

Communication on Progress

2016

Statement of Continued Support

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

ECOFACT AG, Zurich, Switzerland

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Olivier Jaeggi
Managing Director

1 Background / Nature of Business / About ECOFACT

ECOFACT AG provides **environmental, social, and reputational risk management solutions** to global commercial and investment banks, insurance companies, asset owners and investment managers, multilateral development banks, multinational companies, as well as non-profit organizations, and governmental agencies.

ECOFACT was founded in 1998 as a spin-off from a leading Swiss bank, and is fully independent. ECOFACT is based in Zurich. We translate environmental and human rights risks into relevant analyses and practical strategies. Working alongside our clients, we develop risk management solutions, provide support on a day-to-day basis in assessing business transactions, screen investment and client portfolios, and develop research products.

Our **risk management consulting** services allow our clients to answer questions such as:

- How can I make sure that my organization's internal processes are in line with industry standards?
- How can I ensure that my organization is applying international standards appropriately?
- How does my organization compare with its peers? How do external stakeholders perceive my organization?

Our **risk assessment** team supports our clients in assessing individual **companies, or companies which are part of portfolios** (both investment and client portfolios):

When working on a risk assessment, we help our clients to answer questions such as:

- Which companies should we focus on? Which are exposed to risks – or expose us to risks? Which companies should we assess more carefully, and which should we not have a relationship or engage with? On what grounds?
- How do a company's business practices compare with relevant international standards? Do they comply with the corresponding requirements? How do they respond to controversial issues?
- Do we comply with our own standards? To what extent do we meet our policies and our appetite for risk?
- Are we exposed to reputational risks? Based on similar cases, what reaction should we expect from stakeholders?
- How should we address potential controversies and reputational risks? Are there opportunities? What options do we have, and what is the best strategy?

Research

- Through **the ECOFACT Quarterly, our briefing for E&S risk experts**, we offer a report tailored to the needs of individuals and teams in charge of assessing and controlling environmental and social risks at financial institutions. It aims to provide an update on environmental and social risks, standards, tools, and best practices.

www.ecofact.com/EQ

- The regulatory environment for corporate responsibility and sustainability is evolving at an unprecedented pace. Recent examples include efforts to translate the UN Guiding Principles on Business and Human Rights into national law in many jurisdictions, and new disclosure requirements related to climate change risks. In 2014, UBS commissioned ECOFACT to develop a new research tool, **the ECOFACT Policy Outlook™**, to monitor such developments as they pertain to the financial sector.

Knowledge Sharing

- We initiated the **Roundtable on Environmental and Social Risk Management**, 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 banks' business with corporate clients. The sixth Roundtable will take place in London in November 2016.
www.ecofact.com/Roundtable
- ECOFACT established **the Forum on Reputational Risk Management in Banking** to provide a platform for dialog and knowledge-sharing on common and best practices in reputational risk management for the world's leading banks. The sixth Forum will take place in London in October 2016.
www.ecofact.com/Forum
- In September 2016, ECOFACT, together with UBS, organized **the Annual Roundtable of the Policy Outlook Platform**. The Roundtable allows the users of the ECOFACT Policy Outlook™ tool to share views on evolving corporate responsibility and sustainability-related regulation. This year's Roundtable focused on climate change and disclosure regulations, as well as on developments related to financial institutions' fiduciary duty.

2 Human Rights Principles

We are committed to **respecting and protecting** human rights not only within our own operations, but also – and in particular – through our work with clients. We condemn human rights violations and will not be complicit in human rights abuses of any kind by knowingly providing assistance or support for any actions that perpetuate abuse.

We do not directly face significant human rights risks in our own day-to-day operations but are, at the same time, **very aware of the potential impacts** that businesses can have. Indirectly, human rights issues are of great relevance to our day-to-day operations. Through our products and services, we **raise awareness among our clients** of business-related human rights issues. It is ECOFACT's goal to help our clients understand, assess, and respect human rights, and mitigate human rights risks in their business relationships and partnerships.

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.

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 the impact of business on human rights: not only their own, but also their role in helping to protect the human rights of others. ECOFACT ensures that its employees acquire relevant, up-to-date knowledge on human rights and business, and in particular that they are familiar with the “Protect, Respect and Remedy” framework of the UN Special Representative for Business and Human Rights, Professor John Ruggie. 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 research for our ECOFACT Quarterly report and through the work we do for our clients.

Furthermore, we support our clients in developing policies, guidelines, and processes that address human rights risks and help our clients to assess the potential impacts of their day-to-day business. In addition, our risk assessments support financial institutions and other organizations in understanding whether or not their business (e.g. specific clients or transactions, investments in specific sectors or countries, financial products) complies with **international standards**, such as the OECD Guidelines for Multinational Enterprises or 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 identify opportunities to advance their business by promoting human rights.

By helping our clients **develop effective policies and guidelines** on human rights issues, we help promote respect for human rights beyond just our own actions, through our clients' business relationships and partnerships. This is further complemented by the **training** that we offer on business and human rights. We condemn human rights abuses and help our clients to become more aware of the potential impacts of their actions. Overall, we use our influence on clients to promote human rights by sharing experience and good practice.

Our **ECOFACT Quarterly** is another channel through which we promote human rights by keeping our clients up to date with relevant developments in terms of risks, standards, tools, and best practices.

2.2 Measurement of Outcomes

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

To further evaluate our performance with regard to human rights principles, we consider the number of cases in which our clients have acted 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 action that is in line with best practice. For example, we recommend that compliance with human rights standards be made a requirement, and make 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**.

For example, over the past year, ECOFACT has:

- Published several articles¹ on the MIT Sloan Management Review blog, aimed at raising awareness of environmental and social issues, and human rights issues in particular.
- Provided input on sustainable finance and responsible business conduct for several programs at the University of Zurich, including its Executive MBA program.

The ECOFACT Human Rights Benchmarking Framework

Many tools exist to help companies to address human rights issues. However, while many of these can be useful, they often lack a specific focus on risk management as it relates to human rights. ECOFACT has therefore created a Benchmarking Framework to help companies manage the risks associated with human rights violations.

The ECOFACT Human Rights Benchmarking Framework identifies and prioritizes existing gaps, and forms the basis for reliable strategic recommendations to meet regulatory requirements. ECOFACT has a strong foundation of experience in helping clients to meet international human rights standards. Our proprietary Benchmarking Framework permits an analysis of existing internal company policies and processes.

This unique combination of human rights and risk management expertise guarantees a comprehensive assessment of business relationships, sector-specific controversies, and internationally recognized human rights standards.

We help our clients to gain a better overview of the steps that are necessary to a) bring their current frameworks into line with human rights standards and b) ensure that all of the relevant risks associated with human rights violations are covered.

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** worldwide. We refuse to become involved with companies using forced or child labor.

ECOFACT recognizes the right of all employees to join and form **trade unions** to protect 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, remuneration, equal employment opportunities, and promotion decisions. We believe that diversity is very fruitful for the productivity of our company, and do not practice any form of discrimination based on age, sex, religion, origin, or trade union membership.

Labor rights are relevant to us not only in relations with our employees, but also in terms of our business relationships. If our clients do not comply with labor principles – especially by avoiding violations such as forced labor and unacceptable forms of child labor – in their day-to-day business, they may face significant reputational risks. Thus, for us, the relevance of labor principles in our business goes far **beyond our own**

¹ See "[Closing the Trade Finance Sustainability Gap](#)", "[Environmental and Human Rights Assume a New Urgency for Boards](#)", and "[The Insurance Industry Wants a World That Is Sustainable and Insurable](#)".

operations. It is our goal to raise awareness of labor principles among our clients, and to promote respect for labor rights.

3.1 Implementation

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

We believe that employees are more productive and produce work of better quality 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 against its employees, and ensures equal pay for equal work. We regularly engage with our employees to identify their needs and concerns, and to ensure employee satisfaction.

As violations of the ILO Core Conventions present severe social and reputational risk to our clients, ECOFACT is very conscious of the countries and sectors that are at risk. Awareness of the related 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 subscribers. Overall, through our actions, we help to **promote an understanding of the importance of labor rights** among our clients, and support them in assessing and managing labor rights risks in their business relationships and partnerships.

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. Based on employee feedback, we are committed to implementing measures to ensure continued employee satisfaction.

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

Furthermore, we take into account the number of cases in which our clients have acted 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.**

One of our core products is the ECOFACT Policy Outlook™ tool, which helps financial institutions to monitor new **regulatory and soft law** developments on a variety of topics, including labor, environment, and human rights.

4 Environmental Principles

We consider environmental conservation to be an issue of the utmost importance. While the direct impact of our operations on the environment is limited, we are still committed to further reducing this aspect of our business. Additionally, we are dedicated to using our business relationships to further promote environmental protection. We take a **precautionary approach** to environmental challenges and support the promotion of environmental responsibility.

Although we are not directly presented with significant environmental risks in our own operations, our clients do face such risks – in particular in their business relationships and partnerships with third parties. In our work, we are also very aware of how crucial it is for businesses around the world to take a sensitive and preventive approach to various environmental issues. 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 **clear awareness of the importance of environmental protection and climate change mitigation**.

4.1 Implementation

Throughout our company, **we are very much aware of the importance of environmental protection**. Our approach includes measures and processes that reduce the use of resources such as 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 over the weekend. We are committed to recycling resources such as paper, cardboard, bottles, and electronic waste. We purchase 100% of our electricity from renewable sources (primarily hydropower and solar energy) and we strive to buy only environmentally friendly products.

ECOFACT 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 development. Specific examples include developing environmental risk processes and frameworks, supporting our clients in revising their sustainability policies, assessing transactions against international environmental standards, and evaluating 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-sharing.

Another channel through which we **promote environmental awareness** is the ECOFACT Quarterly. We monitor new developments related to environmental risks and share these with our subscribers to keep them up to date.

4.2 Measurement of Outcomes

All electricity is purchased from renewable sources, mainly solar energy and hydropower.

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

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

One of our core products is the ECOFACT Policy Outlook™ tool, which helps financial institutions to monitor new **regulatory and soft law** developments on a variety of topics, including labor, environment, and human rights.

We are currently working with WWF UK, WWF Switzerland, and a group of ten leading banks on a project that aims to help the financial sector to protect and foster the sustainable economic development of natural World Heritage Sites.

5 Anti-Corruption Principles

ECOFACT is committed to fighting corruption. ECOFACT management will not tolerate any form of corruption, including extortion or bribery on the part of 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 bodies committed to working against corruption. We strongly believe that corruption harms the economy, especially small enterprises.

5.2 Measurement of Outcomes

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

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

Contact details

Olivier Jaeggi
Managing Director
olivier.jaeggi@ecofact.com / +41 44 350 60 60

Anna Reimann
Senior Consultant / Project Manager
anna.reimann@ecofact.com / +41 44 350 60 60