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## Are European cooperative banks more responsible?

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# Are European cooperative banks more responsible?

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## **Summary**

The objective of this paper is to establish a comparison between European cooperative banks and non-cooperative banks in terms of Corporate Social Responsibility (CSR). One of the main limitations of existing studies is their inability to measure and verify the concrete application of the banks' speeches and communications in their actual practices. To remedy this problem, we try in this study to, first, evaluate the banks' communication, and in a second step, evaluate the banks' practices in terms of CSR. We also think that it is interesting to analyze the impact of the recent financial crisis on the practices of banks. For this, we will consider the years 2008 and 2015. Our data are collected, for the most part, from the annual reports of banks. We have also exported some data from Fitch Connect database. Globally, banks are becoming more transparent. They provide more information in 2015 compared to 2008. Taking into account all the criteria selected, cooperative banks are better rated on average, in particular on their CSR practices.

**Keywords:** Corporate Social Responsibility (CSR); cooperative banks; European banks.

JEL codes: G21, P13.

## **Introduction**

The financial crisis of 2008 Challenges the financial system as a whole, starting with the irresponsibility of some leaders, the irresponsibility of banks, and the irresponsibility of financial markets becoming less and less regulated and increasingly speculative. In addition to the financial crisis, there has been a social and environmental crisis, in the recent years, which affect the lives of millions of people, in particular the most vulnerable ones. Thus, the financial crisis has renewed the debate of corporate social responsibility (CSR) in the banking and financial sector. Criticism is about how banks have generated their returns and how they are distributing them. The objective of this paper is to establish a comparison between European cooperative banks and non-cooperative banks in terms of CSR, through the analysis of their communication and their practices by analyzing measurable criteria.

Cooperative banks were born to respond to the needs of "vulnerable" populations that had difficulties to benefiting from the various banking services. They inherit solid principles of social economy (solidarity, democracy, and fight against social exclusion...). They have consistently offered banking products and services that have positive social benefits and strong support for the real economy. By asserting their ethical particularity, they are more able to meet the challenges of socially responsible investment (SRI) and corporate social responsibility (CSR) (Mauléon & Saulquin, 2009). Several authors, including Richez-Battesti and Boned (2008), argue that the boundaries between mutualism principles and CSR concepts are not always clear. They share many values with CSR with two main differences: their non-obsessive relationship to profit and their internal governance system, especially the relationship with their members (Richez-Battesti & Boned, 2008). These banks are both economic and social (Malherbe, 2008). Unlike private banks, their primary objective is not profit maximization, but rather to meet collective and human needs.

After the deregulation of the 1980s, cooperative banks evolved and converged more on private banks. Some authors (Ory et al., 2006) analyze the reason of the transformation of the cooperative banking groups into groups mixing cooperative banks and private banks. Others raise the risks associated to this hybridization that may affect, in the long term, both the organization and the types of products offered (Richez-Battesti, 2006). Several debates emerge on the place of today's cooperative banks in responsible actions and CSR. In fact, all the banks, whether they are cooperatives or not, have been involved for some years in responsible and supportive practices towards their stakeholders and towards the society. The

difference lies in the degree of integration of CSR values into the bank's policy. Some banks make it their communication weapon to improve their notoriety (Mauléon & Saulquin, 2009) without worrying about the best way to contribute. Most banks communicate in details about information that do not significantly affect civil society and the environment, such as their CO2 emissions through the movement of their employees or their energy consumption. However, the CSR contribution of a bank is much larger through the type of funding it provides and the type of activities it finances. Thus, how cooperative banks stand out from private banks in these areas? Are they more responsible today?

Several studies have tried to approach the question in different ways. First, purely theoretical studies trying to analyze the functioning of cooperative banks compared to others while making the link with CSR: Mauléon & Saulquin (2009) question the way in which banks apprehend CSR according to their legal status. At a more empirical level, using the technique of the case study, Richez-Battesti & Boned (2008) based on information collected from the annual reports published by banks, and the qualitative interviews conducted within French cooperative banks to characterize the introduction of CSR in these ones.

At a more general level, several authors, including Gadioux (2010), offer a normative and instrumental reading of CSR using both theoretical and practical benchmarks. The Carroll pyramid (1991) classifying responsibility into four levels (economic, legal, ethical and philanthropic responsibility) remains the reference in terms of CSR and the most well-known definition, even if other authors like Lentner and al. (2015) discuss what CSR should be in the banking sector.

In the same line, empirical studies tried to analyze the involvement of banks in CSR practices: Scholtens (2008) and many other authors (Lenka & Jiří, 2014; Tjia & Setiawati, 2012; Novethic, 2012; Asvanyi, 2009; De Serres et al., 2006) tried to evaluate the quality of CSR communication of banks based on information published in their annual reports. They check whether a CSR activity is conducted within the banks individually through the analysis of a number of criteria in terms of reporting, adoption of international codes, environmental and social policy, etc. Allemand and Brullebaut (2007) analyzed solely policies of banks in terms of sustainable development. As for BankTrack's study (2016), it focuses on the degree of banks integration of the UN Guiding Principles in their operations. Scores are assigned to different banks to estimate the current situation of CSR in the current banking sector. Most studies focusing on CSR in the banking sector, although not numerous, are limited to a national level (Maqbool and Zameer, 2018 ; Darus and al., 2015 ; Kern and McGuigan, 2013 ;

Callado-Munoz and Utrero-Conzalez, 2011 ; Asvanyi, 2009) due to the difficulties of collecting data on these issues.

One of the main limitations of these studies is their inability to measure and verify the concrete application of the banks' speeches and communications in their actual practices. The assessment of CSR in banks focuses on the presence and the nature of indicators, but never on their level (Allouche et al., 2004). To remedy this problem, we will try in this study to measure the involvement of the giants of the European banking sector in CSR practices, while establishing a comparison between cooperative banks and non-cooperative banks. As the financial crisis has altered confidence in the banking sector, we look at the developments that have taken place since that. For this, we will consider the years 2008 and 2015. Our data are collected, for the most part, from the annual reports of the various banks. We have also exported some data from Fitch Connect database.

As a first step, this paper will explore the different components of CSR and the importance of CSR in the banking and financial sector (I). Secondly, we will explain our methodology (II). We will then establish a comparison of the communication and practices of cooperative banks and other ones in terms of CSR through the analysis of a number of measurable criteria (III) before concluding.

## **I- The Bank Social Responsibility**

### **What is CSR and why is it important in the banking sector?**

According to the European Commission's Green Paper of 2001, CSR is a concept whereby companies voluntarily undertake to integrate social and environmental concerns into their business activity in addition to economic concerns, taking into account all of their stakeholders. However, there is no consensus on the criteria that characterize it, especially since these differs from one sector to another. Thus, the area of CSR remains unclear and very large. The concept of CSR does not date from the recent financial crisis, but it revived this debate and brings out the need for its application to the banking sector. No one denies the importance of banks and their impact on the economy. Through their lending activity, they have a direct and indirect impact on the economy and CSR. A direct impact by contributing to the economic growth (Jeucken, 2001). In addition, they have the opportunity to guide the nature of economic growth by targeting certain areas through the information advantage they have through their activity of collecting deposits, managing assets, etc. Through their

financing activity, they also succeed in conditioning the CSR of other companies and sustainable development by refusing to finance a project having negative effects on the environment and society, or a company that does not respect the human rights or international standards (Lentner and al., 2015; Paulet and Relano, 2007).

### **What should be CSR for a bank?**

Without ignoring the vast field of CSR with its economic, social and environmental components, and taking into account all stakeholders (shareholders, customers, employees, competitors, regulators, NGOs, civil society and environment), we will focus in this section on the most important CSR criteria applicable to the banking sector. To discuss these criteria, we relied on academic studies (Scholtens, 2008; Allemand and Brullebaut, 2007), “professional” studies (BankTrach, 2014; Novethic, 2012), as well as international standards like the UN Guiding Principles, the Equator Principles, etc.

By analyzing all these studies, in an activity such as banking and finance, the main elements to take into account when it comes to CSR can be classified in this order: in the foreground, the attention must be focuses into the bank's financing policies, with products and services that promoting banking inclusion, financing the real economy and financing the ecological transition. Risk control seems equally important for us because of the consequent effects of certain activities that affect both the banking and financial system, but also the real economy and economic growth. Next come governance and actions towards civil society, which are not specific to the banking and financial sector, but concern all companies. In the rest of the paper, we will, as best as we can, try to analyze the practice of European banks on their financing policies, their risk management and their governance, by analyzing measurable data to establish a comparison between cooperative banks and others. The objective is to find out if cooperative banks are more socially responsible compared to other banks. First of all, without going into detail, it should be recalled that with regard to responsible practices that banks are encouraged to implement, certain criteria are impossible to quantify because they are at the discretion of banks as regards their reporting, or because of their qualitative nature. We will therefore recall them without claiming to the exhaustiveness of this list.

### **Financing policy**

The main activity of a bank is supposed to be the granting of loans and the collection of deposits. To be a socially responsible bank, in terms of its commitment to depositors, the bank should reorient these funds to projects serving the economy instead of speculating and take

excessive risks on the financial markets for the sole purpose of increasing its profits. A bank will be even more responsible if it offers to its customers savings products promoting sustainable development such as solidarity-based savings. In terms of lending activity, a bank should fund the real economy more and not seek only short term profitable projects. It should not neglect part of the population (often the poorest, SMEs, etc.), by putting in place products adapted to these cases through, for example, personal or professional microcredit. The responsibility of a bank in its financing also involves an exclusion of certain sectors considered harmful to the economy, the environment and the civil society in general (such as the coal sector for example).

### **Risk management**

The 2007-2008 financial crisis is one of the best, and most recent, lessons on the negative impacts of neglecting certain banking and financial risks. Financial markets are certainly beneficial to financial institutions and economy (Deidda and Fattouh, 2008; Amable and Chatelain, 1995), however, when the risks associated with certain activities, such as derivatives, are underestimated, the negative effects can be very important, both on financial institutions themselves but also on the economy. Thus, more and more rules emerge (through the establishment of capital ratios, leverage ratio, liquidity ratios, etc.) to further frame the behavior of banks on the financial markets and encourage them to more responsibility (Couppey-Soubeyran, 2010).

### **Governance**

In addition to the organization around the steering of CSR in the bank, the area of governance is very broad and has an effect on the whole of the bank activity. It is important to consider all stakeholders of the bank (shareholder / members, client, employees, etc.) by being more transparent, more efficient, more performing and more responsible, establishing a diversity of gender, age, nationality at the level of all hierarchical structures. Good banking governance deals with good risk management (Becht and al., 2011), a clear organizational structure (Laeven and Levine, 2009), and effective management procedures, hence the importance of the quality members of the board and their ethics.

### **Relationship with the civil society**

The societal pillar is even larger. This takes into account the bank's social commitment internally and externally. Internally, this amounts to being responsible vis-à-vis its staff

through decent pay, safety at work, training offer, etc. Externally, this concerns the bank's attitude towards customers, by improving the service offered with products and services both accessible and responsive to their needs, but not only, they have also to mobilize against bank exclusion, contribute to respect of human rights, respect of the environment, etc. Thus, several devices (codes of conduct, labels, ethical charters, etc.) have been emerged to encourage banks to adopt responsible behavior. This begins with a commitment through adherence to international standards on CSR and sustainable development such as the Global Reporting Initiative (GRI), the United Nations Global Compact, the Equator Principles, the United Nations Environment Program (UNEP FI), etc. These commitments encourage them to respect a number of principles in the areas of human rights, the environment, the fight against corruption, etc. and to communicate through their annual reports, CSR reports and activity reports, their practical commitment and their involvement in the various CSR fields.

## **II- Methodology**

Following this logic, we have selected a number of criteria that fall into the four categories mentioned above. The choice of criteria comes down to the importance they have in the banking sector, but also to the availability of data. CSR in the banking sector is not limited to the criteria we analyze in this study. However, given the lack of disclosure requirements for banks and given the qualitative nature of certain criteria, it is impossible for us to analyze all of them.

This analysis concerns 24 European banks located in 7 European countries (Austria, Finland, France, Germany, Italy, Netherlands and United Kingdom), among them 10 banks are cooperatives. The choice of these banks is dictated by several parameters; firstly, we have selected the countries where the cooperative banks are located, and where their economic weight is not negligible, to be able to make a comparison with non-cooperative banks within the same country. The only country that meets these conditions but is not on our list is Spain. The reason is that the Spanish cooperative banking system is much decentralized, so there are only very small banks which are not attached to a central entity. These banks are also present in Austria, Germany and Italy and are therefore not included in this study. Secondly, our choice is limited to large banks only, most of them are locally systemic and publicly traded (see Appendix 1). Due to the difficulty of collecting data on these issues, it is difficult to study the entire European banking sector including the smaller ones. In addition, the big banks are



those that communicate the most, notably listed banks. There was more opportunity to have data on these banks than on others.

The data has been collected, for the most part, in the official reports published by the banks. Annual reports, activity reports and CSR reports have been analyzed to bring out as much tangible information as possible. For some banks, it is sometimes difficult to find the CSR reports, which is why it is not impossible that there was data that was published but that we could not collect. The rest of the data was collected from the FitchConnect database. We considered the years 2008 and 2015 in order to analyze the evolution of CSR induced by the crisis of 2008.

This study is split into two parts. Initially, the objective would be to analyze the communication of European banks in terms of CSR, and in a second step, to note the banks on their practices by establishing a ranking between them for each criterion. Regarding the communication of banks, we assign scores ranging from 0 to 3 as follows:

- The score of 0 is assigned to banks that have not mentioned the criteria concerned
- The rating of 1 is given to banks that have mentioned the criterion concerned but without disclosing the corresponding data. In this case, the bank expresses its interest in this issue and declares to finance or invest in this area but without communicating data
- The score of 2 is given to banks that have provided data of the analyzed criteria but without giving the precise figures. For example, some banks report the amount of their funding in some countries, but not aggregate data for the activity in question
- The rating of 3 is assigned to the banks that provided the corresponding aggregate data, either data for the year in question or cumulative data since the beginning of the marketing of the service. This leads to a significant heterogeneity of the data which does not allow us to establish a comparison for all the criteria

These scores will then be added to bring out overall scores that would allow us to compare the banks, cooperatives vs. non-cooperatives and categories (classified as: banking inclusion, financing the real economy, sustainable development, risk control and governance), but also to shed light on the criteria which are the best informed while observing the evolution between 2008 and 2015. As regards the practice of the banks, we keep only the criteria for which accurate data are available. Thus, we rank decreasingly, with 25 being the highest

rating for the best performing bank. The same principle of comparison will be established to distinguish the best rated banks in terms of CSR practices.

### **III-CSR in European banks**

#### **1. The evaluation of the banks' communication**

The four tables below (Table 1, 2, 3 and 4) inform us about the communication of the banks during the years 2008 and 2015. The CSR criteria that are relevant when it comes to banks are classified by categories to stand out those who are the most informed. Table 1 and Table 2 show the evolution of the communication of each bank between 2008 and 2015, but also the scores by criteria, by categories and by country.

Two types of information are the most interesting in these two tables; the average per criterion and the average per bank. The first observation if we focus on the rightmost column is the level of score which is variable from one criterion to another and especially from one category to another. It is clear that the criteria concerning the banking inclusion (microcredit, SME's financing and social donation) and sustainable development (renewable energy financing, green bonds and socially responsible investment) are those that get the lowest scores on average, which means that these are the criteria on which the banks communicate the least. Nevertheless, this is explained by the fact that there is no legal obligation to communicate on these criteria. What also emerges from this observation is that it is difficult to see what kind of financing the bank makes, while it is important information since it relates to its main activity. It is true that the part of credits in the balance sheet is known, but little information is provided on the destination of these loans. When looking at individual bank data for these two categories, there are significant differences between those that do not address the issue and those that provide detailed data. This results in category averages that can be very different.

When we analyze the scores obtained by each bank individually we do not notice significant differences between them, unlike averages calculated on the criteria. This shows that the level of communication of banks is more or less uniform. Nevertheless, the banks we find in the top 5 in 2008 score 2 or more, which is not negligible when the rest of the banks score less than 2. The bank with the highest score in 2008 was Barclays, followed by Rabobank, Lloyds Banks, Deutsche Bank and Nordea Bank. These banks were not in the top positions in 2015 except Barclays which is in the 5th position. The top four banks with the best scores in 2015 are French banks with BPCE in the lead, followed by Crédit Agricole, Société Générale and BNP Paribas. The banks with the lowest scores in 2008 included Unione di Branche Italiane, Erste

Group, Nationwide Building Society, OP Pohjola and ABN Amro at the last. In 2015, we find in the top positions Banco Popolare, Nordea Bank, Inteasa Sanpaolo, Royal Bank of Scotland and Erste Group which is the only bank that is once again in this category in 2015. Note that whether it is the top 5 of the banks having obtained the best scores or those having obtained the lowest scores, the two types of banks are there; cooperatives and non-cooperatives. On the other hand, among the banks with the lowest scores, some are unlisted banks. This is the case of OP Pohjola and Nationwide Building Society.

Third important finding in analyzing these two tables is the evolution of the level of communication of banks between 2008 and 2015. First, we observe a remarkable increase in the average obtained by taking into account all the criteria analyzed, passing from 1.74 in 2008 to 2.31 in 2015. This reflects the efforts that have been made by the banks in terms of communication. This increase is also true at the individual level, either for the criteria or for the banks, where the average scores have increased sharply between these two years. The evolution of Nordea Bank represents the only exception to this observation. There was a slight drop in its score in 2015 compared to 2008, and this is due to the lack of communication on SME financing and long-term financing in 2015.

With regard to the comparison between the countries, France and the United Kingdom are on the top for the two years considered, while the Netherland takes the place of Germany in 2015. Note that this interpretation has to be taken with caution since the countries' banking system is not represented in their entirety. These comments are for information only.

**Table 1: Banks communication by criterion and by country in 2008**

2008	Austria		Finland		France					Germany			Italy				Netherland			United-Kingdom					Av
	EG	RBI	NB	OP	BNP	SG	BPCE	CA	CM	CB	DB	DZ	IS	UC	BP	UBI	ABN	ING	RB	Barc	HSBC	Lloy	RBS	NBS	
Microfinance	0	0	0	0	3	0	3	1	0	0	3	1	1	0	0	2	0	1	3	0	0	0	0	0	<b>0.75</b>
SME's	1	3	2	0	1	0	1.5	1	0	2	0	3	1	2	3	1	0	1	1	3	3	3	1	0	<b>1.39</b>
Social Donation	1	0	0	2	3	1	0	1	1	0	2	3	1	3	3	3	0	0	2	2	2	2	3	3	<b>1.58</b>
Average per Category	<b>0.66</b>	<b>1</b>	<b>0.66</b>	<b>0.66</b>	<b>2.33</b>	<b>0.33</b>	<b>1.5</b>	<b>1</b>	<b>0.33</b>	<b>0.66</b>	<b>1.66</b>	<b>2.33</b>	<b>1</b>	<b>1.66</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0.66</b>	<b>2</b>	<b>1.66</b>	<b>1.66</b>	<b>1.66</b>	<b>1.33</b>	<b>1</b>	<b>1.24</b>
Loans/TA	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	3	3	<b>2.87</b>
LT Loans/TA	0	3	3	3	0	0	0	3	0	3	0	0	0	0	0	0	0	0	0	3	0	3	0	3	<b>1</b>
Off Balance Sheet/TA	3	3	3	3	3	3	0	0	3	3	3	3	3	3	3	3	0	3	3	3	3	3	3	0	<b>2.5</b>
Fees & Commission/Income	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	3	3	<b>2.87</b>
Average per Category	<b>2.25</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2.25</b>	<b>2.25</b>	<b>1.5</b>	<b>2.25</b>	<b>2.25</b>	<b>3</b>	<b>2.25</b>	<b>2.25</b>	<b>2.25</b>	<b>2.25</b>	<b>2.25</b>	<b>2.25</b>	<b>0</b>	<b>2.25</b>	<b>2.25</b>	<b>3</b>	<b>2.25</b>	<b>3</b>	<b>2.25</b>	<b>2.25</b>	<b>2.31</b>
Renewable Energy	0	0	0	0	1	1	2	1	0	1	1	1	1	3	0	2	0	1	3	2	2	1	0	1	<b>1</b>
Green Bonds	0	0	0	/	0	0	0	0	/	0	0	/	0	0	0	0	0	0	3	0	0	0	0	/	<b>0.12</b>
Socially Resp Inv (SRI)	0	0	0	0	1	0	3	3	0	0	0	0	0	0	0	1	0	0	1	0	0	0	0	0	<b>0.37</b>
Average per Category	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.66</b>	<b>0.33</b>	<b>1.66</b>	<b>1.33</b>	<b>0</b>	<b>0.33</b>	<b>0.33</b>	<b>0.33</b>	<b>0.33</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0.33</b>	<b>2.33</b>	<b>0.66</b>	<b>0.66</b>	<b>0.33</b>	<b>0</b>	<b>0.33</b>	<b>0.5</b>
Leverage Ratio	0	0	2	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	1	0	0	0	0	<b>0.2</b>
Tier One Ratio	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	3	3	<b>2.87</b>
Average per Category	<b>1.5</b>	<b>1.5</b>	<b>2.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>2</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>0</b>	<b>2</b>	<b>1.5</b>	<b>2</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.54</b>
Chairman's Compensation	3	3	3	0	3	3	3	3	3	3	3	1	3	1	1	1	3	3	1	3	3	3	3	3	<b>2.46</b>
CEO's Compensation	3	2	3	0	3	3	3	3	3	3	3	1	3	1	1	1	1	3	1	3	3	3	3	3	<b>2.33</b>
Personal Expenses/Employee	3	3	3	0	0	3	3	0	3	3	3	3	3	3	3	0	0	3	3	3	3	3	3	0	<b>2.25</b>
Women/Directors <sup>2</sup>	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0 <sup>3</sup>	3	3	3	<b>2.87</b>
Women/Staff	1	3	3	3	3	3	3	3	3	3	3	3	2	3	3	3	0	0	3	3	0	2	0	0	<b>2.21</b>
Average per Category	<b>2.6</b>	<b>2.8</b>	<b>3</b>	<b>1.2</b>	<b>2.4</b>	<b>3</b>	<b>3</b>	<b>2.4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2.2</b>	<b>2.8</b>	<b>2.2</b>	<b>2.2</b>	<b>1.6</b>	<b>1.4</b>	<b>2.4</b>	<b>2.2</b>	<b>3</b>	<b>1.8</b>	<b>2.8</b>	<b>2.4</b>	<b>1.8</b>	<b>2.42</b>
Average	<b>1.58</b>	<b>1.88</b>	<b>2</b>	<b>1.35</b>	<b>1.94</b>	<b>1.7</b>	<b>1.79</b>	<b>1.82</b>	<b>1.64</b>	<b>1.94</b>	<b>2</b>	<b>1.82</b>	<b>1.7</b>	<b>1.82</b>	<b>1.7</b>	<b>1.59</b>	<b>0.41</b>	<b>1.64</b>	<b>2.11</b>	<b>2.23</b>	<b>1.64</b>	<b>2.05</b>	<b>1.64</b>	<b>1.47</b>	<b>1.74</b>
Average per country	<b>1.73</b>		<b>1.67</b>		<b>1.77</b>					<b>1.92</b>			<b>1.71</b>				<b>1.38</b>		<b>1.8</b>						

Source: Author's calculation from the data collected in the annual reports of the banks

<sup>1</sup> Average of Banque Populaire and Caisse d'Epargne

<sup>2</sup> The information is deducted after analysis of the names of the members of the executive board. In some banks the share of women in the directory is indicated

<sup>3</sup> No name communicated so no way to know if the person is a woman or a man and no indication of the gender

**Table 2: Banks communication by criterion and by country in 2015**

2015	Austria		Finland		France					Germany			Italy				Netherland			United-Kingdom					Av
	EG	RBI	NB	OP	BNP	SG	BPCE	CA	CM	CB	DB	DZ	IS	UC	BP	UBI	ABN	ING	RB	Barc	HSBC	Lloy	RBS	NBS	
Microfinance	1	0	0	0	3	3	3	3	3	0	3	1	1	3	1	0	0	1	1	0	0	0	0	0	<b>1.12</b>
SME's	3	3	0	0	3	3	1	1	3	1	1	1	1	3	2	3	1	1	2	3	2	3	1	1	<b>1.79</b>
Social Donation	1	3	0	3	3	2	3	3	3	0	3	3	3	3	1	3	0	2	3	3	2	2	1	3	<b>2.21</b>
Average per Category	<b>1.66</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>2.66</b>	<b>2.33</b>	<b>2.33</b>	<b>3</b>	<b>0.33</b>	<b>2.33</b>	<b>1.66</b>	<b>1.66</b>	<b>3</b>	<b>1.33</b>	<b>2</b>	<b>0.33</b>	<b>1.33</b>	<b>2</b>	<b>2</b>	<b>1.33</b>	<b>1.66</b>	<b>0.66</b>	<b>1.33</b>	<b>1.71</b>
Loans/TA	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>3</b>
LT Loans/TA	0	3	0	3	0	3	3	3	0	0	0	0	0	0	0	0	3	3	3	3	3	3	0	3	<b>1.5</b>
Off Balance Sheet/TA	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	<b>2.87</b>
Fees & Commission/Income	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>3</b>
Average per Category	<b>2.25</b>	<b>3</b>	<b>2.25</b>	<b>3</b>	<b>2.25</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2.25</b>	<b>2.25</b>	<b>2.25</b>	<b>2.25</b>	<b>2.25</b>	<b>2.25</b>	<b>2.25</b>	<b>2.25</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2.25</b>	<b>2.25</b>	<b>2.59</b>
Renewable Energy	1	3	0	0	3	2	3	2	1	3	3	3	3	3	0	3	0	3	2	2	2	1	0	1	<b>1.83</b>
Green Bonds	0	0	0	0	2	3	3	3	0	0	2	1	0	1	0	0	3	3	2	3	3	0	0	0	<b>1.2</b>
Socially Resp Inv (SRI)	0	0	0	0	3	2	3	3	3	0	0	0	0	1	0	2	1	3	3	0	0	1	0	0	<b>1.04</b>
Average per Category	<b>0.33</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>2.66</b>	<b>2.33</b>	<b>3</b>	<b>2.66</b>	<b>2</b>	<b>1</b>	<b>1.66</b>	<b>1.33</b>	<b>1</b>	<b>1.66</b>	<b>0</b>	<b>1.66</b>	<b>1.33</b>	<b>3</b>	<b>2.33</b>	<b>1.66</b>	<b>1.66</b>	<b>0.66</b>	<b>0</b>	<b>0.5</b>	<b>1.41</b>
Leverage Ratio	0	3	3	3	3	3	3	3	0	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>2.75</b>
Tier One Ratio	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>3</b>
Average per Category	<b>1.5</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>1.5</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2.87</b>
Chairman's Compensation	3	3	3	3	3	3	3	3	3	3	3	1	1	1	1	3	3	3	3	3	3	3	3	3	<b>2.66</b>
CEO's Compensation	3	3	3	3	3	3	3	3	3	3	3	1	1	1	1	3	3	3	3	3	3	3	3	3	<b>2.66</b>
Personal Expenses/Employee	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>3</b>
Women/Directors <sup>4</sup>	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>3</b>
Women/Staff	3	3	3	1	3	3	3	3	3	3	3	3	0	3	3	3	3	3	3	3	3	3	3	3	<b>2.79</b>
Average per Category	<b>3</b>	<b>3</b>	<b>3</b>	<b>2.6</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2.2</b>	<b>1.6</b>	<b>2.2</b>	<b>2.2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2.82</b>
Average	<b>1.94</b>	<b>2.47</b>	<b>1.76</b>	<b>2</b>	<b>2.76</b>	<b>2.82</b>	<b>2.88</b>	<b>2.82</b>	<b>2.35</b>	<b>2</b>	<b>2.47</b>	<b>2.05</b>	<b>1.8</b>	<b>2.35</b>	<b>1.76</b>	<b>2.41</b>	<b>2.23</b>	<b>2.7</b>	<b>2.7</b>	<b>2.58</b>	<b>2.47</b>	<b>2.35</b>	<b>1.88</b>	<b>2.05</b>	<b>2.31</b>
Average per country	<b>2.2</b>		<b>1.88</b>		<b>2.73</b>					<b>2.17</b>			<b>2.08</b>				<b>2.54</b>			<b>2.26</b>					

Source: Author's calculation from the data collected in the annual reports of the banks

<sup>4</sup> The information is deducted after analysis of the names of the members of the executive board. In some banks the share of women in the directory is indicated

Turning now to the analysis of European banks' communication by type of bank (cooperatives vs. non-cooperatives) illustrated in Tables 3 and 4. Cooperative banks, on average, have a slightly larger positive trend compared to non-cooperative banks between 2008 and 2015. In 2008, the average score of cooperative banks was 1.63 against 1.67 for non-cooperative banks. The difference is not very important, but the non-cooperative banks got a better score. Conversely, in 2015, non-cooperative banks ranked second with a score of 2.24 against 2.3 for cooperative banks. They score higher or equal to the scores of non-cooperative banks for all categories of criteria, except for the governance category where they underperform notably in 2008. In fact, cooperative banks communicate relatively little, on average, on executive compensation in particular, but also on staff expenses. On the other hand, they communicate relatively better on the banking inclusion and those in the two years considered which is not surprising considering their principles.

If we do an analysis by individual criteria, we see that the cooperative banks communicate, on average, better than the other banks on the part of women in the total of employees (only in 2008), the social donations, the long-term loans as well as on SRI (we highlight here only the criteria for which the difference in scores between the two banks is not insignificant). Unlike non-cooperative banks that perform, on average, in terms of communication on off-balance sheet activities, renewable energy financing, executive compensation and staff costs. The difference here is that these banks have better scores than cooperative banks only in 2008, in 2015 the difference is negligible, another demonstration of a positive evolution in the communication of cooperative banks in 2015, slightly higher than that of non-cooperative banks. To return to the communication on executive compensation, Italian banks (cooperatives or not) publish only the total remuneration of the Executive Board but not the individual remuneration. This is true even in 2015 with the exception of Unione di Branche Italiane. This is also the case for Rabobank (2008 only) and DZ Bank.

**Table 3: Banks communication by bank type in 2008**

2008	Cooperative Banks										Non Cooperative Banks												Average			
	RBI	OP	BPCE	CA	CM	DZ	BP	UBI	RB	NBS	EG	NB	BNP	SG	CB	DB	IS	UC	ABN	ING	Barc	HSBC	Lloy	RBS	Coop	Non Coop
Microfinance	0	0	3	1	0	1	0	2	3	0	1	0	3	3	0	3	1	3	0	1	0	0	0	0	<b>1</b>	<b>1.07</b>
SME's	3	0	2	1	0	3	3	1	1	0	1	2	1	0	2	0	1	2	0	1	3	3	3	1	<b>1.4</b>	<b>1.42</b>
Social Donation	0	2	0	1	1	3	3	3	2	3	1	0	3	1	0	2	1	3	0	0	3	2	2	1	<b>1.8</b>	<b>1.35</b>
Average per Category	<b>1.36</b>										<b>1.28</b>															
Loans/TA	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	<b>3</b>	<b>2.78</b>
LT Loans/TA	3	3	0	3	0	0	0	0	0	3	0	3	0	0	3	0	0	0	0	0	3	0	3	0	<b>1.2</b>	<b>0.85</b>
Off Balance Sheet/TA	3	3	0	0	3	3	3	3	3	0	3	3	3	3	3	3	3	3	0	3	3	3	3	3	<b>2.1</b>	<b>2.78</b>
Fees & Commission/Income	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	<b>3</b>	<b>2.78</b>
Average per Category	<b>2.32</b>										<b>2.3</b>															
Renewable Energy	0	0	3	1	0	1	0	2	3	1	1	0	3	2	3	3	3	3	0	3	2	2	1	0	<b>1.1</b>	<b>1.85</b>
Green Bonds	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0.5</b>	<b>0</b>
Socially Resp Inv (SRI)	0	0	3	3	0	0	0	1	1	0	0	0	1	0	3	0	0	0	0	0	0	0	0	0	<b>0.8</b>	<b>0.28</b>
Average per Category	<b>0.73</b>										<b>0.71</b>															
Leverage Ratio	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	1	0	0	0	1	1	0	0	0	<b>0</b>	<b>0.35</b>
Tier One Ratio	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	<b>3</b>	<b>2.78</b>
Average per Category	<b>1.5</b>										<b>1.57</b>															
Chairman's Compensation	3	0	3	3	3	1	1	1	1	3	3	3	3	3	3	3	1	1	3	3	3	3	3	3	<b>1.9</b>	<b>2.71</b>
CEO's Compensation	2	0	3	3	3	1	1	1	1	3	3	3	3	3	3	3	1	1	3	3	3	3	3	3	<b>1.8</b>	<b>2.71</b>
Personal Expenses/Employees	3	0	3	0	3	3	3	0	3	0	3	3	0	3	3	3	3	3	0	3	3	3	3	3	<b>1.8</b>	<b>2.57</b>
Women/Directors	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	<b>3</b>	<b>2.78</b>
Women/Staff	3	3	3	3	3	3	3	3	3	0	1	3	3	3	3	3	2	3	0	0	3	0	2	0	<b>2.7</b>	<b>1.85</b>
Average per Category	<b>2.24</b>										<b>2.52</b>															
Average	<b>1.63</b>										<b>1.67</b>															

**Source:** Author's calculation from the data collected in the annual reports of the banks

**Table 4:** Banks communication by bank type in 2015

2015	Cooperative Banks										Non Cooperative Banks												Average			
	RBI	OP	BPCE	CA	CM	DZ	BP	UBI	RB	NBS	EG	NB	BNP	SG	CB	DB	IS	UC	ABN	ING	Barc	HSBC	Lloy	RBS	Coop	Non Coop
Microfinance	0	0	3	3	3	1	1	0	1	0	1	0	3	3	0	3	1	3	0	1	0	0	0	0	<b>1.2</b>	<b>1.07</b>
SME's	3	0	1	1	3	1	2	3	2	1	3	0	3	3	1	1	1	3	1	1	3	2	3	1	<b>1.7</b>	<b>1.85</b>
Social Donation	3	3	3	3	3	3	1	3	3	3	1	0	3	2	3	0	3	3	0	2	3	2	2	1	<b>2.8</b>	<b>1.78</b>
Average per Category	<b>1.9</b>										<b>1.57</b>															
Loans/TA	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>3</b>	<b>3</b>
LT Loans/TA	3	3	3	3	0	0	0	0	3	3	0	0	0	3	0	0	0	0	3	3	3	3	3	0	<b>1.8</b>	<b>1.28</b>
Off Balance Sheet/TA	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>2.7</b>	<b>3</b>
Fees & Commission/Income	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>3</b>	<b>3</b>
Average per Category	<b>2.62</b>										<b>2.57</b>															
Renewable Energy	3	0	3	2	1	3	0	3	2	1	1	0	3	2	3	3	3	3	0	3	2	2	1	0	<b>1.8</b>	<b>1.85</b>
Green Bonds	0	0	3	3	0	1	0	0	2	0	0	0	2	3	0	2	0	1	3	3	3	3	0	0	<b>1.28</b>	<b>1.42</b>
Socially Resp Inv (SRI)	0	0	3	3	3	0	0	2	3	0	0	0	3	2	0	0	0	1	1	3	0	0	1	0	<b>1.4</b>	<b>0.78</b>
Average per Category	<b>1.36</b>										<b>1.36</b>															
Leverage Ratio	3	3	3	3	0	3	3	3	3	3	0	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>2.7</b>	<b>2.78</b>
Tier One Ratio	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>3</b>	<b>3</b>
Average per Category	<b>2.85</b>										<b>2.89</b>															
Chairman's Compensation	3	3	3	3	3	1	1	3	3	3	3	3	3	3	3	3	1	1	3	3	3	3	3	3	<b>2.6</b>	<b>2.71</b>
CEO's Compensation	3	3	3	3	3	1	1	3	3	3	3	3	3	3	3	3	1	1	3	3	3	3	3	3	<b>2.6</b>	<b>2.71</b>
Personal Expenses/Employees	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>3</b>	<b>3</b>
Women/Directors	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	<b>3</b>	<b>3</b>
Women/Staff	3	1	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	3	3	<b>2.8</b>	<b>2.78</b>
Average per Category	<b>2.8</b>										<b>2.84</b>															
Average	<b>2.3</b>										<b>2.24</b>															

Source: Author's calculation from the data collected in the annual reports of the banks



## 2. The evaluation of the banks' behavior

Since the information on banking inclusion and sustainable development is poorly informed by banks, our analysis is limited to the other criteria. The elements taken into account here are the criteria for which data are available, for the most part at least. Unlike the previous section, the objective here is not to note the banks on their communication but on their practices. Since there is no benchmark in terms of rating for the selected criteria (except for the tier one ratio and the leverage ratio for which the minimum threshold is known), we will proceed by ranking. We assign the highest rating of 25 to the best performing bank, the score of 24 for the second best performing bank, and so on. We then add the scores assigned to each bank to form averages that could be compared. The banks with the best scores here will be those with better CSR<sup>5</sup> practices.

By analyzing tables 5 and 6 which correspond to the rankings made on the basis of the data published by the banks, there is a negative evolution between 2008 and 2015. In truth, we cannot conclude anything since this slight decrease is induced by our system of rating. In 2015 more banks reported data that were not available in 2008. This lowers the ranking to near zero figures (since it is a descending ranking and not well-defined scores as in the previous section) which lowers the overall average.

The analysis of the scores obtained by categories shows that for both 2008 and 2015, the top 3 banks with the best scores are mostly cooperative banks with the exception of the governance category. In this category, no cooperative bank is in the top 3, and those for the two years considered. We find Nordea Bank, Societe Generale and Deutsche Bank for 2008, and Nordea Bank, ABN Amro as well as BNP Paribas, UniCredit and ING Group (in third position with the same score) in 2015. Conversely, in the category of financing of the real economy, the top 3 are only cooperative banks in 2008 with Nationwide Building Society topping the list, followed by Rabobank and Unione di Branche Italiane. In contrast, in 2015, ABN Amro is in the top 3 by occupying the third position. The first two remain Nationwide Building Society and Unione di Branche Italiane, with Rabobank in 4th position. At the same time, the three banks with the lowest scores in this category are non-cooperative banks for the two years considered.

The analysis of the scores obtained by the banks individually by taking into account all the criteria shows that the two types of banks are in the top 5 (likewise for the five banks having obtained the lowest scores). In 2008, Nationwide Building Society topped the list, followed by Rabobank, Nordea Bank, Commerzbank and Deutsche Bank. In 2015, ABN Amro is in first

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<sup>5</sup> It is impossible today to accurately estimate the CSR practices of any company because of the lack of data for most of the corresponding criteria.

place followed by Rabobank, Nordea Bank, Nationwide Building Society and Unione di Branche Italiane. We can see that there are always the same banks that get the best scores, whether for categories or for all criteria. Regarding the averages calculated by country, again, just for information, the first three ones are Finland, Germany and Austria in 2008. The score of these countries is supported by both types of banks except for the Germany where the score is more supported by Commerzbank and Deutsche Bank than by DZ Bank. In 2015, the Netherlands, Finland and France are in the top 3. The score of Finland is supported more by the Nordea Bank score, and the score of France by that of cooperative banks (Crédit Agricole, BPCE and Crédit Mutuel) more than by the others.

**Table 5:** Banks ranking by criterion and by country in 2008

2008	Austria		Finland		France					Germany			Italy				Netherland			United-Kingdom				
	EG	RBI	NB	OP	BNP	SG	BPCE	CA	CM	CB	DB	DZ	IS	UC	BP	UBI	ABN	ING	RB	Barcl	HSBC	Lloy	RBS	NBS
Loans/TA	19	21	16	13	5	7	11	10	14	12	3	6	20	17	22	24	/	18	23	4	9	15	8	25
LT Loans/TA	/	20	22	24	/	/	/	19	/	21	/	/	/	/	/	/	/	/	/	18	/	23	/	25
Off Balance Sheet/TA	13	19	8	16	17	9	/	/	22	20	25	24	12	11	17	18	/	21	23	15	7	10	14	/
Average per Category	<b>16</b>	<b>20</b>	<b>15.3</b>	<b>17.6</b>	<b>11</b>	<b>8</b>	/	<b>14.5</b>	<b>18</b>	<b>17.6</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>14</b>	<b>19.5</b>	<b>21</b>	/	<b>19.5</b>	<b>23</b>	<b>12.33</b>	<b>8</b>	<b>16</b>	<b>11</b>	<b>25</b>
Tier One Ratio <sup>6</sup>	<b>11</b>	17	<b>12</b>	24	<b>15</b>	19	20	19	21	23	23	<b>12</b>	<b>10</b>	<b>9</b>	<b>8</b>	<b>14</b>	/	<b>13</b>	25	20	18	16	22	21
Average per Category	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Chairman's Compensation <sup>7</sup>	25	24	19	/	10	17	/	16	13	18	20	/	12	/	/	/	22	23	/	14	11	15	14	21
CEO's Compensation <sup>8</sup>	12	/	23	/	11	24	/	16	18	25	19	/	13	/	/	/	/	20	/	22	15	21	17	14
Personal Expenses/Employees	10	8	22	/	/	15	21	/	18	19	25	14	17	16	23	/	/	24	20	9	11	12	13	/
Women/Directors <sup>9</sup>	24	2	23	2	25	20	13	11	14	19	21	15	9	10	2	2	16	2	12	17	/	18	2	22
Women/Staff	/	23	25	24	20	22	17	18	16	12	11	13	/	14	15	10	/	/	19	21	/	/	/	/
Average per Category	<b>17.7</b>	<b>14.25</b>	<b>22.4</b>	/	<b>16.5</b>	<b>19.6</b>	<b>17</b>	<b>15.2</b>	<b>15.8</b>	<b>18.6</b>	<b>19.2</b>	<b>14</b>	<b>12.7</b>	<b>13.3</b>	<b>13.3</b>	/	/	<b>17.2</b>	<b>17</b>	<b>16.6</b>	<b>12.33</b>	<b>16.5</b>	<b>11.5</b>	<b>19</b>
Average	<b>16.2</b>	<b>16.75</b>	<b>18.8</b>	<b>17.1</b>	<b>14.71</b>	<b>16.6</b>	<b>16.4</b>	<b>15.5</b>	<b>17</b>	<b>18.7</b>	<b>18.3</b>	<b>14</b>	<b>13.7</b>	<b>12.8</b>	<b>14.5</b>	<b>13.6</b>	/	<b>17.2</b>	<b>20.3</b>	<b>15.55</b>	<b>11.83</b>	<b>16.25</b>	<b>12.85</b>	<b>21.33</b>
Average per country	<b>16.51</b>		<b>18.02</b>		<b>16.06</b>					<b>17.04</b>			<b>13.55</b>				/			<b>15.56</b>				

**Source:** Author's calculation from the data collected in the annual reports of the banks

<sup>6</sup> In red the banks having a Tier one lower than 8%

<sup>7</sup> The situation is a bit unusual in 2008 and does not reflect reality in normal times. Many executives did not receive all of their compensation, particularly variable compensation

<sup>8</sup> Idem

<sup>9</sup> The score of 2 is assigned to banks where no woman is on the board. The score of 2 is being the lowest.

**Table 6:** Banks ranking by criterion and by country in 2015

2015	Austria		Finland		France					Germany			Italy				Netherland			United-Kingdom				
	EG	RBI	NB	OP	BNP	SG	BPCE	CA	CM	CB	DB	DZ	IS	UC	BP	UBI	ABN	ING	RB	Barcl	HSBC	Lloy	RBS	NBS
Loans/TA	20	18	11	15	5	3	14	10	16	8	2	4	13	12	19	24	22	23	21	6	9	17	7	25
LT Loans/TA	/	17	/	21	/	14	19	18	/	/	/	/	/	/	/	/	24	20	23	16	15	22	/	25
Off Balance Sheet/TA	16	5	13	19	3	10	18	12	17	9	20	25	7	8	21	24	23	15	22	6	4	14	11	/
Average per Category	<b>18</b>	<b>13.33</b>	<b>12</b>	<b>18.33</b>	<b>4</b>	<b>9</b>	<b>17</b>	<b>13.3</b>	<b>16.5</b>	<b>8.5</b>	<b>11</b>	<b>14.5</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>24</b>	<b>23</b>	<b>19.3</b>	<b>22</b>	<b>9.33</b>	<b>9.33</b>	<b>17.66</b>	<b>9</b>	<b>25</b>
Leverage Ratio	/	21	14	25	11	11	17	22	/	13	9	13	24	15	18	23	10	11	20	13	19	16	21	12
Tier One Ratio	10	8	22	24	9	14	12	18	20	15	17	19	15	6	11	7	21	13	20	17	16	20	23	25
Average per Category	/	<b>14.5</b>	<b>18</b>	<b>24.5</b>	<b>10</b>	<b>12.5</b>	<b>14.5</b>	<b>20</b>	/	<b>14</b>	<b>13</b>	<b>16</b>	<b>19.5</b>	<b>10.5</b>	<b>14.5</b>	<b>15</b>	<b>15.5</b>	<b>12</b>	<b>20</b>	<b>15</b>	<b>17.5</b>	<b>18</b>	<b>22</b>	<b>18.5</b>
Chairman's Compensation	23	25	20	/	9	15	17	13	14	21	12	/	/	/	/	16	22	24	19	8	7	11	10	18
CEO's Compensation	14	19	17	/	12	11	21	18	24	16	10	/	/	/	/	25	23	20	22	13	7	9	8	15
Personal Expenses/Employee	3	2	23	8	18	9	19	14	12	13	25	4	5	7	17	15	24	22	20	21	10	11	16	6
Women/Directors <sup>10</sup>	14	5	21	2	25	25	20	19	2	17	16	8	15	23	13	11	12	6	7	18	24	10	22	9
Women/Staff	11	24	25	/	21	22	6	18	19	17	10	12	/	21	8	7	9	13	15	14	16	20	16	23
Average per Category	<b>13</b>	<b>15</b>	<b>21.2</b>	/	<b>17</b>	<b>16.4</b>	<b>16.6</b>	<b>16.4</b>	<b>14.2</b>	<b>16.8</b>	<b>14.6</b>	<b>8</b>	/	<b>17</b>	<b>12.6</b>	<b>14.8</b>	<b>18</b>	<b>17</b>	<b>16.6</b>	<b>14.8</b>	<b>12.5</b>	<b>12.2</b>	<b>14.4</b>	<b>14.2</b>
Average	<b>13.8</b>	<b>14.4</b>	<b>18.4</b>	<b>16.28</b>	<b>12.55</b>	<b>13.4</b>	<b>16.3</b>	<b>16.2</b>	<b>15.5</b>	<b>14.3</b>	<b>13.4</b>	<b>12.1</b>	<b>13.1</b>	<b>13.1</b>	<b>15.2</b>	<b>16.88</b>	<b>19</b>	<b>16.7</b>	<b>18.9</b>	<b>13.2</b>	<b>12.7</b>	<b>15</b>	<b>14.88</b>	<b>17.55</b>
Average per country	<b>14.13</b>		<b>17.36</b>		<b>14.79</b>					<b>13.3</b>			<b>14.61</b>				<b>18.2</b>			<b>14.66</b>				

Source: Author's calculation from the data collected in the annual reports of the banks

<sup>10</sup> The score of 2 is assigned to banks where no woman is on the board. The score of 2 is being the lowest.

Distinguishing co-operative banks from other banks we calculate the average score of all co-operative banks on one side and the average score of all non-co-operative banks on the other (see Tables 7 and 8). As in the two previous tables, it is the banking practices that are noted here. Three main findings can be established: first, we find that the average scores obtained by the cooperative banks by individual criteria are mostly higher than those obtained by the other banks (see the column on the right in the two tables below) with the exception of the criterion relating to the presence of women in the general management, the difference is less important when all employees are taken into account. It appears that non-cooperative banks are more advanced on gender parity issues, especially in high-level positions. This is true in 2008 but especially in 2015. Conversely, cooperative banks outperform in two areas: 1) the financing of the real economy where the average score obtained by the cooperative banks in 2008 for the share of loans in total assets is 16.9 compared to 11.76 for non-cooperative banks (16.6 compared with 11.28 in 2015), as well as the scores for the share of off-balance sheet activities where co-operative banks are significantly less concerned by these activities, with a score of 19.85 for the cooperative banks against 13.23 for the others (18.11 against 11.35 in 2015). This cannot be explained by the fact that non-cooperative banks are more exposed to market activities since most of the cooperative banks in our sample are also listed on the stock market. 2) On executive compensation, especially on the general manager's remuneration. In 2015, the average score obtained by the cooperative banks on the remuneration of the chairman is 17.42 against 13.66 for non-cooperative banks. As for the remuneration of the general manager, the difference is even greater with an average score of 19.83 for co-operative banks compared to 13.33 for non-co-operatives. These figures show that members of the board of non-cooperative banks are much better paid than others, and sometimes far too much when compared to those obtained in the public sector for similar functions. The issue of the remuneration of the leaders in the big banks is often pointed out since they keep increasing in a way not proportionally to the evolution of the bank performance.

The second observation concerns the average scores by category. Once again, on average, cooperative banks score better when it comes to financing the real economy but also in risk management in the two years considered. On the other hand, non-cooperative banks score better on governance thanks to their progress on gender parity. In fact, it is only on the financing of the real economy that the difference between the two types of banks is high. With an average score of 18.85 for cooperative banks against 13.66 for other banks in 2008 (18.08 versus 12.58 in 2015), a difference of more than 5 points is observed while for the other categories, the difference does not exceed 2.5 points.

The third and last observation concerns the general average when taking into account all the criteria analyzed. For the two years considered, cooperative banks score better than other banks. Even if the difference is not very important, it appears that on average cooperative banks have better practices compared to other banks, especially in 2015 where the difference is slightly larger. This may also mean that non-cooperative banks have experienced a slight decline in the quality of their practices relatively to cooperative banks.

**Table 7: Banks ranking by bank type in 2008**

2008	Cooperative Banks											Non Cooperative Banks												Average		
	RBI	OP	BPCE	CA	CM	DZ	BP	UBI	RB	NBS	EG	NB	BNP	SG	CB	DB	IS	UC	ABN	ING	Barcl	HSBC	Lloy	RBS	C	NC
Loans/TA	21	13	11	10	14	6	22	24	23	25	19	16	5	7	12	3	20	17	/	18	4	9	15	8	<b>16.9</b>	<b>11.76</b>
LT Loans/TA	20	24	/	19	/	/	/	/	/	25	/	22	/	/	21	/	/	/	/	/	18	/	23	/	<b>22</b>	<b>21</b>
Off Balance Sheet/TA	19	16	/	/	22	24	17	18	23	/	13	8	17	9	20	25	12	11	/	21	15	7	10	4	<b>19.8</b>	<b>13.23</b>
Average per Category	<b>18.85</b>											<b>13.66</b>														
Tier One Ratio	17	24	20	19	21	12	8	14	25	21	11	12	15	19	23	23	10	9	/	13	20	18	16	22	<b>18.1</b>	<b>16.23</b>
Average per Category	<b>18.1</b>											<b>16.23</b>														
Chairman's Compensation	24	/	/	16	13	/	/	/	/	21	25	19	10	17	18	20	12	/	22	23	14	11	15	14	/	/
CEO's Compensation	/	/	/	16	18	/	/	/	/	14	12	23	11	24	25	19	13	/	/	20	22	15	21	17	/	/
Personal Expenses/Employee	8	/	21	/	18	14	23	/	20	/	10	22	/	15	19	25	17	16	/	24	9	11	12	13	<b>17.3</b>	<b>16.03</b>
Women/Directors	2	2	13	11	14	15	2	2	12	22	24	23	25	20	19	21	9	10	16	2	17	/	18	2	<b>9.5</b>	<b>15.84</b>
Women/Staff	23	24	17	18	16	13	15	10	19	/	/	25	20	22	12	11	/	14	/	/	21	/	/	/	<b>17.2</b>	<b>17.85</b>
Average per Category	<b>14.87</b>											<b>16.95</b>														
Average	<b>16.71</b>											<b>15.86</b>														

Source: Author's calculation from the data collected in the annual reports of the banks

**Table 8: Banks ranking by bank type in 2015**

2015	Cooperative Banks											Non Cooperative Banks														Average	
	RBI	OP	BPCE	CA	CM	DZ	BP	UBI	RB	NBS	EG	NB	BNP	SG	CB	DB	IS	UC	ABN	ING	Barcl	HSBC	Lloy	RBS	C	NC	
Loans/TA	18	15	14	10	16	4	19	24	21	25	20	11	5	3	8	2	13	12	22	23	6	9	17	7	16.6	11.2	
LT Loans/TA	17	21	19	18	/	/	/	/	23	25	/	/	/	14	/	/	/	/	24	20	16	15	22	/	20.5	18.5	
Off Balance Sheet/TA	5	19	18	12	17	25	21	24	22	/	16	13	3	10	9	20	7	8	23	15	6	4	14	11	18.1	11.3	
Average per Category	<b>18.08</b>											<b>12.58</b>															
Leverage Ratio	21	25	17	22	/	13	18	23	20	12	/	14	11	11	13	9	24	15	10	11	13	19	16	21	19	14.3	
Tier One Ratio	8	24	12	18	20	19	11	7	20	25	10	22	9	14	15	17	15	6	21	13	17	16	20	23	16.4	15.5	
Average per Category	<b>17.63</b>											<b>15</b>															
Chairman’s Compensation	25	/	17	13	14	/	/	16	19	18	23	20	9	15	21	12	/	/	22	24	8	7	11	10	17.4	13.6	
CEO’s Compensation	19	/	21	18	24	/	/	/	22	15	14	17	12	11	16	10	/	/	23	20	13	7	9	8	19.8	13.3	
Personal Expenses/Employee	2	8	19	14	12	4	17	15	22	15	3	23	18	9	13	25	5	7	24	22	21	10	11	16	12.8	14.7	
Women/Directors	5	2	20	19	2	8	13	11	7	9	14	21	25	25	17	16	15	23	12	6	18	24	10	22	9.6	17.7	
Women/Staff	24	/	6	18	19	12	8	7	15	23	11	25	21	22	17	10	/	21	9	13	14	16	20	16	14.6	16.5	
Average per Category	<b>14.21</b>											<b>15.56</b>															
Average	<b>16.09</b>											<b>14.64</b>															

Source: Author’s calculation from the data collected in the annual reports of the banks



### 3. Summary of results

The purpose of this analysis was to evaluate both the communication of European banks and establish a comparison between cooperative banks and non-cooperatives, but also to note them on their CSR practices. As mentioned above, it is difficult to estimate banks' CSR practices because of the impossibility of measurement for many criteria but also because of the lack of a database on CSR. The main results to be retained are the following: 1) there is an important improvement in terms of communication between 2008 and 2015 for all banks and all criteria. This can be explained by the impact of the 2008 crisis on banks with the social pressure that followed, but also with regulatory pressures through the pillar 3 of Basel III, where the requirements in terms of transparency and bank communication has been greatly strengthened, particularly on equity and risk management (BIS, 2017; Vauhkonen, 2012; Couppey-Soubeyran, 2010). 2) On average, and in general, cooperative banks do not seem to communicate more or less than other banks. The difference between the two types of banks in 2008 and in 2015 is minimal. 3) In contrast, cooperative banks appear to have better practices compared to other banks in both 2008 and 2015.

At a more precise level, even if the communication of the two types of banks is closer on average, but for each category, there is one type of bank that prevails over the other and in some cases the difference in score is not insignificant. It is clear that cooperative banks communicate more than other banks on issues of banking inclusion, and they have better practices than others in terms of financing the real economy. Conversely, on average, non-cooperative banks have better practices than others and communicate more than others in terms of governance. These findings express the nature of each type of banks: cooperative banks talk to their members and non-cooperative banks talk to their shareholders.

Since empirical studies on CSR in the banking sector analyze bank communication, the question is whether banks that communicate more are those with the best CSR practices. The answer is "not always". In fact, Nationwide Building Society and Unione di Branche Italiane are among the top 5 banks with the lowest scores in terms of communication. Nevertheless, they are in the top 5 banks that had the best scores in terms of CSR practices. This also applies to the criteria so that the banks that communicate more than others on a criterion are not the ones that have better practices on them. For example, non-cooperative banks communicate more than others about the level of their off-balance sheet activities and the amount of executive compensation while cooperative banks have the best practices on these points. In truth there are no generalities, for example, Rabobank and Nordea Bank are in the

top 5 banks that have achieved the best scores in terms of communication and of CSR practices. What can be deduced from these results is that practices vary from one bank to another. Cooperative banks can perform in some areas and non-cooperative banks in others. Means by type of bank stand out but this does not generalize to banks at the individual level. There are differences between banks regardless of their status.

## **Conclusion**

The aim of this study was to estimate the level of communication of large European cooperative banks compared to non-cooperative banks in terms of Corporate Social Responsibility (CSR), but especially to estimate the quality of their practices. We are aware of the imperfection of this study because, in particular, of the unavailability of data in this area and the fact that the criteria concerned are not all measurable. Even if we have only analyzed the most important criteria for banks, since there should be different perceptions of CSR depending on business sectors, however, other important but unmeasurable criteria and whose data are not available were not considered in this study. In addition, given our limited sample, these conclusions should not be taken into account for generalities even if important and significant facts emerge depending on the type of bank considered.

Overall, banks are becoming more transparent. They provide more information in 2015 compared to 2008. The lack of transparency of some banks is not always explained by the fact that they are not listed on the stock exchange and that they do not have an obligation to communicate more, even banks listed on the stock exchange are sometimes less transparent, especially for certain criteria (financing the ecological transition, bank exclusion, etc.). The communication of the banks is not the only thing that has improved in 2015, the practices of banks too. It appears that the practices of cooperative banks have improved slightly more than other banks. Moreover, they obtain scores that are sometimes much higher than those of non-cooperative banks. This applies in particular to practices more than to communication where there is no noticeable difference on average, even if at the individual level it differs. What is clear from this study and where there are notable differences in practice is that cooperative banks outperform other banks in financing the real economy on average. In contrast, non-cooperative banks are more advanced on governance issues, particularly on gender parity, but not in executive compensation. This confirms that even if at the individual level differences can arise, but on average the two types of banks have their own specificities. This is not bad

for the economy, on the contrary, this diversity can only be beneficial for the stability of the banking system.

This study has repeatedly demonstrated the heterogeneity of the information provided by banks, partly due to lack of real obligations and credible control. Since there is no common CSR repository, each bank is invested differently. Nevertheless, some topics are highlighted more than others, and often by all banks, and they sometimes forget to communicate on key information that is more inscribed in their main activity. As long as CSR remains free of interpretation and not regulated, it will tend to be a communication tool in order to improve the image of the bank without getting involved enough to make progress. Thus, it seems important to us that the banking supervisory authorities go further than the financial stability, and integrate the CSR criteria in the same way as the regulatory ratios, given the urgency of the situation and the magnitude of the effects it has on the world.

## Appendix<sup>11</sup>

### Appendix 1: List of the banks analyzed

Austria			
Erste Group (EG)	Private bank	Listed	systemic <sup>12</sup>
Raiffeisen Bank International (RBI)	Cooperative bank	Listed	systemic
Finland			
Nordea Bank (NB)	Private bank	Listed	systemic
OP Pohjola (OP)	Cooperative bank	Non listed	Non systemic
France			
BNP Paribas (BNP)	Private bank	Listed	systemic
Société Générale (SG)	Private bank	Listed	systemic
BPCE (BPCE)	Cooperative bank	Listed	systemic
Crédit Agricole (CA)	Cooperative bank	Listed	systemic
Crédit Mutuel (CM)	Cooperative bank	Non listed	systemic
Germany			
Commerzbank (CB)	Private bank	Listed	systemic
Deutsche Bank (DB)	Private bank	Listed	systemic
DZ Bank (DZ)	Cooperative bank	Non listed	systemic
Italy			
Intesa Sanpaolo (IS)	Private bank	Listed	systemic
UniCredit (UC)	Private bank	Listed	systemic
Banco Popolare (BP)	Cooperative bank	Listed	Non systemic
Unione di Branche Italiane (UBI)	Cooperative bank	Listed	Non systemic
Netherlands			
ABN Amro (ABN)	Private bank	Listed	Systemic
ING Bank (ING)	Private bank	Listed	systemic
Rabobank (RB)	Cooperative bank	Listed	systemic
United-Kingdom			
Barclays (Barcl)	Private bank	Listed	systemic
HSBC (HSBC)	Private bank	Listed	systemic
Lloyds (Lloy)	Private bank	Listed	systemic
Royal Bank of Scotland (RBS)	Private bank	Listed	systemic
Nationwide Building Society (NBS)	Cooperative bank	Non listed	systemic

<sup>11</sup> For all the tables below, the absence of data (denoted by "/") means that the bank has a score of 0, 1 or 2.

<sup>12</sup> The list of locally systemic banks published by European Banking Authority for the year 2015 is available here <https://www.eba.europa.eu/-/eba-discloses-first-list-of-o-siis-in-the--1>

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