



EFBS comments on the ECB guide on climate-related and environmental risks

We welcome the ECB's initiative to provide a guide on climate-related and environmental risks as well as the opportunity to provide feedback.

The European Federation of Building Societies represents Bausparkassen across the European Union.

The business model of Bausparkassen is closely related to the cooperative idea and has a very focused and unique business model that combines the aspects of reciprocity, helping people to help themselves, asset accumulation and real estate as a long-term investment. Historically, Bausparkassen were founded as savings associations to enable members of their collective to take out low-interest loans to purchase their own home. The collective thought continues to exist in the two dimensions of savings and loans.

UNESCO declared the cooperative idea an intangible world cultural heritage in 2014, justifying this by stating that the framework is based on solidarity, honesty, and responsibility. UNESCO explains that the cooperative idea gives less privileged citizens in particular, new opportunities to participate in society. This idea is also borne by Bausparkassen, because the business model of Bausparkassen is based on the principle of "helping people to help themselves" and in particular supports the lower and middle income groups in the acquisition of real estate and the renovation of these.

In general, Bausparkassen as traditional housing finance institutions, are attached in the low-risk lending business. Through the size and the structure of the lending business the institutions are required to address sustainability risks. Sustainability risks also play a role in their product development and the maintenance of the product portfolio. Knowledge and consideration of these risks is of great importance for the maintenance of the product portfolio due to the long-term nature and long maturities of home savings and mortgage lending alone. 60 percent of the Bausparkassen business is focused on energy efficient renovations, Bausparkassen are thus to be considered a sustainability driver in the environment of housing finance while contributing to reaching the set climate goals.

However, the necessary measures should be appropriate to not jeopardize the cost-effectiveness of the volume-based and highly automated business. In the current environment of low interest rates, the profitability of Bausparkassen should not be allowed to suffer needlessly.

Please find below some specific comments on the guide published by the ECB in May 2020.

Sustainability risks play a major role in product development and the maintenance of the product portfolio. Sustainability risks are risks in the environmental, social and corporate governance areas. For product development and the maintenance of the product portfolio, knowledge and consideration of these risks are of great importance because of the long-term nature and long maturities of home savings and mortgage lending. Nevertheless, the corporate governance requirements need to be proportionate and linked to the business model of the institution to the background of reducing bureaucracy.

In general, the detailed explanations of the individual effects on the respective organisational divisions are comprehensible. Due to their business model most divisions within Bausparkassen already take sustainability into account. In case of Bausparkassen, there is no need to ensure special

qualifications in dealing with sustainability risks as it is already a core element of the risk management by Bausparkassen. Risk management staff are generally qualified to measure sustainability risks.

As Article 208 of the CRR already imposes a comprehensive obligation on banks to revalue collateral in the event of deterioration in value due to natural disasters Bausparkassen already integrate the most relevant climate risks in their specific stress testing. Additional stress tests are thus not necessary.

Regarding Disclosure requirements as well as the use of standards and criteria we advocate for uniformity. We would thus welcome a harmonisation of EU and national rules regarding the overarching taxonomy for sustainable disclosures.

We regard the examination of sustainability risks as an important task within institutions. In this context, however, it must be possible to refer to existing procedures and structures. Within a group, individual requirements such as reporting systems or governance structures regarding sustainability risks, should not add to the responsibility of the individual group companies.

In 2019 the German NCA (BaFin) has also consulted on a guidance notice on dealing with sustainability risks. Please find the answers by the German Bausparkassen attached for additional information.