



## EACB MEMBERS SURVEYS ON CLIENTS' VIEWS AND EXPECTATIONS REGARDING GREEN TRANSITION

Voiced at the occasion of the UN COP 26

In this paper we describe the results of a number of surveys that co-operative banks have conducted over a time span of 2020 and 2021 among their customers about their expectations and views on the green transition. Then we summarize what expectations they have from co-operative banks, to support them, and what are their expectations more broadly. The reason that led us to launch the survey is that the transition will need concerted efforts. Every stakeholder will have to play to role in the deep socioeconomic transformation. Thus we decided to look more closely at what the real economy, in particular SMEs need, asking the questions: what do our customers think about sustainability challenges, how do they react and what do they expect from their co-operative banks to support them in the transitions?

From their daily operations, our banks observe that business clients face major challenges in the transitions towards a more sustainable system. At the same time this transition must be combined with economic growth and a positive return for companies: sustainable and profitable business models are needed. Many of our clients are already working towards this and sustainability is clearly becoming increasingly important. However, it is often unclear to SME's what it means in their own specific case and what they can do to reduce their environmental impact. We also recognize from the surveys results that there is uncertainty amongst clients about costs to transition, and that there are barriers regarding for example measurements, a lack of (accessible) data, uncertainty whether other companies will make the same efforts, time needed to develop new production techniques and so on. Importantly, we also observe that the willingness to take sustainability into account in consumption choices is another key element. Clear legislation and supportive policies are also perceived as valuable parts of a conducive framework.

Co-operative banks take an active role in embarking the retail clients in the transition by promoting within their network, the distribution of services and investment or savings products in favour of sustainable development. Our branches are active on the national and regional level but also via green financing and investing, at the international level. Co-operative banks have developed expertise in green project financing, green savings, green loans and mortgages. Indeed the European co-operative banks have a structure and orientation which differs from other banks in a number of ways, and this is relevant to the sustainability transitions. Co-operative banks are organized locally and they have a governance structure in which the members have an influence on the policy of the bank. This means they are in a good position to respond to local needs and to engage with their SME clients. Another characteristic of co-operative banks is that their main objective is to provide members value in a long-term relationship. This leads to putting the concern for the community at the heart of their business. With 2,700 locally operating banks and 43,000 outlets serving 214 million customers and 85 million members, mainly consumers, SMEs and communities co-operative play a major role in the sustainable financing of the economy.

## Results of the survey:

# What challenges, opportunities and expectations do EACB members see in the green transition?

### Adaptation of business: challenges & opportunities

·Several SMEs clients indicate that they take actions to enable the transition of their business by investing in sustainable products and processes and adapting via digital transformation. They also put efforts in training their employees on this topic. At the same time many companies do not seem to recognise climate change as a challenge that can directly impact their business continuity. By consequence they are not yet, or in any case not fully, integrating sustainable considerations in their strategic planning for the next years.

·In general the high degree of interdependencies between the different initiatives of the EU Commission regarding the Green Deal is perceived as very challenging for smaller clients. They expect consequences of sustainable finance and taxonomy on their own business, such as less access to finance or higher costs, but some of them also see new green business opportunities, and they are developing sustainable products and services.

·Larger clients and large, stock market-oriented companies have more means to develop Sustainable Business expertise than SME's. The majority of the large customers surveyed are currently planning to undertake measures and explore possibilities for improving their sustainability performance since they recognise that climate transition affects their business model and strategy.

· Sustainability issues have been taken more into account in company strategies after the pandemic. Companies' environmental commitments are reinforced together with gradual integration for social and societal commitments. However, there is also the perception that these developments are related to the strict requirements imposed by regulatory obligations, and/or pressure from consumers.

·Companies which take action on sustainability often mention the following sustainable development objectives:

- the low-carbon transition;
- the implementation of the principles of the circular economy;
- the reduction of air and water pollution.

This is followed by relatively positive capacities for action in the areas of:

- improving the well-being of the population;
- improving mobility.

·Objectives such as reduction of inequalities and protection of biodiversity are mentioned less often. A possible explanation is that there are less so within the reach of companies.

### Adaptation of business: expectations

·In general clients, small and large, have keen interest in promotion & development of sustainable solutions(e.g. "green" credit card, e-mobility or investment products) and in support services for advises on sustainability aspects - this applies to both smaller and larger cooperative banks.

·Smaller enterprises indicate that they would welcome more information from their local bank about sustainable finance and expect that banks will finance projects for green transition.

·Some companies express concerns whether and to what extent financing depends on assessments based on sustainability criteria and that it will involve red tape, increases in verification and documentation requirements. These SMEs also believe it should be avoided that entrepreneurial activity is negatively affected by overlapping legal regulations or excessive bureaucracy. This message is oriented towards government.

·Clients expect that strengthening the idea of sustainability should be sought in dialogue with companies across the economic spectrum as they seem concerned on the impact on their growth efficiency and employments.

·SME's indicate that technical and economic possibilities must be taken into account SME's recognise the importance to develop the right skills with new professional competencies.

·The transition should be supported with financial incentives, both incentives by banks (as well as by government (taxes, subsidies).

· In particular in the area of financial regulation, several companies suggested that capital requirements could be adjusted to finance more green activities. Some also indicated that financial institutions should be supported with public incentives and a degree of co-responsibility is needed.

·There could also be a reflection that some companies expect attractive rates to reward sustainability efforts - this could also mean that in some cases companies might accept higher rates if their sustainable performance is below average in their industry.

·SME's ask for the set-up of clear rules with regard to data, standards, models and requirements for transparency and traceable disclosures.

The co-operative banks model follows the principle that customers can become members of the bank, thereby having a stake in the business and having a say in the policies. The objective of co-operative banks is therefore not to maximize profits, but to serve their members in the long-term. Thus, co-operative banks promote the social, environmental and economic wellbeing of the communities they belong to. They are a driver of sustainable growth, with **2,700** locally operating banks and **43,000** outlets serving **214** million customers, mainly consumers, SMEs and communities. Europe's co-operative banks represent **85** million members and **705,000** employees and have an average market share in Europe of 22%. Co-operative banks are engaged in sustainable finance and are key drivers for climate financing at the regional and local level.