

MATERIAL FOR GROUP EXERCISE UNIT 2.1: IMPACT ASSESSMENT

1. Form 4 groups and read the handed out scenario.
2. Discuss and answer the following questions:
 - a. What are the main characteristics of this scenario?
 - b. Who are the beneficiaries in this scenario?
 - c. What are the main challenges for workers' representatives and trade unions?
3. Choose one group member to present your results.

You have 45 minutes to complete this exercise.

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Capital Jungle

Directive 2014/95/EU and its transposition did not fulfil the initial expectations of trade unions and workers' representatives. Nevertheless, obligatory NFIR seemed to have at least some potential for their cause. Trade unions and workers' representatives thus decided to monitor how NFIR would develop in the following years and then start to devise strategies. The weak guidelines and the absence of critical NFIR analysts allowed companies and the finance industry to adapt NFIR to capital market needs. Instead of improving transparency with regard to environmental protection and the improvement of social rights, the way the reporting was designed solely benefited investor relations. This became even more apparent as the growing sector of sustainable finance increasingly gained in importance. Because sustainable finance often focuses only on the ecological benefits, rather than social and employment issues, this resulted in a strong emphasis on ecological topics. After the first years, trade unions and workers' representatives therefore perceived NFIR as mainly serving the particular interests of the capital markets with very little practical value for their work. Afterwards, the efforts by unions to work with NFIR or to influence the further development of binding policies steadily declined.

This provided companies and the financial industry with an opportunity to permanently shape the future of NFIR to suit their own needs. Trade unions and workers' representatives had ceased in their attempts to exert serious influence on the reporting standards and, without that, there was no lobby for labour related matters. With fewer parties at the table, there was less controversy in the consultation process for the revision of the Directive and what resulted from this was an agreement which included binding reporting guidelines. However, the content of the guidelines cemented the shift towards a solely "green" perception of sustainability. This generated even more interest and ambition among NGOs dealing with environmental issues. Soon, bodies for "ecological-partners" were established, institutionalising the ecological dialogue between companies and environmental NGOs. This development led to conflict lines appearing between trade unions / workers' representatives and NGOs. As they started to compete for influence, the interests of trade unions, workers' representatives and NGOs were also timely played out against each other. The only winners are the non-financial rating agencies, which have gained importance for investor relations.

Today, trade unions and workers' representatives perceive NFIR as an accounting issue only important for capital markets and some environmental activists. As a result, trade unions and workers' representatives not only lack interest in NFIR but also the skills to deal with it. They make only marginal use of NFIR for ecological topics. The NGOs participating in the "ecological dialogue" are increasingly seen as competitors. There is no longer any aspiration on the part of trade unions and workers' representatives for NFIR to play a significant role in social dialogue. Neither is there a desire for fostering multi-stakeholder coalitions. Moreover, they are alarmed that the one-dimensional perception of sustainability might be working against them in the long-term. The impact of Directive 2014/95/EU on labour relations in 2030 is negative. This is because of little to no practical value for trade unions and workers' representatives combined with growing importance of other stakeholders



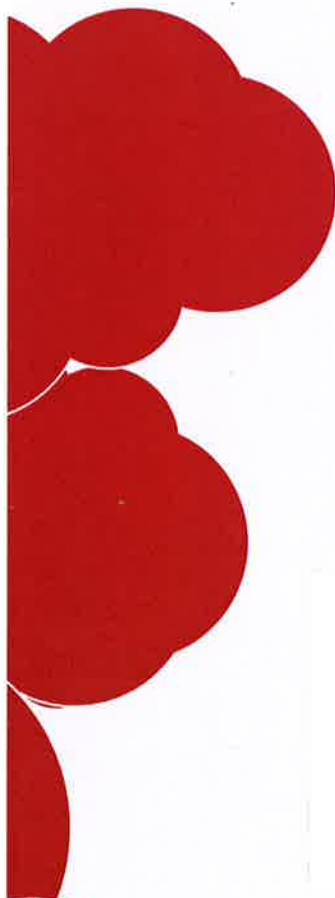


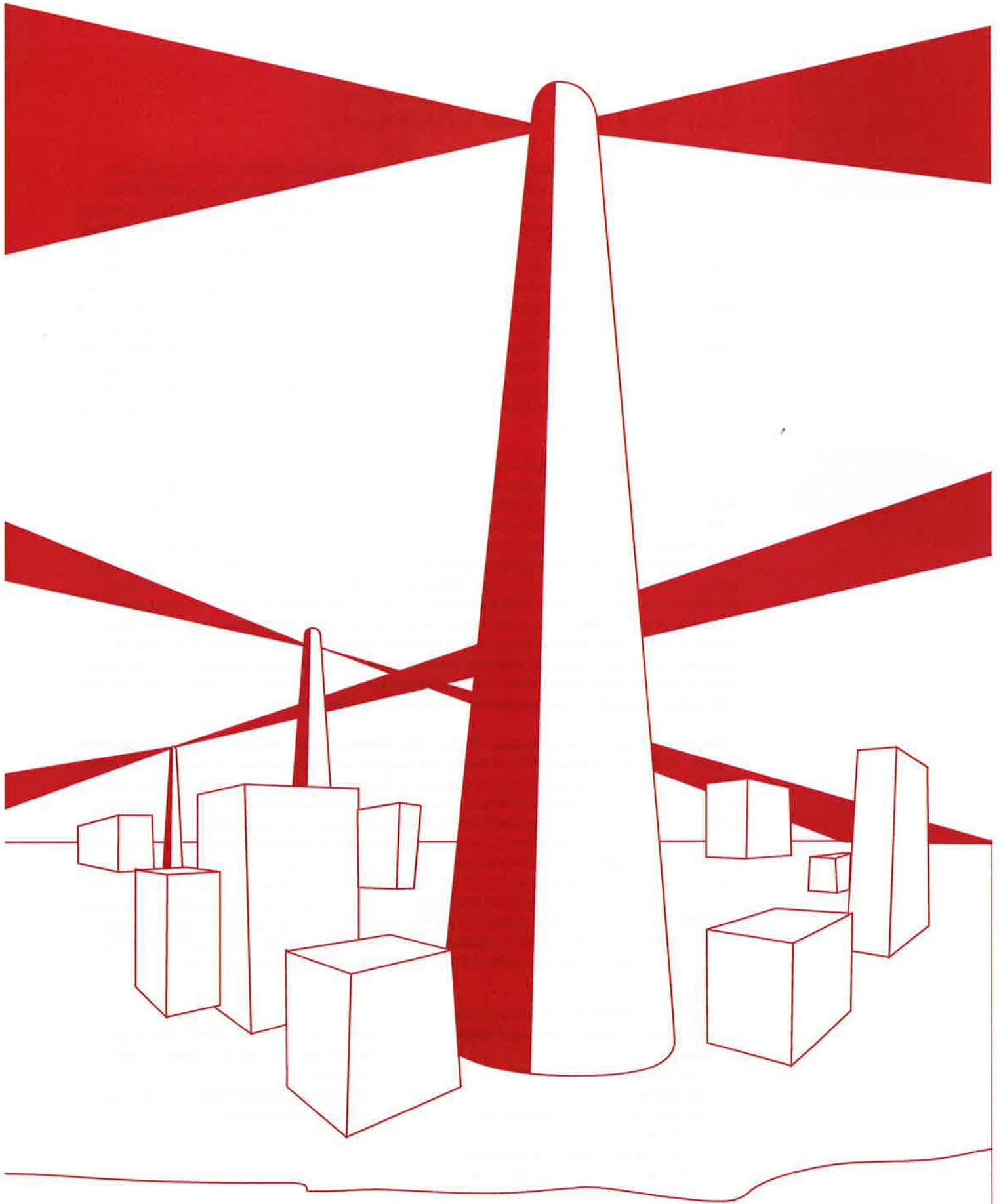
Laundromat

Directive 2014/95/EU and its transposition did not fulfil the initial expectations of trade unions and workers' representatives. The EU Directive on NFIR was expected to improve the image of CSR, bringing about a shift from mere public relations matter to serious business, but it ended up being limited in scope and with too little binding character in terms of the means of reporting. The critics, who had seen this coming, were assured that NFIR would not lead to any improvements for civil society. Those who had previously hoped for progress were disappointed and mostly decided to direct their efforts towards other policy areas. This left the playing field to a growing industry of consultants, offering their services to companies: after all, the weak binding guidelines had left a lot of room for interpretation and creativity. Greenwashing, redwashing or whitewashing? Just name the colour of the company image you are looking to achieve and they took care of the communication strategy that went along with it. This also fuelled wild growth of "customised standards", which gave rise to a fragmented reporting landscape with little comparability. Non-financial rating agencies and investors were, of course, aware of this development as well. If this did not change, NFIR would remain of limited use for investment decisions.

When the revision approached, non-financial rating agencies and investor organisations thus started to lobby for obligatory audits by independent third parties. This was supposed to be an effective measure to improve the reliability of NFIR, effectively making it sufficient for risk management purposes. There was no noteworthy active opposition from trade unions and workers' representatives or civil society; some even hoped that this would finally lead to NFIR serving the long-hoped purpose of improving ecological, social and governance issues. When the first audit reports started to appear, it became clear that this would most likely not be the case. Instead, the interpretative authority over NFIR now lay with branches of the same consulting agencies that had put them together in the first place. Of course, they were not allowed to do reporting and auditing for the same company, but still, there was too much dependency in other business fields to guarantee complete impartiality.

The scope of NFIR today is still restrained to those companies which were required to report when the directive was first introduced. Beyond that, only two types of companies make use of NFIR: those who consider sustainability to be at the core of their brand and those who have a lot of dirty laundry. Trade unions and workers' representatives are therefore not working with NFIR in a way different from that in 2016. Their analytical capabilities are limited to basic assessments. They do not carry out branch or country comparisons as these appear to be too costly to achieve. What the basic assessments do identify, however, are some fields of reporting where the perception of trade unions and workers' representatives differs most from that presented in NFIR and the audit results. Nonetheless, the results of trade union assessments are mostly used to criticise the incongruence of the many CSR awards, whose number has steadily increased over the past years. This is because CSR awards have proven to be an effective means of brand building in the eyes of customers and politicians. NFIR is left without almost any practical value for trade unions, workers' representatives, and social dialogue. Instead, it is increasingly becoming more of an obstacle when management refers to it. The impact of Directive 2014/95/EU on labour relations in 2030 is negative because it has further divided the social partners and weakened the interpretative authority of trade unions and workers' representatives.








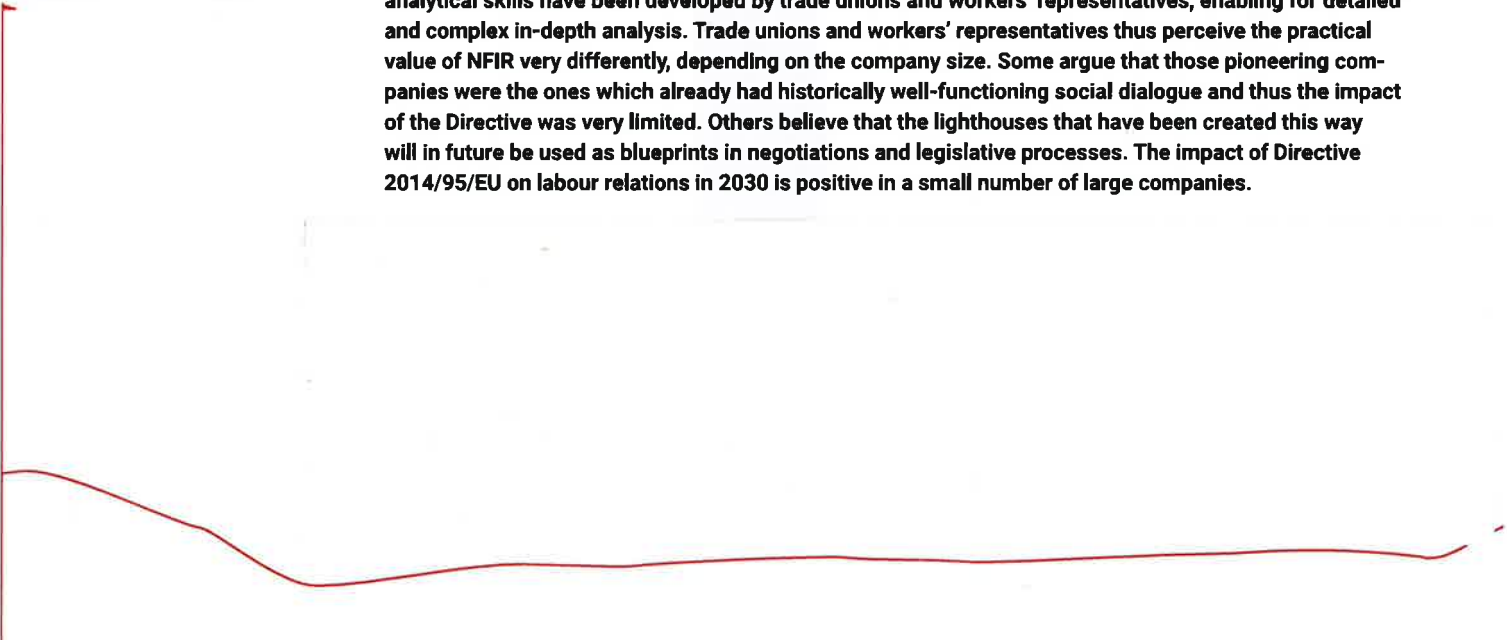
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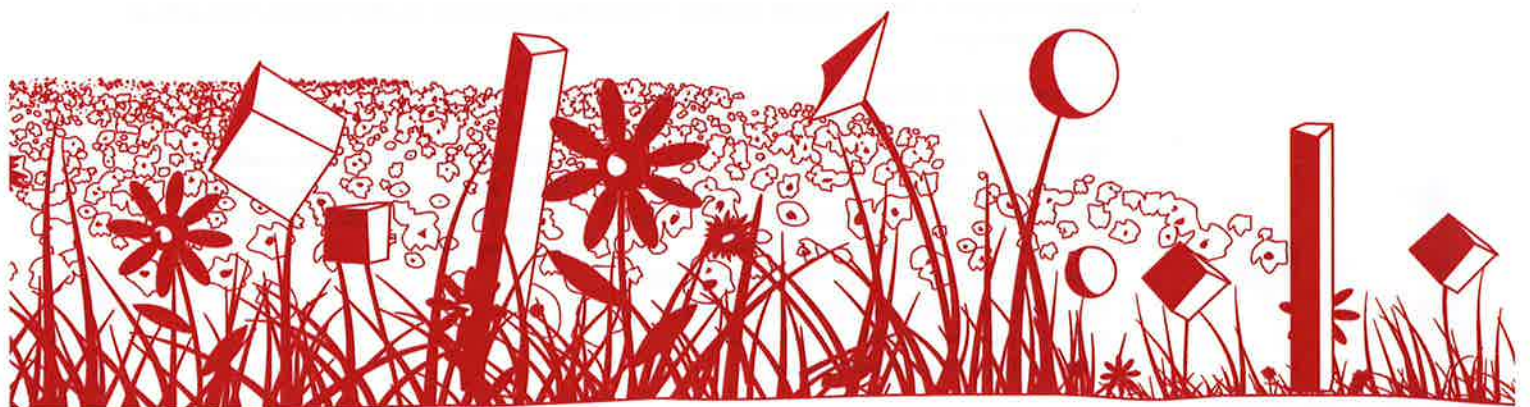
Directive 2014/95/EU and its transposition did not fulfil the initial expectations of trade unions and workers' representatives. Nevertheless, obligatory NFIR seemed to have at least some potential for their cause. Trade unions and workers' representatives decided to start utilising NFIR in those branches and companies in which they were already well organised. They concentrated on establishing voluntary agreements that went beyond the legal framework and, most importantly, specified the role of trade unions and workers' representatives. It was possible to realise this with rather few resources as without having to establish any new structures. The company agreements resulted in a wide range of "laboratory spaces" focusing on different topics. While some set their priorities on strengthening the position of the European Works Councils (EWC) in the consultation processes, others tried to push for the integration of supply chains into NFIR or the extension of the list of topics to be covered. All those efforts were undertaken in large companies only, which resulted in an inhomogeneous picture of NFIR. While some pioneer reports were ambitious and of high quality, the broad majority significantly lacked substance. Furthermore, the individual approaches led to a wide range of customised standards, complicating branch and country comparisons.



When the revision of the Directive came closer, trade unions and workers' representatives decided to concentrate on two demands. Looking at their experience so far, it seemed realistic to explicitly require that EWCs be part of the NFIR consultations in places where such councils existed. The other, much more ambitious demand, was for a "European Law on the Duty of Vigilance" following the French example. Both would only concern the largest companies, most of which were already applying somewhat similar practices and thus the objections were not expected to be very strong. At the same time, trade unions and workers' representatives were hoping for a trickle-down effect, on a transnational scale as well as on the business side. They achieved a partial success, as both demands were met, but the threshold for the "European Law on the Duty of Vigilance" was set at 50.000 employees. With all this already in place, trade unions in some sectors were able to negotiate social partner agreements that specified a small set of minimum reporting standards and key performance indicators for employment, social and supply chain issues. After all, it would make life easier for the management as well, now that trade unions and workers' representatives were already actively involved.

Today, in a small number of companies, NFIR is highly utilised in social dialogue. Typically, those companies are found within the largest 5 % in Europe and confined to specific sectors. In the other 95 %, NFIR plays, if any, only a marginal role in social dialogue. In those 5% of companies, NFIR has helped to push employment and social issues vertically. In most cases, ecological and governance issues are being addressed by trade unions and workers' representatives as a by-product only. Highly company-specific analytical skills have been developed by trade unions and workers' representatives, enabling for detailed and complex in-depth analysis. Trade unions and workers' representatives thus perceive the practical value of NFIR very differently, depending on the company size. Some argue that those pioneering companies were the ones which already had historically well-functioning social dialogue and thus the impact of the Directive was very limited. Others believe that the lighthouses that have been created this way will in future be used as blueprints in negotiations and legislative processes. The impact of Directive 2014/95/EU on labour relations in 2030 is positive in a small number of large companies.





Thriving Meadows

Directive 2014/95/EU and its transposition did not fulfil the initial expectations of trade unions and workers' representatives. Nevertheless, obligatory NFIR seemed to have at least some potential for their cause. Trade unions and workers' representatives decided that they could not wait for too long before starting to act, otherwise NFIR would run the risk of soon being utilised by capital market actors only. But where to start? The absence of binding standards for NFIR resulted in individual and complex reports, while analytical resources were scarce. However, NFIR could only ever be of any practical value if trade unions and workers' representatives were able to make the content usable and assess the quality across countries and branches. In order to deal with this, trade unions and workers' representatives timely joined forces with NGOs on national and European levels to establish expert networks on NFIR. Soon, it became clear that they had different perspectives on many topics, but at this stage, the practical benefits outweighed ideological conflict lines. First success stories started to appear where trade unions, workers' representatives and NGOs were able to influence the publication of NFIR or use it for bargaining and individual campaigns. Most coalitions remained project-oriented, dissolving soon after they had achieved their short-term goal.

Still, one thing remained especially unsatisfactory for trade unions and workers' representatives. The threshold of 500 employees combined with the criteria for revenue, balance sheet totals and types of enterprises drastically limited the number of companies within the scope. Lowering the bar would really make a difference but trade unions and workers' representatives would not be able to drive this change alone. A joint effort with other stakeholders would be key. Putting aside their different demands regarding the content of NFIR, a broad "Transparency Alliance" for expanding NFIR obligations to a larger number of companies was established at European level. Even a lot of consulting agencies supported this idea, as they believed it would stimulate their business activities. The timing played out well. Because the "Agenda 2030 for Sustainable Development" had until then fallen short, politicians felt pressure to act. In addition, the narrative of the administrative burden resulting from NFIR had lost some of its footing. This was primarily thanks to research on the situation in France, Denmark and Sweden, where the Directive had already been transposed to varying extents. In a well-coordinated strategic approach, the Transparency Alliance managed to enforce its demand during the revision of the Directive.

Thereafter, the number of companies falling within the scope increased significantly, giving NFIR a boost. Utilising NFIR still does not enable great leaps, but in those countries and companies where there was little to no information before, it helps to achieve improvements. It has become common practice for trade unions and workers' representatives, who are well-recognised as stakeholders in NFIR, to carry out "social audits" as a counterbalance to commercial rating agencies. Permanent coalitions with NGOs help to keep NFIR mostly free from conflicts of interest in the civil society, driving the development of clear social-ecological strategies within trade unions and workers' representatives. NFIR thus plays an accepted role in labour relations, fostering them where they were weak or non-existing. Additionally, it extends the horizon of social dialogue to cover ecological and governance issues. The impact of Directive 2014/95/EU on labour relations in 2030 is positive because it has strengthened them on a horizontal axis in terms of coverage and topics.

