

Communication on Progress

2017

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

October 9, 2017



Olivier Jaeggi
Managing Director

1 Background / Nature of Business / About ECOFACT

Since 1998, ECOFACT has been helping clients to understand the risks and opportunities that ESG issues pose for the financial sector.

We provide due diligence solutions, risk assessments, and portfolio screenings for banks, insurers, and asset owners. ECOFACT also publishes the Policy Outlook tool, and the ECOFACT Quarterly.

ECOFACT is a signatory to the **United Nations Global Compact** and the **Principles for Responsible Investment**, and a member of **Swiss Sustainable Finance**.

Our Products

Policy Outlook

The Policy Outlook is a regulatory monitoring system that helps our clients to monitor regulatory change in corporate responsibility. Policy Outlook makes it easy to keep track of hard and soft law initiatives, stay on top of evolving ESG regulation and identify trends thanks to updates and in-depth analyses.

The ECOFACT Quarterly

The ECOFACT Quarterly is a briefing tailored to the needs of individuals and teams in charge of assessing and controlling environmental and social risks in corporate banking, investment banking and insurance.

Our Services

Risk Assessments

Being linked to controversial environmental and human rights issues may lead to financial losses, reputational damage, regulatory sanctions or even litigation. We support risk management and compliance units in assessing potentially controversial clients, transactions, corporate partnerships and other business relationships.

Portfolio Screening

Regulation requires financial institutions to assess potentially controversial companies they invest in or support. We will help our clients identify criteria in line with international and national standards and determine their own unique tolerance to risk as an asset owner, lender or underwriter. We screen client portfolios as well as equity and debt portfolios consisting of both listed and non-listed entities.

Knowledge sharing

ECOFACT hosts three events that facilitate knowledge sharing among peers and experts:

The Policy Outlook Conference

At this full-day conference peers and experts from the fields of public policy, legal & compliance, corporate responsibility and sustainability join in exploring how financial firms are addressing corporate responsibility regulations. The conference is organized in collaboration with UBS and the Policy Outlook Members.

Our Roundtables

The **Environmental and Social Risk (ESR) Roundtable** provides an opportunity for peers to discuss the challenges that arise as environmental and social issues are further integrated into financial institutions' business with corporate clients.

The **Reputational Risk Management (RRM) Roundtable** is a platform for dialog and knowledge sharing on common and best practices in reputational risk management in the financial sector.

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 related to their own human rights, but also with regard to 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 former 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 UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, but also through research for our Policy Outlook, the 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 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

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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.

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, in 2017, the OECD Secretariat engaged ECOFACT's consulting services to support the new phase of the **Responsible Business Conduct and the Financial Sector** project. The result of this project stage will be due diligence guidance documents for corporate finance and lending. Over the past year, ECOFACT has also **contributed to a dozen lectures** at the ETH Zurich, the University of Zurich, and at conferences on sustainable finance or responsible business conduct.

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**

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 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, a tool helping 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 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 conservation. We take a **precautionary approach** to environmental challenges and support the promotion of environmental responsibility.

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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 conservation**. 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 conservation 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 **Environmental and Social Risk Roundtable** 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**.

To promote greater environmental responsibility among our client base, ECOFACT has, over the past year:

For example, over the past year, ECOFACT joined forces with WWF to produce a report on **good practice** for global banks in **protecting World Heritage sites**. The OECD Secretariat engaged ECOFACT's consulting services to support them in producing due diligence and guidance documents for corporate finance and lending

as part of the **Responsible Business Conduct and the Financial Sector project**. Within 2017, ECOFACT **provided content for over a dozen lectures** delivered at various conferences on sustainable finance or responsible business conduct, the ETH Zurich, and the University of Zurich.

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, ECOFACT AG
Managing Director
olivier.jaeggi@ecofact.com / +41 44 350 60 62

Anna Reimann, ECOFACT AG
Senior Consultant
anna.reimann@ecofact.com / +41 44 350 60 60