ECO:FACT QUARTERLY

The briefing for E&S risk experts

9 YEARS
OF PUBLISHING
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ECO:FACT QUARTERLY
The briefing for E&S risk experts

The ECOFACT Quarterly is a briefing on environmental and social risks relevant for the financial sector. This sample report includes the editorial, excerpts from three tables, and a limited selection of 13 news items from the 38 items featured in the full report. For information on subscribing to the ECOFACT Quarterly, go to the **last page.**

Editorial

You May Be Falling Behind

In the **editorial** of the last issue of the *ECOFACT Quarterly*, I pointed out that **rapid mainstreaming also brings about major change**. We have observed this change happening particularly within the larger banks and insurers.

In a recent discussion, an **ESG strategy expert at one of the leading international banks** told us how, until recently, it had been difficult for them to attract senior management's attention to sustainability issues. And if they had managed to do so, it was always the topic discussed at the end of the executive board meeting. He then vividly explained how this has completely changed. Sustainability and climate issues finally have the visibility and time allocated to them that they deserve. **The ESG strategy expert found it amazing that senior managers now consider these issues to be of strategic importance – in terms of both risk and opportunity**. In his words, the topic is now finally appreciated and fully integrated as one of his company's strategic objectives.

Unfortunately, we are seeing such change only at the largest international banks and insurers and among smaller, long-term sustainability leaders. There is a real risk that other institutions — be they major national players or smaller organizations — could fall behind. **Why is that a problem?** Let me point you to two recent publications:

- In a new **article**, a group of McKinsey consultants explain that companies are "ramping up pressure on suppliers to cut their own emissions or risk losing business. **Business leaders are telling us that some of their biggest customers are warning that future contracts will be contingent on significant emissions reductions**." They also point out that carbon taxes may soon have cross-border implications and companies abroad may no longer be shielded from stricter environmental legislation. They conclude that "**decarbonization is no longer an option**."
- Why this matters to financial institutions is explained by Larry Fink in his latest **letter to CEOs**. Interestingly, although he emphasizes the opportunities, his observations make it clear why fiduciary duty also matters: "**The reallocation of capital accelerated even faster than I anticipated**. [...] I believe that this is the beginning of a **long but rapidly accelerating transition** – one that will unfold over many years and reshape asset prices of every type. We know that climate risk is **investment risk**. But we also believe the climate transition presents a **historic investment opportunity**."

The key problem is that **many members of executive management teams have not yet understood how profound the changes will be**. I will talk about this in one of the next editorials.

Climate change is not going away — which is also true of many other sustainability challenges. There are three main reasons why your institution must address climate risks as a strategic issue:

1. **Regulators frequently state that climate risks are financially material** and, to comply with fiduciary duty obligations, they should be taken into account, both in risk management and investment decisions.
2. **Climate risks are complex**: considering them in underwriting, lending, and investment decisions is a challenge.
3. **New investment and market opportunities also arise**: they may be even more complex and time-consuming, and may require modifications to business models.

Your institution needs to take advantage of the investment opportunities presented by the mainstreaming scenario, but more importantly, you should ensure that it is not your clients and beneficiaries who end up with the high-risk investments in their portfolio.

Olivier Jaeggi

International standards

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

➔ EU regulators publish redrafted sustainability disclosure requirements

The Joint Committee of the three European supervisory authorities (ESAs) has published its final (draft) report and offered new, pared-back disclosure requirements (Regulatory Technical Standards). To curb greenwashing, service providers will now be required to disclose 18 mandatory indicators linked to the ground-breaking Sustainable Finance Disclosure Regulation (SFDR), down from the 32 previously proposed. Investors must also choose at least one environmental and one social indicator from a set of additional, opt-in indicators. Early proposals were branded unfeasible and costly by industry groups due to the level of detail required and the lack of available data. While campaign groups criticize the change as a concession to corporate interests, Sustainability Forum argues that sufficient data is not yet available, particularly with regard to social impact indicators. After more than a year's delay, they believe that the concessions can realistically ensure swift implementation. The European Commission is expected to endorse the requirements within three months. However, the ESAs have already opened a consultation to explore amending the final draft of the report they approved in February. (See the consultation table below.) February 5, 2021.

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

Why we think it matters: With the publication of these regulatory standards, financial institutions are now able to fully implement the requirements of the EU's SFDR. Among other key elements, the final report includes several templates that ESAs expect financial institutions to adopt for disclosing sustainability-related information at the product level. It is important to emphasize that the SFDR also applies to financial products and entities located outside of the EU once these enter the EU market. In addition, the SFDR is set to become a blueprint for future regulations across the globe that seek to tackle greenwashing.

What we're watching

Below are a few **insights from our Policy Outlook research**. ECOFACT's team of legal analysts continuously monitor regulatory developments related to sustainable finance and corporate responsibility. Monitoring includes over 46 jurisdictions, the European Union, financial sector regulators, stock market authorities, as well as multilateral organizations such as the OECD and the UN. For more information on regulatory trends, please **contact us**.

Jurisdiction	Date	Description
EU 🇪🇺	June 30, 2021	Article 4 of the EU Sustainable Finance Disclosure Regulation will become mandatory for EU financial market participants with over an average of 500 employees, as well as large group parent companies. Their required Principal Adverse Impacts Statement must be published on their websites and address the impact of investment decisions on sustainability factors and related due diligence policies. **Read more** (for Policy Outlook subscribers) ➔

Source: ECOFACT's Policy Outlook, a database of in-depth analyses of sustainable finance and corporate responsibility regulatory initiatives across the globe.
More information: **https://www.ecofact.com/policyoutlook/**

Selected open consultations

We have selected a few **open consultations from our Policy Outlook database** that are relevant to the wider financial and/or insurance industries. Many organizations and governments use a consultation process to solicit structured feedback from stakeholders. It is an opportunity for interested parties to comment on the content of materials that are issued to support a dialogue. For more information on open consultations, please **contact us**.

Authority	Consultation topic	Deadline for input
US Securities and Exchange Commission (SEC)	The SEC wants feedback from investors, filers, and other market participants on the demand for climate change information, and whether current disclosures adequately inform investors. **Read more** (for Policy Outlook subscribers) →	June 13, 2021

Source: ECOFACT's Policy Outlook, a database of in-depth analyses of sustainable finance and corporate responsibility regulatory initiatives across the globe.
More information: **https://www.ecofact.com/policyoutlook/**

High-risk sectors

Developments relevant to six specific high-risk sectors, such as news on risk factors and trends, associated regulations, and best practices. This section concludes with a two-page table that provides an update on sector-related controversies, reveals financial institution exposure, and provides ECOFACT analyses.

Oil & Gas   Mining   Forestry   Agriculture   Utilities   Chemicals   Other

Risk factor

Extractive sectors lack due diligence, says Responsible Mining Foundation report

Due diligence systems in sectors that extract oil, gas, metals, and minerals "tend to focus more on the identification of ESG risks than on the assessment and management of these risks," asserts a new report by the Responsible Mining Foundation. The foundation's assessment of due diligence and transparency practices at 25 major global commodity trading and production companies revealed a lack of transparency on many supply chain issues, indicating limited ESG due diligence (average score of 28 percent) and poor implementation of ESG commitments – with few if any systematic measures in place (average score of just 10 percent for performance review). Levels of disclosure varied widely, with a notable lack of disclosure across the sector regarding payments to governments. The report recommended that the sector provide more systematic disclosure and improve its adoption of global standards. February 2021.

Read more →   Report →

Risk factor

Despite net-zero pledges, big banks have loaned USD 3.8 trillion to fossil fuel companies since 2015

Published by a coalition of NGOs, *Banking on Climate Chaos 2021* puts forward a critical evaluation of sixty of the world's largest banks' financing of fossil fuel companies between 2015, when the Paris Agreement was signed, and 2020. The authors conclude that banks provided a "shocking" USD 3.8 trillion in financing, with more being loaned in 2020 than in 2015. Roughly 21 percent of the banks analyzed are based in Canada and the US, yet they accounted for close to half of all financing. Despite many of the banks having net-zero pledges, according to critics, the upward trend in financing shows an "alarming disconnect" between banks' practices and their promises. March 26, 2021.

Read more (1) →   Read more (2) →
Read more (3) →   Read more (4) →
Report →

Risk factor

Turbulent seas forecast for shipping firms

Many shipowners could struggle to stay afloat in the decade ahead, warns the latest *Lloyd's List Intelligence* briefing on shipping finance. As the world's biggest banks prepare to align their portfolios with international greenhouse gas reduction goals, the International Maritime Organization has set two overarching targets: a 50-percent emissions reduction by 2050 from a 2008 baseline, and a 40-percent reduction in the carbon intensity of shipping by 2030. Entitled *Red Light or Green Light: The Dilemma Facing Shipowners*, the Lloyd's briefing calculates that, given the multi-decadal lifespan of ships, the maritime sector must now ensure that zero-emissions ships are operating on deep-sea trade routes on a commercial scale by 2030. Yet shipping firms have several potential low-carbon technology options as well as face uncertainty about future fuels. For deep-sea vessels, there is "little certainty on the horizon."
January 8, 2021.

Read more →

High-risk sectors

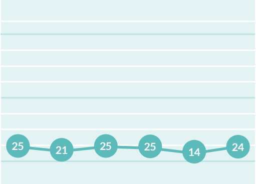
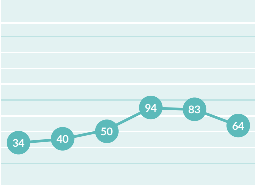
Information based on SIGWATCH data

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

Analysis combines SIGWATCH data and ECOFACT insight

The circles next to each subsector indicate the degree of reputational risk to financial institutions (FIs) that is associated with investments in that subsector.

🔴 = High
🟠 = Enhanced
🟡 = Moderate

Sector & subsector			**Level of controversy** Number of NGO campaigning actions per quarter and trend in the last three months[†]. 2019 Q4, 2020 Q1, Q2, Q3, Q4, 2021 Q1		**FI exposure** Share of 2021 Q1 NGO actions criticizing FIs.	**Selected news highlights and ECOFACT risk summary** We have hand picked news stories and reports that highlight specific ESG risk-related issues these sectors were associated with in the previous quarter. Whether the stories target a small element or a large-scale impact of a sector, all share one thing in common: they are relevant to FIs as they assess the evolving risks of these areas of business.
Forestry	Logging and plantations	🟠		↗ 31%	14%	**Threats to the world's forests:** Many investors have acknowledged the ongoing deforestation problem; some are even threatening to divest from Brazilian companies and government bonds or have adopted restrictive policies. A WRI report has examined how rapidly oil palm, soy, cattle, wood fiber, cocoa, coffee, and rubber production are replacing primary forests – roughly 5.5 million hectares of forest are lost each year. The WWF has also reported on global deforestation, and a damaged Amazon is suspected of contributing to climate change.
Oil & Gas	Fracking	🟡		↗ 71%	31%	**Orphaned, idle, and abandoned wells pose a huge liability:** A low-carbon economy means the end for many fossil fuel companies. As they go out of business, some walk away from their assets. This is a growing problem attracting international attention. Despite legal obligations to plug and clean up their wells, and court rulings requiring insolvent companies to satisfy environmental obligations before paying creditors, the problem continues to grow. FIs with links to fracking companies face reputational risks that persist after a company folds and/or abandons contaminated sites.
Agriculture	Deforestation from agriculture	🔴		↘ 23%	24%	**"Certified" may not mean what you think:** Banks looking for assurances that companies operate responsibly may want to reexamine their assumptions about certification schemes, which face frequent criticism, such as being unfit to tackle growing demand for forest and ecosystem commodities of risk. Even schemes with strong standards are criticized for weak implementation and a lack of product traceability and transparency. Many certified companies continue to be linked to deforestation, human rights abuses, and greenwashing.
Utilities	Nuclear power	🟠		↘ 17%	1%	**Is nuclear power a green investment?** News sources report that experts will provide the EU Commission with a recommendation to label nuclear power as a sustainable green investment within the sustainable finance taxonomy. If nuclear power ends up being labelled as "green," there could be backlash from NGOs and the public. Banks that include this type of power in their portfolios could be criticized for doing so, even if the taxonomy permits.

[†] The green/red arrows indicate that the number of NGO campaigning actions have decreased/increased by more than three actions compared to the previous quarter, whereas the orange arrows indicate this change is less than three actions. The percentages below the arrows denote the trend compared to the previous quarter, i.e. the percent change in of the number of NGO campaigning actions.

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.

➔ Climate change litigation booming; financial institutions' sustainability goals open them to lawsuits

In February 2021, the Paris Administrative Court ruled that the French State had failed to address the climate crisis adequately, and at the end of March, the European Court of Human Rights accepted a complaint from Senior Women for Climate Protection Switzerland against the country. Climate litigation has become a fact of life. It's not just being used by the public, but it is also being used by investors and shareholders to force action to be taken on topics such as climate and diversity. The UN Environment Programme has published the *Global Climate Litigation Report: 2020 Status Review* to provide an overview of global climate litigation trends. When comparing the number of cases brought forward in 2017 (884 in 24 countries) with those in just the first half of 2020 (1,550 in 38 countries), the authors determined three key trends: cases are arguing that international law and national constitutions protect fundamental human rights and require action on climate change; there are arguments that fossil fuels must be kept in the ground; and claims are being made of corporate responsibility for climate damage. A lawyer at Signature Litigation in Paris has pointed out that when financial institutions publicize their sustainability goals, they open themselves to litigation because their public environmental statements may be viewed as marketing and could therefore also be seen as misrepresentation if such claims are not fulfilled. March 26, 2021.

Read more (1) ➔ **Read more (2) ➔** **Read more (3) ➔** **Decision (French) ➔** **UNEP report ➔**

➔ Deep seabed mining driven by demand for renewables

Investors are paying attention to the demand for renewables and the subsequent pressure for ethically sourced battery metals. The world's first public offer of deep-sea mining stock went live at the end of March. Thus far, Green Minerals AS has been in Europe's top ten best initial offerings of 2021. Currently, much of the world's supply of battery metals is sourced from the Democratic Republic of Congo, a country infamous for lax regulations, mining-related human rights abuses, and environmental damage. Attention is turning toward the horde of metals found at the bottom of the ocean to meet demand by means of what is, hopefully, a more sustainable supply. However, as highlighted by the WWF's *In Too Deep* report and a paper on seabed mining, it is difficult to qualify the practice as sustainable or ethical. Too many unknowns about ecosystems and biodiversity mean that there is a real risk of unpredicted impact on fisheries, livelihoods, and ocean carbon and nutrient cycles. One thing that is known is that seabed mining introduces "rapid and abrupt disturbance" to areas that are likely to have low levels of resilience. March 26, 2021.

Read more (1) ➔ **Read more (2) ➔** **Read more (3) ➔** **Report ➔** **Paper ➔**

➔ Cyber threats evolving fast; insurers advised to consider physical losses

Cyber-attack threats are at a turning point, according to a new report entitled *The Emerging Cyber Threat to Industrial Control Systems* produced collaboratively by Lloyds, CyberCube, and Guy Carpenter. Weighed against the current trends of cloud adoption, the convergence of internet and operational technology, the proliferation of the Internet of Things (IoT), and "smart manufacturing," cyber-risk is also becoming a threat to physical markets. Designed to help insurers consider potential physical losses, the report presents hypothetical real-world scenarios in four key industries (manufacturing, shipping, energy, and transportation) via three potential routes of attack: 1) a targeted supply chain malware attack, in which malicious actors compromise products before distribution; 2) a targeted attack in which attackers exploit a vulnerability in widely used IoT devices found in industrial settings; and 3) the infiltration of industrial internet technology networks. All three scenarios have historical precedents. February 16, 2021.

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Business case

Information that underlines the business case for environmental and social risk management in financial institutions.

➔ Clean energy seven times more profitable than fossil fuel investments

Global renewables investment returns significantly outperform comparable fossil fuel investments, according to the latest research. In *Clean Energy Investing: Global Comparison of Investment Returns*, researchers from Imperial College London and the International Energy Agency find that listed renewables' portfolios have outperformed listed fossil fuel portfolios in all markets over the last 10 years, generating 422.7 percent for renewables against 59 percent for fossil fuels. Although this comparative difference has diminished over the past five years, capital costs remain lower for renewable energy companies. Researchers emphasize the need for more precise data from energy producers, particularly those with diversified business models. Cyclical factors such as declining demand and policy shifts also have an influence on these outcomes. March 19, 2021.

Read more (1) ➔ Read more (2) ➔

Peer approach

New sector and issue policies that financial institutions have recently adopted. The table on page 8 gives an overview of the number of sector and issue policies produced by insurers. This issue's policy sector in focus is: Biodiversity (page 9).

➔ More insurers abandon coal, some exclude specific oil and gas projects

Insurers who restrict coal underwriting see the decision reflected in their valuation, from -3 to +9 percent, say analysts from Societe Generale SA. The more they do to divest from coal, the higher stock gains they see. Considering this finding, it is no surprise that several insurers have committed themselves to restricting coal investments over the last quarter. In Australia, the Adani Charmichael coal and rail project has attracted much controversy for its projected impact on Indigenous people, the Great Barrier Reef, and the climate. Reuters reported that Lloyd's insurer Brit will not underwrite any policies directly related to the mine, making it the 26th Lloyd's syndicate to adopt this stance. Hong Kong-based insurer AIA has indicated that it will be free of all coal investments by 2028. France's AXA has dropped German utility RWE AG due to its large coal operations and for moving too slowly to reduce the company's carbon footprint. Swiss Re has announced a phase-out of thermal coal underwriting in OECD countries by 2030 and the rest of the world by 2040. In North America, meanwhile, AXIS Capital has indicated that it will not be underwriting new or reinsurance, nor providing investment support for the exploration, production or transportation of oil and gas from the Arctic National Wildlife Refuge. It joins AXA and Swiss Re in this commitment. March 16, 2021.

Read more (1) ➔ Read more (2) ➔ Read more (3) ➔ Read more (4) ➔ Read more (5)
Read more (6) ➔ AIA report ➔ Swiss Re ➔ AXIS ➔

➔ While banks and investors continue to set 2050 net-zero goals, Aviva ups the ante; IIGCC launches Net Zero Investment Framework implementation guide

Aviva has announced that it is the world's first insurer to target 2040 (instead of 2050) for net-zero carbon emissions in all aspects of its business and operations. Since the Net Zero Asset Managers initiative was unveiled at the end of 2020, an additional 43 asset managers have committed themselves to meeting new/enhanced emissions goals by 2050 or earlier. At the end of March, the 73 signatories included BlackRock and Vanguard, which between the two of them doubled the total assets supporting the initiative. Goldman Sachs updated its 2030 Sustainable Finance Commitment to narrow the company's operational carbon emissions to net zero by 2030 instead of 2050. Citigroup is seeking to achieve net-zero emissions within its operations by 2030 and within its lending portfolio by 2050. Bank of America has also indicated that it is targeting 2050 as a net-zero deadline for its financing, operations, and supply chain, as has Jupiter Asset Management. Wells Fargo has made a similar commitment; it is the last of the "big 6" American banks to do so.

Read more (1) ➔ Read more (2) ➔ Read more (3) ➔ Aviva ➔ Goldman Sachs
Citigroup ➔ BoA ➔ Jupiter ➔ Wells Fargo ➔

More net-zero goals, coordinated by the Institutional Investors Group on Climate Change (IIGCC), have been announced by the pension funds of the Church of England, Lloyd's Banking Group, and the National Grid as well as the Scottish Widows, Royal London, andNest pension providers. These and other related net-zero investor announcements accompanied the IIGCC's launch of the *Net Zero Investment Framework*. The document is intended to support the investment community's ambitions by providing insight into practical measures they can adopt in order to reach their targets. March 29, 2021.

Read more (1) ➔ Read more (2) ➔ Framework ➔

Editorial
International standards
High-risk sectors
Emerging risks
Business case
Peer approach
New tools & databases
About
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➔ CEO pay intertwined with ESG performance: new strategy or fad? Some banks are trying it out

Opposition to excessive CEO pay has grown during the pandemic year, when many non-C-suite workers lost jobs or saw their employment suspended during lockdown periods. Financial incentives have long been used to influence the behavior of executives and encourage certain performance results. However, until recently, financial “carrots” in executive remuneration were structured in a manner that promoted short-term behavior – a particularly troublesome problem when a company wants to address long-term ESG challenges. FCLTGlobal’s report on how to extend the time horizon of executive pay points out that when it comes to remuneration plans, “we are not consistently paying for what we want.” It offers suggestions for change to renumeration packages that encourage long-term behavior. Six Canadian banks have tied their CEOs’ salaries to ESG performance, which is interesting considering that only 9 percent of FTSE All World Index Companies did so in 2020. For the first time, financial services company Legal & General linked achieving climate targets to 2021 executive bonuses. March 22, 2021.

Read more (1) ➔
Read more (2) ➔
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Read more (5) ➔
FCLTGlobal report ➔

➔ Sector and issue policies adopted by insurers

(A) indicates the number of insurers among the 9 Systematically Important Insurers that have adopted a policy, guideline, or commitment addressing the corresponding sector or issue for their investments. (B) indicates the number of insurers that 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.

	Q1 2020		Q1 2021	
Sector policies	**A**	**B**	**A**	**B**
Agriculture	2	1	2	1
Palm oil	2	1	2	1
Tobacco	3	2	3	2
Forestry	2	1	2	1
Infrastructure	1	1	1	1
Defense	3	1	3	1
Cluster munitions	5	1	5	1

	Q1 2020		Q1 2021	
Sector policies	**A**	**B**	**A**	**B**
Climate change	6	4	6	4
Agricultural commodities	2	1	2	1
Human rights	5	5	5	5
Child labor	2	1	2	1
Forced labor	2	1	2	1
Indigenous peoples’ rights	1	1	1	1

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.c.. Source: **fsb.org**

Policy sector in focus: Biodiversity

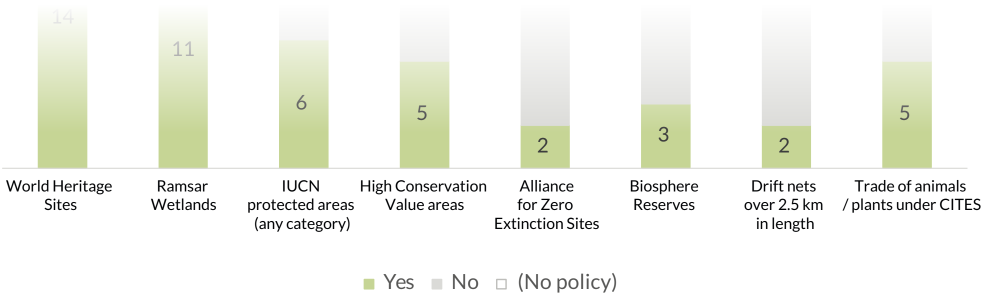
➔ Biodiversity is a hot topic, but what does it mean for financial institutions?

Biodiversity, which refers to the rich variety of life on the planet or within an ecosystem/habitat, is gaining traction as an indicator of the health and resilience of natural environments. The term also encompasses a more nuanced understanding of nature and its role in human society's productivity and well-being. There is a growing consensus that biodiversity is a large-scale risk, possibly on par with climate change.

Financial institutions face challenges in figuring out how to integrate biodiversity considerations into their operations and decision-making. Biodiversity risks may occur in many different sectors and activities. These risks include, for example, impact on threatened and endangered species, deforestation, overfishing, and loss of ecosystem services. It is unclear how to tackle the topic on the risk side, other than through sector policies – such as a forestry policy that includes due diligence on deforestation.

One area that seems to be easier to delineate is biodiversity, as it relates to protected areas. Many institutions have a policy on protected areas that outlines due diligence and exclusions. It is relatively easy to assess whether the borders of a protected area overlap with the borders of a planned project with a large footprint, such as a new mine, dam, plantations, etc. Most frequently, protected areas covered by this definition are World Heritage Sites and Ramsar Wetlands. However, IUCN protected areas, high-conservation value forests, biosphere reserves, and Alliance for Zero Deforestation sites are increasingly being considered.

Number of monitored financial institutions with policies mentioning certain protected areas and/or activities



Source: ECOFACT's Monitoring Peer Policies, a comprehensive analysis of environmental and social policies and frameworks of a variety of leading banks and insurers. For more information:

www.ecofact.com/monitoring-peer-policies/

New tools and databases

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

➔ UN PSI says insurance industry needs a more integrated approach to handling climate risk

Insuring the climate transition: Enhancing the insurance industry's assessment of climate change futures is the UN Principles for Sustainable Insurance (UN PSI) and 22 major insurance firms' final report on piloting the Task Force on Climate-related Financial Disclosures recommendations. The authors assert that in the past, discussions about how the insurance industry should manage climate change were focused on physical, transition, and litigation risks as separate topics, and note that litigation might not have entered the discussion at all. The report introduces litigation risk as a factor that should be given equal weight in risk analysis, financial modeling, and key performance indicators. It offers suggestions on how to go about assessing each of these risk categories. February 11, 2021.

Read more (1) ➔ **Read more (2) ➔** **Report ➔**

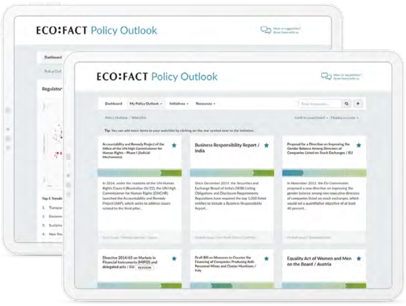
➔ Climate risk management pilot study reports published

Transition risk is a looming threat to the global economy. This is one of several findings from the UN Environment Programme Finance Initiative, a global sustainable finance partnership bringing the UN together with more than 350 banks, insurers, and institutional investors. Their latest reporting package draws on a pilot study of thirty-nine banks, which have put into practice recommendations given by the Task Force on Climate-related Financial Disclosures. The reports compiled in collaboration with industry experts offer holistic insight: Pathways to Paris is a practical guide for financial practitioners seeking to understand and apply climate scenarios. Decarbonisation and Disruption highlights transition risks. *The Climate Risk Landscape* provides an overview of the various tools and analytics available, alongside an overview of the potential technologies and regulations that may also shape the way these tools are used in future. February 17, 2021.

Read more ➔ **Report (1) ➔** **Report (2) ➔** **Report (3) ➔**

About ECOFACT

ECOFACT has addressed the risks and opportunities that ESG issues present to the financial sector since 1998. We work primarily for banks, insurers, institutional investors, and international standard-setters. Helping our clients to improve their understanding of credit, reputational, compliance, and liability risks in the context of sustainability ESG issues and responsible business conduct is our specialty. **Contact us** today to explore how our unique advisory services and market-leading research can assist you.



Research

The Policy Outlook platform

A continuously updated **analysis of regulatory changes** pertaining to sustainable finance and corporate responsibility.

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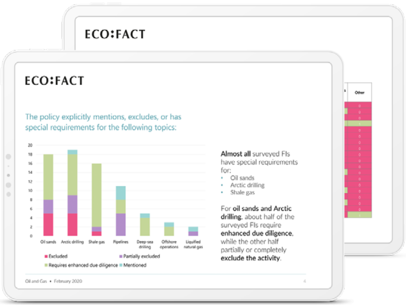

The policy explicitly mentions, excludes, or has special requirements for the following topics:

Almost all surveyed FIs have special requirements for:

- Oil sands
- Arctic drilling
- Shale gas

For **oil sands and Arctic drilling**, about half of the surveyed FIs require **enhanced due diligence**, while the other half partially or completely **exclude the activity**.

Oil and Gas • February 2020

Research

Monitoring Peer Policies

Our global, **comprehensive analysis of financial institutions' and insurers' ESG policies** across more than 20 sectors and issues.

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Advisory

Regulatory Implementation

ECOFACT can work with you in different ways:

Tailored solutions

Receive support to **design, revise, and implement processes** anchored in your existing routines and compliance culture.

Collaborative approach

A new and innovative approach to regulatory implementation: a **network of financial institutions shares the costs and benefits of our services.**

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Advisory

Risk Management Advisory

We can help you to:

- **build capacity** and integrate ESG into **policies, processes, and training**
- design **workflow tools** that enable cost-efficient, consistent, and rule-based decision-making tailored to your risk appetite
- conduct **risk assessments** and **portfolio screenings**
- **track** and **communicate results**

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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

THE GLOBAL COMPACT
WE SUPPORT

PRI Principles for Responsible Investment

About this report

The *ECOFACT Quarterly* report 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.

Content selection is a team endeavor that considers the applicability of the information to environmental and social risk, that it was published (in most cases) in the previous quarter, and that it holds relevance for financial institutions from a reputational risk perspective. The scope covers the 10 principles of the UN Global Compact.

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