



Communication on Progress

Year: 2012

STATEMENT OF CONTINUED SUPPORT

ECOFACT became a signatory to the Global Compact Principles in 2008. Since then, ECOFACT has committed itself to ensuring that the Global Compact's ten principles are an integral part of the company's management, strategy, culture and daily operations. We hereby report on our commitment to and application of these Principles.

A handwritten signature in black ink, appearing to read 'R. Manjarin'.

2012-10-19, Raul Manjarin, Managing Partner

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1 Brief Description of Nature of Business

ECOFAC AG provides **reputational, environmental, and social risk management solutions** to the financial sector. ECOFACT's client base consists of global commercial and investment banks, the leading development banks, insurance companies, and governmental agencies.

ECOFAC was founded in 1998 as a spin-off from a leading Swiss bank, and is fully independent.

ECOFAC is based in Zurich and leverages a **global network of sector and topic specialists**.

Working alongside our clients, we develop risk management solutions and provide support on a day-to-day basis in assessing business transactions.

- The **Risk Management Consulting team** is specialized in developing E&S risk management processes, E&S screening and assessment tools for commercial and multilateral development banks (including IFC), as well as E&S guidance documents for financial institutions (FIs). The team has trained more than 2,000 bankers in the last 10 years.
- The **Risk Assessment team** supports FIs in understanding whether or not a specific transaction or client a) complies with international standards, b) complies with the institution's policies, and c) presents reputational risks for the FI. Based on this assessment, the team derives recommendations on whether or not to engage in a transaction, or proposes conditions that the client would have to meet in order to limit the FI's risk exposure. If the focus is on reputational risks, the team will propose strategies to address the controversial aspects of the transaction.

Environmental and social risk experts working in financial institutions are often overloaded with information about environmental and social issues. Researching, identifying, and prioritizing the information that senior management, business units, and control functions need takes considerable time and effort. Through our **ECOFAC Quarterly - the briefing for E&S risk experts** - we offer a report that is tailored to the needs of individuals and teams in charge of assessing and controlling environmental and social risks in corporate banking, investment banking, and commercial insurance. It aims to provide an update on environmental and social risks, standards, tools, and best practices that are relevant primarily from a reputational risk perspective.

We initiated the **Roundtable on Environmental and Social Risk Management**

[\[www.ecofact.com/roundtable\]](http://www.ecofact.com/roundtable) in which many of the world's leading banks participate. The idea behind the Roundtable is to facilitate an informal exchange of knowledge and practices in banking. The Roundtable provides an opportunity to discuss the difficulties that arise as social and environmental issues are further integrated into the banks' business with corporate clients.

ECOFAC also established the **Forum on Reputational Risk Management in Banking**

[\[www.ecofact.com/forum\]](http://www.ecofact.com/forum) to provide a platform for dialog and knowledge-sharing on common and best practices in reputational risk management for the world's leading banks.

In spring 2012, we organized and supported a project at the London School of Economics. The objective was to design an **early warning tool for climate risk** and to carry out initial market research.

2 Human Rights Principles

We are dedicated to **respecting and protecting human rights** through our work, and condemn human rights violations. It is ECOFACT's goal to help our clients to understand and assess human rights risk, and to respect human rights in their business relationships.

Given the location and nature of our business, we do not directly face significant human rights risks in our own day-to-day operations. However, we are **very aware of the potential impacts** businesses can have on human rights, and human rights issues are - indirectly - of great relevance to our day-to-day business. For example, complicity in human rights abuses can pose a significant threat to the reputation of our clients. Through our products and services, we **raise awareness amongst our clients** of business-related human rights issues.

We **will not do business** with companies or governmental bodies that are accused of human rights violations, unless our projects will help to improve the conditions of those affected and aid the client in avoiding human rights violations in the future. We will not be complicit in human rights abuses of any kind by knowingly providing assistance or support for any actions that perpetuate abuse.

2.1 Implementation

While we are not significantly exposed to human rights risks in our own operations, we do **address human rights issues** in various ways in our day-to-day business.

Our employees have an excellent understanding of issues related to business and human rights. ECOFACT ensures that its employees acquire relevant up-to-date knowledge on human rights and business. Overall, **knowledge-building on human rights** issues is an ongoing process that takes place, for example, through working with relevant international standards such as the Equator Principles or the Performance Standards of the International Finance Corporation (IFC), but also through the research for our ECOFACT Quarterly report.

Furthermore, we support our clients in developing policies and guidelines that address social risks and help financial professionals to assess the potential impact of their day-to-day business on human rights. In addition, our risk assessments support financial institutions in understanding whether their business (e.g. specific clients or transactions, investments in specific sectors or countries, financial products) complies with **international standards**, such as the Equator Principles and the corresponding standards of the World Bank Group. This also allows us to derive strategies for our clients to avoid and mitigate negative impacts and to address opportunities for the advancement of their business by promoting human rights.

By helping our clients to **develop effective policies and guidelines on human rights issues**, we help to promote respect for human rights beyond our own actions through our clients' business relationships. We condemn human rights abuses and help our clients to become more aware of the potential impacts of their actions on human rights issues. ECOFACT provides information that allows its clients correctly to assess a situation in which human rights violations occur, and thus enables them to draw the proper conclusions and take appropriate actions. Overall, we use our influence on clients to promote human rights by sharing experiences and good practices.

2.2 Measurement of Outcomes

To evaluate our performance with regard to human rights principles, we take into account the number of cases in which our clients act in accordance with our suggestions. In particular, if we assess a case in which there is any indication of a violation of human rights, we recommend actions that are in line with our commitment to human rights, e.g. by recommending that compliance with

human rights standards be made a requirement and by making suggestions on how to remediate violations. In most cases, our clients implement our recommendations and thus **make decisions that respect and promote human rights principles**.

ECOFACT has never been the subject of investigations, legal cases, rulings, fines, or other events related to human rights violations.

3 Labor Principles

ECOFACT is committed to supporting the **elimination of all forms of forced and compulsory labor**. We condemn the illegal use of **unacceptable forms of child labor, and any kind of child exploitation** in the world. We refuse to get involved with companies using forced or child labor.

ECOFACT is committed to recognizing the right of all personnel to join and form **trade unions** for the protection of their interests, as well as the right to a collective agreement where this is desired by our employees, without them having to fear any kind of intimidation.

ECOFACT is committed to respecting and promoting the **elimination of discrimination** in every aspect of human resources i.e. hiring, payment, equal employment opportunities, and promotion decisions. We believe that diversity is very fruitful for the productivity of our employees and do not practice any form of discrimination based on age, sex, religion, origin, or trade-union membership.

Labor rights are relevant for us not only regarding relations with our employees, but also in terms of our business relationships. If our clients do not take labor principles, especially violations such as forced labor and unacceptable forms of child labor, into account in their day-to-day business, this might pose significant reputational risks to them. Thus, for us, the relevance of labor principles in our business goes far **beyond our own operations**. It is our goal to raise awareness of labor principles among our clients, and to promote respect for labor rights in our sphere of influence.

3.1 Implementation

We **address labor principles in several ways** in our day-to-day business.

We believe that employees are more productive if they are treated with respect and are given fair and just remuneration for their work. For us, the **balance between work and leisure time** is one of the keys to good and efficient work performance. Therefore, we respect different working styles and make an effort to create a comfortable working environment for our employees.

As an employer, we **go beyond national legal requirements** on issues such as holidays, unpaid leave, and social insurance coverage. ECOFACT is committed to preventing discrimination of all kinds vis-à-vis its employees and ensures comparable pay for comparable work. We regularly engage with our employees to identify their needs and concerns, and to ensure employee satisfaction.

Training on labor rights issues takes place on an ongoing basis, for example through the application of relevant international standards such as the ILO Core Conventions or the IFC Performance Standards. Furthermore, through our ECOFACT Academy, our employees participate in regular and ongoing training sessions on a range of issues, such as risk management or human rights.

As forced labor and child labor present severe social and reputational risks, ECOFACT is very aware of the countries and sectors at risk. Awareness of these issues is very high within our company, since this is a concern that is given careful consideration in our risk assessments and screening tools. Furthermore, we monitor new developments in the field of labor rights for our ECOFACT Quarterly. In doing so, we also share relevant new developments with our clients. Overall, through our actions, we help to **promote an understanding of the importance of labor rights** among our clients.

3.2 Measurement of Outcomes

By engaging with our employees on a regular basis, we are able to **evaluate our performance in terms of labor principles** within our direct sphere of influence. Based on employee feedback, we are committed to implementing measures to ensure continued employee satisfaction, if necessary.

Furthermore, we take into account the number of cases in which our clients act in accordance with our suggestions concerning labor rights. In most cases, our clients implement our recommendations and thus make **decisions that respect and promote labor principles**.

Women make up 67 percent of our workforce. Our team consists of five different nationalities.

ECOFAC has never been the subject of investigations, legal cases, rulings, fines, or other labor-related events.

4 Environmental Principles

The direct impact of our own operations on the environment is comparatively limited. However, we consider environmental protection as an issue of the utmost importance. We are committed to further reducing our direct impact on the environment as well as using our business relationships to promote environmental protection. We take a **precautionary approach** to environmental challenges and support the promotion of environmental responsibility.

Whereas we are not directly presented with significant environmental risks in our own operations, our clients do face such risks in their business relationships. As we provide risk assessments and advice on **environmental risk management solutions**, environmental issues are of great relevance in our day-to-day business. Therefore, we follow an approach that is based on a **strong awareness of the importance of environmental protection**.

4.1 Implementation

Throughout our company, we have a **strong awareness of the importance of environmental protection**. Our approach includes adopting actions and processes that reduce the use of resources like paper, power, and heating. For example, we use both sides of a sheet of paper and print multiple pages per sheet. We save energy by ensuring that we buy energy-efficient products when acquiring new equipment, and by making sure that all equipment is completely turned off overnight and at weekends. We are committed to recycling used resources such as paper, cardboard, bottles, and electronic waste. We purchase 100% of our electricity from renewable sources (primarily hydro power and solar energy).

ECOFAC is committed to promoting **greater environmental responsibility** through its business activities. As a company that provides environmental risk management solutions, we strongly encourage our clients to adopt policies, guidelines and strategies that include a clear commitment to environmental protection and sustainable management. Specific examples of our actions include the development of environmental risk procedures and frameworks, the support offered to our clients in revising their sustainability policies, the assessment of transactions against international environmental standards, and the assessment of financial products in terms of environmental risks and impacts. Another important channel through which we promote environmental responsibility is the training of financial professionals on environmental issues.

Furthermore, through the **Roundtable on Environmental and Social Risk Management** in banking we provide a platform for dialog and knowledge exchange.

4.2 Measurement of Outcomes

ECOFACT's power consumption per capita has decreased from 605 kilowatt-hours to 594 kilowatt-hours.

To evaluate our performance with regard to environmental principles, we furthermore take into account the number of cases in which our clients act in accordance with our suggestions. In most cases, our clients implement our recommendations and thus make **decisions that help to protect the environment**.

ECOFACT has never been the subject of investigations, legal cases, rulings, fines, or other events related to environmental issues.

5 Anti-Corruption Principles

ECOFACT is committed to fighting corruption within its sphere of influence. ECOFACT management will not tolerate any form of corruption, including extortion and bribery by any employee, and strictly enforces compliance with national law on these issues.

5.1 Implementation

ECOFACT **promotes anti-corruption principles** throughout its client base by building awareness of the reputational risk inherent in any actions that are in breach of these principles. We take anti-corruption principles into account when preparing risk assessments for our clients.

As one of the first organizations to join **Transparency International Switzerland**, ECOFACT supports one of the leading organizations committed to working against corruption. We strongly believe that corruption harms the economy, especially small enterprises.

5.2 Measurement of Outcomes

To evaluate our performance with regard to anti-corruption principles, we take into account the number of cases in which our clients act in accordance with our suggestions. In most cases, our clients implement our suggestions and thus make decisions that **comply with anti-corruption principles**.

ECOFACT has never been the subject of investigations, legal cases, rulings, fines, or other events related to corruption or bribery.