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## «Panama Papers»: fiscal responsibility, a critical social responsibility issue for banks

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On April 7th 2016, Vigeo Eiris Rating sent a series of alerts to its clients – investors and asset managers – on 24 companies linked to the ‘Panama Papers’ affair.

These banks are listed as having created offshore companies in Panama for their clients through the law firm Mossack Fonseca. In the wake of these revelations, several banks were questioned by their national authorities: **Société Générale, Nordea, Vorarlberger Landes- und Hypothekenbank and Raiffeisen Bank International.**

This affair has had significant political and media repercussions, including the resignation of the Icelandic Prime Minister. Several members of the European Parliament started a petition for the prosecution of the banks and intermediaries that *“let their clients hide their assets in tax havens without informing tax administrations on the suspicious activities of European citizens”*<sup>1</sup>

**As part of its corporate social responsibility rating framework, Vigeo Eiris has been assessing the tax strategy of listed banks since 2007.**

- It appears that the engagements disclosed by the banking sector’s operators in terms of tax principles that they follow and processes that they implement are rare and often stated in general terms.
- On a global scale, less than one bank out of three reports publicly on internal procedures dedicated to the prevention of tax evasion.
- Less than one retail bank out of ten describes the measures taken to raise awareness among its clients against tax evasion.

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(1) Petition started by members of the European Parliament to ask for the prosecution of banks linked to the Panama Papers scandal. [https://www.change.org/p/panamapapers-en-finir-avec-le-secret-sanctionnez-les-banques?source\\_location=discover\\_feed](https://www.change.org/p/panamapapers-en-finir-avec-le-secret-sanctionnez-les-banques?source_location=discover_feed)

- In Vigeo Eiris' framework, on the criteria "transparency of tax reporting and explanation of the company's presence in offshore financial centers", the banking sector's average scores are weak: 39.8/100 for diversified banks in Europe and 29.3/100 in North America.<sup>2</sup>

Furthermore, before these revelations several banks had already faced critics and allegations on their tax behaviour.<sup>3</sup>

Vigeo Eiris assesses the visibility, the precision and the ownership of the banks' engagement to adopt responsible tax strategies and report on them. The analysis also covers the banks' publication of a tax payments' reporting (by country, by region of operations, by division etc.). The presence and nature of activities in offshore financial centers, their public justification, and more particularly the presence or not in jurisdictions considered by the OECD and the IMF as non compliant on tax transparency rules are also assessed.

Banks as companies not only are expected to implement a responsible tax strategy for themselves and report on it, but they also have a role to play as financial intermediaries, to prevent and avoid the tax evasion of their clients.

**Vigeo Eiris has been monitoring very closely the companies involved and will re-evaluate their scores as much as necessary.**

These events emphasise the need for external monitoring systems to address the tangibility of the information that companies publish on their own tax policies and tax payments, and that of their clients.

**For any further information:**

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### **About Vigeo Eiris**

On December 22nd, 2015, Vigeo's Assembly of Shareholders endorsed the merger of these two established environmental, social and governance (ESG) research agencies from France and the United Kingdom.

Vigeo, was founded in 2002 by Nicole Notat, and EIRIS 32 years ago. Vigeo proceeded to raise 6.3 million euros of new capital to fund the EIRIS acquisition and to ensure that the new entity has the funds necessary for Vigeo Eiris' future. Vigeo Eiris will continue to offer two types of services through two business units:

- **Vigeo Eiris rating**, utilizing its teams' expertise and its unique and well-regarded methodologies, offers a large range of products and services designed for investors and asset managers engaged in sustainable and responsible investment practices. This research covers more than 4 000 issuers, including companies, regions and states and is used by more than 300 clients, partners, investors, asset managers, NGOs and international institutions.
- **Vigeo Eiris enterprise** works with organizations of all sizes, from all sectors, public and private, to support them in the integration of ESG criteria into their business functions and strategic operations.

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(2) Vigeo's sectorial study on European diversified banks (December 2014) and on European retail and specialised banks (April 2015)

(3) Vigeo Rating study (November 2014) : «Prevention of corruption and money laundering», which analyses the managerial performance of companies in the sector, the frequency and severity of the controversies faced by the sample of banks analysed, and their corresponding level of reactivity.



Vigeo and EIRIS services and methodologies adheres to the strictest quality standards and has been certified to the independent ARISTA® standard, the leading quality standard for research in responsible investment.

Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Milan, Montreal and Santiago and has a team of 180. The agency works also with partners in Canberra, Hannover, Istanbul, Jerusalem, Madrid, Mexico City, Rio de Janeiro, Seoul, Tokyo and Zaragoza.

**For more information: [www.vigeo.com](http://www.vigeo.com) and [www.eiris.org](http://www.eiris.org)**