



Brussels, 21st October 2022
MK/VH

EACB Answer

to consultation on the review of the G20/OECD Principles of Corporate Governance

October 2022

The **European Association of Co-operative Banks** ([EACB](http://www.eacb.coop)) is the voice of the co-operative banks in Europe. It represents, promotes and defends the common interests of its 28 member institutions and of co-operative banks in general. Co-operative banks form decentralised networks which are subject to banking as well as co-operative legislation. Democracy, transparency and proximity are the three key characteristics of the co-operative banks' business model. With 4,050 locally operating banks and 58,000 outlets co-operative banks are widely represented throughout the enlarged European Union, playing a major role in the financial and economic system. They have a long tradition in serving 214 million customers, mainly consumers, retailers and communities. The co-operative banks in Europe represent 85 million members and 749,000 employees and have a total average market share of about 20%.

For further details, please visit www.eacb.coop

The voice of 2.700 local and retail banks, 87 million members, 223 million customers in Europe

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The EACB welcomes the opportunity to participate in consultation on the review of the G20/OECD Principles of Corporate Governance.

General comments

The current draft of the G20/OECD Principles of Corporate Governance refers very broadly to the term 'companies' which seems to be too restrictive as it does not reflect the diversity of the entities which operate and do business across the world – not all corporate entities are 'companies', as we all know. In this sense we believe that the current review should better consider this diversity and reflect it properly by using a more inclusive wording.

Most importantly, we would welcome that the revised text includes an explicit reference to cooperatives and mutuals which are recognised as legal forms next to other forms of corporate ownership in many countries: most notably in the EU (Article 54 TFEU, Regulation (EC) No 1435/2003) and in national laws (EU national laws) and in the world, i.e. Japan, Switzerland. Most countries have specific rules applicable to cooperatives, whereas the legislation on cooperatives (and their business and social activities) derives mainly from national civil law, namely the respective sections of commercial law.

The current review should therefore consider that the OECD principles do not undermine but enhance the specific features of cooperative, particularly with respect to its governance: the main objective of a cooperative is the satisfaction of its members' needs, the development of its economic activities, profit is relevant but not pivotal, the democratic principle "one member, one vote"; normally, membership requires the acquisition of a limited amount of cooperative capital, remuneration of capital is limited, members acquire shares at face value and when leaving the cooperative never get more than the face value. The interaction of these factors provide for a governance which favors long-term view and customer-focus.

As for sustainability aspects, it should be kept in mind that cooperatives are not driven by investors to maximize profit; they ensure long-term profitability, high-quality services for a large number of owners at reasonable prices. The performance of cooperative bank-managers is not measured by the share price (never changes). There is no pressure by a profitability expectation of shareholders.

About the Principles, para. 8 and 10

In paragraph 8 which sets out the scope of the OECD Guidelines, we would welcome an explicit reference to cooperative and mutuals. We therefore suggest that in paragraph 8, on page 7 the following sentence is inserted: ***Some of the principles may also be appropriate for cooperatives and mutuals but shall not hamper the specific functioning principles of the latter.***

At paragraph 10, it could be useful to clarify in new wording that "shareholders" should be interpreted in a way that takes account of different ownership models, such as cooperatives /mutuals which are member-owned.

I. Ensuring the basis for an effective corporate governance framework

- **1.E**

We welcome the introduction at point 1.E of reference to regulators having "capacity" to perform their role.

- **1.F**

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We think there is a gap in the new paragraph 1.F covering digital technologies. There is no reference to ensuring that there is proper oversight of the operation of digital technologies and/or over any third parties that are providing them.

II. The rights and equitable treatment of shareholders and key ownership functions

- **II.C.3.**

It is good to see reference to virtual and hybrid meetings included in Section II.C.3.

We welcome the opportunity that shareholder meetings should be allowed to be held virtual or hybrid. In some Member States in the EU, there is in fact an ongoing discussion in national law concerning this topic.

IV. Disclosure and transparency

- **Section IV.A.5.**

Regarding remuneration policy, we are critical about the new sentence concerning that indicators should be linked to material sustainability risks.

- **IV.C**

The new wording at paragraph 3 of Section 4.C which says the audit committee is responsible for the appointment of auditors is at odds with previous references to that being the responsibility of shareholders. For instance, in the UK, under the Building Societies Act ([Section 77](#)) the appointment of the auditor is the responsibility of the building society at its AGM.

Contact:

The EACB trusts that its comments will be taken into account.

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