

## Banks and charities: Sector seeks bonus points from increased donations

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The banking industry has not just taken a pummeling financially as a result of the events of the past few years, it has also lost much of the trust and confidence of the general public.

People perceive the industry to be made up of grasping money-grubbers who are paid huge bonuses that they do not deserve.

This has led to a situation where "there is a strong public sense that the business world and the financial community in particular have abandoned values and ethical behaviour," says Richard Spencer, head of sustainability at the Institute of Chartered Accountants of England and Wales.

One of the industry's responses to the wave of opprobrium that has broken over its head has been to boost the amount it gives to charity, either as cash grants from organisations or in the form of bonuses donated by chief executives – or in terms of manpower.

Neville White, senior analyst at Ecclesiastical Investment Management, notes that "community investment by the four big UK banks increased in 2009-10 when it might have been expected to fall, with in excess of £210m being reported."

Nick Anstee, Lord Mayor of London, points out that the number of corporate volunteers in the City rose **24 per cent** in 2009.

However, he recognises the sector has further to go in repairing the image of bankers. "We have to explain the industry can be a force for good rather than a force for evil," he says.

There is some doubt as to whether giving more money to charity will help achieve this aim. "A programme of social giving just treats us like idiots," Mr Spencer says. "Many people will see it as guilt money."

"Many of them are trying to redeem their sin," agrees Ros Haniiffa, professor of accounting at Bradford University. "It is important to distinguish between short-term or one-off donations and giving that is part of a corporate strategy."

Banks need to leverage their expertise and capabilities rather than just throw money at an issue, says Sophie Hughes, head of sustainability at consultants Fleishmann Hillard. If it is done right, community investing can play a role in rebuilding trust, she says.

"It is about relationship-building, with employees and with the wider community," she explains.

However, Christoph Ammann, chairman of Bank Sarasin of Switzerland, says: "We do not believe that charitable donations are appropriate to rebuild trust in banks." The bank does give to a number of charities, including the Roger Federer Foundation. However, "charitable donations are not the cornerstone of Sarasin's commitment to being a sustainable bank. Trust cannot be purchased, but has to be gained on a day-to-day basis when delivering on commitments to clients and the public."

HSBC says a thriving society is critical to its success. "That is why we focus our community investment activity on education and the environment – the fundamental building blocks for the development of communities," it says.

One example of this is its funding of the HSBC Climate Partnership, which gave £100m (\$145m) to a group of non-governmental organisation (NGOs) – WWF, The Climate Group, Earthwatch and the Smithsonian Tropical Research Institute.

"This is a real partnership, not something that has been bolted together hurriedly," says Bjorn Roberts, corporate partnership manager at the Climate Group. "Each of the partners is tasked with delivering aspects of the partnership over five years and it fits in with HSBC's wider corporate focus on the business implications of climate change."

Trewin Restorick, chief executive of Global Action Plan, an environmental charity, says he was surprised to be approached about a partnership with Bank of America based on teaching young people about climate change. However, "they had a clear idea of what they wanted to do as a business and where our work fits in to that. The motivation was about encouraging sustainable growth.

"If a company is going to invest in the community, the investment needs to have a connection to the business at some level for it to be completely engaged. It needs to be part of a longer-term strategy," he adds.

However, Mr White notes that "community investment reported by the two UK banks unaffected by state ownership (Barclays and HSBC) represented just 1.8 per cent and 0.75 per cent respectively of underlying pre-tax profits.

Some say that corporate giving is not an appropriate use of company resources. "Directors should not be giving away their shareholders' money," says Professor Brian Scott-Quinn, of the International Capital Markets Association Centre at Henley Business School.

"If shareholders have a duty to make donations, it should be funded out of dividend income in return for a cut in taxes. It is better to take these things out of the corporate arena and into the employee or shareholder arena."

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