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SUSTAINABLE FINANCE AND HUMAN RIGHTS

How are European financial institutions addressing human rights in their activities?

The 2022 perspective

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1. EXECUTIVE SUMMARY

In 2020, we gathered baseline data on the role of human rights in European financial institutions. At the time, the world was grappling with the Covid-19 pandemic. Today, just two years later, companies need to navigate a range of additional challenges: geopolitical shifts triggered by the war in Ukraine, tensions between Western countries and China over human rights issues, growing evidence of accelerating climate change, and high market uncertainty and volatility.

These issues are causing shifts and disruptions in all industries, including the finance industry. Despite all the changes and challenges, it appears that interest in sustainable finance has not wavered and is continuing to grow. Global financial wealth grew by 10,6% from 2020 to 2021, while sustainable investing has been growing three to five times as fast as traditional investing. According to BCG, almost USD 80 trillion in new wealth will be generated over the next five years, and by 2026 sustainable investing will account for 8% to 17% of privately invested wealth.[1]

Against this background, the objective of the research project described in this report is to document the current status of human rights in the European finance industry and to compare it with the status of human rights from two years ago (where relevant); to generate insights relating to the integration of human rights considerations into the activities of financial institutions; and to offer guidance on how to advance human rights in the finance industry.

This research project focuses on banks and asset managers based predominantly in six European countries: France, Germany, Luxembourg, the Netherlands, Switzerland, and the UK. We combined two methodological approaches to generate insights. We collected qualitative data through five interviews that we conducted with carefully selected industry experts, and we disseminated a survey similar to the one in 2020, to enable comparisons between the baseline data obtained in 2020 and that of 2022 on the status of human rights in the European finance industry. We received a total of 85 responses to the survey. The financial institutions represented in the data analysed had a total of assets under management (AuM) of approximately 13 trillion euros (13,000 billion euros) as of December 31, 2021. At the individual respondent level, 73% of respondents hold board level, executive level, or other senior management positions.

1 - BCG (June 2022), Standing Still Is Not an Option Global Wealth 2022

Key findings and developments – comparing data from 2022 with that of 2020:

1. The finance industry remains highly aware of the relevance of human rights for its activities. The link between human rights and financial institutions' fiduciary duty remains strong.
2. Regulation is now the main driver for addressing human rights.
3. The finance industry continues to fully acknowledge that it has an important role to play in addressing human rights, while still pointing to the government's duty to ensure the respect for human rights through regulation.
4. Top management continues to support the need to address human rights, but organisational obstacles and gaps remain for integrating human rights in daily business operations.
5. The major obstacle for integrating human rights in core business operations is still the lacking availability of better and more reliable data from companies. Greater standardisation of reporting and disclosure is also needed. Furthermore, financial institutions express the need for a clearer understanding on how to implement regulatory requirements, and for more education of employees.

Recommendations in brief:

1. **Financial institutions should build organisational capacity for advancing human rights in corporate practice.** Most importantly, they need to continue their efforts to allocate adequate resources, invest in building expertise on human rights, and assign clear responsibilities for human rights throughout all levels of the organisation.
2. **Financial institutions should use their legal duty to report on human rights as part of their broader ESG-related reporting obligations as a strategic tool to drive further implementation of human rights due diligence.**
3. **Trade bodies should continue taking a more proactive role to ensure that human rights aspects are adequately present** in the public debate, political considerations, and their members' business operations.
4. **Lawmakers should create consistent regulatory standards at the European level.** Regulations regarding requirements, processes, and reporting should be aligned, consistent, and not contradictory for financial institutions and companies.
5. Whenever possible, **companies should strive to provide meaningful and accessible data** on their risk exposure and management capacity relating to human rights.
6. **Clients should continue asking for sustainable financial products that integrate human rights considerations.**

2.

INTRODUCTION

The field of sustainable finance is extremely dynamic. The integration of environmental, social, and governance (ESG) considerations in investment decisions is continuing to experience rapid growth. Sustainable assets under management (AuM) are expected to reach USD 50 trillion by 2025, accounting for one-third of global AuM.[2]

The European Union (EU) has been a strong advocate and leader of sustainable finance, aiming 'to build a financial system that supports sustainable growth'.[3] In this report, we examine the approach of European financial institutions to one aspect of ESG – human rights.

The focus on the role of business in integrating human rights has gained momentum with the adoption of the UN Guiding Principles on Business and Human Rights (UNGPs) in 2011. According to the UNGPs, all companies – including financial institutions – are expected to set up robust human rights due diligence mechanisms in order to prevent, address, and remedy human rights abuses committed in business operations throughout their value chain.[4] Over the last few years, newly-introduced regulatory developments at the EU level have been shaping the sustainable investment market across the continent.

For instance, since 2020, the EU Taxonomy clarifies that an economic activity can only qualify as environmentally sustainable if it also complies with minimum social safeguards (i.e., respects human rights).[5] The EU Sustainable Finance Disclosure Regulation (SFDR), which came into effect in 2021,[6] requires financial market participants[7] to report on their policies regarding the integration of sustainability factors, including respect for human rights, in their investment decision-making processes. Additionally, the proposed EU Corporate Sustainability Reporting Directive,[8] which would amend the Non-Financial Reporting Directive, requires in-scope companies to report on the impact that their activities have on people and the environment. These key examples highlight how respect for human rights is becoming an integral part of sustainable investing strategies.

In addition, other global developments, such as the Covid-19 pandemic and the war in Ukraine, have fueled the need to integrate human rights in business decisions.[9] The pandemic has brought concerns regarding public health to the forefront, and resulted in economic and social disruption that affects the livelihoods and wellbeing of millions of individuals.[10] The pandemic has also highlighted the importance of key social aspects such as employment conditions, social safety nets, and access to health services.[11] Likewise, the war in Ukraine has fostered the debate on the relevance of current ESG approaches and frameworks.[12]

Against this backdrop, we have re-assessed the role that human rights play for financial institutions. Two years ago, we established baseline data on how financial institutions integrate human rights into their core activities. By core activities we refer to the roles of financial institutions as lenders, underwriters, advisory service providers, and investors, as it is through these activities that financial institutions have the greatest impact on human rights. This report discusses the **results obtained in 2022**, and provides a **comparative analysis with the results obtained in 2020**, where relevant.

The following sections include a brief explanation of our methodology followed by the key findings of our research. We conclude this report with recommendations for key actors on ways to continue moving human rights forward in practice.

2 - Sustainalytics (2022), What's Happening in Sustainable Finance: ESG Market Continues Rapid Growth, Climate Risks Top WEF List, and More
3 - European Commission (EC), Overview of sustainable finance
4 - United Nations (2011) UN Guiding Principles on Business and Human Rights
5 - See Article 3 in conjunction with Article 18 of EU Regulation 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation 2019/2088 (The Taxonomy Regulation)
6 - EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector
7 - See Article 2 of the EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector
8 - European Commission (EC), Proposal for a Corporate Sustainability Reporting Directive (CSRD)
9 - IFLR (2021), Sustainable finance will emerge stronger from COVID-19 rebalancing
10 - ILO (2021), COVID-19 and the world of work
11 - Forbes (2020), Covid-19 is Accelerating ESG Investing and Corporate Sustainability Practices
12 - Reuters (2022), ESG Watch: War in Ukraine shed harsh new light on sustainable finance ; Insider (2022), War in Ukraine has some sustainable investors rethinking their long-held stances on weapons and defense stocks

3. METHODOLOGY

This research project focuses on banks and asset managers based predominantly in six European countries: France, Germany, Luxembourg, the Netherlands, Switzerland, and the UK. The research project was conducted using **two methodological approaches**, between April 2022 and September 2022. We conducted semi-structured interviews and a quantitative survey. We used the survey conducted in 2020 as our base, and made some minor changes to it in order to preserve our ability to compare between the responses received in 2020 and those received in 2022, while making sure that the survey is up to date.

We conducted five semi-structured interviews with experts in the finance industry from Germany, Luxembourg, Switzerland, Finland, and France. The interviews were conducted between April and September 2022. The aim of the interviews was to understand the latest developments in the finance industry's approach to human rights as perceived by knowledgeable experts, with a particular focus on the last two years.

Data from these interviews complements our survey data. It has helped us, on the one hand, to decide whether any additional questions should be added to the survey in light of recent developments. On the other hand, this data has helped us to better interpret survey findings. Interviewees were asked predominantly about the current approach of the finance industry to human rights, and whether any changes that have occurred over the last two years have impacted the way in which the finance industry is addressing human rights.

The survey was divided into two main sections: the role of the finance industry with respect to human rights, and the role of human rights in the focal organisation (see the Appendix for a list of the main themes covered in the survey). The survey is composed predominantly of close-ended questions, for which we either used a 7-point Likert scale ranging from strongly disagree to strongly agree, or asked respondents to select from a list of possible answers.

We collected survey data from banks and asset managers between the end of May and September 2022. We approached the data collection in several ways:

- Personal contacts were approached individually via email and LinkedIn messages to ask for their participation;
- Additional potential respondents from our predetermined target group were contacted via email and occasionally via phone;
- Posts about the survey were published on social media platforms including LinkedIn and Twitter.

4. FINDINGS

Overview of survey respondents and their institutions

We collected a total of 85 responses to the survey. Of the responses received, 55 were complete (65% of surveys received) and therefore used in the data analysis presented in this report.

The 55 institutions represented in the data had a total AuM of approximately 13 trillion euros (13,000 billion euros) as of December 31, 2021. The countries represented are as follows: France (7), Germany (3), Luxembourg (10), the Netherlands (4), Switzerland (16), the UK (9), and other European countries (6). In terms of size, 45% of the institutions employ more than 500 individuals. Furthermore, 27% qualify as banks and 73% qualify as asset managers. At the individual respondent level, 73% of respondents hold a board level, executive level, or other senior management position. As such, the responses that we have received allow us to generate meaningful findings and provide practical recommendations.

As in 2020, we encountered some challenges when seeking responses for the survey, regardless of the country. The survey was open for approximately three months between the end of May and the beginning of September 2022. Despite using multiple channels to reach our target audience, obtaining a representative sample of responses proved to be challenging and required multiple rounds of personal outreach. The open invitation to participate in the survey needed to be complemented with personal approaches to our direct contacts. We cannot be certain of why some financial institutions chose not to participate in the survey. However, based on some feedback that we received, some of the reasons for the lack of participation appear to have been of a logistical nature, while others were more substantive. First, the survey was addressed to overburdened employees at financial institutions. Second, before responding to the survey, some needed approval from top management or their communications team to participate. Third, and more substantially, it is possible that many employees at these institutions feel unprepared to respond to a survey on human rights.

Key figures from the survey

- A total of AuM of approx. EUR 13 trillion represented in the survey
- 73% of responders hold a top senior management position
- 73% qualify as asset managers
- 45% of the institutions employ more than 500 employees

Key findings

1. The finance industry remains highly aware of the relevance of human rights for its activities. The link between human rights and financial institutions' fiduciary duty remains strong.

Almost all respondents – 91% (vs. 89% in 2020) – **agree or strongly agree that the finance industry has an important role to play in** ensuring economic security for all and **creating a better, more equitable society** (see Figure 1).

At the organisational level, 85% (up from 78% in 2020) of r**espondents agree** or strongly agree with the statement that **human rights are associated with financial institutions' fiduciary duty** to choose the best solutions for their clients (see Figure 2).

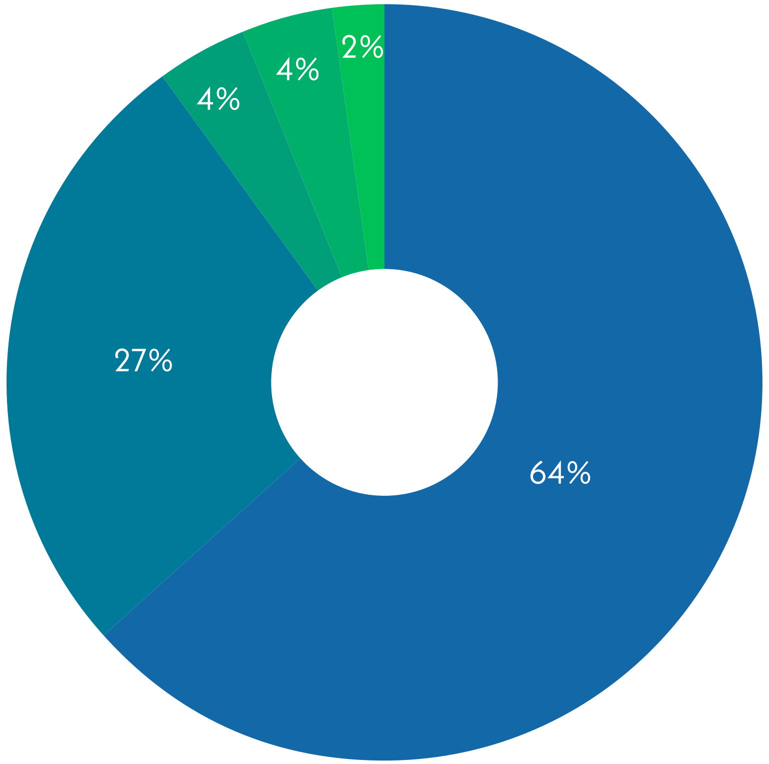

Figure 1
The finance industry has an important role to play

- strongly agree
- agree
- somewhat agree
- neiter agree, nor disagree
- somewhat disagree

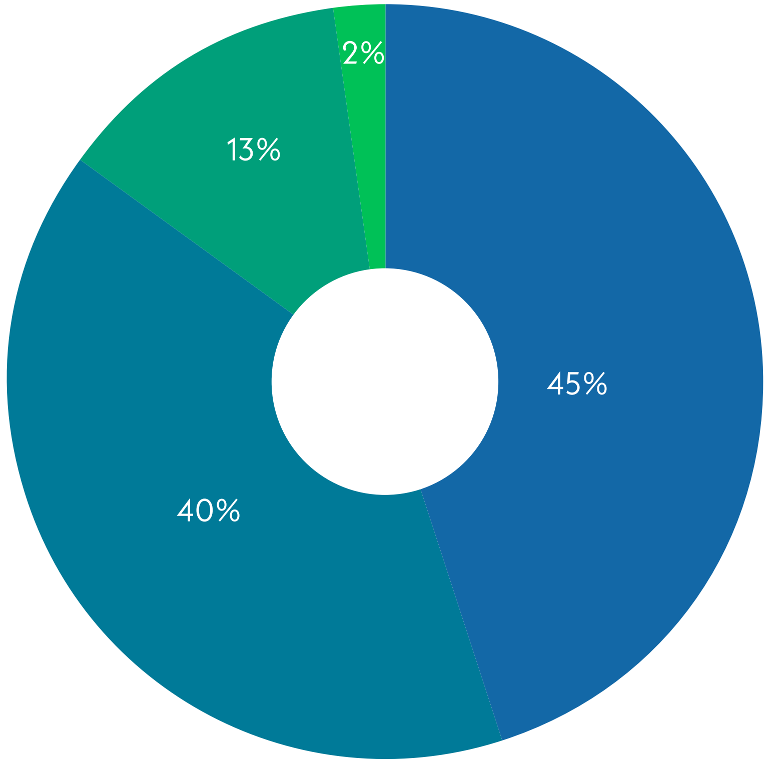

Figure 2
Respecting human rights is linked to the fiduciary duty of organisations

- strongly agree
- agree
- somewhat agree
- somewhat disagree

Addressing human rights continues to be associated not only with risk mitigation, but also with the creation of opportunities for better financial performance – 87% of respondents either somewhat agree, agree, or strongly agree with this statement in 2022, as opposed to 90% in 2020. Pertinent risk factors that can be mitigated by addressing human rights include reputational risk (85%), the risk to infringe on individuals' rights (73%), regulatory risk (64%), a reduced ability to attract talent (55%), as well as operational risk (49%) (see Figure 3 – multiple answers selected). We note that the order of importance of the risks has remained the same in 2022 as compared to 2020. With regards to opportunities, most respondents agree that addressing human rights concerns are compatible with better financial performance for their organisation (76%), their clients (73%), and/or their investee companies (62%).

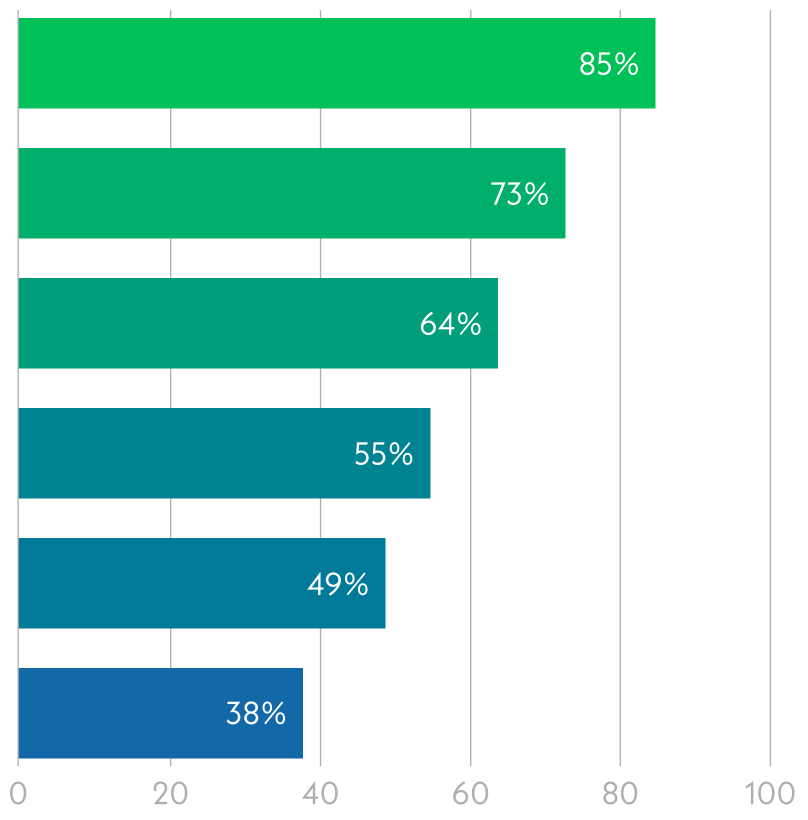

Figure 3
Organisational risks that can be mitigated by addressing human rights

- Reputational risk
- Risk to infringe on individuals' rights
- Regulatory risk
- Reduced ability to attract talent
- Operational risk
- Anti-money laundering (AML) risk

2. Regulation is now the main driver for addressing human rights.

The key drivers for addressing human rights in financial institutions are regulation (49%), **followed by clients** (44%) **and employees** (42%), alongside shareholders (31%) and broader societal expectations (29%). Similar to the results obtained in 2020, we note the relatively unimportant role of competitive pressure, the media, civil society/NGOs, and especially that of industry trade associations (see Figure 4 – multiple answers selected).

This is an interesting development seeing as in 2020 clients and employees were considered the main drivers and regulation was sidelined to the fourth position. This development could be due to the fact that many regulations (mainly at the EU level, such as the EU Taxonomy and the SFDR) have entered into force since the last time the survey was conducted, triggering the need to address human rights in a more concrete manner.

Additionally, a debate around corporate human rights due diligence has been taking place not only at the EU level with the proposed Directive on Corporate Sustainability Due Diligence, but also at a more local level. Such a debate emerged, for instance, in Germany, as a result of the adoption of the German Act on Corporate Due Diligence in Supply Chains (2021), as well as in Switzerland following a vote on the responsibility of Swiss multinationals in 2020.

The critical role of regulation was also highlighted in the expert interviews. At the same time, experts underscored **the role of additional factors** such as the ongoing Covid-19 pandemic and current geopolitical issues, namely the war in Ukraine, **in accelerating the need to address human rights**. The importance of these additional factors can be perceived in the survey responses as well. Almost 71% of respondents somewhat agree, agree, or strongly agree that current geopolitical issues are expected to enhance the focus of their organisation on human rights, while more than 50% of the respondents somewhat agree, agree, or strongly agree that the Covid-19 pandemic has enhanced the focus of their organisation on human rights.

The response to the war in Ukraine and ensuing crises raises essential questions on whether and how the European finance industry responds (or has responded) to other human rights crises in other parts of the world that are further away from home. Are different human rights standards being applied to different regions? According to experts, human rights standards should apply consistently across countries and sectors if financial institutions want to credibly address human rights.

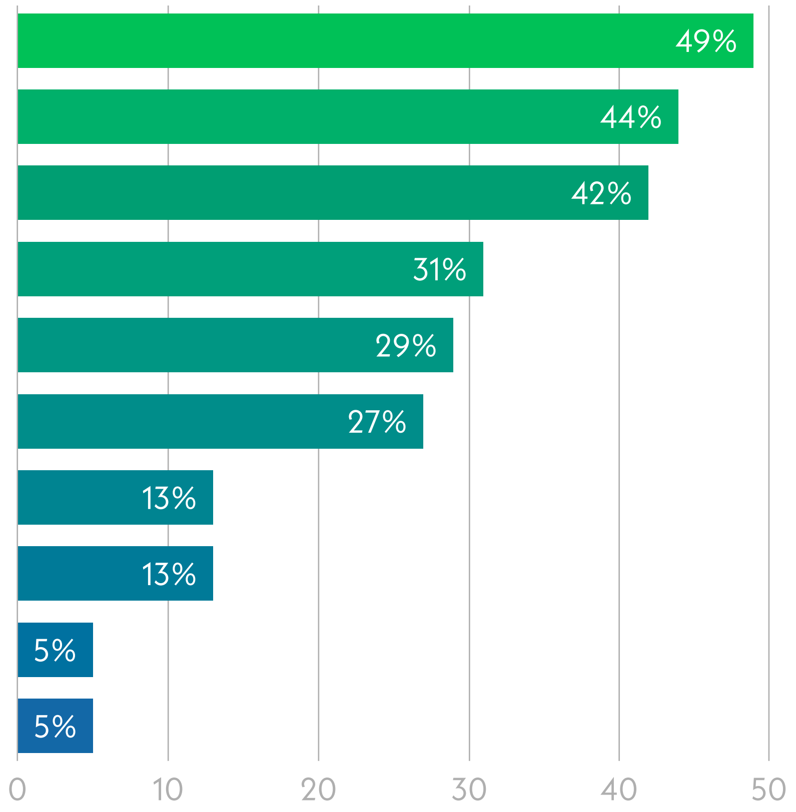

Figure 4
Drivers for addressing human rights

- Regulation (at the national or EU level)
- Our clients
- Our employees
- Our shareholders
- Broader societal expectations
- Activism of institutional shareholders
- Civil society / NGOs
- Competitive pressure
- The media
- Industry trade associations

3. The finance industry continues to fully acknowledge that it has an important role to play in addressing human rights, while still pointing to the government's duty to ensure the respect of human rights through regulation.

Respondents believe that **respect for human rights should not be left to voluntary initiatives alone**, and that **governments should set clear legal standards**. 87% of respondents either agree or strongly agree that governments should play a role in protecting human rights through the enactment of human rights regulation in 2022 (see Figure 5), up from 75% in 2020.

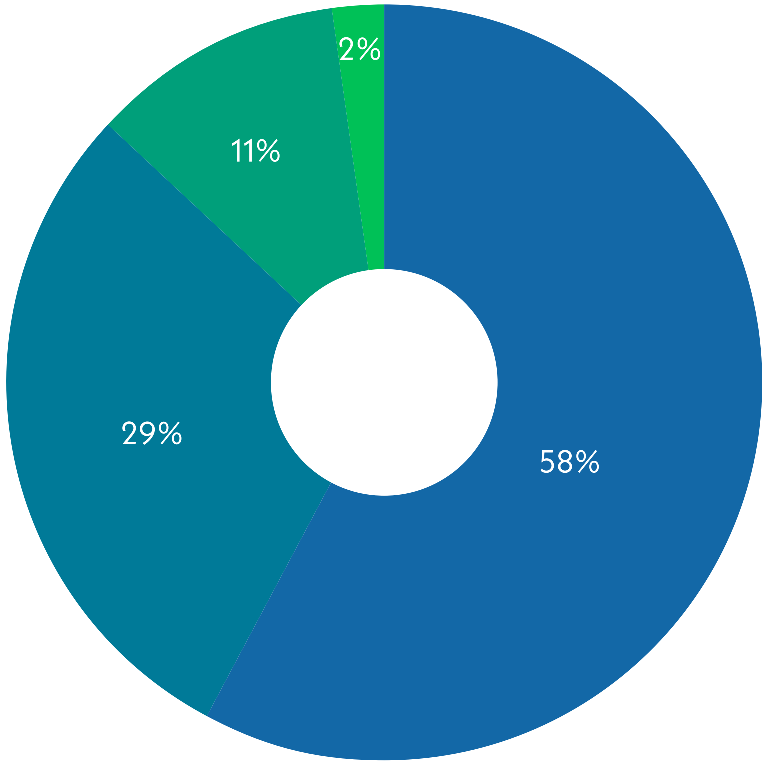

Figure 5
Governments should take responsibility to protect human rights through clear legal standards

- strongly agree
- agree
- somewhat agree
- somewhat disagree

Respondents selected the UN Principles for Responsible Investment (PRI) (65%), the UN Global Compact (47%), the UN Guiding Principles on Business and Human Rights (UNGPs) (38%), and their own organisation's human rights policy (36%) as the voluntary frameworks that are most frequently used by their organisations to address human rights. Respondents also indicated, to a lesser extent, the use of the UN Principles for Responsible Banking (PRB) (22%), and that of the Equator Principles (15%).

Furthermore, the national regulations that were most frequently selected by respondents as applicable to their financial institutions include the applicable domestic law implementing EU Directive 2014/95 on non-financial reporting (35%) and the UK Modern Slavery Act (24%). Notably, over a quarter of respondents (27%) do not know which national regulations apply to their organisation.

Interestingly, while many respondents mention the need for governments to step up and protect human rights by setting clear legal standards, many also feel that their organisation is well-prepared to meet the requirements of the EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (80% of respondents somewhat agree, agree, or strongly agree with this statement), and the Level 2 changes to AIFMD, UCITS, and MIFID regarding sustainability (78% of respondents somewhat agree, agree, or strongly agree with the statement). Only around half (53%) of respondents somewhat agree, agree, or strongly agree that meeting the requirements regarding the minimum social safeguards in the EU Taxonomy may be a challenge for their organisation.

Hence, **despite the need for governments to set clear legal standards** for addressing human rights, **many respondents feel that their organisations understand and are ready to comply with regulations** in force and/or soon to be in force. We question whether some financial institutions still do not perceive these regulations as encompassing human rights issues, as observed two years ago.

4. Top management continues to support the need to address human rights, but organisational obstacles and gaps remain for integrating human rights in daily business operations.

Human rights are often addressed at top management levels, but organisational obstacles and gaps remain. Focusing on the organisational structure, half of the respondents (51%) indicated that human rights are addressed at the board level, while 40% of respondents indicated that human rights are addressed at the CEO level, and 42% of respondents indicated that they are addressed by other executive management roles. Additionally, human rights may be addressed by middle management roles (45%) (see Figure 6 – multiple answers selected). We observe a more balanced support for human rights across organisational levels in 2022, compared to the results obtained in 2020.

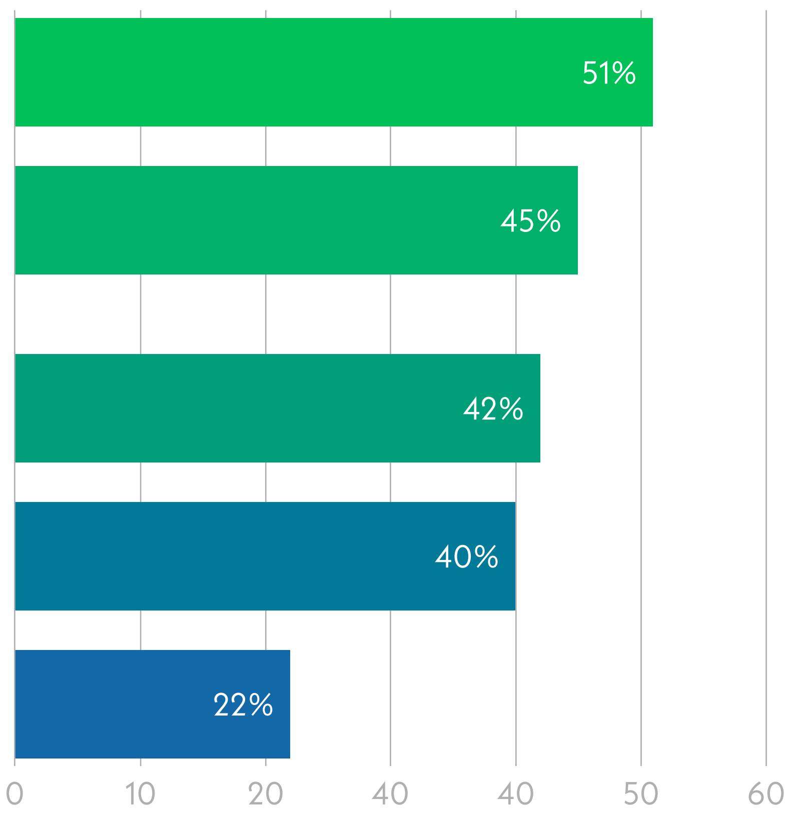

Figure 6
Organisational levels at which human rights are addressed

- The Board of Directors
- Middle management
- Other executive management roles
- The CEO
- Not applicable

Looking at the organisational functions that address human rights, we note that 58% of the respondents designated specialised CSR/sustainability roles within their organisation as addressing human rights, followed by legal/compliance roles (44%), and human resources (42%) (see Figure 7 – multiple answers selected). We also note that only 31% of the respondents indicated that their organisations employ individuals who specialise in human rights (see Figure 8). This number is significantly lower than the 53% indicated in 2020. This may point to a slight shift in where responsibilities for addressing human rights lie, as organisational functions that address human rights continue to include CSR/sustainability roles and legal/compliance roles, but, increasingly so, also roles focusing on risk (35%). This may relate to the increasing need to comply with current or upcoming regulations, giving more weight to human-rights-related risk mitigation and increasing the need for risk specialists to address human rights issues.

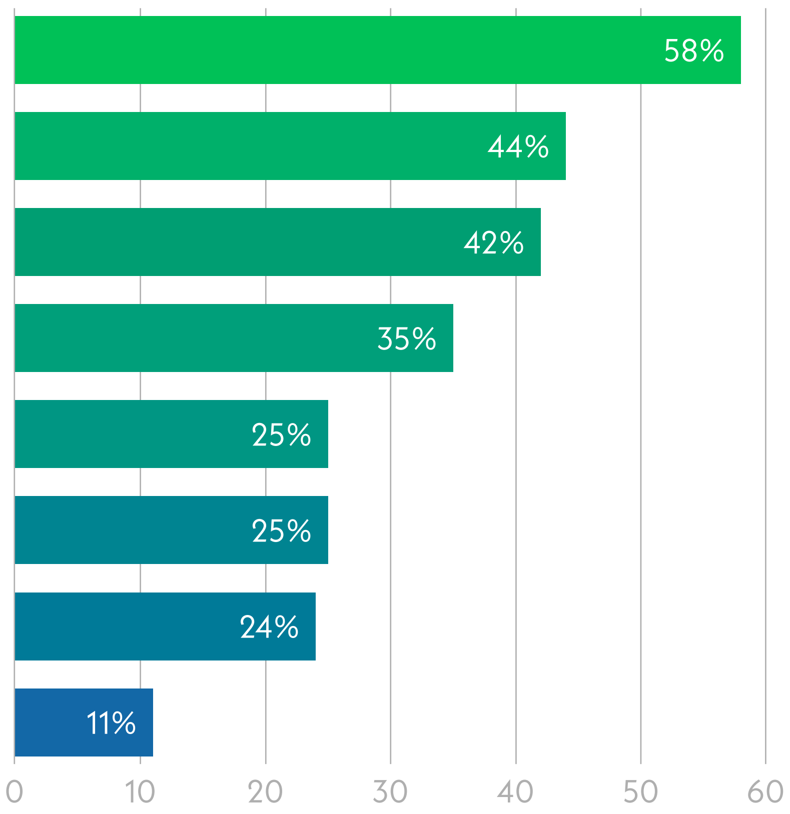

Figure 7
Organisational functions that address human rights

- Specialised CSR / Sustainability
- Legal / Compilance
- Human resources
- Risk
- Communications / Marketing
- Research
- Anti-money laundering (AML)
- Not applicable

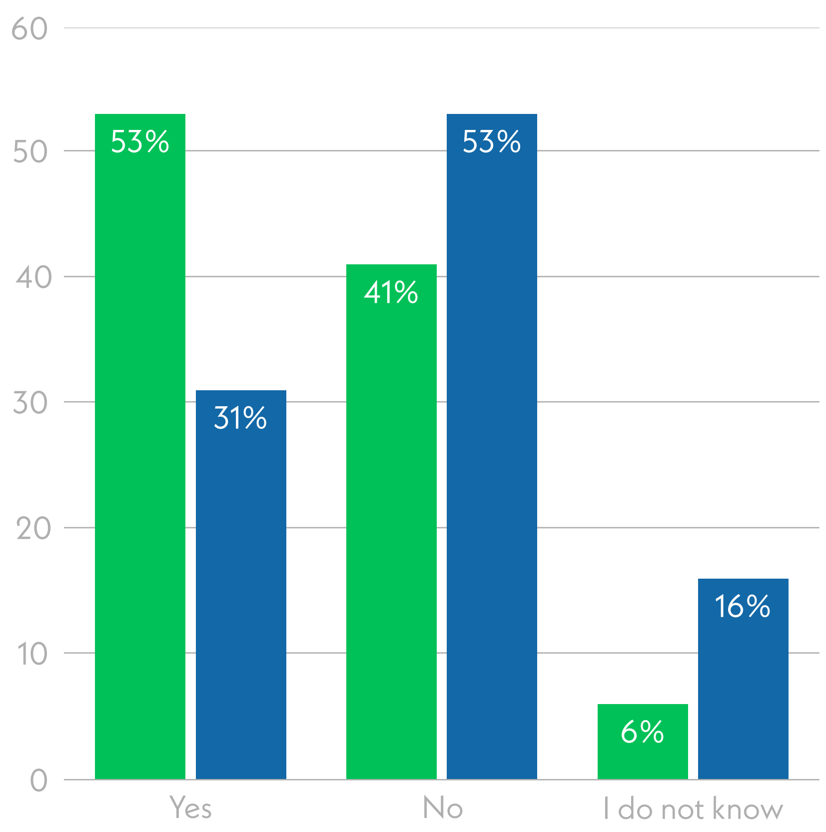

Figure 8
Employment of human rights specialists in the organisation

2020
2022

Looking at the consideration given by financial institutions to the human rights approach of investee companies and clients, we observe that most respondents confirm that their organisations take into account the approach of investee companies to human rights (78% either somewhat agree, agree, or strongly agree with this statement) and the approach of their clients to human rights (67% either somewhat agree, agree, or strongly agree with this statement) in their decision to work with them. Despite the fact that in 2022 the agreement with the statements remains high, we see that the spread across the different agreement levels is greater when compared to 2020.

When it comes to engaging with investee companies and clients on the matter, financial institutions appear to be predominantly active on the investee companies front, with 76% indicating that their organisation is actively engaging with investee companies on their approach to human rights to help them improve and make a difference in 2022 compared to 72% in 2020, while, same as in 2020, only 56% of respondents indicated this to be the case with regards to clients by either somewhat agreeing, agreeing, or strongly agreeing with the relevant statements.

When asked about existing obstacles preventing organisations from actively engaging more with investee companies and clients on human rights aspects, the top three obstacles selected in relation to investee companies are lack of time (35%), lack of human resources (33%), and lack of organisational knowledge (31%). Unlike in 2020, budget constraints seem to be more of a concern in 2022, as 27% of respondents – as opposed to 12% in 2020 – selected this factor as an obstacle (see Figure 9 – multiple answers selected). Interestingly, lack of knowledge is now part of the top three selected obstacles. This could indicate that financial institutions are becoming more familiar with human rights and are more aware of the knowledge required at the organisational level for a meaningful engagement with investee companies on this topic.

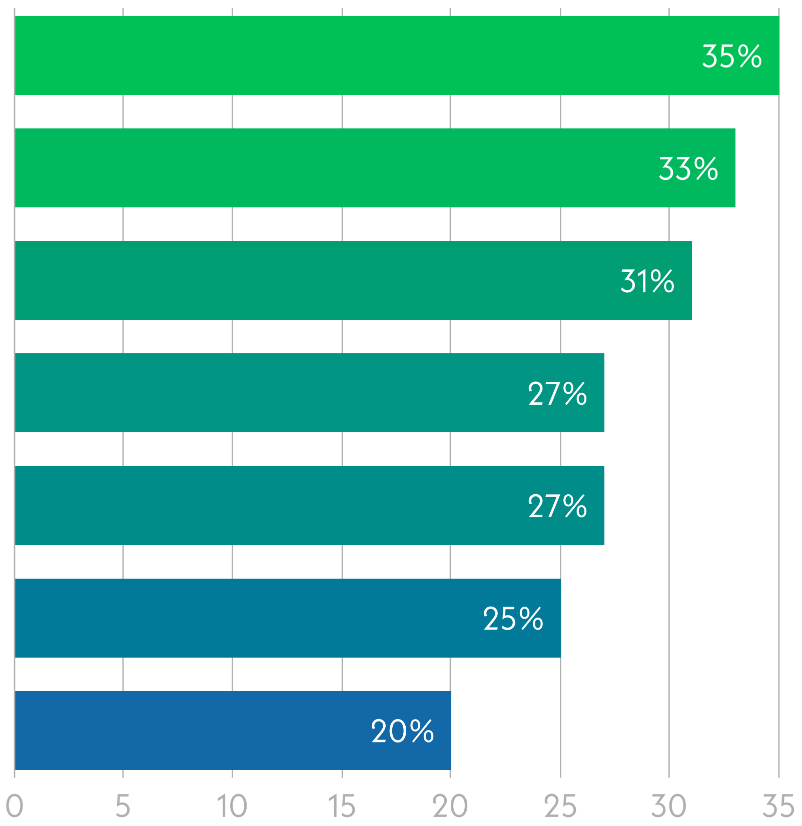

Figure 9
Constraints to actively engaging with investee companies on human rights more

- Lack of time
- Lack of human resources
- Lack of organisational knowledge
- Not applicable
- Budget constraints
- Lack of trained analysts
- Lack of access to investee companies

When asked about obstacles to actively engaging more with clients, respondents selected lack of trained client advisors (27%), lack of time (25%), lack of organisational knowledge (22%), and lack of human resources (22%) as the top concerns (see Figure 10 – multiple answers selected). We observe that, contrary to responses obtained in 2020, lack of trained client advisors is now a top concern. Unlike the focus on a broader type of knowledge underlined in the case of investee companies, when engaging more with clients, respondents highlighted also a more specific type of knowledge relating to client advisors.

More generally, we note that a lack of time as well as concerns related to a lack of knowledge constitute the main obstacles. Budget has become a concern in relation to engagement with investee companies. It is also worth noting that 27% of the respondents did not select any constraints for engaging more on human rights with investee companies and around one third (36%) of the respondents did not select any constraints for engaging more on human rights with clients. We wonder whether this could imply that some financial institutions do not see the need for engaging more with investee companies and clients on human rights, and are satisfied with their engagement levels. We also make note of the generally lower numbers for considering human rights when working with and engaging with clients relative to investee companies. These findings are similar to those obtained in 2020.

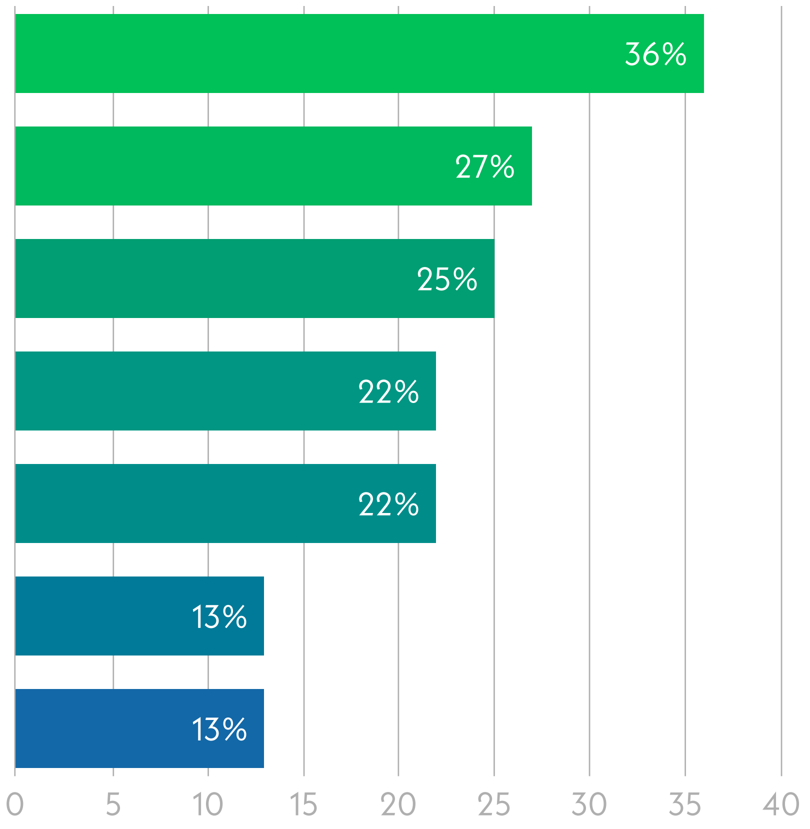

Figure 10
Constraints to actively engaging with clients on human rights more

- Not applicable
- Lack of trained client advisors
- Lack of time
- Lack of organisational knowledge
- Lack of human resources
- Budget constraints
- Lack of access to clients

5. The major obstacle for integrating human rights in core business operations is still the lacking availability of better and more reliable data from companies. Greater standardisation of reporting and disclosure is also needed. Furthermore, financial institutions express the need for a clearer understanding on how to implement regulatory requirements, and for more education of employees.

Better company data such as data on companies' actions and impacts, including those related to companies' supply chains (55%), and a better and more harmonised reporting/disclosure by companies (47%) are the main aspects that need to be improved for financial institutions to better address human rights, alongside with a clearer understanding of what is expected of them (35 %), and more education of employees in the finance industry about human rights and related concerns (35%) (see Figure 11 – multiple answers selected).

Even though we observe that organisations are well prepared to meet the requirements of specific EU regulations, as described in Finding 3, there is now an increasing need for a clearer understanding on how to implement regulatory requirements. Indeed, a clearer understanding on how to implement regulatory requirements (29%) is now more highly ranked compared to two years ago (15% in 2020). This significant change could be explained by the fact that financial institutions are currently undertaking the implementation of regulatory requirements (especially at the EU level) and may be facing practical challenges in this regard. The insights gathered through the expert interviews confirmed this implementation challenge. A clearer understanding may also be needed as a result of the increasingly lively debate on, and in some cases the enactment of, corporate human rights due diligence legislation in Europe at both regional and national levels over the last two years, drawing attention to and increasing the need to address human-rights-related topics in the business context. The operationalisation of human rights into decision-making processes and company procedures, as well as the monitoring of compliance with human rights standards often remain difficult.

We also observe that 60% of the respondents stated that their organisation uses a combination of two or more data sources, including their own data/research, publicly available data, and/or data and ratings purchased from third-party providers to specifically address human rights risks. However, only 38% of respondents believe that available ESG data allow them to make an informed assessment of human rights risks (i.e., somewhat agree, agree, or strongly agree that this is the case). This number is lower than the 56% obtained in 2020. This relates to the quality of information available on the topic of human rights, which still fails to facilitate high-quality assessments.

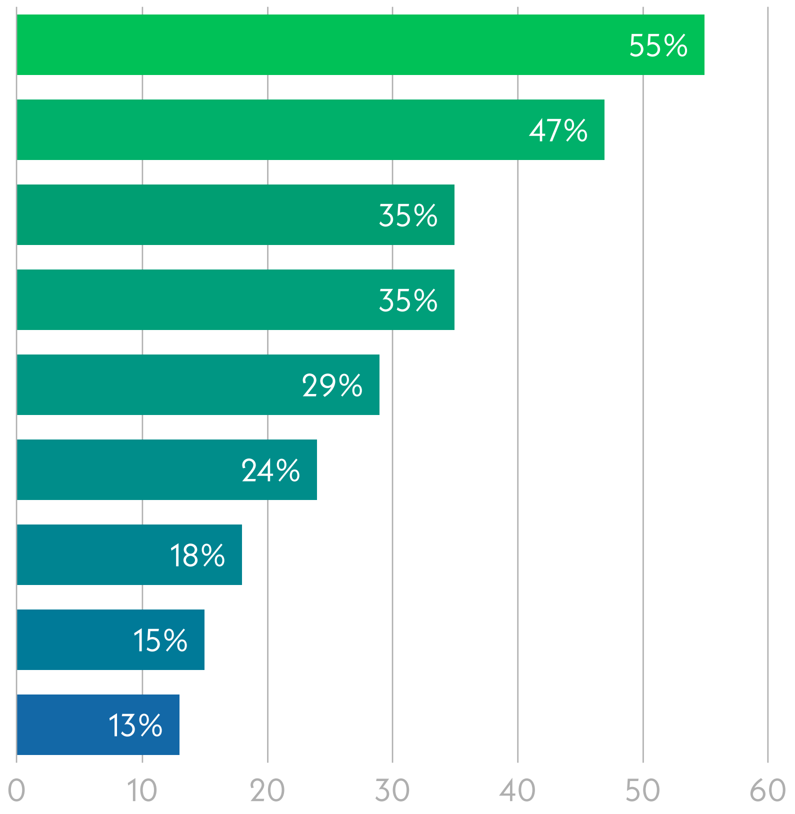

Figure 11
To better address human rights, organisations would need

- Better access to information/data about companies' actions and impacts, including those related to companies' supply chains
- Better and more harmonised reporting/disclosure by companies
- A clearer understanding of what is expected of financial institutions
- More education of employees in the finance industry about human rights and related concerns
- A clearer understanding on how to implement existing regulatory requirements
- More organisational resources (e.g. specialised ESG analysts)
- Better client understanding of human rights and related concerns
- Stronger senior menagement support to prioritise human righs concerns
- A clearer definition of human rights

5. RECOMMENDATIONS

This research project shows that the integration of human rights into the core activities of financial institutions is not yet exempt from challenges. Below we make some recommendations focusing on how different actors can contribute to the advancement of human rights integration in the finance industry.

1. Financial Institutions

- **Human rights is a leadership matter in 2022 as much as it was in 2020**. To address existing obstacles to the integration of human rights into their core activities, **financial institutions need to continue their efforts to allocate adequate resources, invest in building expertise on human rights, and assign clear responsibilities for human rights throughout all levels of the organisation**. While top-level respondents show great awareness for human rights, they should make sure that the matter is driven through all decision-making levels at financial institutions.
- **Financial institutions should use their legal duty to report on human rights as part of their broader ESG-related reporting obligations as a strategic tool to drive further implementation of human rights due diligence.** Reporting should be used to engage more relevant functions in the organisation on human rights topics.
- **With new legal obligations and increasing market demand for sustainable investment, financial institutions should step up their efforts on integrating human rights considerations into their decision-making processes when working and engaging with investee companies and clients.** Financial institutions should set clear expectations vis-à-vis investee companies on human rights matters; incorporate human rights matters into their conversations with clients to better understand client preferences; and finance projects that take into account human rights considerations.
- **Financial institutions should activate their trade bodies to further the integration of human rights as part of the more encompassing ESG agenda.** Trade bodies should make space for peer-to-peer exchange and work on guidance and knowledge building.
- **Financial institutions should engage more with actors such as academia to explore ways to improve the quality of human-rights-related data.** The lack of reliable data from companies is an impediment for financial institutions trying to better address human rights. Engaging with other actors on the topic could foster improvement.

2. Trade Bodies

- **Trade bodies should continue taking a more proactive role to ensure that human rights aspects are adequately present** in the public debate, political considerations, and their members' business operations.
- **Trade bodies should continue supporting their members** in the implementation of regulatory requirements and in gaining access to knowledge and best practices, possibly through trainings and workshops.

3. Regulators

- **Lawmakers should create consistent regulatory standards at the European level.** Regulations regarding requirements, processes, and reporting should be aligned, consistent, and not contradictory for financial institutions and companies.
- Sustainability requirements, including those relating to human rights, should be reflected in trade and other international agreements.

4. Investee companies

- **Whenever possible, investee companies should strive to provide meaningful data** (ideally based on agreed upon industry-specific reporting frameworks) on their risk exposure and management capacity relating to human rights. Robust human rights due diligence will likely add to their competitiveness as reflected in investor decisions.
- **Investee companies should strive for consistent data provision and reporting on human rights across their industry,** which may be achieved with the help of industry initiatives and trade bodies.
- **Investee companies should actively seek dialogue and engagement with their investors on human rights matters.**

5. Clients

- **Clients should continue asking for sustainable financial products that integrate human rights considerations.**

About Finance & Human Rights asbl (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.

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

The Geneva Center for Business and Human Rights is the first Human Rights Center at a business school in Europe. The Center works with companies to identify business models that enable profits and principles to co-exist. We offer companies a safe space to discuss pressing human rights challenges and train future leaders to develop and integrate human rights standards in their respective industry contexts. The GCBHR collaborates with the NYU Stern Center for Business and Human Rights to promote human rights in business education through the Global Network of Business Schools for Human Rights.

About Löning - Human Rights & Responsible Business GmBH (HR&RB)

Löning – Human Rights & Responsible Business is an international management consultancy specialised in human rights. Löning provides practical and strategic advisory on how to incorporate respect for human rights into business operations and along value chains.

About Luxembourg for Finance (LFF)

Luxembourg for Finance (LFF) is the Development Agency for the Financial Centre. Founded in 2008, it is a public-private partnership between the Luxembourg Government and the **Luxembourg Financial Industry Federation (PROFIL).** LFF's objective is to develop Luxembourg's financial services industry sustainably by putting qualitative growth, innovation and stability at its core.

Appendix – Main themes covered in the survey

- The role of the finance industry with respect to human rights;
- The role of organisations vis-à-vis the human rights of employees;
- The importance and consideration of human rights in an organisation's interaction with key stakeholders;
- The importance and consideration of human rights in relation to an organisation's core activities, as well as the impact on risk, creation of opportunities, and financial performance;
- Organisational drivers to addressing human rights;
- Organisational impediments to addressing human rights;
- Organisational engagement activities in relation to human rights;
- Organisational relevance of human-rights-related regulations and the organisation's ability to meet the requirements of key regulations;
- Organisational governance structure and reporting as relating to human rights;
- The use of data to assess human rights risks; and
- The impact of Covid-19 and geopolitical events.

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