



FINANCIAL SERVICES UNION DENMARK, MAY 2006

RECOMMENDATIONS ON UNION GOVERNANCE



PURPOSE AND OBJECTIVE

The Danish Financial Services Union has, with great interest, followed the debate on Corporate Governance, the setting up of the Copenhagen Stock Exchange's Corporate Governance Committee and the recommendations on Corporate Governance that have been prepared.

Companies' use of Corporate Governance has been attracting much attention for a large number of years, and public institutions and corporations have commenced using recommendations on Public Governance. The reasons for this are also of relevance to trade unions, and we have therefore prepared a corresponding set of recommendations on Union Governance.

Our approach to this area is based on a stakeholder philosophy. The Danish Financial Services Union is nothing without its members, employees and the surrounding society of which we are an integrated part. Correspondingly, the Danish Financial Services

Union is of significant importance to the individual members, other organisations, the staff and the enterprises in the financial services sector.

The preparation of recommendations on Union Governance should also be seen in the light of our basic core values, in accordance with which the Danish Financial Services Union performs its activities through dialogue, accountability, respect and trust with the focus clearly being on the members of the union. Dialogue and accountability are two of the fundamental elements in relation to Union Governance. The management of the Danish Financial Services Union must show responsibility for the union's tasks and duties and must be accountable to the members and other stakeholders through a dialogue.

We are therefore pleased to note that the Danish Financial Services Union meets the recommendations on the most important points and generally on most of the points. We hope that the recommendations can serve as inspiration for other trade unions' work on Union Governance.

THE MEMBER'S ROLE AND INTERACTION WITH THE UNION'S MANAGEMENT

PURPOSE AND OBJECTIVE

The purpose is to:

- Create increased trust among the Danish Financial Services Union's stakeholders by focusing on and ensuring the visibility of the composition and function of the union's representative bodies and by ensuring transparency in management structures and procedures.
- Inspire to professional management of the Danish Financial Services Union
- Set an external standard for Union Governance

The objective is to formulate specific central recommendations on Union Governance in relation to:

- The members' role and interaction with the union's management
- The stakeholders' role and importance to the union
- Openness and transparency
- The National Executive Council's duties and responsibilities
- The National Executive Council's composition
- Remuneration to the National Executive Council and the Presidency
- Strategic management
 - Auditing and control

In addition, a local debate will be initiated in the Branch Executive Councils that will enable them to evaluate which central recommendations should be followed locally and to debate how this should be done.

THE STAKEHOLDERS' ROLE AND IMPORTANCE TO THE UNION

The union's members have a joint interest in the union constantly being able to adapt to changing demands and requirements, so that it can continue to create value for its members. Good Union Governance therefore means that the union's management will ensure good interaction between the management and the members.

EXERCISE OF OWNERSHIP AND COMMUNICATION

The members' commitment to and ownership of the decisions are ensured by the members being given an opportunity and an incentive to exercise their rights and influence optimally.

It is recommended that the union should evaluate, in relation to member democracy and the local branch system, how information technology can improve the communication between the union and its members.

VALUE CREATION FOR THE MEMBERS

The members are entitled to demand that the union must handle their interests optimally and that new benefits and services are continuously developed that match the members' needs and requirements.

It is therefore recommended that the union should continuously adjust its political objectives as well as its structures, priority target areas, work tasks and membership benefits and services in a manner that ensures constant value creation for its members.

THE UNION'S FINANCES

It is recommended that the National Executive Council should evaluate annually whether the union's central and decentral financial situation and structure are still in the members' and the union's interest and present an account for this. It is also recommended that the National Executive Council should ensure openness about the union's overall financial situation and its assets.

OPENNESS AND TRANSPARENCY

It is essential for a union's prosperity and future opportunities that it has good relations with its stakeholders. A stakeholder is anyone who is directly affected by the union's decisions, transactions and activities. It is therefore desirable that the union's management runs and develops the union based on due consideration for the interests of its stakeholders and that a dialogue with the stakeholders is stimulated.

THE UNION'S STAKEHOLDER POLICY

The union should continuously develop its relations with its stakeholders and endeavour to expand the overall network.

It is recommended that the union should adopt a policy for its relations with its stakeholders as well as for the mutual expectations containing, for example, the union's mission, vision and values, and the union should develop this policy continuously.

THE STAKEHOLDERS' ROLE AND INTERESTS

It is recommended that the National Executive Council should ensure that the stakeholders' interests and roles are respected in accordance with the union's policy on this. It is also recommended that the National Executive Council should enter into a dialogue with the stakeholders and ensure that their interests and roles are respected in accordance with the union's policy.

THE NATIONAL EXECUTIVE COUNCIL'S DUTIES AND RESPONSIBILITIES

The members and other stakeholders have various requirements for information about the union. Their understanding of and relations with the union depend, for example, on the quantity and quality of the information that the union publishes. Openness and transparency are essential prerequisites for ensuring that the stakeholders can participate in constructive interaction with the union on a continuous basis.

COMMUNICATION AND PROVISION OF INFORMATION

It is recommended that the union's communication policy should ensure that there is constant focus on goal-oriented communication, depending on the message and receiver in question. All significant information of importance to the members' and the surrounding world's evaluation of the union and its activities as well as its political objectives, strategies and results must be published.

MEMBER RELATIONS

Both the Presidency and the local branches have a responsibility to enter into a constructive dialogue with the union's members.

It is therefore recommended that a continuous dialogue should be established with the members, which may, for example, be achieved by holding membership meetings, publication of articles and information in written or electronic media, etc.

MEMBERSHIP BENEFITS AND SERVICES

The union should strive to ensure openness about its offer of membership benefits and services as well as the members' satisfaction with the benefits and services provided.

It is therefore recommended that the union should develop relevant key figures for member satisfaction, which can be measured and published on a continuous basis. It is also recommended that the union should ensure that the members can complain about the union's case administration and consultancy services to an independent complaints board.

THE ANNUAL ACCOUNTS AND SUPPLEMENTARY INFORMATION

The annual accounts must meet the highest standard for trade unions and other organisations, and they must be in accordance with the development in generally accepted accounting standards. Comparability with other trade unions must also be ensured.

It is therefore recommended that union accounts should be prepared that comprise the whole union, including the local branches.

It is also recommended that the National Executive Council should consider whether to publish non-financial information, for example about:

- The union's development and maintenance of internal knowledge resources.
- The union's ethical and social responsibility and its working environment.

COMPOSITION OF THE NATIONAL EXECUTIVE COUNCIL

The National Executive Council must handle the members' interests with due consideration being shown for the union's other stakeholders. The National Executive Council is also responsible for handling the overall management of the union and for exercising control with the work performed by the administrative management.

Finally, it is important that the National Executive Council ensures, in co-operation with the administrative management, that there is continuous development of and follow-up on the political areas of responsibility and the priority target areas.

THE NATIONAL EXECUTIVE COUNCIL'S OVERALL DUTIES AND RESPONSIBILITIES

The National Executive Council is responsible for the overall political management, for the financial and managerial control of the union and for a continuous evaluation of the work performed by the Presidency and the administrative management.

The National Executive Council's principal duties:

- Laying down the overall political objectives and strategies and following up on these.
- Ensuring clear guidelines for the distribution of responsibilities, planning, follow-up and strategic management.
- Appointing a qualified administrative management, laying down the employment terms for the administrative management, including guidelines for appointment and composition hereof, and ensuring a balance between results achieved and remuneration paid.
- Ensuring good and constructive relations with the union's stakeholders.

THE PRESIDENCY'S DUTIES

The Presidency has a special responsibility for ensuring that the National Executive Council's duties are handled optimally.

It is therefore recommended that the Presidency should ensure that the individual National Executive Council member's special knowledge and competencies are utilised optimally in the National Executive Council's work. The Presidency should also endeavour to ensure that the National Executive Council's negotiations take place on the full National Executive Council and that all major decisions are made by the full National Executive Council.

COMMUNICATION BETWEEN THE ADMINISTRATIVE MANAGEMENT AND THE NATIONAL EXECUTIVE COUNCIL

The National Executive Council must continuously receive the necessary information about the union's activities. The administrative management must ensure in any circumstance that the National Executive Council is provided with all significant information regardless of whether it has requested the information in question.

It is recommended that the National Executive Council should lay down procedures for the administrative management's reporting and other communication with the National Executive Council.

It is important that the National Executive Council is composed in such a way that it is able to handle its management duties and strategic tasks effectively in the union, while also being a qualified sparring partner for the Presidency and the administrative

management. It is also important that the National Executive Council acts independently of special interests.

ELECTION OF NATIONAL EXECUTIVE COUNCIL MEMBERS

The National Executive Council and the local branches must jointly ensure an overall composition of the National Executive Council that provides the National Executive Council with the competencies that are necessary to enable it to perform its duties optimally.

It is therefore recommended that the union should formulate a “competence specification” for suitable candidates, including certain competencies that a person is expected to possess as a member of the National Executive Council. This may be done by the National Executive Council and the local branches jointly defining competence requirements and desired qualifications for members of the National Executive Council.

It is also recommended that the National Executive Council should provide information about the recruitment criteria that have been laid down by the local branches and the National Executive Council, including requirements for experience in political work, professional qualifications, etc.

INTRODUCTION TO AND TRAINING OF NEW MEMBERS OF THE NATIONAL EXECUTIVE COUNCIL

It is recommended that, when joining the National Executive Council, members of the National Execu-

tive Council should consider, in consultation with the Presidency, whether there is a requirement for supplementary training. The training should be adjusted to the requirements of the individual National Executive Council member and ensure that the National Executive Council members are able to enter into a qualified dialogue with the full National Executive Council on the political development of the union. In addition, the National Executive Council members should be offered an opportunity to acquire and maintain a comprehensive view of the union’s core areas and activities as well as of conditions in the financial services sector in general.

In addition, National Executive Council members have a responsibility themselves to keep up to date on the union’s affairs and on the conditions in the financial services sector and to participate actively in the National Executive Council’s work.

THE NATIONAL EXECUTIVE COUNCIL’S INDEPENDENCE

The National Executive Council must be composed in a manner that ensures that it can act independently of special interests and for the joint benefit of the whole union.

It is therefore recommended that wide representation of the local branches on the National Executive Council should be ensured.

It is also recommended that National Executive Council members should be especially aware that their work as members of the National Executive Council is aimed at safeguarding the joint interests of the whole union.

STRATEGIC MANAGEMENT

Competitive remuneration is a prerequisite for attracting and holding on to competent members of the National Executive Council. The remuneration of the National Executive Council and the Presidency should be reasonable in relation to their duties and accompanying responsibilities. It is important that there is openness about all important matters regarding the principles for and the size of the remuneration paid to the members of the National Executive Council and the Presidency.

REMUNERATION

It is recommended that the total remuneration (fee, pension, severance schemes and other benefits) should be at a competitive level and reflect the National Executive Council's and Presidency's independent work and value creation for the union.

REMUNERATION PRINCIPLES

It is recommended that the National Executive Council should adopt remuneration principles and disclose these in the annual report. The principle must specify how the union will report the remuneration received by the various members of the National Executive Council and the Presidency.

ITEMISATION OF REMUNERATION

It is recommended that information should be disclosed in the annual report about the size of the total itemised remuneration for the individual National

Executive Council members as well as other significant benefits that the individual National Executive Council member receives in connection with his or her membership of the National Executive Council.

PRINCIPLES FOR BONUS/INCENTIVE PROGRAMMES

It is recommended that no bonus and incentive programmes should be used for the union's National Executive Council and Presidency.

SEVERANCE SCHEMES

It is recommended that the main contents of severance schemes should be disclosed in the union's annual report.

REMUNERATION FOR MEMBERS OF THE NATIONAL EXECUTIVE COUNCIL

EMPLOYEE REPRESENTATION

It is recommended that the employees in the union's secretariat should be represented on and have a right to speak before the National Executive Council.

FREQUENCY OF MEETINGS

It is recommended that the National Executive Council should meet at regular intervals in accordance with a meeting and work schedule laid down in advance and, moreover, when this is found to be expedient based on the union's requirements.

TIME USED FOR THE NATIONAL EXECUTIVE COUNCIL'S WORK

It is important that the individual National Executive Council member clearly realises in advance the amount of time that the work on the National Executive Council requires and allocates sufficient time for his or her duties on the National Executive Council.

AGE LIMIT

The annual report should contain information about the age and gender of the individual members of the National Executive Council. It is recommended that the union should evaluate whether to use an age limit for the members of the National Executive Council.

TERM OF OFFICE

It is recommended that members of the National Executive Council should be elected for a national congress period. The balance between renewal and continuity should be ensured, wherever possible, especially for the Presidency. The annual report should state the time at which the individual member joined the National Executive Council, whether the member has been re-elected and the expiry of the new term of office.

USE OF NATIONAL EXECUTIVE COUNCIL COMMITTEES

The National Executive Council may set up committees that will be engaged in work in delimited areas and with defined themes. It is recommended that terms of reference should be prepared for the individual committees in which their area of responsibility and competence are stipulated.

EVALUATION OF THE WORK

The National Executive Council's work must be evaluated on a continuous basis, and clear evaluation criteria should be laid down. In the evaluation of the full National Executive Council, it should, for example, be assessed to what extent the objectives for the priority target areas and political strategies have been met.

It is recommended that the National Executive Council should lay down an evaluation procedure for a continuous and systematic evaluation of the National Executive Council's and the individual members', including the Presidency's, work, results and composition. It is also recommended that the evaluation, which should be performed once a year, should be done by the Presidency and that the results should be discussed by the full National Executive Council. It is also recommended that the National Executive Council should disclose in the annual report the evaluation procedure used, including the extent to which the evaluation has given rise to any significant changes in the National Executive Council's internal organisation and work procedures.

AUDITION AND CONTROL

Efficient strategic management is a prerequisite for enabling the National Executive Council to perform its duties optimally. The purpose of the strategic management is to develop an understanding within the organisation of the union's political and operational objectives and priority target areas and to ensure continuous follow-up. In order to achieve this, an analysis is made of the challenges that the union's objectives and activities entail in order to identify the overall risks of a failure to meet the objectives.

IDENTIFICATION OF STRATEGIC OBJECTIVES

It is recommended that the National Executive Council and the administrative management should ensure continuous follow-up on the priority target areas and political strategies, including identification of significant objectives, critical success factors and risks.

PLAN FOR STRATEGIC MANAGEMENT

It is recommended that, based on the priority target areas, the administrative management should prepare a plan for the union's strategic management for approval by the National Executive Council.

It is also recommended that the administrative management should report to the National Executive Council on a continuous basis to ensure that the National Executive Council can systematically follow the development in the political areas of responsibility and in the priority target areas as well as the attached objectives and risks. The reporting should, among other items, comprise work procedures and

action plans, which can ensure follow-up and adjustment of the activities in relation to these objectives and risks.

PRIORITISATION

It is recommended that the administrative management should monitor the development in relation to the priority target areas and political strategies and ensure continuous prioritisation and adjustment of the allocation of resources.

OPENNESS

It is recommended that the union should disclose information about its political and strategic management.

Ensuring competent and independent auditing of the union's activities is a significant part of the National Executive Council's work. It is recommended that the contractual basis and consequently the framework for the auditor's work should be agreed between the National Executive Council and the administrative management.

FINANCIAL AUDITS

It is recommended that:

- The National Executive Council should, in consultation with the administrative management, perform a specific and critical evaluation of the auditor's independence and competence, etc. for use for its recommendation of the election of an auditor at the national congress.
- The auditing agreement and the accompanying auditor's fee should be agreed between the union's National Executive Council and the auditor.
- The National Executive Council should, together with the auditor, review the annual accounts, discuss the accounting policies applied in the principal areas and the most important accounting estimates made and evaluate whether the accounting policies applied are sound and proper.
- The result of the audit should be discussed at meetings with the National Executive Council in order to review the auditor's observations and conclusions, possibly based on a long-form audit report.

POLITICAL AUDITS

It is recommended that the work and results of the National Executive Council and the Presidency should be evaluated continuously based on the political areas of responsibility and the priority target areas.

ADMINISTRATIVE AUDITS

It is recommended that the National Executive Council should evaluate the work and results of the administrative management and the secretariat in accordance with criteria laid down in advance. In addition, the co-operation between the National Executive Council and the administrative management should be evaluated once a year through a formalised dialogue.

FINANSFORBUNDET

APPLEBYS PLADS 5 / POSTBOKS 1960 / 1411 KØBENHAVN K / TELEFON 32 96 46 00
WWW.FINANSFORBUNDET.DK