



Brussels, 29 May 2019

**Final answers to the UNEP FI Consultation on the Principles for
Responsible Banking
Deadline 31th May 2019**

INTRODUCTION:

The European Association of Co-operative Banks (EACB) is the voice of the co-operative banks in Europe. Co-operative banks form decentralised networks which are subject to banking as well as co-operative legislation. Democracy, sustainability and proximity are the three key characteristics of their business model. With 3.135 locally operating banks, co-operative banks have a long tradition in serving 209 million customers, mainly retail customers, SMEs and communities. The co-operative banks in Europe represent 80.5 million members and 749.000 employees and have an average market share of about 20%.

As one of the supporting Members of the UNEP FI, the European Association of Co-operative Banks considers the discussion on the Principle for Responsible Banking as an important step and welcomes the possibility to comment on the principles. Given the diversity among our Members, we attempt to provide a diversified and balanced view, in which the assessment on the Principles may vary, depending on the proposals provided.

QUESTIONS:

Question 1: Are there any gaps or elements that the Principles do not cover? How should this be addressed?

Answer 1:

The 6 Principles cover globally the main operations for a Bank to be sustainable: 1- a strategy/ambition of contributing to society's goals (mitigating negative impacts and enhancing positive ones); 2- a risk assessment process that includes ESG risks; 3-4 a stakeholders dialogue that challenge the business model and, in addition, a focus on clients to encourage and support their own CSR approaches. The last two Principles are focused on the internal governance and the accountability to be able to reach the first four Principles. The Principles are business oriented (focus on portfolio & transaction levels) which is relevant and in line with the others UN Principles (Equator Principles and PRI). As the Principles are based on international goals (Paris Agreement, SDGs and Human rights), the Principles should not be too complex in order to ensure sufficient effectiveness.

The voice of 2.914 local and retail banks, 81 million members, 209 million customers in EU

EACB AISBL – Secretariat • Rue de l'Industrie 26-38 • B-1040 Brussels

Tel: (+32 2) 230 11 24 • Fax (+32 2) 230 06 49 • Enterprise 0896.081.149 • lobbying register 4172526951-19
www.eacb.coop • e-mail : secretariat@eacb.coop



Q2: Do the current target setting requirements provide an effective mechanism for driving banks' alignment with and contribution to society's goals? Do you see elements in the target setting requirements or the Principles more broadly that could be strengthened/introduced to drive change even more effectively?

Answer 2:

EACB believes that, in relation to climate change, it would be interesting to gradually implement science-based targets (SBT). Mechanisms should be generated to facilitate the banking establishment of methodologies based on scientific rigor: it would be to take into consideration the initiative of the CDP, the global compact, WRI and WWF. In this view, in order to drive change more effectively, the target setting requirements could be completed by materiality assessment that can make a comparison between the different views of stakeholders.

Q3: Does the Implementation Guidance provide clear guidance on what is expected from banks and on how to implement the Principles? If not, what gaps do you see and how could they be addressed?

Answer 3:

We believe that the Implementation Guidance shows a comprehensive view of international frameworks and tools that already exist, in line with the Principles. However, this wide-range of initiatives could be too complex especially for small and medium-sized banks. Even if we are aware that, in the updated implementation guidance, the three different levels for the implementation of Principles will be deleted, it would be helpful for banks which are at a starting point if the guidelines include examples for positive environmental, social and economic impacts. Especially for small and medium-sized banks, it seems hardly achievable to define key performance indicators to address, reduce and mitigate significant negative impacts.

In our opinion, the main issue is the availability of clients' data, which become even more relevant when you take into account that a large amount of clients is represented by MSMEs (in Europe there are 23 million of Micro, Small and Medium-Sized Enterprises, that represent the 98% of businesses) and retail customers. Probably, the aim of the UNEP FI Principles to support sustainable alignments of corporate and customers may raise some challenges.

Furthermore, we raise concern regarding the demand from banks to ensure that their engagement with regulators and policymakers is aligned with the goals and objectives of the UNEP FI principle.

Q4: Is the reporting template clear about what banks are required to report on?

Answer 4:

The reporting template is very clear about what is required.

However, the level of detailed information requested is wider than the public information disclosed. The trend in public information is actually concise and results-oriented more than describing every process, such as materiality assessment (questions 4.1 & 5.3)

The reporting template is demanding in descriptions and is focusing on providing links to the public information. Unfortunately the space seems too short (50 words) for describing precisely some processes (questions 1.2; 2.1; 4.1 or 5.3).



Q5: Is the information required in the Reporting template helpful for assessing a bank's sustainability performance? Is there any additional information that should be requested for this purpose?

Answer 5:

Some questions seem to be repetitive: 1.2 relevant KPIs; 5.3 target-oriented; 5.4 activities that banks have to implement to achieve targets + KPIs + resources and responsibilities (question 5.2: responsibilities) banks progress (5.5 : also bank's progress + actions and measures put in place), etc..

It should be appropriate to give a common definition of "a culture of responsible banking" (question 5.2) in order to be able to provide the right information and not an interpretation of what seems to be needed for the Principles.

The Reporting template is helpful, but somehow repetitive and more description-oriented than what is required in the public reports. If the present template will not change, EACB warns that it will not probably meet the purpose to limit additional reporting.

Q6. Please provide any additional comments, inputs and suggestions for changes. This could include suggestions for additional links to relevant resources to include in the Implementation Guidance.

Answer 6:

The annual review process for each individual bank seems too far reaching as UNEP FI demands an independent review and an annual review meeting/call with the reviewer (third part assurance, accredited review partner).

UNEP FI has three different levels for the implementation of the Principles for Responsible Banking: starter banks, intermediate banks and advanced banks. In order to guarantee a proportional approach, that takes into consideration the different type of organization and business model, it should not be compulsory for banks to progress to the next level within max. 24 months. We therefore recommend to leave the decision on a voluntary basis, giving to banks the chance to reach the next level or to stay at the recent one. In this regards, we welcome the announced streamlining of the implementation guidelines presented in the updated consultation document, that propose to delete the creation of different "maturity level" starting point and widens the period given to banks to conclude the first assessment on the integration of the Principles (4 years after the endorsement of the initiative). We support this new approach and encourage further simplification in the development of the implementation guidance.

Moreover, as it would be rather difficult for small and medium-sized banks to apply for the Principles, we suggest a simplified approach that will allow them to join the Initiative, without high administrative burdens.