

**PRESS RELEASE | GENEVA, 3 JULY 2008**

## **Banks' institutional impact under scrutiny Covalence Banking Industry Report 2008**

Interactions of banks with governments are increasingly criticized in terms of ethics; meanwhile, environmental initiatives and philanthropic donations are the industry's main positive news cows, states a report published today by Geneva-based ethical reputation research firm Covalence – *Covalence Banking Industry Report 2008*.

Most criteria in the *Institutional Impact* group have registered substantial amounts of negative news last year (June 2007 – May 2008). These criteria - and corresponding issues - are: *38. Anticorruption Policy* (Subprime, Reforming Corrupt Practices on Wall Street, Parmalat), *39. Humanitarian Policy* (Darfur, Support to Mugabe regime in Zimbabwe), *40. Human Rights Policy* (Apartheid, Burma, Darfur), *41. United Nations Policy* (Biofuels, Human Rights, Oil for food), *42. Boycott Policy* (Darfur, Iran), *43. Social Stability* (Predatory megalenders, Phulbari Coal mine, Subprime), and *45. Lobbying Practices* (US government, Subprime).

Additional criteria with institutional components have gathered important amounts of criticism: *10. International Presence* (Project finance & controversial loans, Phulbari Coal mine, Apartheid); *18. Downsizing* (Subprime, Job creations/cuts, ABN take-over), *13. Social Impact* (Phulbari Coal mine, Subprime, Job creations/cuts), and *25. Fiscal Contributions* (Tax fraud).

Considering positive news that contribute to banks' ethical reputation: the importance of criteria *37. Social Sponsorship* (Student grants, research and education, Children, Community investments, Diversity, Energy, Global health and poverty) illustrates the well-recognized association between philanthropy and the banking industry. During the last 12 months, and for the first time, *26. Environmental Impact of Production* has been the best performing criteria (climate change, renewable energy, CSR awards & rankings, green buildings, water, LEED, Equator Principles). This could be due to the global consensus on Climate Change and a green appetite for hope in the public sphere. *26. Environmental Impact of Production* joins *37. Social Sponsorship* as a 'positive news cow'. Environmentalists should be pleased to see green efforts becoming more important than philanthropy. For the skeptics, this sudden communication frenzy and announcements of carbon emissions reduction goals present many aspects of an information bubble. Monitoring the achievements of such announcements will be critical in the coming years.

The historical EthicalQuote ranking calculated since 2002 sees Banks dropping from the 4th to the 5th position, with Food & Beverage ahead. Within the banking industry, HSBC, Bank of America, Barclays, and Wells Fargo managed to show a good progression, while UBS, Royal Bank of Scotland, BNP Paribas and Mitsubishi Tokyo saw their ethical reputation suffer the most.

Environmental concerns, human rights issues, relations with public institutions create direct and indirect responsibility: in the future banks will certainly improve reporting on corporate footprint while being more and more challenged on their business lines.

### **More information on Covalence Banking Industry Report 2008:**

- > [Extract: Covalence Banking Industry Report 2008](#)
- > [Offer & Order form: Covalence Banking Industry Report 2007](#)
- > [Public version of EthicalQuote](#)

## About Covalence

Covalence' s ethical quotation system is a reputation index based on quantifying qualitative data, which are 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, enterprise, NGO and other sources, for producing the EthicalQuote curves. These curves measure the historical evolution of the reputation of companies regarding ethical issues. They are created through the cumulative addition of positive news (documents coded as "ethical offers", which are weighed as +1, curve ascends) and negative news ("ethical demands" weighed as -1, curve descends). The Reported Performance measure is given by cumulating positive news only.

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 10 sectors including 200 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 coming from social sciences and finance.

## Online information: Covalence company and methodology

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