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Banks are Shy in Offering Sustainable Products

Covalence Banking Sector Report 2010

The ethical reputation of banks shows a smaller progress than other sectors, according to the Covalence Banking Sector Report 2010 released today. The reasons are a low volume of positive news regarding products, as well as criticisms related to remunerations and gender discriminations.

After two years of sharp decline, the EthicalQuote calculated for the banking sector has recovered an ascending path. However, most other sectors having shown a better performance over the last year, banks only rank 14th out of 18 sectors in the July 2009 to June 2010 period. Looking at the 2002 - 2010 (June) time frame, the Banking sector is ranked in 10th place. Back in 2007 Banks were ranked 2nd. The current leader is Technology, while Oil & Gas is last.

The Impact of Product criteria group only represents 16% of positive news registered on Banks, against 37% for the 18 sectors benchmark. This group covers criteria such as Eco-Innovative Product, Socially Innovative Product, Product Human Risk, or Product Environmental Risk. Banks are shy in demonstrating the social utility of their products and in presenting their innovations in this field. In most other sectors, sustainable products are central to corporate communication, notably: cleantech, green and fair trade labelling in the food industry, or green cars.

Many banking activities can be described in terms of contribution to sustainable development. But banks don't use these terms much. What inhibits ethical innovations in this sector? The low level of criticisms targeting banks' products can be interpreted as a lack of incentives. Secondly, bankers seem to consider that highlighting their sustainable products may be counterproductive to the serious, conservative, cautious, and money-oriented corporate culture and image they show to their clients.

Private and institutional investors are also responsible for the cautiousness of banks regarding products with added social and environmental value. They are primarily interested in preserving and growing their assets. Research shows that investing ethically doesn't necessarily generate a sacrifice of financial performance; Environment, Social and Governance ratings constitute useful risk management tools. However, the cultural background of Western societies doesn't help banks to endorse and promote sustainable products, nor does it help pressure groups to encourage banks on this way, and clients to demand these products. We are *not used* to associate money and good in the same thought.

Other factors have weighted negatively on the ethical reputation of banks last year. Next to the usual suspects (tax issues), Wages was the most active criteria. CEO compensation, traders' bonuses, and the differential between the highest and the lowest salaries within banks have been abundantly criticized. This report also highlights an increasing amount of negative comments about the status of women at work (discrimination on wages and promotions, a work atmosphere described as unfriendly to women). The wages and women issues, together, constitute one of the most dangerous combinations for the ethical reputation of banks.

On the positive side, banks registered the most points on social sponsorship (philanthropic donations, community investments) and on climate change mitigation. After the 2007 green boom the Climate Change issue remained almost silent during the financial crisis from 2008 to mid-2009. Since then it has recovered its visibility and contribution to the responsible image of the banking sector and of its leaders.

Some banks are less shy than others in their offering of sustainable products, which allows them to score well in Covalence EthicalQuote Ranking. For example, they communicate on their involvement in microfinance and renewable energy projects, on interest rates favorable to green buildings, or on their signing of the UN Principles for Responsible Investment.

Covalence Banking Sector 2010 analyses and compares the ethical reputation of 29 international banks, internally as well as against the 18 sectors benchmark covering 581 large companies.

The challenge for banks is to add a progressive touch, if not a progressive turn, to their identity, culture, strategy and image, while maintaining a high level of confidence in their customers' minds. In a competitive environment where beating the market is knowingly difficult, sustainable investments can be a strong differentiator, but it needs subtle educational efforts to demonstrate to asset managers and to their clients that it is compatible with their financial priorities.

More information about Covalence Banking Sector Report 2010:

> Report Extract

> Offer & Order Form

About Covalence

Covalence runs EthicalQuote, the ethical reputation scoring system and CSR news database tracking the world's largest companies. We produce the widely recognized Covalence EthicalQuote Ranking and offer reputation research and ESG ratings to corporates, investors, and non profits.

Covalence research is also available on Bloomberg: COVA <GO> ; Capital IQ: Covalence SA, Research Division; TheMarkets.com: Covalence.

The EthicalQuote scoring system has brought the following recognitions and awards to Covalence:

- Ethisphere 2009's 100 Most Influential People in Business Ethics
- Finalist Social Entrepreneur of the Year 2005 Switzerland
- Prix cantonal du développement durable 2004 (Geneva)

The EthicalQuote scoring system is a reputation index based on quantifying qualitative data, which is classified according to 45 criteria such as labour standards, waste management, product social utility or human rights policy. It is a barometer of how multinationals are perceived in the ethical field.

Inspired by stock quotes, EthicalQuote integrates thousands of positive and negative news items found among media, companies, blogs, NGOs and other online sources. The documents are coded, quantified and synthesized into curves and volumes.

Covalence is a limited company based in Geneva, Switzerland, founded in 2001.

More information: Covalence company and methodology

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