of the respondents also state that they engage with clients and investee companies on their human rights approach – most commonly through direct engagement, proxy voting, and stewardship initiatives, and less so through subject matter campaigns. Still, about one-quarter of respondents do not explicitly consider human rights in relation to their clients.

Engagement with clients on human rights is constrained by different factors. The three most common challenges are lack of data – more so than in 2022 – followed by lack of time and lack of human resources. Lack of knowledge is becoming less of a barrier, indicating an overall improvement in awareness of human rights. While relatively few respondents name lack of leverage as a general constraint, expert interviews highlight that for effectively engaging with large investees, financial institutions would need to combine their influence to create substantial leverage.



Comments from the survey and interviews indicate that institutions are in an ongoing process of building the relevant capacity and processes. Respondents also note that the depth of engagement is influenced by the responsiveness of clients and investees to human rights concerns.

3. Regulatory framework

The study points to high levels of uncertainty around the implications of new legislation for the financial services industry.

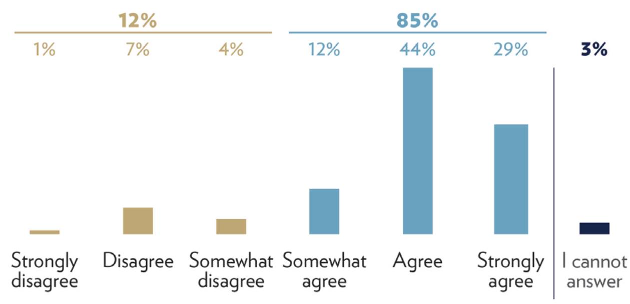
Respondents are divided on several issues, such as the impact of the SFDR on their human rights approach (with a slight trend towards a rather low impact), whether they perceive meeting the social safeguards of the EU Taxonomy as challenging (with a slight trend toward it being somewhat challenging), and whether they expect the CSDDD to prompt a reconsideration of their financial activities (with no clear trend observed).

A large majority of respondents agree that legal standards for financial institutions are necessary to advance respect for human rights and that voluntary initiatives (such as commitment to the UN Principles for Responsible Investment (the UN PRI), sustainability labels, or the Equator Principles) are not sufficient. However, compared to 2022, support for this statement has weakened.

Experts consider regulation as largely positive for the human rights engagement of financial institutions, as they can help standardise processes, increase transparency in investees' human rights reporting, and build confidence in investees' human rights due diligence. This, in turn, facilitates meeting basic due diligence requirements. For the time being, financial institutions refer to voluntary initiatives for guidance, primarily to the UN Global Compact (UNGC), the UNGPs and the UN PRI, or rely on their own human rights policy, if available. Only a quarter of respondents or fewer refer to sustainability labels or the Equator Principles.

The findings indicate that regulation plays a crucial role in advancing the human rights engagement of the financial services industry. At the same time, sustainable finance experts acknowledge the gap between meeting legal due diligence requirements and actually understanding and addressing complex human rights concerns.

"Sectoral initiatives are still missing. Our experience with the German Supply Chain Act suggests that extending highly formalised due diligence systems to lending, insurance and investment may create vast bureaucracies but without much impact (since leverage of an individual investor is usually limited – we can walk away but that does not make the lives of people better). So, if there is to be an obligation to prevent human rights risks in the business, we need proper industry-wide frameworks so that obligation can be translated into actual impact on investee companies."



HUMAN RIGHTS AND PRINCIPLES
To what extent do you agree with the following statement?
Clear legal standards are required to advance respect for human rights in the finance industry; voluntary initiatives are not enough.

4. Data and reporting

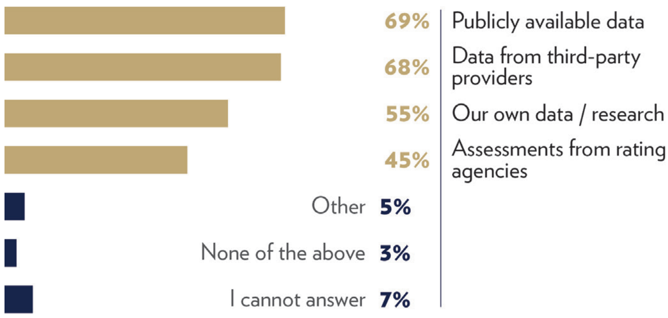
"The politicisation of ESG and human rights has been an issue for us, leading to a general backlash against sustainability efforts and it decreased the interest in improving existing data on social impacts."

Over two-thirds of survey respondents report that their institution relies on publicly available data and third-party data providers to assess the human rights performance of potential investees.

However, the quality of currently available ESG-data is a major concern. Nearly half of the respondents consider the data inadequate for making informed assessments of human rights risks. While financial institutions tend to complement third-party data with their own research, they lack the in-house capacity to develop in-depth human rights risk assessments for all companies they do business with.

"Human rights are a sensitive topic, and it is important to talk about it in a not alarmist way. Regulation could encourage and perhaps find a way to incentivise reporting by creating supporting measures for companies that try to solve human rights issues and not resort to terminating business relationships."

Compared to 2022, the perception that available ESG-data can help assess human rights risks has improved, yet overall agreement with the statement that ESG-data is adequate remains weak. Although over two-thirds use publicly available data and data from third party providers, the perceived adequacy of ESG data, particularly data in the "S" (social) category, remains a concern. While a large majority of respondents expect that the EU regulatory developments will eventually lead to better-quality data, some experts have observed a decline in data quality in recent years. According to industry experts, there is currently no viable alternative to the large international data providers and rating agencies, whose ratings are influenced by the politicisation of the ESG debate and backlash, particularly in the United States.



The majority of financial institutions report on human rights, mostly in their sustainability or annual reports. The quality of these reports hinges upon the quality of human rights information available for lending and investment decisions. Applying existing ESG-data does not allow financial institutions to adequately assess complex human rights risks within specific industries or supply chains.

"It is difficult to identify data sources to assess how different industries perform in protecting human rights. Most financial institutions rely on a few highly consolidated data providers for ESG-data, yet this data is often incomplete or incoherent. Some data providers also apply different compliance standards to different countries which contradicts our approach of applying a universal human rights standard across our investments."

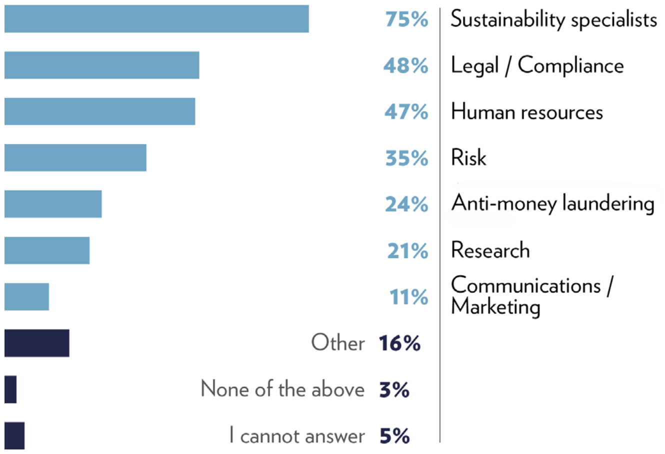
"Our key challenge is getting the right information about the supply chains of investee companies and specific information on the areas of primary concern for human rights. This understanding would help us act more effectively in our stewardship efforts."

5. Organisational structure

Addressing human rights in financial institutions involves multiple functions and corporate levels.

According to over two-thirds of respondents, human rights are predominantly addressed in their organisation by the sustainability function, followed by legal and compliance and human resources (for about half of the institutions), and risk management (for one-third). Several respondents commented that human rights are addressed by the investment functions, potentially indicating that, to some extent, human rights remain confined to specific organisational activities.

Since 2022, financial institutions have invested in their human rights expertise. Almost half of the institutions now employ in-house human rights specialists, compared to one-third in 2022. However, both survey respondents and expert interviews suggest that their overall capacity remains insufficient for addressing human rights in-depth. For over half of the surveyed institutions, responsibility for human rights is now primarily assigned to senior executives and/or board-level positions, marking a shift away from middle management responsibility.



Our study shows a high level of awareness regarding human rights, which is reflected in the organisational structure. However, respondents also indicate that human rights expertise is spread thin, with the topic sometimes being managed by sustainability experts, and human rights teams remaining understaffed. It remains unclear how sustainability experts interact with and report to senior management.

"There are just two human rights specialists in the whole of our organisation (asset manager and parent insurer) – one is split across other areas. This is not enough."

6. Drivers and barriers

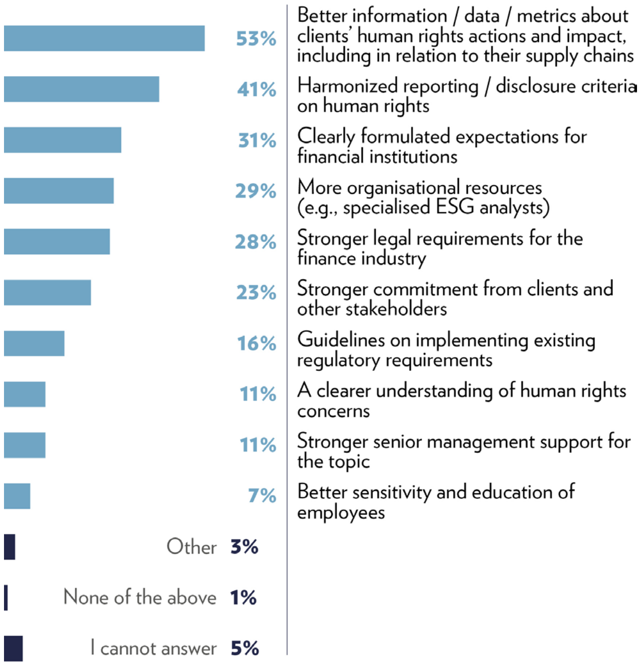
Regulations are the most important driver for financial institutions to integrate human rights into their activities, followed by senior management commitment and clients.

Over the last years, these three drivers have remained stable, while all other potential drivers weakened, including employees, broader societal expectations, shareholders, and civil society organisations.

To improve financial institutions' ability to address human rights, the single most important factor is better data, followed by harmonized reporting. Other factors that would help overcome barriers include clearer expectations and stronger legal requirements, as well as more internal resources and, somewhat less relevant, a stronger commitment from clients.

The reported drivers and barriers reveal that the financial industry's human rights approach is largely oriented towards external expectations, including from governments and clients. Interviews with human rights experts from the finance industry show that current benchmarks often focus on meeting the requirements of mandatory human rights due diligence legislation but fall short of setting incentives for investee companies to improve their human rights performance.

Overcoming barriers for addressing human rights



Drivers for addressing human rights

Key findings

1. Regulation, general approach to human rights, and organisational capacities

Regulation on human rights due diligence has raised unprecedented awareness within the financial services industry. However, this awareness has yet to translate into structures that systematically incentivise investee companies to implement human rights due diligence and measure impacts. Sustainable finance experts inside financial institutions demand more resources to move beyond legal compliance and create leverage and real-world impacts.

Evidence from the survey.
Most of the respondents' institutions have established internal policies and procedures for addressing and reporting on human rights. Oversight appears to be increasingly shifting to senior positions, and fewer institutions report a lack of organisational knowledge as a barrier to engaging on human rights. However, significant gaps remain. About one-third of surveyed institutions lack a formal human rights approach, and one-third do not consider human rights when deciding whether to work with a client. Respondents report that they are struggling to engage with clients and investee companies on key areas of concern – often related to extended supply chains and industry-specific challenges – for a variety of reasons, including lack of information, resources, and incentives.

Implications for the financial services industry.
By addressing human rights in a more systematic and proactive manner, financial institutions could significantly enhance the effectiveness of existing approaches such as stewardship models. The financial services sector holds the potential to serve as a catalyst for fostering respect for human rights across business operations. By moving beyond treating human rights due diligence as a mere procedural requirement, the sector can lead the way in setting meaningful standards and driving impactful change.

"While there is awareness for human rights, this does not necessarily mean that there is an understanding of human rights."

"Financial institutions would benefit from a more proactive approach. Human rights risks at investee companies that are not addressed will likely become material in future – either as a compliance issue or as an operational issue affecting the value of the investee company. The financial impact of a human rights-based approach is long-term."

2. Drivers, barriers, and engaging with clients on human rights

Financial institutions often address human rights issues in response to external drivers, such as regulatory requirements and reputational considerations. There is, however, an opportunity for these institutions to take a proactive role as agenda-setters, leveraging their products and services to systematically promote and advance human rights.

Evidence from the survey.
Regulation ranks as the most important driver for addressing human rights and as the main benefit in terms of risk management. Financial institutions tend to focus on meeting external demands, such as those from regulators and clients, while exercising more caution around potentially sensitive issues (e.g., reputational, financial, or litigation risks). In the open comment section of the survey, respondents express concern that human rights issues may be sidelined and under-resourced if they are not seen as material to the financial institution.

Implications for the financial services industry.
The current trend of financial institutions building in-house human rights expertise risks losing momentum if it remains solely driven by external factors. Current approaches often progress only as far as clients and investees are willing to engage, leaving financial institutions in the role of rule-takers rather than rule-shapers. This highlights the critical need to explore business opportunities through financial products and services focused on human rights.

At the same time, harmonised regulatory standards remain essential to ensure consistency. Regulatory requirements, processes, and reporting obligations must be aligned, coherent, and free from contradictions. Transparency and a level playing field remain critical for meaningful engagement, providing the foundation for addressing sensitive human rights issues with clients and (potential) investee companies. A passive approach to human rights could ultimately disadvantage financial institutions, perpetuate global inequalities, and exacerbate human rights challenges.

"Some ESG-data providers focus on financial materiality only. In order to engage proactively on human rights, additional data is required, for example, from NGOs, multi-stakeholder initiatives, or industry associations. We would like to do more; however, this approach is resource-intensive and limits the human rights issues we can address in-depth."

3. Data and reporting

Lack of standardised reliable human rights data remains a critical barrier for financial institutions.
Current ESG data does not adequately serve the purpose of assessing the human rights performance of clients and investee companies, as it does not meet the level of detail or reliability needed for such evaluations. Human rights data is often incomplete, lacks granularity, omits critical factors, and suffers from inconsistencies in the methodologies used by data providers. [7]

Evidence from the survey.
The main barrier to better addressing human rights, according to our study, is the lack of high-quality information and metrics about clients' and investees' human rights performance. While lack of data does not prevent financial institutions from engaging with their clients on human rights, it is the main reason why engagement is limited. Respondents commented that current data restricts their ability to make meaningful assessments of companies' human rights actions and impacts, and emphasised the need for more specific and more granular data.

Implications for the financial services industry.
The need for better human rights data is urgent. Financial institutions do not have the capacity and resources to generate this data internally and must rely on third-party ESG data providers, whose data is currently inadequate for assessing human rights performance. Human rights experts at financial institutions are often well-versed in some topics but recognise that they are missing key information. Whether the new legal reporting requirements will help close this data gap remains to be seen and should be the subject of future research.

[7] Michael D. Goldhaber (August 2024), Reimagining Shareholder Advocacy on Environmental and Social Issues: The promise and pitfalls of 'E&S stewardship', NYU Stern Center for Business and Human Rights, https://bhr.stern.nyu.edu/publication/reimagining-shareholder-advocacy-on-environmental-and-social-issues/ (accessed 2nd December 2024).

Recommendations

Financial institutions are making progress in embedding ESG principles, advancing sustainability and ethical standards across their investments and operations. More than ever, they recognise the critical importance of human rights. However, the operational realities of financial firms need to be taken into account to effectively address certain integration challenges. All actors – including financial institutions themselves as well as trade bodies, policy-makers, clients, investee companies,and data providers – must contribute to creating an ecosystem in which financial institutions can play an influential role in advancing human rights through their lending and investment practices.

1. Financial institutions

Financial institutions should invest more resources to building internal human rights management capacity. While many institutions have already expanded their in-house human rights teams, these efforts often remain insufficient for an in-depth engagement with clients and investee companies. Establishing a robust human rights governance system can also ensure direct communication between sustainability experts and senior management.

Financial institutions should continue to encourage companies, rating agencies and ESG data providers to deliver better data on human rights. They can request industry- and context-specific human rights data, refusing to accept inadequate or incomplete information on the human rights performance of investee companies.

Financial institutions should aim to identify allies in the industry to build a collective engagement strategy. By collaborating, they can create leverage over investee companies to set incentives that advance human rights in specific industries and geographies.

Financial institutions should aim to monitor progress at the level of the investee company over time. Rather than relying on snapshot assessments, they need to engage long-term on human rights issues that are complex and take time to remediate.

Financial institutions should request independent impact assessments from corporations. Academic institutions can support monitoring human rights progress, complementing risk-based due diligence reporting.

2. Trade bodies

Trade bodies should provide platforms for financial institutions to convene, exchange best practices and advance specific human rights topics. By facilitating collaboration, these platforms can pool resources and expertise from different financial institutions and increase leverage over investee companies.

3. Policymakers

Policymakers should ensure consistent regulatory standards and offer coherent and comprehensive guidance to ensure that requirements, processes, and reporting obligations are aligned and free from contradictions for both financial institutions and companies. While taking into account the specificities of the financial sector, policymakers should consider how financial firms can effectively contribute to the due diligence obligations in current and future legislations.

4. Investee companies and clients

Investee companies should support financial institutions by providing human rights data that accurately captures both risks and impacts. They should also seek opportunities to engage with the financial services sector to play an active role in creating real-world positive impacts.

Clients should demand products and services with a dedicated human rights focus. The interests of clients can be an important driver for the development of stronger offerings, such as (labelled) funds or other financial products dedicated to the "S" in ESG and human rights.

5. Data providers

Data providers should provide more complete and more coherent data on human rights indicators, going beyond corporate disclosures. To make well-informed investment and engagement decisions, financial institutions need diverse data that applies a clear and consistent benchmark, captures human rights risks in the supply chain, and differentiates between companies that effectively mitigate human rights risks and those that do not.

About the Geneva Center for Business and Human Rights (GCBHR)

The Geneva Center for Business and Human Rights (GCBHR) at the University of Geneva's School of Economics and Management was founded in 2019 as the first business and human rights center at a business school in Europe. The GCBHR educates future business leaders and supports companies in developing business models that align profits and human rights principles.

About Finance and Human Rights (FaHR)

Finance and Human Rights is a Luxembourg non-profit organisation created in 2019. It serves as a knowledge hub that brings together strong expertise on business and human rights with extensive experience in the financial sector. FaHR seeks to provide various stakeholders from the financial sector with its broad knowledge on how they can use their power to protect and promote human rights.

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Finance & Human Rights

“Human rights are a sensitive topic, and it is important to talk about it in a not alarmist way. Regulation could encourage and perhaps find a way to incentivise reporting by creating supporting measures for companies that try to solve human rights issues and not resort to terminating business relationships.”

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