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Banks' ethical credentials undermined by the crisis, tax issues and mainstreaming carbon initiatives

Covalence Banking Sector Report 2009

It has been a very bad year for the ethical reputation of banks, but some outsiders moved up in the rankings, as reported by the Covalence Banking Sector Report 2009 published today.

Banks rank 18th out of 18 sectors in Covalence EthicalQuote calculated from June 2008 to May 2009.

Companies the most exposed to the subprime crisis contributed greatly to the downturn (UBS, Citigroup, Royal Bank of Scotland, Bank of America). The Economic Impact and Downsizing criteria were the most active. For the first time, Europe and North America generated a majority of negative news.

Compared to the 18 sectors, Banks receive relatively more positive news on Social Sponsorship and Social Stability criteria, and more negative news with the criteria Fiscal Contributions and Downsizing: banks are strong on philanthropy and community support, but weak on tax issues.

Tax issues dampened the ethical reputation of UBS last year. It is likely that banks favoring individual and corporate tax avoidance will also generate unfavorable media coverage in the future. The philanthropic legitimacy of tax avoidance is becoming increasingly difficult to justify, as modern governments are increasingly democratic.

The banking sector once led in setting goals to reduce carbon emissions; now, other sectors are following suit. In addition, more skeptical observers are monitoring project financing and the real achievements of banks in climate change mitigation.

The top 4 companies in Covalence's all-time ethical ranking are HSBC - by far-, Barclays Bank, Bank of America and Royal Bank of Canada. Royal Bank of Scotland and UBS are the laggards of the sector.

Five banks appear to have registered important ethical reputation gains during the last 12 months. These are: HSBC, BNP Paribas, BBVA, Scotiabank, and Royal Bank of Canada, which benefited from innovative products (SRI, microfinance, social entrepreneurship), employee-related initiatives (diversity) and social sponsorship.

More information on Covalence Banking Sector Report 2009:

> [Extract: Covalence Banking Sector Report 2009](#)

About Covalence

Geneva-based [Covalence](#) tracks the ethical reputation of multinationals by sourcing online information. We publish ethical [rankings](#) and offer reputation management [products](#) to [clients](#) among companies, investors and institutions, while informing researchers and the media > [Covalence in the news](#).

Covalence' s ethical quotation 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. The system integrates thousands of documents found among media, companies, blogs, NGOs and other sources.

This tool received the Cantonal Sustainable Development Prize (Geneva) in 2004 and prompted Covalence among the finalists of the Social Entrepreneur of the Year 2005 award organised by the Schwab Foundation. Covalence research is also distributed by Reuters, Thomson Financial and Bloomberg.

Covalence is closely monitoring 18 sectors including 550 companies that are classified as the largest market capitalizations in the Dow Jones World Index. Covalence is a limited company that was founded in Geneva in 2001 by six persons with political science and finance backgrounds.

Online information: Covalence company and methodology

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