

ECO:FACT

Communication on Progress 2019

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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

December 31, 2019



Olivier Jaeggi

Managing Director

1 Background / Nature of Business / About ECOFACT

ECOFACT has been **helping clients to understand the risks and opportunities that environmental, social, and governance issues present to the financial sector** since 1998.

We translate ESG risks into relevant analyses and practical strategies for our clients, conduct risk assessments, and screen their portfolios according to bespoke criteria. Our focused research provides insights into material risks as well as current and future regulatory expectations.

Founded as a spin-off from a leading Swiss bank, ECOFACT is a fully independent firm based in Zurich. 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**

Policy Outlook is a monitoring system that helps our clients to monitor regulatory change in corporate responsibility and sustainable finance. *Policy Outlook* makes it easy to keep track of hard and soft law initiatives across jurisdictions, stay on top of evolving environmental, social, and governance (ESG) regulation, identify trends, and anticipate the need to adapt processes thanks to updates and in-depth analyses.

- **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. It helps its subscribers to understand emerging ESG risks relevant for financial institutions.

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 assist risk management and compliance units in assessing potentially controversial clients, transactions, corporate partnerships, and other business relationships.

- **Portfolio Screening**

We help our clients to identify criteria in line with international and national standards, and to determine their own unique tolerance of risk as asset owners, lenders or underwriters. We screen client portfolios as well as equity and debt portfolios consisting of both listed and non-listed entities. Once high-risk positions have been identified, appropriate action can be taken. We advise on engagement and exclusion strategies applicable to individual companies as well as entire portfolios.

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 and compliance, corporate responsibility and sustainability meet to explore how financial firms can address corporate

responsibility regulations. The conference is organized in collaboration with UBS and Policy Outlook members.

- **Our Roundtables**

The **Environmental and Social Risk (ESR) Roundtable** promotes the greater integration of ESR due diligence in financial institutions' dealings with corporate clients. Participants meet their peers, share their achievements and concerns, develop a common understanding of the challenges involved, and discuss how these can be addressed.

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

2 Human Rights Principles

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

Although we do not directly face significant human rights risks in our own day-to-day operations, we are nonetheless very aware of the potential impact that businesses can have. Human rights issues are therefore indirectly of great relevance to our day-to-day operations.

Through our products and services, we raise awareness of business-related human rights issues among our clients. It is ECOFACT's goal to help our clients to understand, assess, and respect human rights, and to mitigate human rights risks in their business relationships and partnerships.

We will not do business with companies or government bodies that are accused of human rights violations, unless our projects serve to improve the conditions of those affected and help our clients to avoid committing human rights violations in the future.

Implementation

While we are not exposed to significant 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 with regard to their own human rights, but also to their role in helping to safeguard the human rights of others. ECOFACT ensures that its employees acquire relevant, up-to-date knowledge of human rights in the context of business. Overall, building knowledge of human rights issues is a continuous process that is supported, for example, by working on the basis of international standards such as the UN's *Guiding Principles on Business and Human Rights* and the OECD's *Guidelines for Multinational Enterprises*, but also by conducting research for our *Policy Outlook*, the *ECOFACT Quarterly* report, and by the work we do for our clients.

Furthermore, we help our clients to develop policies, guidelines, and processes that address human rights risks, as well as assessing the potential impact of their day-to-day business. Our risk assessments help financial institutions and other organizations to understand whether or not their businesses (e.g. specific clients or transactions, investments in specific sectors or countries, financial products) comply with international standards, such as the OECD's *Guidelines for Multinational Enterprises* or the *Equator Principles*, and the relevant standards of the World Bank Group. This also allows us to devise strategies to help our clients to avoid and mitigate negative impacts, and to identify opportunities to advance their businesses by promoting human rights.

By helping our clients to develop effective policies and guidelines with regard to human rights issues, we not only help to promote respect for human rights beyond our own actions, but also through our clients' business relationships and partnerships. This is further complemented by the business and human rights training that we offer. We condemn human rights abuses and strive to raise our clients' awareness of the potential impact of their actions. In general, we use our influence on clients to promote human rights by sharing our experience and good practice.

Measurement of Outcomes

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

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 will also 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.

In 2019, ECOFACT assisted the OECD Secretariat in drafting [Due Diligence for Responsible Corporate Lending and Securities Underwriting](#). The document defines expectations regarding due diligence for the business at the heart of the banking industry. It is the first document to broadly recognize environmental and social standards, including human rights standards, applicable to corporate lending and underwriting transactions.

Another example of how our work directly promotes respect for human rights is a project during which we helped the Global Climate Partnership Fund to develop an environmental and social risk assessment tool, which will be used by banks that provide financial services to small and medium-sized enterprises in low-income economies. The purpose of the tool is to enable banks to make more reliable decisions as to which transactions require inputs from environmental and social risk experts.

We also assisted Swiss Sustainable Finance in producing its [Swiss Sustainable Finance Focus on the EU Action Plan on Sustainable Finance](#), and two of our staff members wrote a [piece](#) on conducting responsible business due diligence for *The Reporting Times*.

ECOFACT also frequently addresses the topic of human rights in its lectures. Over the past year, ECOFACT has contributed to numerous lecture cycles at the University of Zurich, the Federal Institute of Technology Zurich, the Lucerne Academy, and at conferences on sustainable finance and responsible business conduct. Subjects included human rights due diligence and the management of human rights risk in client relationships.

3 Labor Principles

ECOFACT is committed to supporting the elimination of all forms of forced and compulsory labor. We condemn the 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, ranging from hiring to remuneration, equal employment opportunities to 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, gender, religion, origin, or trade union membership.

Labor rights are relevant to us – not only in our relations with our employees, but also in terms of our business relationships. If our clients do not comply with labor principles – particularly 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. For us, then, the relevance of labor principles in our business extends far beyond our own operations. It is our goal to promote respect for labor rights among our clients, investors, and the general public.

Implementation

In our day-to-day business, we comply with labor principles in several ways.

We believe that employees are more productive and produce work of better quality if they are treated with respect and are fairly remunerated for their work. For us, the balance between work and leisure time is one of the keys to good, efficient work performance. We therefore 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 governing issues such as holidays, unpaid leave, and social insurance cover. ECOFACT is committed to preventing discrimination of all kinds against its employees and guarantees equal pay for equal work. We regularly engage with our employees to identify their needs and concerns, and to ensure employee satisfaction.

Violations of the ILO's *Core Conventions* pose severe social and reputational risks to our clients. Knowledge 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 assist them in assessing and managing labor rights risks in their business relationships and partnerships.

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 any 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 that helps financial institutions to monitor new regulatory and soft law developments on a variety of topics, such as labor rights, including those related to diversity and gender equality issues.

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 nevertheless committed to continuing to reduce this aspect of our business. Moreover, 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.

Although we do not directly face significant environmental risks in our own operations, our clients are confronted with 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 adopt 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. We therefore pursue an approach that is based on a clear awareness of the importance of environmental protection and climate change mitigation.

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, heating, and cooling. 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 ensuring that equipment is completely turned off overnight and at weekends. 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 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, assisting our clients in revising their sustainability policies, assessing transactions against international environmental standards, and evaluating financial products in terms of their environmental risks and impact. Another important way in which we promote environmental responsibility is by training financial professionals in environmental issues.

Furthermore, our Environmental and Social Risk Roundtable provides 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.

Measurement of Outcomes

In 2019, all electricity was purchased from renewable sources, mainly hydropower and solar energy.

ECOFACT has never been the subject of investigations, legal cases, rulings, fines, or any 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.

In 2019, ECOFACT assisted the OECD Secretariat in drafting *Due Diligence for Responsible Corporate Lending and Securities Underwriting*. The document defines expectations regarding due diligence for the business at the heart of the banking industry. It is the first document to broadly recognize environmental and social standards applicable to corporate lending and underwriting transactions.

We also helped the Global Climate Partnership Fund to develop an environmental and social risk assessment tool, which will be used by banks that provide financial services to small and medium-sized enterprises in low-income economies. The purpose of the tool is to enable banks to make more reliable decisions as to which transactions require inputs from environmental and social risk experts.

Another example of how we promote greater environmental responsibility is our work for the WWF, which we assisted in writing *Protecting our World Heritage, insuring a sustainable future* – the first guide on how to protect our world heritage sites designed for the insurance industry.

ECOFACT also frequently addresses the topic of environmental responsibility in its lectures. Over the past year, ECOFACT has contributed to numerous lecture cycles at the Federal Institute of Technology Zurich, the University of Zurich, the Lucerne Academy, and at conferences on sustainable finance or responsible business conduct. Subjects included environmental due diligence and the management of environmental and human rights risks in client relationships.

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.

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.

Measurement of Outcomes

ECOFACT has never been the subject of investigations, legal cases, rulings, fines, or any 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.

The topic of responsible business conduct, including anti-corruption, is also frequently addressed in lectures given by ECOFACT. Over the past year, ECOFACT has contributed to numerous lecture cycles at the Federal Institute of Technology Zurich, the University of Zurich, the Lucerne Academy, and at conferences on sustainable finance and responsible business conduct.