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ISSUE 33 JULY 2020

ECO:FACT QUARTERLY

The briefing for E&S risk experts

ISSUE 33 JULY 2020

Editorial

Time to move beyond reputational risk management

As an environmental and social (E&S) risk expert working at a financial institution (FI) – be it a bank, a (re-)insurer or an asset manager/owner – you will probably have made steady progress in developing your E&S risk management system. Now is the time to take it to the next level:

- Increasingly, regulators and supervisors are approaching **E&S risk as a financial risk**, which they expect FIs to manage appropriately. This work is being coordinated at international level by such organizations as the **Network for Greening the Financial System**, an initiative steered primarily by central banks. Furthermore, 45% of securities regulators are now addressing the potential greenwashing of financial products in one form or another.

- Several countries have introduced mandatory due diligence requirements, particularly in relation to human rights issues such as **child labor and modern slavery**. The European Union has also recently signalled that it is considering introducing such regulation. Please note that human rights considerations are also a key element of the EU taxonomy's[1] safeguards.

- In addition, soft law standards such as those published by the OECD now incorporate detailed due diligence specifications, which are tailored to multiple sectors – including the **financial industry**. The OECD is successfully disseminating ground breaking concepts such as the need for financial institutions to identify and mitigate adverse impacts on affected parties and the environment. This normative work has become very influential and has, for example, had a significant impact on recent EU regulation on sustainable finance.

- EU regulation itself – which will bite FIs both inside and outside the EU – poses significant challenges that FIs should not take lightly. Initial deadlines, particularly regarding regulation on sustainability-related disclosures (**Regulation (EU) 2019/2088;** March 2021!), will require significant methodological developments. These will require that processes, product portfolios, and marketing materials be reviewed and policies, processes, and IT systems adapted.[2]

- Last but not least, your peers are continuously strengthening their E&S risk policies with regard to controversial sectors and issues.[3]

All these developments demonstrate that the nature of your work is changing. This is a unique opportunity for you and your team to share your knowledge across your institution. Other units, such as Risk Management or Legal & Compliance, often underestimate the complexity of sustainability issues. And they depend on your input, as these issues are not part of their traditional curriculum.

In short, managing E&S risks purely from a reputational risk management angle is now insufficient. The interests of third parties, particularly those affected, have grown in importance; it is no longer enough to focus purely on the risks for your FI. You will also be required to develop more quantitative solutions in terms of climate risk or EU disclosures, for example. Failing to meet these expectations appropriately will initially pose compliance and eventually liability risks – two categories that will only become more important in your work over time. This again makes the case for you to act swiftly, expand your reach within your FI, take responsibility, and demonstrate leadership on E&S risks.

Olivier Jaeggi

1. Economic activity will only qualify as environmentally sustainable, i.e. be considered taxonomy-aligned, if it meets minimum safeguards compliant with human rights standards: https://www.ecofact.com/blog/minimum-safeguards-within-the-upcoming-eu-sustainability-taxonomy/

2. For further information on the requirements of these regulations, contact info@ecofact.com. ECOFACT has an innovative, proactive, and cost-efficient approach to implementing EU disclosure regulations.

3. In 2019, ECOFACT launched the Monitoring Peer Policies initiative, a global, granular analysis of 19 financial institutions' ESG policies across more than 20 ESG sectors and issues. As of today, eight FI are participating in this initiative. For further information, please contact info@ecofact.com.

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*We will dedicate up to 10 hours to the assessment. There may be a waiting list.

"Useful and much-appreciated report among Swiss Re's ESG experts."
Swiss Re

"Well-prepared, practical information that meets our needs in addressing environmental and social risks."
UniCredit Group

"Very well done, and extremely useful for our daily work."
Commerzbank

International standards

Updates on cross-sector environmental and social standards which might be relevant as a benchmark for risk assessments. Scope: key developments related to the most important international environmental and social standards.

→ Insurance sustainability guide launched by global insurers and UN Environment Programme

Following extensive global consultation led by Allianz and the UN Environment Programme (UNEP), the first insurance industry guide to sustainability risks is now available. UNEP's Principles for Sustainable Insurance Initiative (PSI) serves as a global roadmap for "managing environmental, social and governance (ESG) risks in non-life insurance." PSI identifies eight risks: climate change, ecosystem degradation, pollution, animal welfare and testing, child labor, controversial weapons, bribery, and corruption. The guide is designed to forewarn insurers and provide best-practice suggestions on ESG sustainability risk management strategies (including "heat maps" that show potential risks across economic and insurance sectors). The roles and responsibilities required to fight ESG risks are identified, as well as the best ways to detect, analyze, decide upon, and effectively report these risks. June 17, 2020.

Read more → Guide →

Coming soon:	Expected by:
ISO/WD 32210 Framework for sustainable finance: Principles and guidance	Under development (preparatory phase)
OECD paper on due diligence for responsible project finance and asset-based transactions: Key considerations for financial institutions implementing the OECD Guidelines for Multinational Enterprises	Under development

High-risk sectors

Developments relevant to six specific high-risk sectors, such as news on risk factors and trends, the relevant regulations, and best practices. The table below contains an update on controversies, and comments on the corresponding reputational risk for financial institutions.

Information based on SIGWATCH data

SIGWATCH scans the messaging of more than 10,000 NGOs across the world on a daily basis in order to identify active and emerging campaigns and issues, and to track their criticism (and occasional praise) of corporations and industry sectors. This qualitative and quantitative data provides a unique insight into NGO concerns, and provides early warning of the problems that companies and investors will have to manage in the months ahead.

Analysis based on SIGWATCH data, combined with insights gained in ECOFACT's consulting practice

The grades take into consideration the degree of reputational risk to financial institutions that is associated with investments in the subsectors mentioned. An "A" indicates that transactions related to this topic present comparably low reputational risk, while an "E" indicates high reputational risks.

Sector	Subsector	Level of controversies: # of NGO campaigning actions per quarter and trend in the last three months[†] — 2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	Trend	FI exposure: Share of NGO actions criticizing financial institutions.	ECOFACT summary	ECOFACT risk rating
Agriculture	Palm oil	24	15	24	17	22	11	-50%	16%	The palm oil sector is associated with issues such as deforestation, threats to endangered species, and poor working conditions. While "No Deforestation, Peat, Exploitation" (NDPE) commitments by RSPO members have been criticized for a lack of on-the-ground verification, FIs are urged to ask their clients for NDPE commitments and to monitor compliance. FIs lacking stringent palm oil policies or involved with companies that do not adhere to best practices face considerable reputational risks.	D
Agriculture	Livestock agriculture	170	161	217	157	154	160	4%	5%	Livestock agriculture faces controversial issues that include greenhouse gas emissions from enteric fermentation, excessive water use and pollution resulting from fodder production, and land use linked to deforestation and biodiversity loss. With increasing awareness of these problems on the one hand yet growing global consumption of animal proteins on the other, FIs linked with large-scale livestock agriculture may be exposed to reputational risks.	C
Agriculture	Deforestation	29	28	63	34	40	50	25%	23%	Deforestation is often linked to large-scale monocultures, which include palm oil, soy, sugarcane, and rubber. Apart from its severe impact on biodiversity, deforestation contributes significantly to climate change. FIs are expected to implement zero deforestation commitments in their lending and investment portfolios, and will face reputational risks if they fail to implement such commitments.	E
Forestry	Logging and plantations	72	80	81	69	94	107	14%	13%	Environmental pollution, overuse and contamination of water, and the ensuing health risks for local communities are some of the concerns faced by pulp and paper companies. The sector's supply chain is also frequently associated with unsustainable practices, including deforestation and land-grabbing. Sustainability certification schemes are often criticized for being inadequate or lacking enforcement mechanisms. FIs linked to companies engaged in operations viewed as unsustainable face significant reputational risks.	D
Mining	Coal mining	32	43	40	30	48	41	-15%	46%	Coal mining is linked to a number of controversial environmental and social issues, including adverse impacts on community health and safety, and coal's contribution to climate change. Many FIs have issued restrictions on coal mining or have committed to a complete phase-out. FIs failing to adopt such an approach expose themselves to high reputational risks.	E
Mining	Impact on indigenous people	12	16	15	12	22	37	68%	22%	Large-scale mining projects can have a disproportionately high impact on the livelihoods of indigenous peoples. Companies are expected to respect the principles of Free, Prior, and Informed Consent (FPIC) when their operations may have an impact on indigenous people. NGOs frequently target FIs linked to projects or companies that have failed to obtain FPIC. This also includes the failure to implement the complaint mechanisms provided by the OECD Guidelines for Multinational Enterprises.	E
Oil & Gas	Fracking	31	41	24	25	21	25	19%	4%	Oil and gas companies continue to be criticized for the impact of their fracking activities – such as excessive water consumption, the risk of ground-water contamination, and a suggested link between fracking and increased seismic activity. The practice is opposed by communities in large parts of Europe, where some countries have introduced temporary bans. Some banks have announced that they will limit their associations with fracking companies. FIs involved in fracking and related infrastructure projects face reputational risks.	C
Oil & Gas	Pipelines	22	33	26	13	29	25	-14%	15%	Oil and gas pipelines face a number of controversial issues, including adverse impacts on indigenous peoples, other human rights violations, environmental pollution from leaking pipelines, and climate change. New pipeline projects linked to indigenous peoples' territories, to controversial oil and gas extraction projects, or planned in fragile environments, are often strongly opposed by civil society. FIs linked to such projects are exposed to high reputational risks.	D
Oil & Gas	Oil sands	6	8	9	4	9	4	-56%	32%	The development of oil sands and oil pipeline projects continues to be opposed by communities and civil society groups owing to concerns about their environmental and social impact, including climate change and pipeline safety, as well as their effect on indigenous peoples' rights. FIs involved with oil sands producers or related pipeline projects face significant reputational risks. Some FIs fully or partially exclude oil sand projects and/or companies from their portfolios.	E
Oil & Gas	Liquified natural gas	18	25	20	24	16	21	31%	27%	The process of cooling gas into a liquid for LNG is criticized for being energy-intensive, resulting in gas with a carbon footprint comparable to that of coal. There is strong opposition to many LNG projects planned around the world, and NGOs frequently urge FIs to stay away from such projects. Involvement in projects of this kind will expose FIs to high reputational risks.	D
Utilities	Coal-fired power	112	117	92	90	98	112	14%	47%	Coal-fired power remains highly controversial due to its impact on human health and the environment, and particularly to its contribution to climate change. FIs involved in financing coal-fired power plants or with clients associated with the coal industry are frequently targeted by NGOs. Increasing numbers of FIs are distancing themselves from coal-fired power projects and companies.	E
Utilities	Gas-fired power	115	108	86	92	103	124	20%	45%	While the greenhouse gas emissions from natural gas-fired power are often considered to be much lower than those from coal or oil, "fugitive" emissions of methane from wells and pipelines, as well as the use of LNG, can significantly limit or even outweigh the benefits of gas-fired power. Concerns are also being raised about a potential "lock-in" to fossil fuel-based energy with new gas infrastructure. Since NGOs maintain that gas should not be used as a "bridge fuel" to renewables, new gas-fired power projects pose reputational risks to FIs.	D
Utilities	Hydropower	20	16	17	11	18	17	-6%	22%	Extensive resettlement, severe impact on ecosystems and the livelihood of local communities, including indigenous peoples, are some of the concerns associated with large-scale hydropower projects. If located in sensitive areas, projects often face strong opposition from communities and NGOs. FIs, especially development finance institutions, are regularly implicated in criticism of such projects.	C
Utilities	Nuclear power	24	32	26	29	34	24	-29%	4%	Nuclear power remains a controversial sector, raising concerns regarding safety risks, radioactive contamination, and the management of nuclear waste in the absence of permanent disposal facilities. These concerns are not restricted to areas of limited regulatory supervision, and FIs involved in new nuclear power plants face reputational risks, irrespective of project location.	C

[†]The green / red arrows mean that the number of NGO campaigning actions has fallen or risen by more than three actions in the last three months, whereas the orange arrow means that the change in the number of actions in the last three months has been smaller than three. The percentages below the arrows indicate the trend from the previous quarter, i.e. the percent change of the number of NGO campaigning actions.

High-risk sectors

Oil & Gas · Mining · Forestry · Agriculture · Utilities · Chemicals · Other

Risk factor

Intrusive surveillance-based business models a danger to democracy, according to report

Ranking Digital Rights (RDR) has issued the first of two reports lifting the lid on the connection between surveillance-based business models and the health of democracy. Drawing on extensive research regarding corporate policies and digital rights, the study demonstrates how two of the most commonly used algorithms a) propagate and prohibit various types of online speech (including targeted ads), and b) influence, motivate and activate social harm. RDR argues that ad-based, personalized targeting on popular platforms like Facebook can influence public events like the upcoming 2020 US election, which makes it even more worrying that nobody seems to know the true nature and depth of these algorithms. RDR calls on companies to boost their own accountability and transparency on the use and impact of algorithms. April 13, 2020.

Read more (1) → Read more (2) →

Risk factor

The world's car manufacturers fall short of key climate targets

Automotive manufacturing will require a massive turnaround to meet Paris Agreement goals, according to the report entitled *Changing Gear: Alignment of major auto manufacturers with the goals of the Paris Agreement*. The report finds that leading automakers urgently need to adjust their production plans in order to match their emission commitments and avoid creating an extra 1.5 billion tonnes of CO_2 via future production estimates of 43 million-plus vehicles with internal combustion engines. The report, prepared by 2° Investing Initiative (2DII) and Institutional Investors Group on Climate Change (IIGCC), analyzes electric (EV), hybrid, and internal combustion engine vehicles. Modeling vehicle emissions against climate scenarios from the International Energy Agency (IEA), this report demonstrates that none of the 14 leading automobile manufacturers' production plans balance with scenarios designed to keep global warming below 2°C. June 9, 2020.

Read more → The report →

Risk factor

New tool tackles meat industry financial risks

"The food industry is burying its head in the sand," warns global asset manager group FAIRR. Whereas recent findings show that agricultural land use creates 25 to 30 percent of GHG emissions and encourages deforestation, only 2 of the 43 leading meat companies (5 percent) have undertaken a climate "scenario analysis," risking billions of dollars across the sector. To encourage change, the 20 trillion-dollar investor network FAIRR has published a new online analysis tool. Identified risks include poor reporting, which may cause disinvestment, as well as failure to adapt to consumer shifts towards alternative protein diets; the likelihood of livestock regulation; environmental taxes; stricter emissions controls; capital costs; damage from water shortages; loss of livestock due to climate change; and higher feed costs due to poor crop yields. April 2020.

Read more (1) → Read more (2) →
Read more (3) →

Emerging risks

Risks that may become material in the near future or are relevant when looking into a company's business model, but are not yet considered as highly significant risks from a financial institution's reputational risk perspective, or are not related to a high-risk sector.

→ Emerging Risk Initiative updates risks and trends for insurers

Three new insurance risks – namely "Digital Misinformation," "Plastics and Microplastics," and "Skills Shortage and Reskilling" – have been identified and added to the CRO Forum's *Emerging Risk Radar* during its annual review of significant trends and emerging risks that are expected to affect insurance claims over the next decade. The 2020 updates also shorten the realization horizon for "Pandemics" from "First significant impacts expected within 1–5 years" to "Significant impacts already seen in insurance claims." June 30, 2020.

Read more → Report →

→ Banks warn of severe climate risks to the economy and financial sectors

The Network for Greening the Financial Systems, which includes more than 60 prominent central banks, has warned that global GDP may fall by as much as 25 percent by 2100. Even if greenhouse gas emissions are cut to net-zero by 2070, future risk scenarios indicate that there is still only a 67-percent chance to curb global warming to 2°C above pre-industrial levels. In this best-case, "orderly" scenario, global GDP may fall by only about 4 percent. "Disorderly" scenarios affected by delayed implementation of 2030 climate policies would lead to a 10-percent reduction, whereas the probable "hot-house" scenario – if current climate policies persist – would either wipe out up to a quarter of annual global GDP by the end of the century or perhaps cause total collapse. These pioneering scenarios are designed to guide climate risk assessments. June 25, 2020.

Read more →

→ IMF's Global Financial Stability Report warns of physical risk mispricing

Extreme weather events have quadrupled since the 1980s to roughly 200 per year, moving from an annual cost of USD 22 billion to USD 120 billion, with projections of USD 1 trillion by 2050. The International Monetary Fund's (IMF) April 2020 *Global Financial Stability Report* (GFSR) critically examines the coronavirus pandemic's impact on financial stability alongside the financial risks stemming from climate change. Noting that only modest impacts in stock pricing seem to result from disasters, the IMF suspects that equity investors are not paying attention to climate variables and warns that "a sudden shift in investors' perception of this future risk could lead to a drop in asset values, generating a ripple effect on investor portfolios and financial institutions' balance sheets". The challenges of addressing this problem include the short-term focus of equity investors, a lack of long-term research and data, and an absence of standardized regulations governing corporate climate-risk disclosure. As a solution, the IMF recommends the mandatory disclosure of material climate change risks, climate stress tests to measure firms' exposure, government-mandated insurance cover for climate-related disaster risk, and subsidized disaster cover. May 29, 2020.

Read more (1) → Read more (2) → Read more (3) → Report →

Business case

→ ESG investments outperforming during pandemic

Analyst firm Morningstar published a report that outlined its evaluation of the performance of 4,900 European-domiciled sustainable open-end and exchange-traded funds versus their traditional peers. Not only have more sustainable funds survived the past 10 years (72 percent compared to 45.9 percent of traditional funds), but environmental, social, and governance (ESG)/sustainability funds have also outperformed underlying stock indices during the COVID-19 pandemic (62% of ESG funds outperformed the underlying MSCI World stock index during March 2020). Morningstar's Director of Sustainability Research stated that "The main takeaway of this study is that investing in sustainable funds doesn't require taking a performance trade-off." June 15, 2020.

Read more → Report →

Similar results were reported by HSBC when it compared stocks' performance between December 2019 and March 2020 (start of crisis), and from February to March 2020 (high-volatility). HSBC discovered that climate-focused stocks did 7.6 percent better from December and 3 percent better from February, while environmental, social, and governance (ESG) shares surpassed the performance of others by 7 percent in both periods. The bank suggests that investors would be wise to view ESG as a "defensive characteristic," since ESG issuers tend to create value for all stakeholders, including society, and to use ESG criteria to explore estimated earnings and increasing volatility, as well as analyzing risk scenarios. April 1, 2020.

Read more (1) → Read more (2) → Read more (3) → Report →

Peer approach

New sector and issue policies that financial institutions have recently adopted. The table below gives an overview of the number of sector and issue policies produced by financial institutions.

→ BoE climate risk assessment: portfolio supports 3.5°C warming scenario; ESG factors to be considered in corporate bond activity

In order to observe the requirements of the Task Force on Climate-related Financial Disclosure, the Bank of England (BoE) has performed its first ever climate risk assessment. The report has discovered that the central bank's non-gilt holdings support 3.5°C global warming, which is far in excess of the Paris Climate Agreement's "upper limit" of 2°C. Considering public and environmentalist backlash, Governor Andrew Bailey has sought to address criticism by promising to include climate change in corporate bond purchasing decisions once the coronavirus crisis has ended. July 3, 2020.

Read more (1) → Read more (2) →

→ BNP Paribas requires EU companies to have coal exit strategies by 2021 or lose financing

BNP Paribas has revised its *Coal-fired Power Generation Sector Policy* to introduce new rules for financing companies that purchase, expand or construct coal-fired electricity plants. Aiming to eliminate exposure to coal-fired electricity projects, the bank will now exclude companies if they are planning new coal capacity or have not developed a full coal exit plan by 2021 that is in line with BNP Paribas's goals. The bank is working toward zero exposure to thermal coal in EU and OECD countries by 2030, and 2040 for the world's remaining countries. Progress will be tracked by monitoring companies' exit strategies on an annual basis.
July 2, 2020.

Read more → The policy →

→ Sector and issue policies adopted by insurers

(A) indicates the number of insurers among the 9 Systematically Important Insurers which have adopted a policy, guideline, or commitment addressing the corresponding sector or issue for their investments. (B) indicates the number of insurers which have adopted a policy, guideline, or commitment addressing the corresponding sector or issue in underwriting. Only the sectors or issues covered by policies are included in the table.

Sector policies	A	B
Agriculture	2	1
Palm oil	2	1
Tobacco	3	2

Issue policies	A	B
Climate change	6	4
Agricultural commodities	2	1
Human rights	5	5

This table includes the 9 global systemically important insurers (G-SIIs) according to the Financial Stability Board: Aegon N.V., Allianz SE, American International Group, Inc., Aviva plc, Axa S.A., MetLife, Inc., Ping An Insurance (Group) Company of China, Ltd., Prudential Financial, Inc., Prudential plc.. Source: **fsb.org**

→ Sector and issue policies adopted by banks

(C) indicates the number of banks among the 30 Systematically Important Financial Institutions which have adopted a policy, guideline, or commitment addressing the corresponding sector or issue and disclose its content. (D) indicates the number of banks which disclose that they have adopted a policy, guideline, or commitment, but do not disclose the corresponding content.

Sector policies	C	D
Agriculture (general)	8	5
Biofuels	3	2
Palm oil	16	3

Issue policies	C	D
Biodiversity	1	3
UNESCO World Heritage Sites	18	1
Human rights	19	3

This table includes the 30 Systematically Important Financial Institutions (SIFIs) according to the Financial Stability Board: Agricultural Bank of China, Bank of America, Bank of China, Bank of New York Mellon, Barclays, BNP Paribas, China Construction Bank, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, Groupe Crédit Agricole, HSBC, Industrial and Commercial Bank of China Limited, ING Bank, JP Morgan Chase, Mitsubishi UFJ FG, Mizuho FG, Morgan Stanley, Nordea, Royal Bank of Canada, Royal Bank of Scotland, Santander, Société Générale, Standard Chartered, State Street, Sumitomo Mitsui FG, Toronto Dominion, UBS, Unicredit Group, Wells Fargo. Source: **fsb.org**

New tools and databases

This section presents new tools and databases that can help to identify or manage environmental and social risks.

→ Two new UNEP FI tools assist banks in impact analysis

Together with Positive Impact Initiative and others, the UN Environment Programme Finance Initiative (UNEP FI) has developed a set of open-source, Excel-based "holistic" analysis tools that could be integrated into proprietary systems. The Portfolio Impact Analysis Tool for Banks seeks to help financial institutions perform impact analyses of retail (consumer and business banking) and wholesale (corporate and investment banking) portfolios with the aim of setting targets to "drive their contribution to society's goals." The Corporate Impact Analysis Tool is for financial institutions – or corporations – to identify, assess, and monitor impact-related risks at sector and country level. The tools are flexible in that they can be employed directly, adapted for internal use, or used as inspiration to revise and update existing frameworks and processes. March 2020.

Read more (1) → Read more (2) → Portfolio Impact tool → Corporate Impact tool →

→ CRO Forum report explores carbon footprinting methodologies

The Chief Risk Officers (CRO) Forum has released a report to help insurers understand the difficulties they encounter when attempting to comprehend and disclose the carbon footprint of their underwriting portfolios. Specifically presented as an exploration rather than a set of standards, the report presents various methodologies that are or could be used in the industry to determine portfolios' carbon intensity. It discusses the "particular challenge" of double-counting in the insurance industry and the necessary evolution of metrics – from the currently mostly qualitative to quantitative and data-driven. The report focuses on Weighted Average Carbon Intensity (WACI) methodologies to identify carbon-driven hotspots at portfolio level. May 1, 2020.

Read more → Report →

→ Report helps financial institutions to set biodiversity-related targets

Estimated to cost USD 479 billion annually, degradation of the size and health of the planet's varied ecosystems poses a risk to the global economy and its resilience, since most economic activity relies on nature in some way. In *Beyond "Business as Usual": Biodiversity Targets and Finance*, the Natural Capital Finance Alliance (NCFA) aims to help financial institutions to set biodiversity targets for nine sub-sectors that will contribute to reversing the biodiversity crisis. The report explains the risks financial institutions face and discusses reframing risk as opportunity "by mitigating impacts on and managing investments in biodiversity in a sustainable way." June 30, 2020.

Read more (1) → Read more (2) → Executive Summary → Report → Tool →

About this report

This briefing 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 risks, standards, tools, and best practices that are relevant primarily from a reputational risk perspective.

The content is organized into four levels: each item of information is headed by a title which allows the reader to digest the report in less than five minutes. Subsequently, a brief abstract summarizes the key facts. Additionally, if appropriate, a short comment illustrates why this information might matter and, finally, a link to the original source allows the reader to drill down further into the subject.

Our research process consists of four steps: firstly, ECOFACT collects information from international newspapers and specialized periodicals. Secondly, the websites of the most relevant NGOs, international organizations, private and academic research centers, environmental and sustainability think-tanks, and government agencies are visited regularly. Thirdly, specialized newsletters to which we subscribe are screened, and finally, organizations in charge of international environmental and social standards are contacted.

Selection criteria for the content of the briefing: a) information on environmental and social risks that b) was published (in most cases) over the past quarter, and c) is relevant from the reputational risk perspective of a financial institution. The scope covers the ten principles of the UN Global Compact.

About ECOFACT

ECOFACT has addressed the risks and opportunities that environmental, social and governance issues present to the financial sector since 1998. We work primarily for banks, insurers, institutional investors, and international standard-setters.

We help our clients to improve their understanding of credit, reputational, compliance and liability risks in the context of sustainability, ESG and responsible business conduct.

Due Diligence

We assist our clients in designing processes and conducting due diligence:

We provide solutions for issue monitoring, policy development, portfolio screening, individual risk assessment, and engagement services.

Research Products

In addition to the *ECOFACT Quarterly,* ECOFACT also produces the *Policy Outlook.* The *Policy Outlook* covers regulatory change pertaining to ESG and corporate responsibility issues. It a monitoring and implementation package that consists of an online tool and provides access to a network of peers.

Read more →

Knowledge Sharing

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

- The *Policy Outlook Conference* gives you the chance to join peers and experts from the fields of public policy, legal & compliance, corporate responsibility and sustainability in exploring how financial firms are addressing corporate responsibility regulations.
- 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.

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

Swiss Sustainable Finance

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