International Labour Organization

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Principles for Responsible Banking

Banking for Decent Work

A pathway to impact

September 2025

Disclaimer

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This guidance is the result of a partnership between the United Nations Environment Programme Finance Initiative (UNEP FI) and the International Labour Organization (ILO).

UNEP FI brings together a broad network of banks, insurers, and investors to catalyze action across the financial system and foster more sustainable global economies. For over 30 years, UNEP FI has connected financial institutions with the United Nations to shape the sustainable finance agenda. UNEP FI has introduced a holistic approach to impact management for private financial institutions, promoting the systematic consideration of both positive and negative impacts across the three pillars of sustainable development: environmental, social, and economic. In addition, it launched the Principles for Responsible Banking (PRB), which require signatory banks to align their core strategies, decision-making, lending, and investments with the UN Sustainable Development Goals and international frameworks such as the Paris Climate Agreement. Through these efforts, UNEP FI has established some of the world's leading sustainability frameworks, supporting the financial sector in achieving sustainability goals, managing risks, and identifying new business opportunities through responsible banking and insurance practices.

ILO is the specialized agency of the United Nations dealing with the world of work. The ILO is unique among UN agencies because of its tripartite structure which brings together governments and the most representative employers' and workers' organizations of its 187 member States to jointly adopt international labour standards and shape policies and programmes promoting Decent Work for all. ILO is the UN lead agency supporting governments to achieve SDG 8 on inclusive economic growth and Decent Work. The ILO engages with the financial sector to explore how it can contribute to Decent Work and social justice. This engagement with the financial sector is three-fold, dealing with different sets of players in financial inclusion, impact insurance and sustainable investing.

Acronyms and abbreviations

AUSTRAC	Australian Transaction Reports and Analysis Centre
CSOs	Civil Society Organizations
CSRD	Corporate Sustainability Reporting Directive
ESG	Environmental, Social, and Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
FHI	Financial Health and Inclusion
HRDD	Human Rights Due Diligence
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
ILOSTAT	ILO Statistics
KPIs	Key Performance Indicators
KYC	Know Your Customer
MNE	Multinational Enterprises
NA	Not Applicable
OECD	Organisation for Economic Co-operation and Development
OSH	Occupational Safety and Health
PRB	Principles for Responsible Banking
PRI	Principles for Responsible Investment
SMART	Specific, Measurable, Achievable, Relevant, Time-bound
SMEs	Small and Medium-sized Enterprises
UNGPs	United Nations Guiding Principles on Business and Human Rights
WBA	World Benchmark Alliance

Contents

Technical summary

Financial institutions play a pivotal role in fostering decent and productive employment, ensuring that all people benefit from inclusive and sustainable economic growth. Their capacity to direct their financial flows means they are uniquely positioned to influence real economy companies to adopt responsible labour practices that not only safeguard workers but also boost productivity and support long-term economic resilience.

Among financial institutions,banks can actively contribute to the promotion of Decent Work, especially in a global context where its absence has become a systemic risk to individuals, economies, markets, and even peace. Challenges such as the lack of good governance, significant levels of informal employment, youth unemployment and the gender pay gap all contribute.

In today's rapidly evolving financial landscape, Decent Work is both a responsibility and a competitive advantage. There is a compelling business case driven by regulatory trends, reputational concerns, risk mitigation, and market opportunities. Taken together, these factors make the integration of Decent Work a driver of positive impact for banks.

This guidance is designed to help banks contribute to Decent Work and inclusive economic development while minimizing potential adverse impacts on workers through their financial activities. It is the result of a partnership between the United Nations Environment Programme Finance Initiative (UNEP FI) and the International Labour Organisation (ILO). The document focuses on corporate, business, and investment banking, including the structuring of debt instruments for issuers and capital market access and includes guidance for the development of social bonds with Decent Work-related KPIs.

The guidance explains the concept of Decent Work for banks, outlining its four core pillars: employment (including job creation, access, and retention), rights at work, social protection and social dialogue.

It provides direction on relevant standards and frameworks, notably the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO MNE Declaration), and the Principles for Responsible Banking (PRB), as key instruments to guide banks in expanding their impact on Decent Work.

The guidance outlines pathways to impact, relevant indicators, and the challenges and potential solutions related to impact measurement. It identifies three interconnected outcomes:

- Portfolio alignment with Decent Work minimum criteria (related to rights at work and social protection)
- Increased finance for responsible practices relating to further advance Decent Work
- Contributing to an enabling environment for sustainable enterprises to foster Decent Work

Inspired by the UNEP FI Principles for Responsible Banking journey, this guidance equips banks to undertake strategy, target setting, action plan implementation and monitoring and accountability in relation to Decent Work.

About this guidance

This guidance is designed to assist banks increasing their contribution to creating Decent Work and inclusive economic growth while minimizing any adverse effects on workers in the context of their financial activities.

It seeks to clarify the strategic role that banks can play in promoting Decent Work in their portfolios. Internally, by strengthening their processes and policies, and by adapting and designing new products and services, and externally by engaging with clients and partnering with public and private actors.

It offers users a range of insights and tools, including:

Key concepts
An understanding of the different pillars of Decent Work and what they mean for banks seeking to align their financial decisions with Decent Work principles.

Pathway to impact
Providing banks with a clear, actionable pathway to impact to manage and measure their social impact in the area of Decent Work.

Context analysis and alignment
Guidance on how to understand the context in which the bank operates in terms of sustainability needs, national priorities and expectations concerning national and regional regulation.

Performance assessment
Providing a list of indicators for banks to evaluate their performance on this topic and identify gaps and opportunities for action

Target setting and KPIs
Recommendations for setting concrete targets and actions to achieve them, along with indicators for monitoring and reporting progress.

Taking action
Recommendations for actions to promote Decent Work across four different categories, along with guidance for a progressive approach to implementation and examples of action plans.

Case studies
Case studies to illustrate how the different steps, from impact identification and assessment to target setting and implementation, can be operationalized in practice.

This guide can be utilized by any bank interested in promoting Decent Work, particularly members of the Principles for Responsible Banking (PRB). It will be especially beneficial to those PRB signatories who have identified Decent Work as an area of impact.

The guidance focuses on corporate, business, and investment banking, including structuring debt instruments for issuers and accessing capital markets. It will also address the banks' own development of social bonds, including the incorporation of Decent Work KPIs.

The key role of banks in promoting access to finance for individuals and businesses, including entrepreneurs, has already been addressed in the PRB Guidance on Driving Impact on Financial Health and Inclusion of Individuals and Businesses: From Setting Targets to Implementation

The role of banks as institutional investors has been developed by PRI (see: How investors can advance Decent Work).

This guide begins by presenting the business case for promoting Decent Work. The second section introduces the concept of Decent Work and explains why it is relevant for banks. It then unpacks the various pillars of Decent Work to clarify the multiple facets of this concept and how it fits into relevant frameworks and standards. It goes on to illustrate a pathway to impact, how banks can contribute to creating jobs and improving working conditions, and how they can measure their results. The fourth section then details the journey that banks may take to promote Decent Work in their clients' businesses, replete with case studies of banks that have been pioneers in this effort.

This guidance is a means for banks to identify opportunities to promote Decent Work. It does not create or expand any obligations for companies doing business with banks.

1. Decent Work: A strategic opportunity for banks

1.1 Introducing the business case for Decent Work

Promoting Decent Work is not only an ethical and sustainability imperative, but also a smart business strategy and a proactive way to mitigate risk of not respecting rights at work as well as reputational risks.

The performance of companies closely correlates with the quality and stability of their workforce. There is a growing body of evidence to indicate that high rates of absenteeism, employee turnover, occupational accidents and skills mismatches generate substantial inefficiencies and economic costs. An ILO study on Myanmar's garment sector, for example, estimates annual losses exceeding USD 40 million due to absenteeism and turnover alone.[1] On the other hand, multiple studies have shown a clear link between employee satisfaction and financial performance.[2] Companies that invest in better working conditions tend to use resources more efficiently and achieve stronger results.[3]

In the banking sector, there is a growing trend of financial institutions incorporating Decent Work considerations into their codes of conduct or developing specific policies on the topic. A survey of 66 European banks conducted by KPMG revealed that among the Sustainable Development Goals (SDGs) economic growth and Decent Work (SDG 8) is one of the highest priorities, although putting this into practice remains challenging.[4] The following are key factors driving banks to incorporate Decent Work principles into their operations and business relationships.

Aligning with international expectations and regulations

The UN Guiding Principles on Business and Human Rights (JNGPs) constitute an authoritative global framework on respect for human rights that sets expectations of conduct for States and companies, including the banking sector. These expectations have increasingly been incorporated into other frameworks, such as the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO MNE Declaration).

Regulation continues to be a key driver for banks, as financial rules evolve to integrate Decent Work into their processes and practices. In Europe, the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) require banks that have identified labour-related issues as material to disclose how they address these impacts across their value chains and how they engage with employees and their representatives. Similarly, in Latin America, regulations like Chile's General Regulation No. 461 mandate banks to report on labour formalization, pay equity, and the inclusion of people in vulnerable situations. In 2024, all three securities exchanges[5] in China issued their respective guidelines on corporate sustainability including a double materiality approach. Among other relevant issues the guidelines cover employees and equal treatment of small and medium-sized enterprises.[6]

Beyond reporting, other regulatory frameworks such as supply chain legislation, identify the risk to financial institutions of human rights litigation related to labour rights. In particular, Modern Slavery Acts encourage businesses, including banks, to assess and address slavery risks within their supply chains. The French Duty of Vigilance Law further exemplifies how companies, including financial institutions, must tackle Decent Work issues throughout their operations and supply chains.

Risk and impact management

As a result, financial institutions are facing an increasing number of complaints and litigation alleging failure to identify and address severe labour rights abuses linked to some of their clients. This trend is reflected in the OECD National Contact Points' reports, which show a rising number of specific instances involving financial institutions. Notably, financial and insurance activities have consistently ranked among the top three most frequently most frequently referenced in such cases.[7]

Addressing these risks proactively is not only essential for compliance and reputational management but also for safeguarding long-term financial stability and resilience.

Growing market confidence

Demonstrating a strong sustainability performance and a genuine commitment to the principles contained in international labour standards reinforces market confidence in a bank. Prominent rating agencies like the Dow Jones Sustainability Index assess labour practices as part of their evaluations. Some banks are specifically motivated by various human rights benchmarking exercises, which can positively influence their reputation and attract more institutional investors. In 2023 the Korean bank Hana Financial Group issued a social covered bond of EUR 600 million which received the highest credit rating of "AAA" from international credit rating agencies S&P Global and Fitch.

The inclusion of human rights and labour-related issues in proxy votes is also indicative of this trend of increased realization of the materiality of Decent Work. Investors at Toronto-Dominion Bank[8] and the Canadian Imperial Bank of Commerce[9] proposed that, starting in 2026, these banks provide an annual report on measures taken to prevent loans to companies using forced or child labour in the production of goods purchased or distributed by clients financed by the bank.

Products that deliver profits and scale up positive impacts

Additionally, developing sustainability-linked products and social bonds offers a business opportunity not only through profitability but also by attracting investors aligned with sustainability criteria. It can enhance the issuing banks' ESG and credit ratings and increase their appeal in capital markets. For instance, NatWest Group has raised a total of GBP 5.4 billion through eight green and social bonds since 2019 under its Green, Social and Sustainability (GSS) Financing Framework. As of 31 December 2024, the combined pool balance of its six active bonds stood at GBP 4.1 billion. Key allocations included GBP 449 million for women-led businesses and approximately GBP 1.7 million for affordable housing—deployments that also generated measurable economic benefits, such as 7,680 jobs supported via its now-redeemed EUR 750 million Employment Generation Bond. While these instruments support initiatives such as job creation in economically deprived areas and lending to women-led businesses, their primary economic value lies in enabling access to diversified, sustainability-aligned capital at scale.[10]

Improve repayment capacity

A positive work environment enhances productivity, increasing the opportunity to make higher profits and reducing credit risk for banks, ultimately strengthening their clients' repayment capacity.[11]

2. Unpacking Decent Work for banks

8 DECENT WORK AND ECONOMIC GROWTH

Decent Work refers to:

the "**opportunities for women and men to obtain work in conditions of freedom, equity, security and human dignity.**"[12]

Given the compelling case for banks to proactively engage with Decent Work, it is useful to explore the various pillars of the Decent Work concept and how it fits into relevant frameworks.

2.1 Relevant frameworks and standards

The ILO MNE Declaration provides guidance to businesses (regardless of sector) on the positive contributions companies can make to economic and social development in their operations, including supply chains. It also provides policy guidance to governments on how to create an enabling environment for responsible business through effective legislation and labour administration. It also covers policy coherence, in particular concerning investment promotion, public procurement, and government subsidies. The MNE Declaration incorporates the rights set out in the ILO Declaration on Fundamental Principles and Rights at Work[i] as well as other rights set out in international labour standards addressing employment, training, conditions of work and life, and industrial relations.

This target setting guidance is in line with the Principles for Responsible Banking framework. All PRB guides build on the concept of impact management as outlined in the UNEP FI Impact Protocol. Under the PRB framework,[13] Decent Work and economic growth are key components of healthy and inclusive economies. Decent Work contributes to broader social outcomes, such as household financial stability, inclusive access to opportunities, and the reduction of vulnerabilities in the labour market. The UNEP FI Impact Radar identifies employment as an impact topic under the broader impact area of "livelihood." It is defined as: "Population's accessibility to productive work in conditions of freedom, equity, security and human dignity". It is closely linked to other impact topics, including freedom (child labour/slavery), equity (age discrimination/gender and ethnic and racial equality), security (health and safety) and human dignity.

The Guidance aligns with the UNGPs but does not provide a detailed discussion of their three pillars—state duties, corporate responsibility, and access to remedy. It highlights elements of the private sector's responsibility to respect human rights. For further information on state duties, see the UNEP Human Rights Toolkit.

In addition, the 2030 Agenda is relevant for this guidance, as Sustainable Development Goal 8 (SDG 8) encourages countries and stakeholders, including financial institutions, to promote inclusive and sustainable economic growth, full and productive employment, and Decent Work for all. The SDGs also emphasize that Decent Work for all relies on inclusive economic growth that generates quality jobs, particularly in underdeveloped regions and marginalized communities. Such growth ensures that every individual can achieve both material well-being and personal development in conditions of freedom, dignity, economic security and equal opportunity. Foreign and larger domestic enterprises can play a crucial role in fostering inclusive economic growth by strengthening links with local enterprises and supporting the transition to the formal economy, thereby promoting sustainable and equitable development.

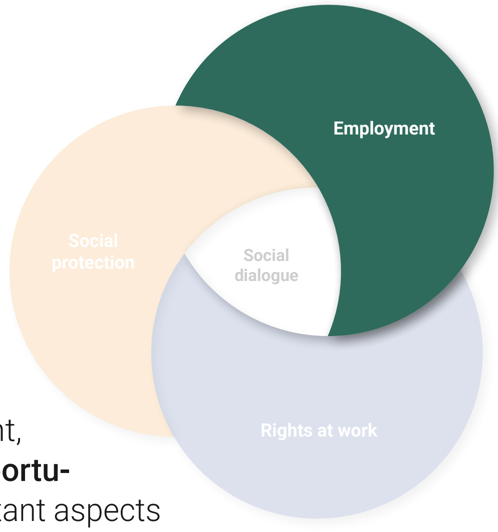
i The fundamental principles and rights at work are derived from the following conventions: Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), Right to Organise and Collective Bargaining Convention, 1949 (No. 98), Forced Labour Convention, 1930 (No. 29), Abolition of Forced Labour Convention, 1957 (No. 105), Minimum Age Convention, 1973 (No. 138), Worst Forms of Child Labour Convention, 1999 (No. 182), Equal Remuneration Convention, 1951 (No. 100), Discrimination (Employment and Occupation) Convention, 1958 (No. 111), Occupational Safety and Health Convention, 1981 (No. 155), Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187).

The IFC (International Finance Corporation) Performance Standard 2 on Labour and Working Conditions, which is based on international labour standards and the Equator Principles, also helps to shape the guidance.

2.2 Decent Work pillars

The pillars of Decent Work are set out in the ILO Declaration on Social Justice for a Fair Globalisation (2022). They include (i) employment (ii) rights at work (iii) social protection and (iv) social dialogue which is recognized as the most appropriate means to realize Decent Work while simultaneously achieving sustainable growth of enterprises to further stimulate job creation and advance social progress.

They are all interlinked and ideally should need to progress in parallel to accelerate progress to achieve Decent Work.



Employment: Creation, retention, and access[ii]

Employment is a prerequisite for workers to be able to enjoy their rights and for businesses to secure the talent, skills and stability they need to operate and grow. There are three main aspects of employment to consider: creation, retention and access. To achieve widespread employment, the **creation of sustainable and inclusive employment opportunities** is essential. Recruiting and sourcing locally are important aspects of employment creation.

There also needs to be security of employment for the medium to long term as much as possible. While the macro-economic situation is a factor, **employment retention** can be achieved through effective business planning that can help manage fluctuations, for example in production cycles, and facilitate longer term contracts and retention of trained and experienced individuals. It also includes provision of reasonable notice to workers of intended changes in operations likely to result in layoffs and avoiding layoffs where possible.

Access to decent employment opportunities, particularly for people in vulnerable situations, is another critical factor. Training and skills development are necessary to facilitate entry or return to the labour market and to build resilience in a workforce faced with evolving demands and emerging business needs. This must be a joint effort between government and business requiring investment in education, vocational training and life-long learning initiatives. Businesses can support skills development by promoting continuous learning within their own organizations and offering apprenticeships to young people. This represents a chance to contribute to the just transition, for example by exploring more sustainable and circular business models while upskilling the existing workforce to engage effectively with the emerging opportunities.

Inclusion of groups in vulnerable situations in the labour market helps ensure non-discrimination and equal access to employment opportunities. Economies benefit from reduced reliance on social support and increased tax contributions. Many job seekers (e.g., women, youth, people with disabilities, refugees and migrants) commonly face structural and social barriers in accessing employment. However, while a particular situation and occupation may make a person vulnerable it is not by virtue of the fact that they immediately fit into the category but rather the combination of elements, including the particular occupation concerned, which ultimately determines vulnerability. To address these challenges, governments and businesses can implement proactive measures such as improving their recruitment and hiring practices (targeted outreach, blind recruitment), investing in training and skills development, setting up child and elderly care structures to support workers with family responsibilities, and adapting and strengthening workplaces to ensure an inclusive and supportive work environment.

ii The content of this section is based on the ILO MNE Declaration.

Categories of workers who more often face challenges in obtaining Decent Work

Young workers[14]

- High unemployment rates: the global youth unemployment rate is ~13% vs. ~5% for adults.
- High levels of informal employment: this affects over 40% of young workers.
- High "Not in Education, Employment or Training" (NEET) rates: ~20% globally (2023).

Women[15]

- Low employment rates: the global labour force participation rate for women is ~47%, compared to ~72% of men.
- Significant gender pay gap: globally women earn 20% less than men.
- High levels of informal employment: this affects 60% of working women (2024).

People with disabilities[16]

- Low employment rates: the global employment gap for people with disabilities vs. non-disabled: exceeds 30% in many countries, with significantly lower workforce participation rates.
- High concentration in low-paid, low-skilled jobs.

Informal workers[17]

- High levels of informal employment: this affects more than over 60% of the global workforce.
- Particularly high levels of informal employment in developing countries, affecting up to 90% of people.
- Limited access to social protection and job security.

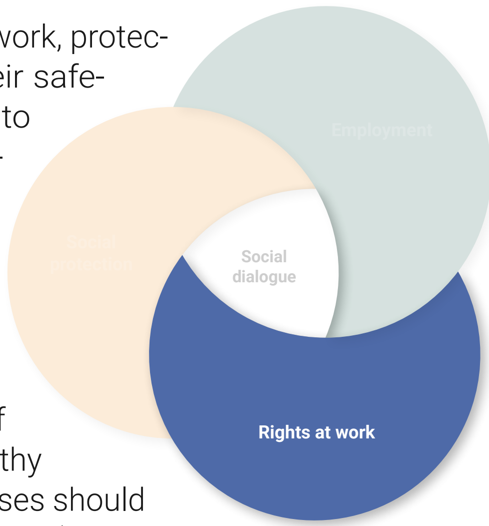
Migrants, refugees and asylum seekers[18]

- There were 168 million migrant workers worldwide in 2022, and this number continues to grow.
- Migrant workers are often working in low-paid, hazardous sectors.
- They face increased barriers to social protection access.

Other groups historically discriminated against (for example Indigenous Peoples and ethnic minority populations)[19]

- 86% of Indigenous workers are in the informal economy compared to 66% for non-Indigenous workers.

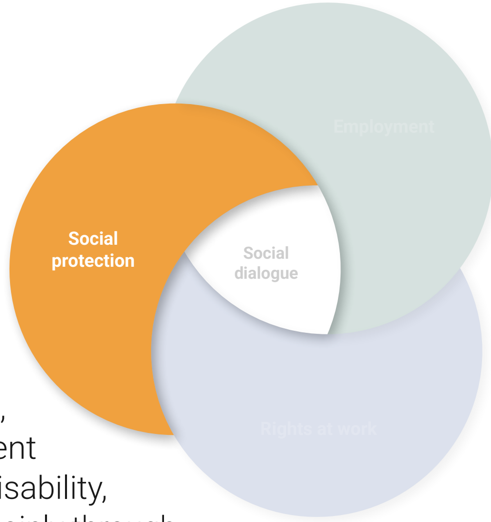
Rights at work



Rights at work includes fundamental rights, conditions of work, protection against arbitrary dismissal and mechanisms for their safeguarding and advancement. Together, these rights help to ensure fair terms of employment and treatment for workers, and they contribute to a well-managed and productive enterprise. Formalization is a key enabler for the respect of labour rights.

The fundamental principles and rights at work include a prohibition on forced labour[20] and child labour;[21] the right to equal opportunities in hiring and treatment;[22] freedom of association and collective bargaining;[23] and a safe and healthy working environment.[24] Other workers' rights which enterprises should be addressing in their operations include conditions at work (wages,[25] hours of work), and termination of employment (grounds and procedural fairness), consultation in the workplace, and mechanisms to address grievances and provide a remedy.

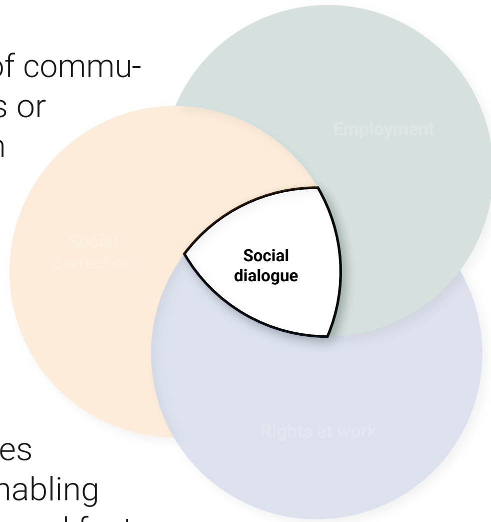
Social protection



Social protection[26] is central to the well-being of workers and their families and to stabilizing local economies. Social protection ensures that workers affected by certain events are still able to meet their needs in terms of access to health care and income.

Temporary income support is provided in case of job loss, sickness, injury, and maternity/paternity leave. Permanent income support is provided in case of long-term illness, disability, and retirement. While social protection should be provided mainly through public schemes, it is often supplemented (at least in certain aspects) by private schemes where the public scheme is underdeveloped in terms of either coverage of workers or causes of income loss.

Social dialogue



At the enterprise level, social dialogue, refers to all forms of communication and interaction between employers and workers or their representatives on issues of mutual interest. This can include negotiation, consultation, or simply the exchange of information. The goal is to foster better working conditions, improve productivity, and promote a more positive and productive working environment. Social dialogue also plays an important role at the sectoral, national and even international levels.

Concerning employment, social dialogue helps facilitates training, skills development, and workforce planning, enabling businesses to adapt to technological and market changes; and fosters employment stability, especially during restructuring or crisis situations.

Social dialogue advances rights at work by fostering a culture of respect for rights, providing a channel of communication to identify problems and resolving peacefully resolution of workplace disputes through negotiation and mutual understanding.

Concerning social protection, through social dialogue at the enterprise level, workers and employers can agree on measures that complement public social protection systems.

2.3 Formalization of employment

Formalization is a critical issue which cuts across all four pillars of Decent Work. ILO defines formalization as a process of bringing activities and workers from the informal to the formal economy, including registration, taxation and legal frameworks. This includes formalizing employment relationships and providing those workers with adequate labour and social protection in accordance with the law.

Informal employment occurs when a company fails to register employment relationships, or when the company itself is not registered and operating outside the law. In either case, workers have no legal protection and often suffer the worst Decent Work deficits.

Extensive regulatory and compliance requirements can make it more costly and difficult for businesses, particularly small and medium-sized enterprises (SMEs), to register and comply with formal requirements. Micro and small enterprises are more likely to not register their business, as it can be a complex, time-consuming and costly hurdle for entrepreneurs. Since unregistered businesses cannot receive corporate loans, they commonly take out personal loans instead. Supporting such clients to formalize can significantly benefit not only them and their workers, but also communities and society as a whole, since informality is strongly correlated with low productivity, limited market access, and lost government revenue to invest in further development.

2.4 Decent Work and just transition

The concept of Decent Work is central to achieving a just transition. As economies move toward sustainability, it is essential that workers are supported through job changes, reskilling and fair treatment. A just transition must protect livelihoods while addressing climate goals.

Without Decent Work, the transition to a low-carbon economy risks deepening inequality and social exclusion. Policies must therefore prioritize job quality and social protections to ensure that no one is left behind. In this way, Decent Work becomes a foundation for both environmental and social progress.

CASE STUDY 1

Creating green job opportunities for young people

The Green Jobs for Youth Pact brings together the collective power of ILO, UNEP, and UNICEF to accelerate the creation of green and decent jobs for young people, enhance their skills and drive a just transition toward a low-carbon, circular and nature-positive economy. It is a response to both the high unemployment rates among young people and the promise of the green transition to create new jobs in sectors such as plant-based food production and renewable energy.

Three Global Commitments of the Pact

The pact has 3 ambitious global objectives:

- Create 1 million new green jobs for young people, focusing on young women.
- Green 1 million existing jobs.
- Address youth employment shortages: Support 10,000 young entrepreneurs to establish and/or strengthen sustainable green businesses.

Further details of the case study can be found here.

3. Pathway to impact

3.1 Decent work pathway to impact

Banks can directly influence the workforce across their value chains. Through their financial activities, they can contribute to the four pillars of Decent Work. They can support the creation and retention of productive, freely chosen employment that ensures social protection and promotes the inclusion of people in vulnerable situations. Moreover, banks play a vital role in upholding labour rights and thereby reducing potential adverse impacts on workers.

The pathway to impact outlined below and illustrated in Figure 1 serves as a roadmap to help banks to effectively focus and optimize this work. It shows the inputs, or key drivers of change, that can encourage the financial sector to adopt higher labour standards, the four actions banks can take, and the outputs that come as a direct effect of banks' actions. Once these actions and outputs are clearly defined, banks can focus on monitoring the outcomes and impact achieved.

Outcome 1: Portfolio alignment with Decent Work minimum criteria

Banks can enhance the alignment of their investment and lending portfolios with rights at work and social protection principles, by assessing their clients' maturity in addressing Decent Work issues and their current level of alignment, while providing targeted support for concrete actions.

This approach enables banks to drive positive change in critical areas such as the eradication of forced labour, the protection of freedom of association, the provision of fair wages, and the assurance of safe working environments. This also includes support for SMEs in employment formalization including access to social protection.

Outcome 2: Increased finance for responsible business practices to further advance Decent Work

Banks can play a catalytic role in promoting Decent Work by directing financial flows toward enterprises that are adopting or scaling emerging Decent Work practices. Emerging responsible practices refers to principles and practices that real economy companies are progressively implementing to promote workers' well-being. These practices are largely context-dependent, considering the specific needs, priorities and regulation of the country of operation. This involves designing and offering targeted and context-specific financial services and products, such as sustainability-linked loans, social bonds, or blended finance structures, that incentivize and support improvements in employment practices and/or foster employment creation and retention. Encouraging large corporations to invest in skill development, living wages, and complementary private social protection systems can further improve rights at work beyond minimum adherence while improving productivity. Please see Table 5 on Specific principles on Decent Work and examples of actions for banks.

Outcome 3:
Contributing to an enabling environment to foster Decent Work

Achieving systemic change requires collective action. Banks can enhance their impact by participating in industry-wide initiatives, advocating for policies that integrate labour rights into financial regulations, and collaborating with governments and international organizations such as the ILO.

Advancing Decent Work in the bank's workplace and own operations

Although this guidance does not directly focus on this outcome it highlights that the internal experience gained by achieving it, such as on diversity, job quality, or worker protection, can meaningfully strengthen how banks engage with clients on these issues and provide greater credibility when doing so. Furthermore, the knowledge gained in this guidance can also be used for banks' own operations or in their relationships with suppliers and other business partners when relevant.

Banks can lead by example by first addressing gaps in Decent Work within their own operations. This involves ensuring fair wages, job security, and fostering a diverse and inclusive workforce. Promoting safe and healthy working conditions, alongside meaningful social dialogue. By fully respecting workers' rights in their own operations, banks not only reinforce institutional coherence but also enhance their credibility when advocating for improved labour practices across the broader economy.

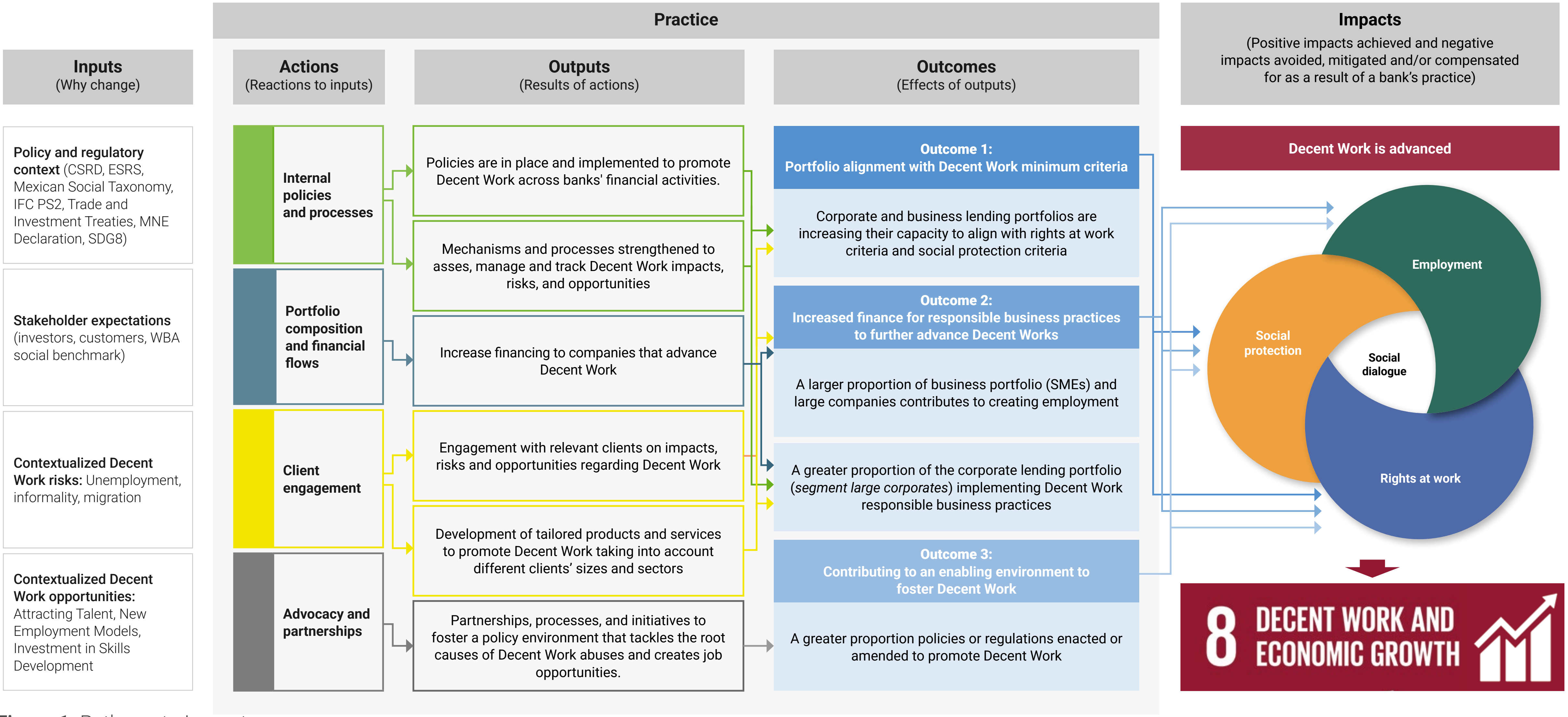


Figure 1: Pathway to Impact

3.2 Common indicators

Banks can use a variety of indicators to assess their contribution to advancing Decent Work and to monitor progress toward meaningful, measurable targets. The indicators presented in this section are mostly output and outcome indicators structured around three of the fourth pillars of Decent Work: employment, rights at work, and social protection. Provisions concerning social dialogue are included in the other categories when needed. The indicators can be accessed here.

Recognizing that impact measurement often relies on client-provided data, the guidance includes impact indicators only in cases where their measurement is considered feasible and realistic given the bank's capacity and practices. To date, opportunities to measure impact have primarily emerged in the areas of employment and social protection. Some reflections on the challenges and practical solutions related to impact measurement are presented below.

It is worth noting that Decent Work metrics can be effectively combined with other sustainability indicators to support integrated portfolio management. For instance, well-designed metrics such as 'low-emissions employment intensity' can serve as valuable tools for guiding investment decisions and aligning portfolios with both social and environmental objectives.

BOX 1

Questionnaire for engagement with clients on rights at work and social protection and external resources

In order to support banks in aligning their portfolios with rights at work and social protection, this guidance includes a questionnaire designed to help banks analyze and understand the policies, process and certain outcomes that can enable clients to implement the principles set out in international labour standards. The questionnaire can be accessed here.

Additional resources

If banks want to assess and engage with their clients at a rights and principles specific level, relevant external resources are:

1. ILO-IOE self-assessment tool for enterprises based on the MNE Declaration which support business to better understand the provisions in the Declaration and how it applies to them.

2. The UNEP FI Human Rights Toolkit provides guidance questions for assessing an operation, project, or asset from a workers' rights perspective.

3.3 Measuring impact: Key considerations to measure Decent Work progress

For banks seeking to advance in impact measurement, several tools have been developed to assess both job creation and certain aspects of job quality (see table 1). Although they have been extensively used by development finance institutions and investors, they can also be used by commercial banks with the necessary adjustments. For example, a simper approach was used by Natwest Bank (see case study 1).

Table 1: Tools to measure employment

Tools/methodologies	Description	Users
Joint Impact Model (JIM)	JIM is a tool developed to estimate the employment impact of investments made by FIs. Its objective is to quantify the number of direct, indirect, and induced jobs generated throughout the value chain of a financed project, using input-output multipliers and related approaches (for enabling effects in the energy and finance sectors).	Financial institutions, mostly development banks
ILO Multipliers methodology based on an input-output table of an economy	This methodology estimates direct and non-direct job creation from bank-financed investments using input-output multipliers. It captures short- to mid-term employment effects across sectors, excluding long-term effects. ILO provides more complex macroeconomic modelling to estimate those. More information is available here.	Financial institutions, mostly development banks and governments
Global Impact Investing Network (GIIN)	The GINN establishes metrics to assess various pillars of job quality, such as workers' health and wellbeing, skills development, wages, and employee voice. It also includes measures for employment creation, covering direct jobs generated, support provided, and access to employment for people in vulnerable situations, among other factors.	Mainly investors

Banks may also undertake targeted surveys to assess employment impact, depending on their budgetary and time constraints. These surveys can be conducted through representative sampling within their portfolios or in collaboration with other institutions to enhance data quality and coverage. An example of such a survey designed for SMEs is provided in Box 2 below.

CASE STUDY 2

NatWest's employment generation and Women-led business bonds: Advancing Decent Work through financial inclusion

NatWest Group has issued eight bonds totalling GBP 5.4 billion since the launch of its Green, Social and Sustainability Financing Framework.

NatWest's Employment Generation bond is specifically designed to support sole traders, partnerships, and small and medium-sized enterprises (SMEs) operating in economically deprived areas of the United Kingdom. It is estimated that, where the net proceeds of the bond were used to finance or refinance general corporate purpose loans issued to UK SMEs located in the 30% most economically-deprived local areas, the Bond, as of 15 November 2024, created or enabled 7,680 jobs.

To assess the impact of this bond, NatWest combines survey data with a multiplier formula derived from the ONS. The formula incorporates loan value, output by industry, capital stock by industry, and employment effects by industry to estimate the number of jobs created/enabled

More detail is available in the full case study here.

BOX 2

Example of survey for SMEs

1. **How many new formal Full Time Equivalent (FTE) jobs has your organization been able to create as result of the financing or credit provided by our bank in the last three years?** For this response, consider: a) formal jobs those that have been registered with social security and include a formal work contract in accordance with applicable labour legislation b) FTE: A Full-Time Equivalent (FTE) is a standardized unit for measuring an employee's workload relative to a full-time schedule. One FTE equals one full-time worker's hours; part-time employees are counted proportionally (e.g. 20 hrs/week on a 40-hr schedule = 0.5 FTE). Adding up individual FTEs yields the equivalent number of full-time workers in an organization (European Union definition of FTE).
2. **What proportion of these FTE jobs are aligned with ILO principles on Decent Work?** For this response the standards pertain to the Fundamental Principles and Rights at Work and working conditions such as minimum wage, adequate working hours, annual holiday, protection against individual and collective arbitrary dismissal and work place consultation.

3.3.1 Practical challenges and considerations

Measuring the amount and quality of employment generated through a bank's financial activities presents several practical challenges.

- **Diverse job creation sources**: One of the main challenges in tracking employment creation is that it results from a wide range of banking products and services, all of which have the potential to generate or maintain both direct and non-direct jobs. For example, a bank may contribute to job creation by financing SMEs, providing technical support to entrepreneurs, or investing in specific labour-intensive economic sectors. In addition, the absence of a standardized methodology that applies across these different channels makes it difficult to quantify the full impact.
- **Employment fluctuations**: When using sectoral estimates based on labour-intensive sectors, data can sometimes fail to appropriately capture employment fluctuations. For example, employment levels often vary significantly over time, with jobs peaking during development phases of investments but falling sharply during operation. Similar patterns occur in portfolios with high levels of seasonal work, such as agriculture, where employment may rise substantially for short periods and then drop off in subsequent months. For instance, IO-based multipliers methodology will only estimate the short-term effects.
- **Quality of employment and sensitive conversations with clients**: Measuring the "decency" of jobs presents challenges, particularly concerning data quality and worker voice. Much of the necessary information is qualitative and difficult to access. Workers' perceptions, such as trust in grievance mechanisms, are crucial. In addition, assessing improvements in workers' enjoyment of their rights and their access to social protection systems is complex, partly due to the difficulty in obtaining reliable and comprehensive data. Clients may be hesitant to disclose detailed information related to employment conditions and rights, which can limit the bank's ability to fully capture the true impact on respect for workers' rights and identify gaps that require attention.
- **Job quantity vs. job quality**: Another important consideration is that job creation alone does not necessarily translate into Decent Work. Prioritizing high-employment sectors without ensuring appropriate labour safeguards can result in a focus on job quantity at the expense of job quality. The use of multipliers based on an input-output table of an economy does not capture the quality of the jobs created and must therefore be complemented by other approaches. Using two-level questionnaires (measuring both quantity and quality) could address this limitation, although it may only be feasible on a limited scale. For example, it could be applied to measure quality employment created in relation to a specific loan or bond where this indicator is a loan condition. Moreover, such estimations may not offer sufficient granularity for banks seeking to compare performance across companies within the same sector.
- **SMEs data and capacity limitations**: Furthermore, SMEs, which are often key drivers of employment in Decent Work high risk sectors, may lack the resources or systems to report reliable data on working conditions or job quality. Similarly, their capacity to comply with quality work standards is not the same as that of large companies.

3.3.2 Practical solutions

There are a few practical recommendations or solutions to overcome these challenges and support a realistic impact measurement approach, aligned with the capacity of banks and their clients to generate and assess relevant data:

- Setting impact targets on decent employment creation by business unit, client segment, or priority sector, rather than using a single aggregated figure.
- For sector-specific targets, it is advisable to distinguish between jobs of a temporary nature, such as those generated during the construction phase, and those associated with the ongoing operation or long-term functioning of the activity, asset, or project. When financial support is extended to various actors along the sector's supply chain, considering employment generation across the different products and services provided to diverse clients is recommended.
- Adopting a sectoral approach based on salient human rights issues, focusing on specific aspects of job quality based on the most salient risks and impacts within each sector. Not all workers' rights are equally relevant across all sectors and industries, some will be more critical than others depending on the context.
- Implementing a progressive approach to employment quality, gradually increasing expectations over time in line with client capacity and contextual realities.

4. The responsible banking journey to Decent Work

4.1 Identifying Decent Work as an impact area: the starting point

As part of the PRB commitment, banks undertake an impact analysis and thus identify the impacts the organization has on people and the planet. UNEP FI has made a series of impact management tools available to support financial institutions to complete a thorough impact analysis that leads to identification of significant impact areas.[27] For some banks, this process will identify impacts related to Decent Work as a priority.

For banks using the Portfolio Impact Analysis Tool for Banks, there are specific scenarios that may lead to identifying Decent Work as a most significant impact area. This might happen for example in cases where the bank:

- Operates in countries where Decent Work is a national priority and/or need.
- Holds a significant and large portfolio in labour-intensive sectors or in sectors with high risks of negative impacts on Decent Work.

From a UNGPs perspective, even relatively small portfolios can have severe impacts on workers. Therefore, other internal processes, such as human rights due diligence, are encouraged to identify the potential or actual negative impacts related to labour rights which in turn inform the prioritization of impact areas. When assessing whether Decent Work should be a priority, it is advisable to include metrics relevant to informal employment, such as the share of workers without contracts or social-security coverage, alongside conventional employment figures.

Once Decent Work has been identified and prioritized as an impact area, banks are expected to set relevant targets and take action. This chapter addresses how banks can undertake this journey to Decent Work and lead on this topic as part of their UNEP FI Principles for Responsible Banking Journey through:

- Strategy
- Target setting
- Target implementation via action plans
- Monitoring and transparency

4.2 Strategy

To develop a holistic strategy on Decent Work, banks are encouraged to:

- Prioritize Decent Work as a core element of banks' strategies for inclusive and healthy economies and as part of efforts to align with SDG 8 (Decent Work and Economic Growth) and key international frameworks, including the ILO MNE Declaration, and the ILO Declaration on Fundamental Principles and Rights at Work.[iii]

iii Although this guidance doesn't focus on Decent Work issues and rights for workers employed by the bank, there is still an expectation of compliance with the principles of the ILO MNE Declaration and the ILO Declaration on Fundamental Principles and Rights at Work in the bank's internal operations.

- Recognize the intrinsic link between workers' rights as a key dimension of Decent Work, and the broader business and human rights agenda, as outlined in the UNGPs.
- Embrace the dual role banks play in advancing decent employment by strengthening risk management to better prevent, mitigate, and remediate negative impacts on labour rights and working conditions, while also scaling up positive contribution to employment, for example in relation to creation, retention, and access, and supporting and advancing social protection.
- Fully integrate this strategy throughout the organization and support the creation of fair, safe, and inclusive employment opportunities.
- Base the bank's strategy on a thorough portfolio analysis to assess impacts, risks, and opportunities related to Decent Work, covering all banking areas including corporate, business, investment, and consumer portfolios.
- Engage internal and external stakeholders, including workers, trade unions, clients, employees, labour rights experts and community groups to inform and contribute to co-create the strategy, ensuring it reflects diverse perspectives and practical insights.

4.3 Target setting

The steps for setting SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) targets are:

- Understand the context
- Carry out a performance assessment
- Set targets and define key performance indicators (KPIs)

4.3.1 Understanding the context

This section guides banks on how to conduct a contextual analysis to inform the target setting process. Understanding the operating context means assessing the specific needs, priorities, and characteristics of the geographies where clients carry out financed activities.

There are several reasons why this type of analysis is particularly critical. In the domain of Decent Work, contextual risks can significantly exacerbate risks to workers' rights. High levels of informality, poverty, migration or exploitative recruitment practices may indicate heightened vulnerability and precarious working conditions among workers in enterprises and supply chains operating in a given territory. Similarly, factors such as political instability, weak rule of law, and high levels of corruption can compromise the enforcement of labour laws, contributing to the erosion of worker protections.

If a bank seeks to amplify its positive impact on workers, aligning with national or regional policies, strategies, and development plans is essential. These frameworks often reflect government priorities related to Decent Work and can help banks identify opportunities for strategic partnerships and collective action with public and private actors working toward shared goals.

Contextual analysis also requires social dialogue for meaningful engagement with stakeholders, especially those most affected by financing activities, in particular workers and employers, through their representative organizations. Genuine dialogue with stakeholders enables banks to map existing efforts by other actors to address Decent Work challenges and assess how the bank can contribute effectively. It also helps identify groups in vulnerable situations and rights-holders and facilitates engagement with legitimate community representatives who can offer valuable insight into context-specific risks and opportunities.

Table 2 provides key questions and resources if a bank seeks to understand the overarching Decent Work context that might be available through secondary sources. Table 3 provides questions that banks can consider for the different impact areas when conducting primary research.

Table 2: Overarching questions and useful resources

Key questions	Useful resources
Are there any existing policies, regulations, and/or strategies at the national, regional or global levels that the organization are encouraged to align with when working on Decent Work? **Do these policies, regulations and/or strategies have established Decent Work action priorities to which financial institutions can contribute through their activities?**	ILO Decent Work Country Programmes Global National Action Plans (NAPS) Sustainable Development UN
Based on statistical data, what are the country's main challenges, needs, and gaps regarding Decent Work?	Child Labour ILO Global Estimates U.S. Department of Labour reports Global Rights Index by ITUC ILO statistic on Informality, Working Poverty Social protection and Youth NEET rate Transparency International World Bank Governance Indicators UNEP FI Need Mapping ITUC Global Rights Index 2023 Walk Free, Global Slavery Index (2023) World Bank, Sovereign ESG data portal World Bank, Worldwide Governance Indicators (2023) World Bank, Poverty and Inequality Indicators

Key questions	Useful resources
Which are the key stakeholders in the country in the field of Decent Work? **Which of those are affected or potentially affected by the bank's activities?** **What are the core issues related to Decent Work that civil society organizations and/or labour organizations identify as needs and/or priority topics in the country?**	Workers' organizations, in particular trade unions, for example trade union local affiliates of the International Trade Union Confederation (ITUC) and employer and business membership organizations (EBMO), for example local affiliates of the International Organisation of Employers (IOE) Civil society organizations (CSO) working on labour rights (Fair Labor Association, Human Rights Watch (HRW), among others) Government, in particular, the Ministry of Labour.
Have there been significant labour-related conflicts and/or abuses in the country?	UN Human Rights Council Universal Periodic Review, Documentation by Country Inter-American Commission on Human Rights, Country Reports (2024) African Commission on Human and Peoples' Rights Asian Human Rights Commission—AHRC

Table 3: Key questions

Employment—creation, retention and access	
Areas	**Key questions**
Policy and enabling environment	Does the government have a policy or strategy in place to promote employment which could provide opportunities for public–private partnerships or incentives that could encourage banks to support inclusion efforts? Does the country have any just-transition and or climate policy/strategy that offer opportunities to promote green jobs that adhere to Decent Work principles? Are there upcoming policy reforms (e.g. digital economy, energy transition) that could affect or increase employment opportunities? Are there any employment-linked products (e.g. loans) or social finance mechanisms (e.g. social bonds) in the country and/or region that have been issued/launched to promote employment creation? Do they include KPIs to measure both employment creation and the quality (decency) of those jobs? What are the challenges and lessons learnt?

Employment—creation, retention and access	
Areas	**Key questions**
Labour market conditions and trends	What are the market's needs in terms of job roles and sectors? Which sectors are growing or declining in terms of employment, and why? (e.g., IA, climate targets, military conflicts)? What types of enterprises (e.g. SMEs, cooperatives, large companies) are most likely to create inclusive or decent employment with financial support and how might your bank shift its portfolio accordingly? What are the unemployment rates and labour force participation rates for people in vulnerable situations disaggregated by age, gender, disability status, migration status, etc.?
Barriers to employment	What are the main barriers preventing people in vulnerable situations from accessing employment (e.g. discrimination, legal status, lack of transport, skills mismatch)? What skills gaps are observed in a given country or region that hinder people's access to employment?
Informality and formalization opportunities	Which countries and/or regions within the country experience the highest levels of unemployment or informality? What percentage of the workforce is employed informally, and what are the challenges and opportunities for formalization? Can financial support to informal enterprises contribute to their formalization and the creation of Decent Work? What types of jobs are being created through circular economy initiatives (e.g. recycling, repair, remanufacturing, reuse)? Are circular economy business models helping to formalize informal labour, particularly in sectors like waste management?

Rights at work	
Areas	**Key questions**
Legal and institutional context	What are the labour laws related to Decent Work in a specific country or region (e.g., minimum age for work, minimum wage, social protections, non-discrimination, freedom of association)? Has the ILO supervisory machinery identified any gaps in national law that fail to adequately protect workers?
Risk identification and prioritization	Which economic sectors and geographies in the bank's portfolio present the highest risks to workers' rights? Among those risks, which have been most widely identified by clients as salient human rights issues, and therefore prioritized in their human right's due diligence processes? Which other relevant risks appear to be insufficiently addressed or prioritized by clients?

Evidence of labour rights violations and client responses	What labour-related rights abuses have been publicly disclosed (e.g., media reports, court rulings, or regulatory actions) in connection with companies within the bank's portfolio? To what extent are the clients implementing preventive and mitigation measures to address identified labour risks?
Opportunities for proactive engagement	What emerging Decent Work practices could meaningfully improve workers' conditions within specific geographic and political contexts? Are there any relevant pre-existing multi-stakeholder or government initiatives with which the bank or its clients could partner? Are there any policy or legislative measures aimed at advancing Decent Work that include explicit mechanisms for financial-sector engagement which your bank could advocate for?

Social protection	
Areas	**Key questions**
Structural barriers to social protection	What percentage of the workforce operates in the informal economy and lacks access to formal social protection mechanisms? Are certain sectors (e.g., agriculture, construction, domestic work) particularly vulnerable or excluded from existing protections? Are there regulatory or fiscal constraints that limit the expansion of social protection systems?
Coverage assessment in bank-exposed sectors	For each sector in which the bank invests, what benefits and contingencies are covered, and what is the minimum size of the enterprises covered (scope)?
Strategic contributions and partnerships	For gaps in coverage, are there initiatives (e.g., public–private partnerships, blended finance) to which the bank could contribute or clients could join? For instance, could the bank support governments or employers in implementing digital wage payments or formal employment practices that improve access to social benefits? If no such initiatives exist, could the bank engage with local stakeholders (e.g., social security institutions, employers' organizations, trade unions, NGOs) to validate needs and co-design solutions?
Engagement with clients	Where collective action is not possible, could the bank advocate for larger clients to provide the benefit directly, such as paid maternity leave?
Policy-level influence	Are there ongoing political or policy reforms (e.g., universal basic income pilots, pension reform, health coverage expansion) where the bank could play a supportive role?

4.3.2 Performance assessment and baseline setting

Measuring impact performance involves assessing the bank's current practices, its actions at different levels, its outputs and outcomes, as well as the actual impacts on workers.

In practical terms, the bank can use the pathway to impact specifically developed for Decent Work and, based on its indicators, establish a baseline to understand where it stands in managing its impact.

For this process, it is essential to consult the Decent Work indicators.

The process may yield the following results:

- Identification of gaps and opportunities for action.
- Information gaps regarding elements where the bank has the capacity and willingness to generate that information.
- Information gaps regarding elements where the bank does not have the capacity or willingness to invest in generating and producing that information.

The criteria for prioritizing gaps and opportunities deserves careful attention. Priority should be given to gaps involving labour rights issues where the bank's inaction could cause or contribute to negative impacts on workers, thereby exposing the bank to reputational, litigation and compliance risks.

4.3.3 Setting SMART targets and defining key performance indicators

Once banks have conducted a contextual analysis and assessed their current performance on Decent Work they are in a position to set meaningful targets.

According to the UNEP FI Impact Protocol, targets can be classified into two main categories:

- **Practice targets** relate to the bank's internal actions, their immediate outputs, and the outcomes resulting from those efforts. The achievement of such targets are primarily dependent on the bank's own actions.

> For example, a practice target for rights at work could be on increasing engagement with clients in sectors identified as high-risk for labour rights abuses, with the aim of mitigating these risks through tailored action plans. The outcomes of such engagement may include improved client capacity to manage labour-related risks or increased alignment of the bank's portfolio with ILO-defined Decent Work principles.

- **Impact targets** refer to measurable real-world changes affecting people and the environment. In the context of Decent Work, impact targets seek to measure improvements in labour rights, access to social protection, or employment creation and retention.

> For instance, an impact target on Decent Work could be focused on increasing the number of jobs created or maintained through the bank's financial activities.

It is encouraged that all targets, both practice and impact, be SMART and aligned with the operational context and stakeholder expectations, and that they are ambitious, grounded in preparatory work and progressive.

Acknowledging the fact that banks are at different stages of implementation and levels of maturity and therefore might not be able to set impact targets from the beginning, practice targets, linked to a clear impact objective, can be set as a first step. As financial institutions' role in promoting fair and inclusive labour practices evolves, a progressive approach from practice targets to impact target can be sought.

Ilustrative examples of targets on employment, rights at work and social protection, developed by UNEP FI can be find here.

4.4 Target implementation via action plans

Once banks have clarity on the target they want to set, they develop detailed action plans to deliver on those targets, assign responsibilities to specific individuals, identify the sources of funding and define data system needs.

In line with the UN Responsible Banking Journey and the UNEP FI Impact Protocol, an action plan consists of four different action categories:

- Policies, processes and culture
- Portfolio composition and financing
- Client engagement
- Stakeholder engagement and partnerships

Existing and emerging practices can support the identification of possible actions, particularly in relation to rights at work. Illustrative examples of action plans can be found in Annex 4.

4.4.1 Policies, processes and culture

Promoting Decent Work requires integrating relevant criteria (employment, rights at work, social dialogue and social protection) into core banking operations. Banks are encouraged to ensure:

- Decent Work criteria are embedded in the sustainability strategy, key institutional policies and codes of conduct (human rights policies, human resources policies), sector policies, and exclusion lists (e.g., crimes on child/forced labour and human trafficking).
- Decent Work criteria are embedded in climate strategies and/or transition plans, to ensure a just transition to a low-carbon and resilient economy.[28] This can include

consideration of how the bank's climate portfolio can contribute to the creation of green jobs, as well as measures that can be put in place to mitigate job losses. This is particularly relevant to the transformation and decarbonization of high-emitting, hard-to-abate sectors, and across supply chains connected to the expansion of green and transition-enabling activities.

- Risk assessment mechanisms and tools include labour-related indicators, especially during human rights due diligence, social and environment due diligence, ESG analysis, credit risk analysis, KYC, and onboarding processes. Other tools to assess client's maturity in sustainability issues also include Decent Work criteria.
- Internal accountability teams (e.g., sustainability committees, human resources, human rights teams etc.) have the mandate to monitor and act on Decent Work impacts, risks and opportunities.
- The existence of a clear mechanism for identifying and addressing actual or potential adverse labour impacts, in line with the UNGPs, the OECD Guidelines for Multinational Enterprises, and the ILO MNE Declaration.
- For banks adhering to the Equator Principles, the text itself reflects a commitment to fulfil their responsibility to respect human rights in line with the UNGPs. The practical implication of this is the expectation to undertake human rights due diligence that encompasses workers' rights.
- To establish a clear grievance mechanism that is accessible for workers and their representatives and enables them to raise complaints related to their work including labour rights, in line with the UNGPs and the ILO MNE Declaration.

CASE STUDY 3

Westpac: Addressing child exploitation risks in payments and transactions

Child sexual exploitation is increasing as child sexual abuse materials are shared, traded and bought online. In 2019, the Australian financial intelligence agency AUSTRAC launched civil proceedings against Westpac for failing to conduct appropriate ongoing due diligence and monitoring over financial indicators of child sexual exploitation in customer transactions. Westpac consequently developed both an initial Response Plan identifying immediate actions that could be taken, and a longer term programme—the Safer Children, Safer Communities programme—to catalyze more sustainable change in order to protect children from further harm, and support victims.

More detail is available in the full case study here.

4.4.2 Portfolio composition and financing

Banks are encouraged to revisit their portfolio composition data through a Decent Work lens. This might entail:

- Assessing the volume and proportion of financing directed toward sectors with either high potential for employment creation or heightened risks to labour rights. As previously highlighted, identifying a sector as labour-intensive should not automatically trigger greater capital allocation unless there is a clear commitment to ensuring that the jobs created meet Decent Work principles.

- Sectoral portfolio mapping is useful for pinpointing sectors that, while generating significant employment, face critical Decent Work challenges. This insight can support banks in engaging with clients more strategically to promote better labour practices and ensure that employment outcomes are both inclusive and decent.

> Some sectors identified as labour-intensive include agriculture, construction and infrastructure, manufacturing (e.g., garments, textiles, food processing, and the digital economy), waste management and recycling (circular economy), and the care economy (e.g., health, education, and domestic work). However they are often associated with specific labour rights risks and adverse impacts, which are detailed in the UNEP FI Human Rights Toolkit.

- Screening the portfolio to identify types of clients, particularly SMEs, with strong potential to generate direct or indirect formal and quality jobs.

> According to the World Bank, SMEs represent over 90% of all firms and approximately 50% of global employment, contributing up to 40% of GDP in emerging markets. Furthermore, they are responsible for creating seven out of every ten formal jobs in these markets. From a Decent Work risk perspective, SMEs are highly relevant, as many banking clients operating in high-risk sectors, such as textiles and garments, agriculture, and construction, fall into the SME category. Large corporate clients also have a critical role in promoting Decent Work in their own operations and business relationships. They often anchor complex supply chains that involve large numbers of SMEs, particularly in labour-intensive sectors.

- Defining the type and percentage of financial products and services that can effectively support Decent Work to shift the portfolio composition if needed.
- Developing financial products and services for specific client segments to foster the inclusion of youth, women, migrants, refugees, or persons with disabilities in the labour market and participating in initiatives or legislative processes that promote employment and inclusion.
- Designing products to support financial inclusion of SMEs which also include KPIs to advance Decent Work through formalization.

CASE STUDY 4

BNP Paribas' Employment Impact Bonds: Fostering job reintegration through disruptive financial mechanisms

BNP Paribas has emerged as a pioneer in leveraging Impact Bonds (IBs) to promote job reintegration and equal opportunities for people in vulnerable situations, such as refugees, disabled individuals, disadvantaged youth and former prisoners. These financial instruments link repayment to the achievement of measurable social outcomes, promoting innovative, prevention-focused solutions through partnerships between public authorities, private investors and social organizations.

One example is BNP Paribas' partnership with Adie to launch France's first Impact Bond. It focused on promoting entrepreneurship in rural areas for unemployed individuals. The programme supported 560 individuals, with 77% securing long-term employment, mainly as micro-entrepreneurs. Furthermore, the programme proved its socio-economic impact: for every EUR 1 invested, EUR 2.53 were generated for the community.

More detail is available in the full case study here.

4.4.3 Client engagement

Banks play a critical role in influencing Decent Work practices through their client relationships. Engagement strategies can therefore:

- Systematically identify clients operating in sectors with significant labour risks or high employment potential.
- Conduct structured dialogues with clients to raise awareness of the business benefits associated with adopting best practices in Decent Work.
- Prioritize engagement with clients that:
  - Operate within complex supply chains in high-risk sectors for labour rights impacts and lack an adequate system to manage these risks;
  - Have leverage capacity to positively influence other actors in the supply chain;
  - Have a strong potential to create employment opportunities.
- Designing an effective client engagement strategy requires a clear understanding of the labour-intensive sectors with the greatest potential for employment creation, while also recognizing the significant Decent Work-related risks and adverse impacts these sectors often entail, particularly due to high levels of informality and complex, opaque supply chains.
- Include indicators that enable the bank to assess the client's maturity in addressing Decent Work-related impacts and risks, as well as their level of alignment with ILO.
- Provide technical support and build client capacity to mitigate risks and address negative impacts on labour rights or facilitate provision by 3rd party advisory services.
- Provide tailored financial solutions that incentivize clients to improve working conditions, such as linking loan conditions or social bonds access to improvements in social protection, living wage or health and safety.

- Engage with Second Party Opinion (SPO) providers to validate social KPIs and improve market trust in the products related to them.
- Develop a robust business case to promote Decent Work practices among clients considering specific context and countries of operation.
- Provide finance and technical assistance to entrepreneurs or cooperatives to retain or expand employment, assisting clients during crises to help preserve jobs.

More information about client engagement and suggestions for creating a meaningful client engagement strategy can be found in the PRB Client Engagement Guidance.

CASE STUDY 5

FMO development bank: The business case for promoting job quality through client engagement

Client engagement is a critical lever for promoting Decent Work. FMO, the Dutch entrepreneurial development bank, built a business case for improving job quality within its agribusiness and energy portfolios. Using real-world examples from Bangladesh, Ghana, Nepal, and Pakistan where they operate, they elucidate how these interventions contribute both to Decent Work and to business performance. They used the evidence from the examples to identify three specific business benefits: value creation, business growth and resilience and risk management. Their work demonstrates the importance of a focused, strategic approach to create the greatest value to the bank and its clients.

More detail is available in the full case study here.

4.4.4 Stakeholder engagement and partnerships

Banks can amplify their impact by promoting Decent Work through advocacy and collaboration. Actions may include:

- Mapping multi-stakeholder initiatives focused on Decent Work and connecting with external stakeholders. See: Annex 2 on Decent Work multistakeholder initiatives
- Joining multi-stakeholder initiatives focused on Decent Work criteria, such as initiatives focused on labour rights in supply chains, living wage, safety and health, employment access.
- Ensuring alignment between the bank's public commitments to Decent Work and its participation in industry lobbying, investment coalitions, or regulatory consultations.
- Publicly endorsing (voluntary) frameworks that promote Decent Work and advocate for ways to develop or strengthen an enabling policy environment.
- Advocating for stronger labour protections in financial regulations or social, economic and environmental sustainability development programmes. For more Initiatives to address Decent Work challenges see Annex 3: Illustrative examples of banks' leverage and partnerships
- Supporting SMEs in the formal economy to formalize employment and advocating for, or partnering with, public authorities to support broader labour formalization efforts; and creating credit incentives to encourage employment formalization.

- Engaging in programmes to promote circular economy business models and just transition.

More details about effective policy engagement can be found in the PRB Guidance on Responsible Policy Engagement.

CASE STUDY 6

The Swedish Bank Initiative: Addressing Decent Work challenges in the construction sector through a collaborative approach

A collaboration of Swedish banks launched a significant initiative in 2023 to tackle labour rights issues within the construction industry. Banks were concerned about the local social impact and high risks of current practices, as well as the implications for consumers. The work built on a collaboration launched by SBAB, a government owned bank in Sweden, in 2018, which had culminated in new proposed guidelines for responsible lending practices to the construction industry.

The new initiative aims to reduce the influence of the shadow economy and ensure that labour rights are respected, for example through a sub-contractor ID and reporting system. Ultimately, the goal is to ensure fair competition, protect worker's rights and formalize the market.

More detail is available in the full case study here.

4.4.5 Mapping out a progressive approach to actions

The type of actions within each category will depend on the bank's level of maturity in addressing the issue of Decent Work. In line with the progressive approach outlined earlier, some banks are only getting started in their journey, while others may have already adopted responsible practices and are looking to further strengthen their leadership in this area.

The table below presents the different phases of this journey, along with intended outcomes and illustrative examples of actions.

Table 4: Progressive approach to action

Phase	Intended outcome	Examples of key steps
Starting point	Lending and investment portfolio screened through a Decent Work lens. Institutional commitment to Decent Work established.	▪ Assessment of impacts on Decent Work ▪ Integrate fundamental labour rights into due diligence ▪ Map clients in high-risk and labour-intensive sectors.
Responsible practice	Targets related to Decent Work set. Financial products promoting Decent Work developed. High-risk clients actively engaged on the issues. Action plans incorporating Decent Work considerations developed.	▪ Adopt a Decent Work strategy ▪ Establish a governance system to support action on Decent Work ▪ Set SMART targets ▪ Client engagement in high-risk sectors ▪ Develop action plan ▪ Launch employment-linked financial products that benefit groups in situations of vulnerability ▪ Join multi-stakeholder initiatives ▪ Have in place policies for high-risk sectors that include Decent Work standards ▪ Increase finance to SMEs to support employment creation/formalization
Leading practice	Systemic change supported and enabled. Impacts on Decent Work tracked and measured. Deeper engagement with real economy companies in priority sectors.	▪ Develop business case to promote Decent Work among clients ▪ Collaborate with major clients to address relevant impacts in their operations and value chain ▪ Issue social bonds with Decent Work KPIs ▪ Increase funding to companies implementing relevant emerging responsible business practices ▪ Influence policy and industry standards ▪ Lead collaborative initiatives (e.g., sector-wide reforms)

4.4.6 Actions considering specific elements of Decent Work

Actions can also be designed from a more specific perspective, taking into account the various elements of Decent Work and considering the expected business conduct outlined in the ILO MNE Declaration.

The principles outlined in the ILO MNE Declaration provide voluntary Guidance to companies in order to ensure adherence to national laws, protect their reputation, and fulfil the fundamental expectations of their business partners and investors.

Table 5 highlights principles widely implemented by businesses today, and provides examples of actions banks can take to encourage these practices within their portfolios and client base.

When developing specific products and services to further scale up their positive impact, banks should consider how some of these principles pose greater challenges for clients. Depending on the size of the individual client, the context of operations or institutional factors (such as complexity of formalizing or lack of public social protection schemes), some issues may be challenging and may therefore require additional client support or partnerships with governments to introduce incentives. The table indicates those principles where specific bank products and services might be particularly beneficial in helping to scale up those responsible practices.

Although the ILO MNE Declaration primarily addresses Multinational Enterprises, as set out in the UNGPs, all businesses should respect human rights regardless of size. However, the UNGPs also recognize that the scale and complexity of the means through which enterprises meet that responsibility may vary according to size, among other factors, and the policies and processes may take on different forms. Support and incentives could help smaller enterprises to reach a more mature level of scale and complexity more quickly.

Table 5: Specific principles on decent work and examples of actions for banks

What does the ILO MNE Declaration encourage business enterprises to do?	Examples of actions that banks can undertake in their financial operations
Employment	
Creation and retention	
▪ Endeavour to increase employment opportunities.*	▪ Banks offer financial and technical support to entrepreneurs and SMEs to help them sustain their business and continue growing. ▪ Banks encourage clients to source locally where possible to generate more jobs in the community. ▪ Banks integrate employment KPIs into sustainability-linked finance (e.g., targets for employment creation or retention). ▪ Banks collaborate with governments to co-finance employment-generating projects or social employment programmes (e.g., public-private partnerships (PPPs).
▪ Contribute to the transition to the formal economy.*	▪ Banks support SMEs in formalizing their enterprises and employment relationships. ▪ Banks encourage large companies to promote the formalization of employment in their value chains.
▪ Build links with local enterprises by sourcing local inputs, promoting the local processing of raw materials and local manufacturing of parts and equipment.*	▪ Banks encourage clients to report on their local sourcing as a way of developing stronger ties to the communities where they operate and potentially creating more jobs indirectly where possible.
▪ Promote security of employment by providing reasonable notice of intended changes in operations and avoiding arbitrary dismissal.	▪ Banks encourage their clients to limit the use of short-term contracts where not strictly necessary. ▪ Banks encourage their clients to establish procedure for individual dismissals, and to consult with workers prior to terminating employment due to the operational needs of the enterprise. ▪ Banks encourage clients to assess the specific negative impacts and risks associated with implementing AI and digitalization, particularly regarding potential job losses, and minimize the adverse impacts on workers where possible.

What does the ILO MNE Declaration encourage business enterprises to do?	Examples of actions that banks can undertake in their financial operations
Access	
▪ Provide training for all levels of workers employed to meet the needs of the enterprise and contribute to life-long learning (skills development).	▪ Banks encourage clients to provide apprenticeships to enable young people to access jobs. ▪ Banks encourage clients to contribute, directly or through their business organizations, to government initiatives to advance skills development in sectors and communities. ▪ Banks encourage clients to provide training for employees to enable their progression to new positions within the company.
Rights at work	
General	
▪ Avoid causing or contributing to adverse impacts on the rights of workers through their own activities, and address such impacts when they occur; and seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts. ▪ Carry out due diligence to identify, prevent, mitigate and account for how they address their actual and potential adverse impacts.*	▪ Banks can encourage clients to implement human rights due diligence to prevent, mitigate and/or remediate workers' rights abuses and impacts.
Freedom from forced labour	
▪ Take immediate and effective measures to secure the prohibition and elimination of forced labour in operations.	▪ Banks seek verification that their clients do not employ forced labour by assessing key information on how workers were recruited, if they paid any recruitment fees, if they are free to leave, and whether any labour brokers involved are registered with the government. ▪ Banks participate in initiatives for combatting forced labour and encourage their clients to do so.
Prohibition on child labour	
▪ Respect the minimum age of admission to employment and take immediate and effective measures to secure the prohibition and elimination of the worst forms of child labour.	▪ Banks seek verification that their clients: 1. Do not employ persons under the minimum age for work set in applicable law or 15 years of age (the minimum established in international labour standards), whichever is higher. 2. Do not employ persons under 18 years of age in hazardous work, which includes activities that are mentally, physically, socially or morally dangerous.

<table>
<tr><th>What does the ILO MNE Declaration encourage business enterprises to do?</th><th>Examples of actions that banks can undertake in their financial operations</th></tr>
<tr><td colspan="2">Equal opportunities</td></tr>
<tr><td>Elimination of violence and harassment.
Be guided by the principle of non-discrimination. Make qualifications, skill and experience the basis for recruitment, placement, training, advancement, wages and benefits, and other workers' rights. Pay particular attention to vulnerable groups such as women, youth, people with disabilities, and migrant workers.
Accommodate workers with family responsibilities. e.g., childcare support, flexible working hours and flexible work arrangements.*</td><td>Banks seek verification that clients have established a robust framework to eliminate discrimination-based violence and harassment in the workplace, and that workers have the possibility to raise concerns and grievances without fear of reprisal.
Banks encourage their clients to establish a system for preventing and addressing discrimination in the workplace; and implement constructive practices to close the gender gap; accommodate where possible the needs of workers with family responsibilities.
Banks develop tailored products to promote initiatives related to helping people in vulnerable situations to secure a job.
Banks develop tailored products to promote mechanisms to support workers with family responsibilities such as subsidized daycare.</td></tr>
<tr><td>Ensure equal pay for equal work.</td><td>Banks seek verification that clients have established a robust framework to eliminate pay discrimination between men and women in the same occupation.
Banks develop tailored loans targeting initiatives that promote equal pay for work of equal value which takes into account gendered occupational segregation.</td></tr>
<tr><td colspan="2">Freedom of association</td></tr>
<tr><td>Respect the right of workers to join or form organizations of their own choosing (associations and trade unions).
Provide the facilities needed for the workers' organizations to carry out their work.</td><td>Banks seek to verify that their clients respect workers' rights to establish and join organizations of their own choosing. In countries where freedom of association and trade unionism are prohibited or severely restricted by state control, banks could encourage their clients to promote mechanisms for social dialogue or consultation with workers and their freely chosen representatives to ensure their concerns are heard.</td></tr>
<tr><td colspan="2">Collective bargaining</td></tr>
<tr><td>Respect the right of workers to bargain collectively.
Provide information required for meaningful negotiations.</td><td>Banks seek verification that their clients respect the right of their workers to bargain collectively if they choose, and to participate in good faith.</td></tr>
</table>

What does the ILO MNE Declaration encourage business enterprises to do?	Examples of actions that banks can undertake in their financial operations
Safe and healthy working environment	
▪ Maintain highest standards of safety and health at work. ▪ Safe and healthy food and accommodation where provided. ▪ Elimination of violence and harassment.	▪ Banks seek verification that clients have established health and safety measures appropriate to the client's sector, type of activity, or project phase. This includes providing adequate information, training, and personal protective equipment free of charge to the workers. Where workers are entitled to additional benefits, such as food and accommodation, they can be covered in the health and safety management system too. ▪ Banks seek verification that clients have established a robust OSH framework to eliminate violence and harassment in the workplace, and that workers have the possibility to raise concerns and grievances without fear of reprisal.
Wages and benefits	
▪ Pay at least the minimum wage and benefits required by law and relevant collective bargaining agreements.*	▪ Banks verify that their clients comply with all relevant legislation concerning wages and benefits; and with all applicable collective bargaining agreements.
▪ Employers should provide the best possible wages, benefits and conditions of work. The elements to be taken into consideration should include: (a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups; and (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment. Where the employer provides workers with basic amenities such as housing, medical care or food, these amenities should be of a good standard. (See, MNE Declaration, paragraph 41). The reference to wages should be considered in relation to the Conclusions of the Meeting of Experts on Wage Policies, including Living Wages, held in 2024.	▪ Banks encourage their clients to ensure a decent standard of living for their workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work. ▪ Banks participate in initiatives to raise awareness among their clients and promote living wages.

What does the ILO MNE Declaration encourage business enterprises to do?	Examples of actions that banks can undertake in their financial operations
Hours of work	
▪ Observe national legislation concerning maximum hours of work, respect limits on overtime and pay overtime premiums as required in national law or collective agreements.	▪ Banks seek verification that their clients are respecting the limits on hours of work and paying any overtime premiums due.
Consultation	
▪ Provide for regular consultation on matters of mutual concern.	▪ Banks seek verification that their clients have a system for regular consultation on matters of mutual concern, in accordance with national law and practice.
Grievances	
▪ Examine the grievances of worker(s), pursuant to an appropriate procedure.	▪ Banks seek verification that their clients have effective grievance mechanisms for workers (accessible, predictable, equitable and protection from retaliation).
▪ Seek to establish voluntary conciliation machinery jointly with representatives and organizations of workers.	▪ Banks seek verification that their clients' workers have access to remedy in case of harm.
Remediation	
▪ Use leverage to encourage business partners to provide effective remediation to affected workers.*	▪ Banks leverage their influence over their clients so that they remediate any harm to people and the environment.
Social protection	
▪ Participate in existing social protection schemes.	▪ Banks seek verification that their clients pay their employer contributions to social protection schemes and/or worker benefit funds and collect and transmit their workers' contributions in a timely and transparent manner.
▪ Complement and help to stimulate further development of public social security systems.*	▪ Banks encourage larger clients to seek ways to help stimulate further development of public social security systems, such as providing maternity/paternity benefits when not covered by public schemes.

* **Responsible business practices:** refers to principles and practices that real economy companies are progressively implementing to promote workers' well-being. These practices are largely context-dependent, considering the specific needs and priorities of the country of operation

4.5 Monitoring and transparency

Effective impact management is a dynamic and continuous process. It requires regular review to ensure that the bank's interventions are generating the intended outputs and outcomes that translate into real-world impacts for workers. Indicators integrated into the pathway to impact will be essential for guiding and monitoring this process.

To ensure effective monitoring of decent employment-related targets and corresponding action plans, banks could establish regular milestones throughout the year, accompanied by specific KPIs to track progress.

The results of this process will enable the bank to assess whether its indicators and action plans are sufficiently robust or require refinement. Additionally, changes in the bank's operations, such as entering new markets or sectors, may alter the nature and scale of its labour-related impacts. Periodic reassessment ensures that the most significant Decent Work-related impacts remain a priority, while also bringing previously overlooked areas into focus.

Reporting aims to enhance the bank's transparency and accountability regarding its actions and results in promoting and respecting Decent Work. Providing clear and accessible information builds trust among stakeholders. Access to relevant data allows investors to undertake informed investment decisions. It also provides a degree of transparency for individuals potentially affected by the bank's operations, as well as civil society organizations, on how the bank is addressing labour rights risks and impacts. In addition, consumers are showing growing interest in banks that prioritize positive environmental, social, and economic impacts, and work to reduce their negative footprint.

How to report based on the PRB

PRB signatories are required to provide information on implementation in their existing public reporting within the first 18 months of becoming a signatory and every year after that. To ease reporting efforts in line with Principle 6, UNEP FI has created a PRB Progress Statement. Responsible banks that have identified Decent Work as a significant impact area are expected to be transparent about their related targets and action in their public sustainability disclosures, as well as in the Responsible Banking Progress Summary. Where banks do not disclose additional information related to progress in other public sustainability disclosures, banks can complete the Responsible Banking Progress Statement: Supplements. Options of sustainability disclosure frameworks and standards to show progress on Decent Work are provided below.

UN Guiding Principles Reporting Framework

For banks reporting under the UN Guiding Principles Reporting Framework, actual or potential negative impacts on workers' rights, both within their own operations and through their business relationships, including financial activities, can be incorporated into Part B on "Defining a Focus of Reporting", under the "Statement of Salient Issues" and "Determination of Salient Issues" or under "additional severe impacts". The actions and outcomes to address these human rights salient issues related to the word of work can be included in Part 3 on "Management of Salient Human Rights Issues".

CSRD and ESRS Framework

The European Sustainability Reporting Standards (ESRS), mandated by the Corporate Sustainability Reporting Directive (CSRD), include disclosure requirements on financial institutions' own workforce and value chain workforce. ESRS S1 (Own Workforce) requires public disclosures on working conditions (wages, social protection, working hours); equal treatment, inclusion and diversity; training and development; social dialogue and freedom of association; occupational health and safety.

ESRS S2 (Workers in the Value Chain) requires public disclosure related to workers who are not directly employed by the bank but are part of its value chain. Based on specific Decent Work indicators, financial institutions are expected to report on policies related to value chain workers; actions and resources; tracking effectiveness; engagement with workers in the value chain or their representatives; channels for raising concerns and targets. In addition, S3 requiring engagement with communities directly intersects with Decent Work pillars, especially when it comes to employment creation and access for local populations and inclusion of people in vulnerable situations.

Coherence between human rights due diligence outcomes and CSRD/ESRS reporting on Decent Work

Under the CSRD/ESRS, banks are not required to use human rights due diligence (HRDD) as the sole basis for conducting their materiality assessment. However, they are expected to take into account the outcomes of the HRDD process in their materiality analysis. This implies that coherence and consistency are necessary across both exercises. For instance, if HRDD identifies forced labour and child labour as salient human rights issues, it would be inconsistent to consider ESRS S3 on workers in the value chain as non-material.

Global Reporting Initiative (GRI)

At the time of publication of this guidance, the GRI has not yet published sector-specific standards for financial services. However, there are several indicators that relate to Decent Work and can be used to report on the bank's own operations: GRI 401: Employment and GRI 402: Labour/Management Relations. This framework also offers indicators on specific labour rights such as GRI 403: Occupational Health and Safety; GRI 404: Training and Education; GRI 405: Diversity and Equal Opportunity; and GRI 409: Forced or Compulsory Labour.

Integrated reporting

Banks employing an Integrated Report can report on Decent Work emphasizing their mid- and long-term value creation. For instance, banks can disclose how investing in living wage, health and safety conditions, gender pay gap policies, work-life balance and skills development can strengthen human capital. Regarding the social and relationship capital, banks can include how they are addressing Decent Work challenges in their downstream value chain and how they are engaging with relevant stakeholders to improve their actions, including workers, trade unions, civil society organizations (CSOs) and regulators, among others.

5. Case studies

CASE STUDY 1

Creating green job opportunities for young people

The Green Jobs for Youth Pact brings together the collective power of ILO, UNEP, and UNICEF to accelerate the creation of green and decent jobs for young people, enhance their skills, and drive a just transition toward a low-carbon, circular, and nature-positive economy.

This initiative responds to both an urgent challenge and a historic opportunity: young people are three times more likely to be unemployed than adults and often face precarious, intermittent work. The green transition offers an answer to this in the estimated 100 million new jobs it has the potential to unlock globally by 2030 (ILO, 2022).

Green growth is already reshaping the job market. Sectors such as agriculture, plant-based food production, renewable electricity, forestry, construction and manufacturing are expected to generate 22.5 million new jobs. Ambitious climate investments targeting net zero emissions by 2050 hold the promise of creating an additional 8.4 million jobs for young people by 2030.[29]

However, this shift will not be without disruption: 7.5 million jobs will be lost in fossil fuel electricity, extraction and animal-based food production. Moreover, 80% of new green jobs are emerging in traditionally male-dominated sectors, underscoring the need for inclusive approaches that prioritize gender equality and equitable access.

Three Global Commitments of the Pact

The pact has three ambitious global objectives:

1. Create one million new green jobs for young people, focusing on young women.
2. Green one million existing jobs.
3. Address youth employment shortages: Support 10,000 young entrepreneurs to establish and/or strengthen sustainable green businesses.

Key definitions

Young people are defined in the Pact as those between the ages of 15 and 30.

Green Jobs are "decent" jobs that contribute to the conservation, restoration, and improvement of the quality of the environment in any economic sector. These are jobs in agriculture, manufacturing or services that improve energy and raw material efficiency, limit GHG emissions, minimize waste and pollution, protect and restore ecosystems, and support adaptation to climate change effects.

Green skills include technical knowledge, expertise and abilities that enable the effective use of green technologies and processes in professional settings. They draw on a range of knowledge, values and attitudes to facilitate environmentally sustainable decision-making at work and in life. Although green competencies are relevant for people of all ages, they are of greater importance for younger people, who can contribute to the ecological transition over a longer period of time.

CASE STUDY 2

NatWest's employment generation and women-led business bonds: Advancing Decent Work through financial inclusion

Since the launch of its Green, Social and Sustainability Financing Framework, through various bond issuances, including in relation to green, social housing and employment generation, NatWest Group issued eight bonds totalling GBP 5.4 billion as of the end of 2024. A key highlight of its efforts is the 2023 Women-led business bond, the first of its kind in the European financial market. The proceeds from the EUR 500 million issuance are used to finance new loans and refinance existing loans to women-led enterprises. By 31 December 2024, the pool balance of NatWest's Women-led business bonds comprised 13,857 general corporate loans allocated to women-led businesses.

NatWest's Employment Generation bond is specifically designed to support sole traders, partnerships, and small and medium-sized enterprises (SMEs) operating in economically deprived areas of the UK. The objective is to provide targeted financial support to businesses in regions experiencing high unemployment, thereby promoting job creation and economic revitalization.

NatWest employed a data-driven approach to identify the most economically deprived areas, using unemployment claimant data and Gross Value Added per head data published by the Office of National Statistics (ONS). This methodology allowed NatWest to focus its efforts on 102 local areas across the UK, ensuring that resources were channelled to the regions where they were most needed.

To assess the impact of the Employment Generation bond, NatWest combines survey data with a multiplier formula derived from the ONS. The formula incorporates loan value, output by industry, capital stock by industry, and employment effects by industry to estimate the number of jobs created/enabled. In the UK, it is estimated that NatWest's Employment Generation Bond, where the net proceeds of the bond were used to finance or refinance general corporate purpose loans issued to UK SMEs located in the 30% most economically deprived local areas, as of 15 November 2024 created or enabled 7,680 jobs

While the primary focus has been on measuring direct and indirect job creation/enablement, NatWest acknowledges the challenge of tracking the long-term sustainability of these jobs.

NatWest's Employment Generation bond exemplifies how financial institutions can contribute to Decent Work and economic inclusion. By strategically targeting underserved regions and leveraging data-driven methodologies, these types of bonds not only foster job creation/enablement but also have the potential to lay the groundwork for more sustainable and equitable economic development. Moving forward, refining impact measurement tools and integrating Decent Work indicators will be crucial in ensuring that these efforts yield lasting, meaningful results.

Resources
NatWest Group plc—2024 Green, Social and Sustainability Bonds Allocation and Impact Report

CASE STUDY 3

Westpac: Addressing child exploitation risks in payments and transactions

Child sexual exploitation, one of the worst forms of child labour and a form of forced labour, is a critical global issue, worsened by increasing online technology use as child sexual abuse materials are shared, traded and bought online.

Financial service providers play an important role in combatting this crime, as they work with law enforcement and industry to identify suspicious payments and transactions.

In 2019, the Australian financial intelligence agency AUSTRAC launched civil proceedings against Westpac for failing to conduct appropriate ongoing due diligence and monitoring over financial indicators of child sexual exploitation in customer transactions.[iv] Westpac's initial Response Plan included immediate actions to prevent reoccurrence (through closing the funds transfer platform involved in facilitating the transactions) and to improve the financial risk indicators and detection scenarios used in transaction monitoring to identify transactions relating to child sexual exploitation, human trafficking and people smuggling.

Whilst AUSTRAC highlighted shortcomings in Westpac's financial crime risk management, it has been a catalyst for change within the Group. Westpac launched the Safer Children, Safer Communities (SCSC) programme, a multi-year programme focused on:

- **Catalyzing accountability** for safeguarding children across the bank. This led to the release of Westpac's Child Safeguarding Supplement to the Group's Human Rights Position Statement, outlining its commitment and principles for respecting children's rights and actions to mitigate risks to children across the bank's products, services and supply chain.
- **Helping protect children** in Australia and across Asia by supporting and scaling the efforts of organizations to empower, protect and support children, survivors and their families.
- **Raising awareness** across Australia, by funding the cross-sector initiative 'On Us: Australian Business Coalition for Safeguarding Children', which aims to unite businesses with a shared vision that children and young people are safe wherever they are.
- **Accelerating the adoption of collaborative** technologies and capabilities to better detect, monitor and report on harm to children associated with financial crime. Westpac partnered with ICMEC Australia to fund and develop tools to facilitate the exchange of information and data across banks, payment platforms and law enforcement to help detect child sexual exploitation related payments and transactions.

The programme is now in its 5th year of operation and in that time has supported over 50 organizations and committed AUD 77+ million in funding across Australia and Asia—directly and indirectly reaching over 712,000 children, young people and adults. It has delivered funded programmes designed to empower, protect and support at-risk children, survivors and their families and carers.

Resources

AUSTRAC for the Commonwealth of Australia. (2022). Combating the sexual exploitation of children for financial gain: Financial Crime Guide.

FINTRAC. (2021). Operational Alert: Updated Indicators, Laundering of proceeds from human trafficking for sexual exploitation.

The Mekong Club. (2024). Modern Slavery Typologies for Financial Services Providers.

iv Westpac AUSTRAC Response Plan. Available from: westpac.com.au/about-westpac/media/austrac-civil-proceedings/.

CASE STUDY 4

BNP Paribas' employment Impact Bonds: Fostering job reintegration through disruptive financial mechanisms

BNP Paribas has emerged as a pioneer in leveraging Impact Bonds (IBs) to promote job reintegration and equal opportunities for people in vulnerable situations, such as refugees, disabled individuals, disadvantaged youth and former prisoners. These financial instruments link repayment to the achievement of measurable social outcomes, promoting innovative, prevention-focused solutions through partnerships between public authorities, private investors, and social organizations.

An Impact Bond is pre-financed by private investors and reimbursed by public entities only if predefined impact targets are met, as confirmed by an independent evaluator. This model allows for the testing of new social approaches with minimal risk to public budgets and can contribute to public policy innovation.

Impact measurement is central to IBs. It includes:

- Payment-trigger indicators (quantitative and time-bound)
- Counterfactual analysis (to isolate programme effects)
- Qualitative insights (understanding human experiences and refining interventions).

Since 2015, BNP Paribas has structured and invested in 29 Impact Bonds, with 15 (worth EUR 33 million) targeting employment. If successful, these will positively impact around 5,000 people in vulnerable situations.

One flagship example is BNP Paribas' partnership with Adie to launch France's first Impact Bond. It focused on promoting entrepreneurship in rural areas for unemployed individuals. The success indicator was sustainable employment after two years, a compromise between feasibility and ambition. While qualitative outcomes like skill acquisition were not tied to payment, they were tracked. The programme supported 560 individuals, with 77% securing long-term employment, mainly as micro-entrepreneurs. Furthermore, the programme proved its socio-economic impact: for every EUR 1 invested, EUR 2.53 were generated for the community.

Another ongoing initiative is with the NGO, Duo for a Job, aiming to integrate 1,000 young people from immigrant backgrounds into employment in cities like Paris, Lille, and Marseille. This Employment Impact Bond also promotes intergenerational mentorship, pairing young people with older professionals. Targets include a 70% integration rate (into jobs, internships or training within a year) and assessing long-term impacts on social cohesion by reducing racial discrimination and increasing network access. Additional focus areas include language barriers, diploma recognition, and labour market awareness.

These IBs show that social challenges like discrimination, unemployment, and social disconnection are interconnected. Impact Bonds allow for collaborative, adaptive experimentation involving diverse stakeholders. Even when targets aren't fully met, the approach generates valuable data, insights and learning. Investors assume the initial risk but are incentivized by repayment upon success, while public authorities benefit from tested solutions that can inform scalable policy change.

Resources

Positive Impact Business Accelerator: Activity and Social Performance Report

Vidéos Bing

CASE STUDY 5

FMO development bank: The business case for promoting job quality through client engagement

Client engagement is a critical lever for promoting Decent Work. Beyond assessing and mitigating potential labour risks, banks can play an active role in encouraging their clients to adopt best practices that enhance job quality beyond adherence to minimum requirements.

Approaching clients with this objective requires strategic, well-informed conversations grounded in evidence and mutual interest. This case study highlights how FMO, the Dutch entrepreneurial development bank, built a business case for improving job quality within its agri-business and energy portfolios. Drawing on real-world examples from Bangladesh, Ghana, Nepal and Pakistan where they operate, the case illustrates how these interventions contribute both to Decent Work and to business performance.

The examples developed by FMO include that of a factory in Bangladesh that implemented a digital payroll system to ensure timely and transparent wage payments, empowering women with greater financial independence. In Ghana, a forestry company addressed gender gaps in training through mentorship programmes responding to skills needs. An energy project in Pakistan improved worker accommodation, resulting in higher employee retention. In the agribusiness sector in Bangladesh, free healthcare and insurance boosted employee attendance and motivation. Meanwhile, a Ghanaian company introduced gender policies to increase women's participation and prevent workplace harassment.

Based on these cases, FMO identified clear business benefits from investing in Decent Work, categorized into three areas:

- **Value creation**: Improved working conditions, such as safe accommodation and training opportunities, were linked to increased employee attendance, retention and productivity.
- **Business growth and resilience**: Companies that invested in skills development and clear career pathways secured access to talent, enhanced business opportunities and gained access to higher-value markets and international capital by demonstrating adherence to labour standards.
- **Risk management**: Enhanced labour practices contributed to a stronger social license to operate and reduced reputational risks.

FMO's experience demonstrates that investing in Decent Work delivers measurable returns for both businesses and workers. It also provides valuable guidance for other financial institutions seeking to increase their impact on job quality. Some learning that emerged includes:

- The benefits of developing a business case with a sector-specific and geographic approach to identify Decent Work opportunities in concrete contexts.
- The advantages of defining which pillars of job quality banks will prioritize in order to identify opportunities for improvement.
- The value of training the financial officers engaging with clients on the business case to ensure effective and informed dialogue.

Resources

Decent Work in AgriBusiness and Energy

The report on Decent Work from 2019 by Ergon can be found on FMO's website.

In 2022, FMO also completed a complementary evaluation into its contribution to SDG 8. Find the executive summary in FMO's Reporting Center.

CASE STUDY 6

The Swedish Bank Initiative: Addressing Decent Work challenges in the construction sector through a collaborative approach

A collection of Swedish banks launched a significant initiative in 2023 to tackle labour rights issues within the construction industry. The initiative stemmed from growing concerns about the increasing reliance on foreign subcontractors, which often led to substandard working conditions and created unfair competition for real estate companies that adhered to national labour laws. Banks were alarmed by the fact that loans were inadvertently funding criminal activity, thus exposing them to substantial reputational risks. Meanwhile, consumers were unknowingly purchasing homes built under unethical conditions.

This was a long-standing challenge. In 2018 SBAB, a government owned bank in Sweden, had brought together CEOs from major construction companies and government representatives to discuss potential solutions. This collaboration culminated in the signing of a letter of intent by construction companies, real-estate companies, trade associations and trade unions, which outlined guidelines for responsible lending practices. It was presented to the major Swedish banks at the end of 2019. Notably, the participating banks include a mix of Swedish institutions, all committed to advancing ethical and transparent practices in the sector.

The 2023 Initiative

The primary goal of the Bank initiative is to reduce the influence of the shadow economy and ensure that labour rights are respected, which, in turn, helps foster a more competitive and equitable environment. One key focus of the initiative is to ensure that only pre-registered subcontractors—those meeting specific criteria such as no tax debts and full compliance with Swedish labour laws—are allowed on construction sites. This contributes to fair treatment of workers and promotes ethical practices across the supply chain.

To facilitate this, a digital reporting system has to be implemented that connects with an ID card system. This system allows for real-time monitoring of subcontractors, enabling banks to track compliance with labour standards and tax obligations, thus increasing transparency throughout the construction process. Additionally, unannounced third-party audits ensure that subcontractors adhere to agreed-upon labour conditions. If any deviations from these standards occur, penalties may apply, incentivizing both lenders and borrowers to remain accountable.

How to measure progress and next steps

The banks have established clear goals for measuring the success of this initiative across various timeframes:

- **Short term**: Focus on increasing the use of system and workplace controls while achieving higher levels of transparency in subcontractor practices.
- **Medium term**: Increase the number of pre-registered subcontractors who undergo background checks to ensure compliance with labour and tax laws.
- **Long term**: Labour rights in place, reduced shadow economy, sound competition.

Resources
SBAB, 2023 Sustainability Report

CASE STUDY 7

ILO methodology for estimating direct and non-direct job creation

The employment (or job creation) effects of the banks can be measured and estimated in multiple ways. This guidance recommends two resources: The Reference Guide on Employment Impact Assessment, describing in brief various methodologies used by the ILO, as well as the project website of the STRENGTHEN2 project, showing the application of different methodologies, including the one proposed below.

The most suitable approach consists of using multipliers based on representations of the links between different parts of an economy (usually input-output tables or social accounting matrices). An investment funded by a bank loan led to spending in one sector of the economy, but will have ripple effects through a) creating indirect effects in other sectors (along the supply chain), and b) inducing further economy-wide effects through the economic activity of the employees in the directly and indirectly affected sectors. All of these effects will materialize in the short to mid-term. In the case of the expansion of a production site, it would, for instance, be the construction of a new building and equipping it with relevant machinery.

An example assessed as part of the ILO's STRENGTHEN2 project is that of a stretch of a main road in Cameroon, including an important bridge. Total cost of the project was EUR 54.6 million. The direct employment creation was estimated to be about 520 jobs, while the non-direct short-term employment was estimated to be around 8,000 jobs. This highlights that while the direct jobs may be easier to measure or estimate, the larger number of jobs may well be in the non-direct effects (something that is particularly pronounced in this example) (see the case study for details).

Some advantages of this so called "input-output multiplier method" are that it is well established, transparent in how it works, and the necessary data is generally available in almost any country on the planet. It should be noted that this methodology is generally prone to overestimation as it does not take into account specific constraints that may exist in an economy.

The long-run effects of expanded production capacity—be it that of an individual company or a piece of infrastructure—would not be captured by such multipliers, even though they are clearly more important. To estimate such effects, it would require slightly more data and ideally a more complex macroeconomic model that would assume that there would be an addition to the capital stock of the economy, which would in turn allow more production (i.e. economic growth and also some additional jobs).

Resources
For more information on both kinds of methodology, please visit the section on Methodological papers on the STRENGTHEN2 webpage.

Annexes

Annex 1: Glossary of terms

Key concepts	Definition	Resources
Child labour	"Child" means every human being below the age of eighteen years unless under the law applicable to the child, majority is attained earlier. ILO Conventions No.s 138 and 182 define a child as a person below the age of 18. The term "child labour" is often defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that is mentally, physically, socially or morally dangerous and harmful to children; and interferes with their schooling by depriving them of the opportunity to attend school; obliging them to leave school prematurely; or requiring them to attempt to combine school attendance with excessively long and heavy work. Whether or not particular forms of work can be called child labour depends on the child's age, the type and hours of work performed, the conditions under which it is performed and the objectives pursued by individual countries. The answer varies from country to country, as well as among sectors within countries.	Convention on the Rights of the Child, 1989 Article 1 ILO Conventions NO. 138 and 182 ILO—What is Child Labour
Collective bargaining	All negotiations which take place between an employer, a group of employers or one or more employers' organizations, on the one hand, and one or more workers' organizations, on the other. Collective bargaining determines working conditions and terms of employment, procedures (e.g., consultation, handling of grievances, layoffs) as well as regulating relations between employers and workers.	ILO Right to Organise and Collective Bargaining Convention, 1949 (No. 98) ILO Collective Bargaining Convention, 1981 (No. 154)
Employment quality	Broadly speaking, job quality is seen as operationalizing the ILO's Decent Work Agenda and often is synonymous with working conditions. It could relate to different forms of work, and also to different conditions of work, as well as feelings of value and satisfaction.	Job Quality and Small Enterprise Development "How to" Measure Job Quality in value chain development projects ILO, Report of the Director-General: Decent Work, 87th Session

Employment-related income	Consists of the payments in cash, kind or services received by individuals for themselves or in respect of their family.	16th International Conference of Labour Statisticians Reports and related documents of the 16th International Conference of Labour Statisticians, 6–15 October 1998
Equality of opportunity and treatment	This refers to the principle that all individuals should have access to the same rights, resources, and opportunities without discrimination based on race, colour, sex, religion, political opinion, nationality or social origin. This principle encompasses the promotion of equal remuneration for work of equal value, ensuring that all workers, regardless of gender, receive fair compensation.	Tripartite declaration of principles concerning multinational enterprises and social policy (MNE Declaration), p. 13–14
Financial inclusion	Increasing effective access to affordable and suitable products and services that meet financial needs. This is essential in country contexts where a significant proportion of the population is un-banked or under-banked and, in any case, the pre-requisite to work on financial health.	Driving Impact on Financial Health and Inclusion of Individuals and Businesses: From Setting Targets to Implementation
Forced labour	All work or service which is exacted from any person under the threat of a penalty and for which the person has not offered themselves voluntarily.	ILO Forced Labour Convention, 1930 (No. 29)
Freedom of association and the right to organize	The right to organize and form employers' and workers' organizations of their own choosing, which are accountable only to their members and free from outside interference by the state, or in the case of trade unions, employers.	ILO, 1988 Declaration on Fundamental Principles and Rights at Work ILO, 1948 Freedom of Association and Protection of the Right to Organize Convention (No. 87) ILO Freedom of Association
Healthy and inclusive economies	Healthy and inclusive economies are about promoting diverse, innovative and sustainable economies that are fit for purpose to deliver on society's evolving needs while simultaneously minimizing inequality and exclusion. Such economies prioritize the wellbeing and prosperity of all participants, striving to create an enabling environment where opportunities for growth and advancement are accessible to everyone.	PRB: Leading the Way to a Sustainable Future

Human Rights Due Diligence	In the context of the UNGPs, human rights due diligence comprises an ongoing management process that a reasonable and prudent enterprise needs to undertake, in the light of its circumstances (including sector, operating context, size and similar factors) to meet its responsibility to respect human rights.	The corporate responsibility to respect human rights: an interpretive guide
Human trafficking	The concept of human trafficking encompasses three elements: **Acts:** Recruitment, transportation, transfer, harbouring or receipt of persons. **Means:** The means that are used to accomplish one of the prohibited acts; namely, the use of threat or of force or other forms of coercion, abduction, fraud, deception, the abuse of power or a position of vulnerability or the giving or receiving of payments or benefits to achieve the consent of a person having control over another person. **Purpose:** Whether this act, using the above means, was conducted for the purpose of exploitation. The UN Protocol provides that "exploitation" includes "at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs".	United Nations Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children, supplementing the United Nations Convention against Transnational Organised Crime, 2000 (UN Protocol), in Article 3(a)
Living wage	The ILO concept of a living wage is: ▪ "The wage level that is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work; ▪ Calculated in accordance with the ILO's principles of estimating the living wage; ▪ To be achieved through the wage-setting process in line with ILO principles on wage setting." The concept of a living wage is consistent with State Parties recognition of the right of everyone to the enjoyment of just and favourable conditions of work, which ensure, in particular: remuneration which provides all workers, as a minimum, with: i. Fair wages and equal remuneration for work of equal value without distinction of any kind, in particular women being guaranteed conditions of work not inferior to those enjoyed by men, with equal pay for equal work; ii. A decent living for themselves and their families in accordance with the provisions of the present Covenant, ensuring workers and their families an existence worthy of human dignity.	ILO, 2024 Conclusions on wages ILO, 2022 Setting adequate living wage: the questions of living wages

Modern slavery	The status or condition of a person over whom any or all of the powers attaching to the right of ownership are exercised. Slavery is an institution of complete ownership, in which an individual is subjected to the full control of the slave owner who can make decisions for this individual on education (attending school or not), work (type and conditions) or even private life (who to marry).	Article 1(1) of the League of Nations Convention to Suppress the Slave Trade and Slavery (the Slavery Convention), 1926
Productive employment	Employment yielding sufficient returns on labour to permit a worker and their dependents a level of consumption above the poverty line	ILO, Measuring productive employment: a 'how to' note
Remedy	An adverse human rights impact occurs when an action removes or reduces the ability of an individual to enjoy their human rights. When these impacts occur, they should be subject to remediation. Remedy describes the process and the outcome that seek to restore human dignity. The focus on process means that remedy should be stakeholder-driven. The focus should be on outcomes that seek to counteract, or make good, the negative impact. Remedy may include apologies, restitution, rehabilitation, financial or non-financial compensation and punitive sanctions (whether criminal or administrative, such as fines), as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition. Procedures for the provision of remedy should be impartial, protected from corruption and free from political or other attempts to influence the outcome.	UNEP FI Human Rights Toolkit UNGPs on Business and Human Rights, p. 27
Safe and healthy working environment	A safe and healthy working environment encompasses various aspects, including safety measures and equipment, accommodation of personal needs such as adequate bathroom breaks, ambient factors like air quality, and psychosocial issues such as violence and harassment. It also includes access to healthy food in the canteen, ergonomic working conditions, and overall workplace well-being.	
Saliency/ salient	Salient issues are those human rights at risk of the most severe negative impact (potential or actual) through the company's activities and business relationships. on rightsholders such as workers, customers, or the broader community. This will typically vary according to its sector and operating context. The Guiding Principles make clear that an enterprise should not focus exclusively on the most salient human rights issues and ignore others that might arise. But the most salient rights will logically be the ones on which it concentrates its primary efforts (OHCHR).	Glossary, UNEP FI Human Rights Toolkit

Social protection	Social Protection (also referred to as social security) is a fundamental human right and a key component of Decent Work, ensuring that workers can maintain their well-being and financial stability in the face of life events such as job loss, illness, injury, parental leave, disability, and retirement. It provides temporary income support in cases of unemployment, sickness, temporary disability, and parental leave, and permanent income support for long-term illness, permanent disability, and old age. Social protection also ensures access to healthcare through a mix of contributory schemes (such as social insurance) and non-contributory mechanisms (such as tax-funded social assistance). Governments have a legal obligation to provide social protection without discrimination, as recognized in international human rights frameworks. Although states alone are responsible for establishing and maintaining social protection systems, financial institutions can contribute by integrating social risk considerations into financing decisions, promoting responsible business practices among clients, and advancing financial inclusion for vulnerable groups.	
Value chain	Describes the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production and delivery to consumers, and final disposal after use.	Value Chain Development for Decent Work (2009)
Value chain vs supply chain	A company's 'supply chain' encompasses the resources, activities and business relationships that feed into a product or service. It traditionally covers 'upstream' inputs, such as the extraction of raw materials for manufacturing, energy used to power project sites, suppliers who build product components and service providers who offer guidance or technical support. The supply chain includes physical assets as well as labour within all tiers of suppliers who contribute to a product or service. A company's 'value chain' extends beyond its supply chain to include the delivery, consumption and end use of a product or service. The value chain covers the full lifecycle—including marketing and sales, logistics and distribution, responsible use of products, and end of-life disposal, as well as business relationships with entities that use the company's products or services.	The Danish Institute of Business and Human Rights, Due diligence in the downstream value chain case studies of current company practice, 2024
Working time	Comprises the time associated with productive activities (defined in the System of National Accounts (SNA) and the arrangement of this time during a specified reference period. It includes the time spent on the production of all goods and services whether paid or unpaid.	18th International Conference of Labour Statisticians Geneva, 24 November to 5 December 2008

Annex 2: Decent Work multistakeholder initiatives

Below banks can find examples of initiatives they can connect with to promote Decent Work.

Initiative	Sector	Key Focus	Link
Finance Against Slavery and Trafficking (FAST)	Cross sector	Multi-stakeholder to mobilize the financial sector against modern slavery and human trafficking.	FAST
Investor Alliance for Human Rights	Cross-sector	Investor collective action on labour rights. Engages companies on supply chain labour issues.	Investor Alliance
Alliance 8.7	Cross-sector	Public-private partnership to eradicate forced/child labour. Aligns with SDG 8.7. Banks can fund/advocate.	Alliance 8.7
Global Living Wage Coalition	Cross-sector	Benchmarks living wages by sector. Helps banks set wage targets for investees.	GLWC
Leadership Group for Responsible Recruitment	Cross-sector	Ethical migrant worker recruitment. Addresses forced labour risks in supply chains.	LGRR
Fair Labor Association (FLA)	Cross-sector	Audits and remediation of labour rights violations (wages, safety, child labour).	FLA Website
WBA Food & Agriculture Benchmark	Agriculture	Ranks companies on labour rights, living wages, and supply chain transparency.	WBA Benchmark
Roundtable on Sustainable Palm Oil (RSPO)	Agriculture	Includes labour standards (e.g., Citibank requires RSPO membership for clients).	RSPO
ILO Accelerating Action for the Elimination of Child Labour in Supply Chains in Africa project (ACCEL Africa Project)	Agriculture/ supply chains	Regional initiative to eliminate child labour in African supply chains (e.g. cocoa, cotton, gold) through policy reform, partnerships, and sustainable solutions.	ILO ACCEL Africa Project
Responsible Business Alliance (RBA)	Manufacturing/ global supply chains	Labour standards for electronics supply chains.	RBA Website
DRIVE Sustainability	Manufacturing (Automotives)	17 automakers collaborating on labour/environmental standards.	DRIVE

Initiative	Sector	Key Focus	Link
FAST-Infra Label Framework	Infrastructure	A framework designed to promote sustainable infrastructure investments by integrating environmental, social, and governance (ESG) considerations.	FAST-Infra Sustainable Infrastructure Label
Responsible Steel	Infrastructure. Automotive and construction industries	Labour standards in steel production. Relevant for auto/ construction financing.	Responsible Steel
Initiative for Responsible Mining Assurance (IRMA)	Mining	For banks funding extractive industries.	IRMA
International Council on Mining and Metals (ICMM)	Mining	Standards for fair wages, safety and community rights.	ICMM Principles

Annex 3: Illustrative examples of banks' leverage and partnerships

Example	Brief Description	Link
Citibank & Palm Oil	Requires RSPO membership for clients, and screens for Indigenous rights risks using LandMark/Global Forest Watch (GFW).	Citi's Indigenous Peoples Report
TD's Responsible AI Report	Outlines the bank's approach to ensuring responsible AI practices that support fair treatment of individuals.	TD Responsible AI Report
JP Morgan's AI Research Agenda	Highlights the bank's commitment to responsible AI development and its impact on society.	JP Morgan AI Research Agenda
Dutch Pension Funds Agreement on Responsible Investment	Showcases collaboration between pension funds, unions and government to enhance worker rights in platform economies.	Dutch Pension Funds Case Study
Nike and Garment Workers (ABN Amro involved)	Investors (including ABN Amro) pressured Nike to pay USD 2.2 million in unpaid wages to 4,000 workers in Cambodian and Thai suppliers.	Nike and Garment Workers case study
Plastic Pollution Signatories (BNP Paribas, HSBC, etc.)	160 financial institutions managing USD 15.5T assets signed a statement urging a global plastic treaty addressing labour rights in plastic supply chains.	Finance Statement on Plastic Pollution

Annex 4: Illustrative example of an action plan for a decent employment target

Target: By 2029, support the creation or retention of 30,000 decent jobs (baseline: 5,000), with a focus on SMEs operating in underserved rural and peri-urban areas of selected countries/regions and priority sectors. All jobs created or retained must comply with national labour laws and meet fundamental Decent Work principles, including respect for fundamental principles and workers' rights.

Type of actions	1 year	2 year	3 year	4 year	Owner	Budget
Policies, processes and culture	Develop a concrete bank-wide strategy to promote Decent Work, with a specific focus on SMEs.	Implement targeted training and capacity-building initiatives on Decent Work principles for key internal teams such as credit risk, ESG, legal, investment and SME relationship management. Integrate specific indicators developed in the workers' rights assessment tool to assess clients' alignment with core Decent Work principles and level of maturity in addressing relevant issues with a specific score.	Integrate the questionnaire in KYC and due diligence processes. Design monitoring mechanisms to track SME contribution to Decent Work using the KPIs.	Assess client's alignment with fundamental Decent Work principles. Establish a grievance mechanism through which workers benefiting from the bank's projects or initiatives can raise concerns or report potential violations.		

Type of actions	1 year	2 year	3 year	4 year	Owner	Budget
Portfolio composition and financing	Map the number of SMEs in the bank's portfolio, including the sectors and geographies in which they operate. Establish a baseline for the current percentage of SMEs that have received financing linked to job creation KPIs. Establish a baseline of the products and services currently offered to SMEs that are tied to job creation outcomes.	Design new financial products tied to employment outcomes and specific KPIs and decency of work.	Develop a questionnaire to collect information from clients on job creation. Design a methodology to measure both the direct and indirect impact on employment.	Monitor jobs created or retained, disaggregated by region and sector.		
Client engagement	Establish a baseline of the bank's current level of engagement with SMEs on issues related to formalization, rights at work and employment creation. Develop a strategy on client engagement.	Establish dialogue with selected clients and define support plans.	Develop KPIs to track action plan implementation.	Implement incentives such as internal certifications, preferential credit terms or other benefits for companies that demonstrate emerging business practices, for example, the adoption of gender gap pay policies, living wage principles and other Decent Work practices.		

Type of actions	1 year	2 year	3 year	4 year	Owner	Budget
Stakeholder engagement and partnerships	Map relevant stakeholders and multi-stakeholder initiatives that promote job creation and support SMEs to advance Decent Work. Identify public policies focused on employment generation that offer opportunities for collaboration between the state and the banking sector. Analyze emerging regulations related to Decent Work that could present opportunities for public support or alignment by the bank.	Formally assess the initiatives and engage with them to identify areas of potential synergy. Engage with the ILO and other Decent Work experts to develop indicators and increase capacity building inside the bank.	Implement collaborative initiatives.	Measure the results of these initiatives and assess the deepening of joint actions or the engagement with new stakeholders.		

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UN environment programme

finance initiative

UNEP Finance Initiative (UNEP FI) brings together a large network of banks, insurers and investors that catalyses action across the financial system to deliver more sustainable global economies.

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