

ECO:FACT

Communication on Progress 2021

Table of Contents

Statement of Continued Support	2
1 Background / Nature of Business / About ECOFACT	3
2 Human Rights Principles	5
3 Labor Principles	7
4 Environmental Principles	9
5 Anti-Corruption Principles	11

Statement of Continued Support

ECOFACT became a signatory to the UN 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

March 30, 2022



Olivier Jaeggi

Managing Director

1 Background / Nature of Business / About ECOFACT

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

By combining market-leading research with unique advisory experience, **we strive to be a catalyst in the transition toward a sustainable economy**. 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, Switzerland. ECOFACT is a signatory to the **United Nations Global Compact** and the **Principles for Responsible Investment**, and it is a member of **Swiss Sustainable Finance**.

Our Products

- ***Policy Outlook***

Policy Outlook is a continuously updated research package backed by an online database. This tool provides in-depth analyses of sustainable finance and corporate responsibility regulatory initiatives across the globe. [Learn more.](#)

- ***Monitoring Peer Policies***

Monitoring Peer Policies is a comprehensive analysis of environmental and social (E&S) policies and frameworks of a variety of leading banks and insurers. We keep our clients apprised of any changes their peers make. [Learn more.](#)

- ***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. [Learn more.](#)

Our Services

- **Regulatory Implementation**

We support our clients by developing customized regulatory implementation strategies that prioritize their needs and concerns. We help our clients strengthen their internal capabilities and secure a position at the forefront of successful regulatory implementation. Our regulatory implementation services also enable our clients to harness new opportunities associated with regulatory change.

- **ESG Risk Management**

Being linked to controversial environmental and human rights issues may lead to financial losses, reputational damage, regulatory sanctions, or even litigation. We assist our clients throughout the steps needed to establish appropriate management frameworks for environmental and human rights risks. We also support 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 understand which entities in their portfolio present a material risk. We screen client portfolios as well as

equity and debt portfolios consisting of both listed and non-listed entities. 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 sustainable finance 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 ESR Roundtable is hosted by Credit Suisse.

The **Reputational Risk Management (RRM) Roundtable** is a platform for dialogue 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 nor 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 on human rights. These 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 adhering to international standards such as 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 through 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 assess 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 with clients to promote human rights by sharing our experience and good practices.

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 2021, ECOFACT continued to assist the OECD Secretariat in translating its sector-agnostic guidance to support the needs of the financial sector. Our current project focuses on a new paper that addresses due diligence for responsible business conduct in the context of asset-backed finance and project finance. The outcome of our previous project, the OECD paper *Due Diligence for Responsible Corporate Lending and Securities Underwriting*, was published in late 2019. These documents are the first to provide normative guidelines relevant for the core business of banks.

Another example of how our work directly promotes respect for human rights is our ongoing efforts for the [Global Climate Partnership Fund](#). In 2021, we completed two complementary projects: a) building a categorization tool that assists financial institutions in improving the reliability of their E&S risk categorization, and b) developing and designing an online training solution to provide financial institutions with the information needed to apply E&S exclusion lists appropriately.

We have continued to assist several industry associations in supporting their members' compliance with sustainable finance regulation, particularly focusing on EU sustainable finance regulation, for example, the [Swiss Sustainable Finance association](#), the [Liechtenstein Bankers Association](#), and the [Swiss Bankers Association](#). The EU regulation includes the concept of adverse impact, which is a concept initially introduced by the UN Guiding Principles on Business and Human Rights and the relevant OECD guidelines. In our work, we emphasize the importance of understanding the differences between impacts (on others) and risk to a financial institution. The EU legislation also includes the expectation that sustainable investments avoid harming others, including any infringements of human rights.

ECOFACT also frequently addresses the topic of human rights in the lectures it delivers. In 2021, ECOFACT contributed to numerous lecture cycles at the University of Zurich and the University of St. Gallen, both in person and online.

In 2021, ECOFACT continued to provide quarterly briefings on regulatory change for the members of several European local networks of the Global Compact local networks. These briefings focus on regulatory change pertaining to corporate responsibility and are targeted to companies from all economic sectors.

In 2021, we have expanded our advisory work to companies active in the real economy. We have supported several companies in Switzerland and abroad to implement solutions in the context of human rights due diligence.

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 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 not 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, our actions 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 the environmental footprint 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—particularly 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 on weekends. We are committed to recycling resources such as paper, cardboard, bottles, and electronic waste. We purchase 100 percent 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 dialogue 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 2021, 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.

For examples of how we promote greater environmental responsibility, please refer to section 2 above.

In addition, we have expanded our advisory work to cover climate related issues more systematically. We have also introduced an implementation program for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) with which we have supported several financial institutions to produce their first TCFD report.

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.