finans förbundet

The Swedish Finance Federation's position in Sustainable Finance

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Purpose

The overall purpose of the position paper is to present the Swedish Finance Federation's positions on sustainable finance. The financial sector has a central role to play in driving the transition towards a more sustainable society. This must happen quickly and presents both challenges and opportunities.

This requires social responsibility in the banks' own operations, but also in their external operations. For the Swedish Finance Federation, sustainable finance is about the role and responsibility of the financial sector internally and externally in the green transition to a sustainable economy and society.
The Swedish Finance Federation wants to highlight the impact of sustainable finance on financial employees, the financial sector and society at large, and suggest initiatives to strengthen corporate social responsibility and social sustainability.

The Swedish Finance Federation's priority areas in sustainable finance:

- internal work within financial companies on corporate social responsibility and social sustainability, focusing on workers' rights, employment and working conditions.
- external work on social responsibility and sustainable investment, where responsibility is placed on financial sector actors to contribute to a sustainable economy that respects the environment and people.

Introduction

For the world to achieve the global sustainability goals of Agenda 2030 and the environmental targets of the Paris Agreement, a transformation of society as a whole is needed. The world's countries must pursue policies that promote climate neutrality, biodiversity and other environmental goals, while fostering sustainable economic growth. In line with the SDGs, the EU wants to create good conditions for a sustainable, green and digital economy that supports social and environmental objectives.

The financial sector has a key role to play in driving the transition to a more sustainable society. This must happen quickly and presents both challenges and opportunities. This requires social responsibility in the banks' own operations, but also in their external activities.

The EU has launched an action plan for financing sustainable growth. It includes a series of new and updated regulations requiring greater consideration of sustainability in the context of investment. The aim is to steer capital towards sustainable options and accelerate the transition.

But sustainable finance is also about how financial companies work internally on social responsibility and social sustainability to make sure employees feel good at work. What does this work look like today?
How can the social partners strengthen this work through social dialogue and collective agreements in order to reinforce workers' rights and good working conditions?

Sustainability issues have long been at the heart of the financial sector, with financial employees playing an important role in the transition towards a sustainable economy and society. It is critical that money is redirected from non-sustainable activities to more sustainable ones. Funding research and innovation is also critical.

Financial employees are very much affected by the sustainability regulation hitting the sector and other factors driving the transition. Employees need extensive skills development in sustainability regulation, but they also need to understand complex issues that are sector-specific in order to do a good job and meet their clients' needs. Customers and investors are increasingly demanding sustainable services and products and political pressure is growing.

The working environment of financial employees is affected by increased workload in areas such as regulatory compliance. It also affects the skill requirements of many employees who have to deal with sustainability issues that are both complex and dynamic.

Sustainability regulation will have a profound impact on everything from business models, pension savings and advice, to how the financial sector calculates financial risk. It will affect investment and lending in a very direct way, but it will also affect whole businesses where new jobs will be created and other jobs will change or disappear altogether.

The Sustainable Development Goals

In just a few years, sustainability issues have gone from niche to mainstream. Regulatory drivers with new regulatory requirements and standards, combined with demands for increased transparency and access to information, are some aspects that have driven sustainability work in the financial sector.

But the change has also been customer-driven. Investors and clients are now more often demanding how their money is handled and managed.

Through the Sustainable Development Goals (SDGs) in Agenda 2030,1 the world's nations have pledged to work towards a model of society that is economically, socially and environmentally sustainable. In December 2015, the world's nations agreed to the Paris Agreement2 - a climate deal that also commits countries to limiting global temperature rise by reducing greenhouse gas emissions. The aim is to create a sustainable society. The goals are interlinked and interdependent
of each other and require the active contribution and participation of companies. For example, business activities should promote: decent work, inclusive growth, gender equality and sustainable innovation.

To meet the SDGs and the Paris Agreement, huge investments will be needed over the next 25 years. Capital must be redirected from non-sustainable activities to sustainable activities, innovation and technological development. This is where the financial sector has a crucial role to play in the transition to an environmentally, socially and economically sustainable society. A successful transition requires well-functioning financial markets - credit and securities markets - to allocate and transform savings to finance sustainability goals. The financial sector plays a key role in this work and already in 2015 the Swedish Parliament decided that the financial system should contribute to sustainable development.

The 17 UN Sustainable Development Goals What is sustainable finance?

There is no clear definition of sustainable finance, but the more widely accepted interpretation among companies is that environmental, social and governance sustainability parameters are taken into account when making business and investment decisions. It is about integrating sustainability into risk management throughout the business. Sustainable economic growth requires transparency and sustainability in financial markets and the economy as a whole.

Source : www.globalamalen.se

1 The 2030 Agenda is an action plan with goals for a sustainable society for people, planet and prosperity. The goals and targets of the 2030 Agenda are integrated and indivisible, encompassing all three dimensions of sustainable development: economic, social and environmental.

2 The Paris Agreement is an international climate agreement concluded on 12 December 2015 and developed during the 2015 United Nations Climate Change Conference in Paris.

The starting point for sustainable finance is that the long-term economic development of a company or organisation is not at the expense of environmental and social sustainability. Some see financial sustainability as a means to achieve the goals of environmental and social sustainability, but all aspects of sustainability are interrelated.

In the EU, sustainable finance is seen as a means to finance the green transition and sustainable social development.

How is the financial sector affected by the changeover?

The financial sector is greatly affected by the transition to a sustainable economy and society. The sector has a particular link to several global sustainability goals, but it is not primarily the sector's activities per se that have an impact on the climate. The financial sector's impact on climate change arises primarily in connection with the provision of credit and other services such as banking.

Climate change and transition create new risks and new business opportunities for businesses. From a global perspective, the Swedish financial sector appears well placed to manage these risks. But there is still a great need for additional knowledge and methodology to manage these risks in practice.

The financial sector has been working on sustainability issues for many years, both nationally and at EU level, but also at global level. However, political pressure has increased and the transition needs to be accelerated and more comprehensive. The financial sector needs to take clear responsibility
for the impact of its activities on society and the environment - both in its own operations, but also in its external investments. To take on this responsibility, the financial sector needs the right tools to make risk assessments linked to the transition.

What is the role of the financial sector in the transition?

The financial sector has a key role to play in driving the transition to a more sustainable society. The EU is working hard to accelerate the green transition, but significant public and private investment is needed to succeed.

Estimates show that around €1 trillion of investment is needed annually from 2021 onwards if we are to meet the EU's 2030 climate and energy targets. The investment gap is estimated at around €180 billion a year - this is where private capital comes in. The public sector cannot finance this on its own.

Sustainable finance in the EU is not new. But what is evident now is the increased political pressure and the need for more structured political support for a rapid transition. There is a broad international consensus that the financial system needs to change if Europe is to meet its sustainability goals and ensure financial stability, and that a clear and predictable framework for sustainable finance will help make the EU more attractive for green investment.

What is a sustainable investment?

One of the key issues identified by the European Commission to enable capital to be steered in the right direction is the need for a uniform classification system to define environmentally sustainable activity. Several systems are currently in use, but there is no EU-wide system that incorporates all environmental objectives in a uniform way and clarifies what constitutes an environmentally sustainable investment.

The lack of harmonisation creates uncertainty for investors. The European Commission has therefore developed an environmental taxonomy - the Taxonomy Regulation - to create a more uniform and common definition of which economic activities are deemed to be environmentally sustainable.
A harmonised classification system that defines what constitutes sustainable activities is essential to finance sustainable investments in the transition. Common technically rigorous EU criteria are considered to reduce the risk of potential greenwashing of financial products on the market.

In July 2021, the European Commission published a report proposing to extend the environmental taxonomy to include social sustainability objectives - a so-called "social taxonomy". The intention is to create a tool to drive and finance the social agenda linked to the SDGs. The proposal is based on internationally agreed principles, including the UN and OECD guidelines, and includes human rights as well as sustainable corporate governance.

Sustainability legislation & framework

An important part of the green transition is to update financial market legislation at EU level by integrating sustainability aspects into existing legislation. In addition, the EU wants to push ahead with new and very comprehensive sustainability regulation. These are (in this context) rapid and far-reaching changes that will affect the entire financial sector.

The EU is developing strong legislation covering everything from sustainability reporting and disclosures to clearer accountability for financial company boards. This is to ensure that there is qualitative and comparable information on a company's sustainability performance. It should also result in financial firms providing more detailed sustainability information to customers and investors. All this is aimed at redirecting capital to sustainable activities and creating transparency in the way financial companies and advisors work on sustainability.

Companies and organisations will also need to report on how they apply due diligence to address sustainability issues. The European Commission wants to introduce requirements for companies to carry out due diligence processes to prevent and manage risks and ongoing negative impacts related to human rights and the environment. This should apply both within their own operations and in their value chains.

Sustainability regulation and other sustainability initiatives are extensive both nationally and internationally, and are constantly evolving. This has a profound impact on the entire sector and its employees.

ESG measures sustainability risks

ESG can be seen as the financial sector's tool for measuring sustainability risks and is essential for calculating the risks to which companies are exposed both internally and externally. Historically, companies have usually been evaluated on the basis of financial values, but a company's activities also affect the environment, its employees and society at large.
To measure sustainability risks from a non-financial perspective, we usually talk about ESG - (E) stands for Environmental, (S) stands for Social and (G) stands for Governance.

Environmental (E) stands for the environmental impact of the activity. Social (S) is about the responsibility a company takes for society and its employees. Social (S) includes working conditions, working conditions and positions on forced labour and child labour, with requirements for towards the entire production/supply chain. Social responsibility issues, such as human and labour rights, shall be taken into account. Governance (G) refers to the effectiveness of a company's governance processes. It looks at the composition of the board and the distribution of management positions in terms of gender and diversity, as well as the company's success in preventing bribery and corruption.

Sustainability risk assessment will affect the entire financial sector and all parts of the business. ESG issues are central to maintaining trust, good service and good customer relations. Financial firms will need to explain what ESG risks their clients have in their portfolios and what the implications are for returns. This will require the development of products and services to ensure that they are in line with the bank's, the country's and the EU's climate change objectives. New functions and departments will be needed, for example in sustainability data and analysis. New requirements will come in the area of compliance and sustainability reporting where the Board will have a more explicit responsibility. These issues will be given greater importance in the future.

Countering greening for continued confidence

Demand for what is "green" and "sustainable" is increasing. The problem is that financial firms are currently left to decide for themselves what constitutes a "green investment", in the absence of common guidelines on which investments should be called "green". As the demand for these products increases, so does the risk of greening - that is, of businesses and products being portrayed as more sustainable than they actually are.

For a successful transition, customers and investors must be able to trust that green investments are indeed as green as they are advertised. Discouraging greening is important to maintain confidence in financial firms and the industry. It is also important that financial professionals are empowered to provide accurate and credible advice to clients and investors. The FSA has identified greening as one of the top risks in the financial sector for 2022.

Sustainability challenges facing the financial sector

The financial sector is used to adapting and changing, but it is a big shift that the sector is facing. This transition will have a long-term impact on the financial sector and on the development of society. Everyone agrees on the need to change and the increased demand for green products speaks for itself.

The regulatory framework being developed in the area of financial sector sustainability reflects its enormous scope and challenges. As a result, and in response to increased interest from clients, investors and partners, many banks have begun to re-evaluate their own sustainability practices. Sustainability work tends to be based on the ESG tool mentioned above, but there is a wide range of definitions, methodologies, frameworks and terminology that are used interchangeably and interpreted differently by different actors. This needs to be standardised across the sector if the information is to be qualitative and comparable. Otherwise, it will be difficult to make objective sustainability assessments.

The financial sector also needs to strike a good balance between giving advice and 'preaching' sustainability in the context of advice. Some activities will benefit from the transition, while others will be forced to change or even go out of business. Banks have an important role to play vis-à-vis their customers, helping them to make informed decisions through informative (and sometimes difficult) discussions. Advice will play a vital role in this work.

Banks provide capital to clients and investors, but at the same time the entire financial sector is being hit by new mandatory regulations that will increase the administrative burden and make the advice process more complex. The larger banks have the resources to meet these new requirements, but it will be a huge challenge for smaller banks and other financial institutions that often lack capacity and/or staff.

Social responsibility of the financial sector

So what does social responsibility in the financial sector mean in the context of transition? First and foremost, it means that companies should try to minimise the negative effects that a company's activities have or may have on people and the environment.

The issue of sustainability, which includes social issues, has become increasingly important. Partly because of increasing customer expectations, but also as a result of new laws and regulations in the field of sustainability. There are numerous guidelines and initiatives to lean on for increased social responsibility.

Just transition - social sustainability at all levels

Just transition can be translated a bit sloppily as "cool transition". It is a concept that emerged in the international trade union movement in the late 1990s. Basically, it means that the transition must not only be economically and climate sustainable, but also socially sustainable. The focus is on decent work.

2015 ILO (International Labour Organisation) fram Guidelines for a just transition towards environmentally sustainable economies and societies for all. The Guidelines are both a framework and a practical tool to help governments and social partners make the transition to a more sustainable economy - one that is not dependent on fossil fuels. It is a tool that can be used to work towards the achievement of the Sustainable Development Goals, Agenda 2030.

The Global Deal - partnership

The Global Deal, a partnership between trade unions and employers to find solutions to the problems posed by climate change and a globalised labour market, was launched at the UN in autumn 2016 and aims to achieve UN Sustainable Development Goal 8 on decent work and Sustainable Development Goal 10 on equality. At the heart of the work are well-functioning labour relations (social dialogue) globally and respect for human rights at work in all countries of the world.

Companies have an obligation to take social responsibility both internally and externally. Internal social responsibility is about workers' rights and opportunities for development - that all employees in the company have the right to organise and bargain collectively, the right to a good working environment, the opportunity to have an influence, good opportunities to enjoy their work and not to be discriminated against. Here, trade unions have an important role to play together with employers in finding common solutions to challenges in working life - to create fair conditions.

Collective bargaining and influence

The OECD (Organisation for Economic Cooperation and Development) writes in its 2019 report Negotiating our way up, that the right to collective bargaining and workers'

Collective bargaining is a useful tool for addressing the challenges posed by major changes. Collective bargaining can create good conditions and find good solutions in times of change, benefiting both companies and employees.

The role of the Swedish Finance Federation in sustainable finance

The Swedish Finance Federation works to protect and strengthen the socio-economic interests of its members in the workplace and to contribute to fair conditions in the financial sector. This includes by influencing the formulation of policies and legislation affecting the financial sector, but also through continuous social dialogue, cooperation and negotiation with employers.
Workers have the right to participation and influence - they must be able to influence their working conditions and working environment. This can include issues relating to the working environment, skills, wages, holiday rules, pension agreements, collective agreements, safety, gender equality and other issues that have a significant impact on employees' working conditions and well-being at work. This work lays the foundations for sustainable development that balances human, environmental and economic interests.

The Swedish Finance Federation wants to contribute to a future where these three dimensions interact because they are interdependent - that is, companies take into account both people and the environment when creating economic growth. At its core, it is about how companies manage their resources to create economic returns.

The Swedish Finance Federation works to ensure that the working lives of financial employees are good and sustainable over time. A sustainable working life strengthens the company's most important resource, its employees, but also the company's work and, by extension, the financial sector and society. An important prerequisite for a sustainable working life is that members of the Swedish Finance Federation have influence and can influence their working conditions and working life.

The social dimension is needed for a successful transition

Within the framework of sustainable finance, the Swedish Finance Federation wants to represent the interests of its members in the best possible way, by focusing on corporate social responsibility internally, but also by pointing out the social responsibility of the financial sector in its external activities. The financial sector has a key role to play in the transition, and mandatory legal requirements mean that the sector is facing major changes. The financial sector is becoming a vehicle for achieving a long-term sustainable social economic model - a growth model that takes into account the well-being of people and the environment. It will therefore become increasingly important for companies to demonstrate that they are taking this responsibility.

The Swedish Finance Association wants to contribute to a strong financial sector that is socially responsible and environmentally friendly. After all, the environment is the human habitat, whose natural resources we use to create economic growth. Growth that will be used for human welfare and well-being for a long time to come.

Today, environmental issues are the main focus of sustainability work. There is a natural explanation for this, as humans are ultimately dependent on the environment and a functioning ecosystem for their survival.
But the Finance Association often misses the social dimension linked to sustainable finance and corporate social responsibility to contribute to the global sustainability goals. The social sustainability goals also need resources and should be implemented in parallel with the economic goals

as well as environmental and climate objectives. They therefore need to be placed higher on the political agenda and not dealt with separately.

A social taxonomy is needed for sustainable development

The Swedish Finance Federation supports the development of a social taxonomy at EU level to drive the social agenda forward. The aim of a social taxonomy is to create greater transparency on the social aspects of sustainability, directing capital flows to activities that respect human rights and supporting capital flows to investments that improve living and working conditions.

The social taxonomy is still under development, but the Finance Association feels that there are currently a number of challenges associated with this work. Trade unions have an important role to play here
to create influence and participation. The social objectives need to be defined and specified in dialogue with the social partners - not least when they relate to "just transition", workers' rights and human rights.

The Swedish Finance Association believes that CSR linked to the SDGs should be given the same space and importance as the economic and environmental SDGs. The objectives are interrelated and together form a whole - people, economy and environment - and should therefore also be dealt with in a coherent (and not fragmented) manner in policy.

The social responsibility of the financial sector in meeting environmental and social objectives cannot be overstated and is central to a successful transition. The financial sector and its employees are a tool, a means and an enabler for a successful transition. Not only of its own operations, but of the entire industry in all sectors.

If financial companies are to be attractive to customers, investors, employers and partners, it is particularly important that they take their social responsibility and put people's well-being at the heart of their business.
by ensuring decent working conditions and good working conditions. The company's attitude to and management of these issues can be directly decisive for the valuation of the company and for the success of its business.

Financial employees play a key role in the transition

Financial employees are largely affected by the transition, but also actively contribute to this process. The right skills are a prerequisite for the success of this systemic change.
In the context of major changes in the business, employee influence and the possibility of collective bargaining are crucial. Employees have the right to be involved in the process of change in order to feel good at work and to make the best possible contribution to the organisation's goals.

The transition brings changes to the business

Integrating sustainability aspects into companies' operations requires new business models, new or adapted data systems, adapted information, new reporting models, new parameters for effective risk assessment and so on. Thus, integrating and adapting sustainability into business operations requires substantial and far-reaching investments and changes throughout the company. Financial professionals therefore need to understand how to price risk based on these parameters and what the new regulatory requirements mean for financial products.

Employees also need to understand how the regulatory requirements affect their businesses from a purely business perspective. Integrating the punchability aspects into the business requires

employees know how to define, identify and assess financial risks related to the impacts of climate change. It is also important to understand, identify and assess financial risks related to the transition itself.

The knowledge and skills of financial employees are crucial

For the Swedish Finance Association, competence and skills development are key issues for a good working life, for providing good service and a prerequisite for employees to be able to contribute to value creation for customers, investors, the company and society at large. The right skills are also needed to build trust and provide good consumer protection for clients and investors.

When dealing with clients and investors, financial professionals need to be able to understand and explain green and ethical products and services, their labelling and the rationale behind them. Financial professionals also need to understand the requirements for disclosing how sustainability is taken into account in investment decisions and advice as existing regulatory frameworks dealing with risk management, product governance and advice are progressively updated and implemented. Regulatory compliance also requires a high level of knowledge and expertise in the often complex regulatory environment and how compliance is measured and assessed in companies.

The Swedish Finance Federation therefore believes that skills development should be timely and individually tailored to the position and responsibilities of the employee. Some employees need to learn all about the new and updated regulations in order to have the right skills, while others are not as directly affected by the regulations. However, all employees need to gain a deeper understanding of the financial sector's role in the transition through sustainable finance.

Participation and empowerment enable sustainable change

The Swedish Finance Federation believes that issues relating to the financial sector, the rights of financial employees and the conditions for doing a good job should be given greater prominence in the sector, in the social dialogue between the social partners, but also in politics. A strong and prosperous financial sector is important for Sweden and the EU and is sustained by competent financial employees who produce fantastic added value for individuals, companies and society at large.

For the Swedish Finance Federation, it is therefore important that employees are involved in the operational dialogue within the framework of these fundamental changes that the transition and sustainability work entails, and that employers and employees agree on the best solutions in the workplace through dialogue and collective bargaining. The Finance Union has an important role to play in this work by being the voice of financial workers and engaging in ongoing social dialogue with companies.

For the Swedish Finance Association, it is important that the transition is socially and economically just and inclusive, that new jobs are created, that financial employees are given the best conditions to do a good job to strengthen the financial sector's position and contribute to social benefit.

Trade unions are a key player in the transition and tomorrow's labour market will require strengthened cooperation between the social partners. The ambition of the Swedish Finance Federation is to work together with companies on an ongoing basis to bring about change in the context of workplace development that affects employees. The social partners will work for social
sustainability and agree on the most effective solutions to common challenges through social

dialogue and collective bargaining. In working towards sustainability, it is important to strengthen the work related to workers' rights, working environment, skills, gender equality, reducing inequalities and discrimination issues.

Elected representatives in companies have an important role to play in promoting members' issues in relation to the transition and sustainable finance. It is therefore important that the role of trade unions at both local and central level is made clearer when discussing CSR.

Social sustainability creates sustainable employees

A sustainable working life for financial workers over time requires a sustainable financial sector that generates sustainable growth and enables a sustainable model of society in the long term. The Core
in trade union work is about social sustainability in working life, with a focus on the well-being of the individual, where a good environment and a good economy create the conditions for a good life. As a trade union, the Swedish Finance Federation contributes to improving workers' influence and employment conditions in the labour market through social dialogue and collective agreements between the social partners.

The ambition of the Swedish Finance Association is to constantly improve the conditions for its members to do a good job and have good conditions. Prosperous financial employees in prosperous companies form a strong and competitive financial sector that strengthens society as a whole and creates the conditions for financing welfare, an important dimension of social sustainability.

The Swedish Finance Federation's positions on sustainable finance:

- Social responsibility and social sustainability need to be put higher on the agenda of financial companies and politicians.
- The financial sector should contribute to and promote a socially and economically just transition.
- The SDGs need to be prioritised and financed in parallel with the other SDGs as they are interlinked.
- The Swedish Finance Federation is an important partner in sustainability work, particularly in the area of social responsibility and social sustainability in the financial sector.
- Employees should have an influence on and be involved in the work of sustainable finance. Employees' perspectives are important to take into account and include in the transition work.
- The Swedish Finance Association thinks that the proposal for a social taxonomy is a good way to finance and strengthen the work on the social sustainability goals, but feels that the method for developing, applying and achieving the desired results is challenging. Trade union influence and participation is important in this work.
- The financial sector is part of the solution and a key enabler for an effective transition towards a sustainable economy, society and living environment.
- The financial sector should take responsibility for the impact of its financial activities on people and the environment, both internally and externally through investment and lending, within the framework of the Sustainable Development Goals.
- The financial sector must ensure that all employees have good skills in sustainability issues and are well placed to contribute to the transition. Employees should be given the time and opportunity to develop their skills in sustainable finance and to provide well-informed advice and comparable information on sustainable investment/saving.