Finanzgruppe
Deutscher Sparkassen- und Giroverband

The Savings Banks' business model is an expression of social sustainability

- *The Savings Banks were founded over 200 years ago on the principle of social participation. This makes Savings Banks the representatives of social sustainability in the German financial sector.*
- *The EU wants to make social sustainability measurable: Savings Banks provide many points of reference for a practicable, transparent and customer-friendly taxonomy.*
- *Doing is even more important than reporting: Reporting obligations should not be exaggerated.*

Business model derived from social sustainability

The first Savings Banks were established back in the late 18th century to enable less wealthy parts of the population to participate in the economic and social life. In other words, social sustainability is at the very core of the Savings Banks' business model.

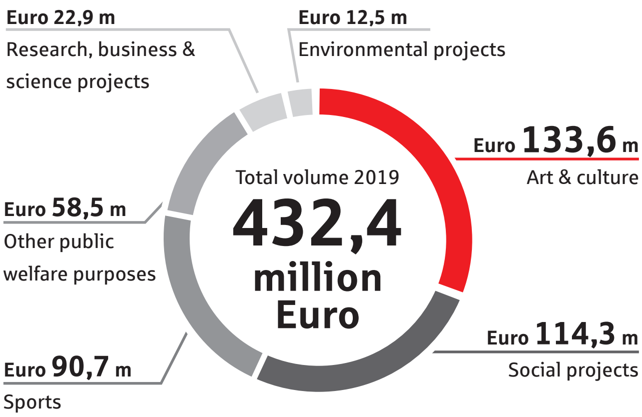
Providing basic banking services for everyone and improving financial literacy

The mission of Savings Banks is to provide reliable financial services and safe investments for as many citizens as possible in their area of business instead of concentrating on highly profitable customer groups only. Savings Banks do this in a number of ways: by designing a current account that anyone can afford, by offering services that are focused on small and medium-sized enterprises and by providing high-quality advice to all their customers, regardless of their income and wealth. And they are particularly committed to improving the population's economic and financial literacy. "Geld und Haushalt" (Money and Household), for instance, is an independent advisory service run by the German Savings Banks Association (DSGV) which provides budget and financial planning services – free of advertising and free of charge – to private households all over Germany and which has played an active role in UNESCO's "Education for Sustainable Development" programme since 2005. And Savings Banks are the banking group in Germany which financially supports debt advice centres, even though their customers make less than average use of these services.

Social sustainability in the distribution of earnings

Savings Banks do not receive equity from external sources; they must earn and accumulate it through their own business activities. Any surplus that is not needed for their financial stability and business growth is not distributed to private investors. Instead, Savings Banks make these funds

Social commitment of the Savings Banks Finance Group
Total volume 2019: EUR 432 million (2018: EUR 422 million)



available for matters important to their local communities, e.g. activities referring to social participation or universally accessible cultural and sports events. In 2019 alone, a total of EUR 432 million was spent. To ensure the capital earned remains in the local community in the long term, Germany's 379[1] Savings banks have established 752 foundations. Every 28th foundation in Germany was set up at the initiative of members of the Savings Banks Finance Group. This makes Savings Banks the biggest sponsors of culture and sports in Germany besides the government.

Many companies earn profits in Germany but do not contribute much, if anything, to financing contributions to issues facing society as a whole. The Savings Banks' direct contribution to Germany's economic well-being amounts to over EUR 40 billion annually. The gross value added generated by the 379 Savings Banks alone is greater than that of Germany's entire agricultural sector, and more than that of its entire shipping and aviation sector (before Covid-19).

[1] As at: 31.12.2019

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Phone 030-2 02 25-51 15 | Fax 030-2 02 25-51 19 | www.dsgv.de

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And more importantly, the member institutions of the Savings Banks Finance Group are among the biggest taxpayers in the Federal Republic of Germany. With total tax payments of approx. EUR 32 billion in the past 10 years, they have been a reliable source of funding for services of general interest ("Daseinsvorsorge").

Creating clear and reliable standards

Ensuring social cohesion and social sustainability will be one of the most important challenges for the future – this applies globally, but also in the European Union. The economic impact of the Covid-19 pandemic has made this concern all the more urgent. EU policies are increasingly focusing on social sustainability and its measurement, and rightly so. Currently, there are too many different definitions and standards at EU level. The way sustainability is measured in the EU's taxonomy, for instance, is different from the way it is measured in the main securities regulation (MiFID II). It would be helpful to have clear guidelines on how social aspects will be reflected in the EU's taxonomy in the future – whether directly or principles-based. In this context, Savings Banks favour adopting a broader approach including business models motivated by social sustainability into the social taxonomy. There must not be any definitions of social sustainability or calibrations in the social taxonomy that do not take into consideration key stakeholders.

Sustainability rules must be practicable

The taxonomy and the technical evaluation criteria for ecological and social activities must be practicable, transparent and SME-friendly. They must seek to set incentives for improvements rather than creating administrative burdens which only lead to a sustainable behaviour fatigue. In the lending business, for instance, it is virtually impossible to monitor all socially relevant behaviours within the supply chains of businesses or corporate structures and to take immediate action in response. In this respect effective authorities responsible for enforcing labour laws are more relevant than the banking sector. And last but not least, it is not enough to consider a bank's business conduct. It is equally important to ask whether the income earned from business activities benefits only a few or whether it is used to increase the prosperity of the wider public and, hence, enhances social participation.

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