ECO:FACT QUARTERLY

The briefing for E&S risk experts

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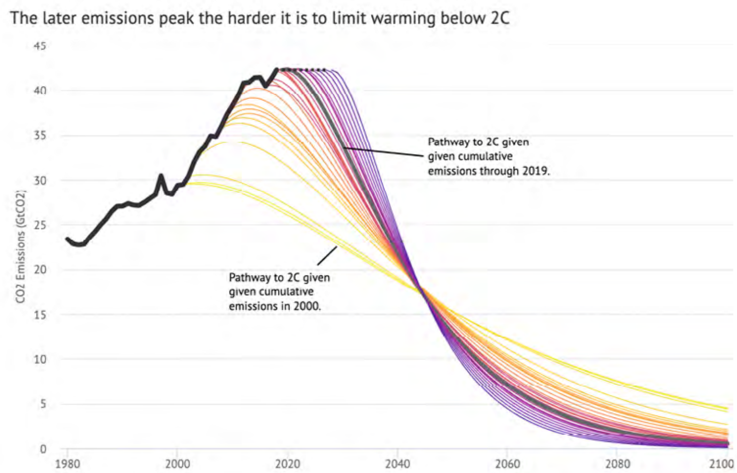
Editorial

Schumpeter on steroids – why the TCFD wants organizations to become resilient

Most managers fail to understand the extent of the changes coming our way. They simply don't believe that climate change will lead to material risks – either for their clients or their investments. Physical risks? "A long way off." Transition risks? "The government won't harm businesses." Many managers like to believe that companies will – as always – adapt to new challenges, while those who do not will go out of business. **They refer to Schumpeter's concept of creative destruction and capitalism's transformative power – which eliminates obsolete sectors and sets financial and human capital free for emergent industries.**

However, they are overlooking two important aspects. Firstly, in the words of **BlackRock**, the reallocation of capital has already begun – and is happening more quickly than anticipated. Secondly, again in the words of **BlackRock**, there are not yet any roadmaps[1] for achieving a net-zero economy, and the markets are underestimating the profound changes about to happen. BlackRock therefore concludes that the path ahead is unlikely to be a smooth one.



We often use this graph to illustrate the extent of the changes that businesses are likely to encounter.
(graph from **Carbon Brief**)

This is how we explain it: The black line on the left shows the exponential growth of global annual CO_2 emissions since 1990 (they have nearly doubled). Growing amounts of CO_2 are emitted every year, thus continuously increasing concentrations of CO_2 in the atmosphere. This leads to higher average temperatures *and* increased volatility worldwide (for example, rising drought and heavy rainfall in a specific region). The graph also illustrates the radical reduction of annual CO_2 emissions required to halt global warming at 2°C (represented by the colored lines). If more CO_2 is emitted, governments will fail to meet this target. Policymakers will have to make a choice and may, sooner or later, impose restrictions on the economy. The later the real economy is required to adapt to a net-zero economy (the darker curves), the swifter and more radical that change will have to be.[2]

What we are about to observe across several industries is likely to be equivalent to Schumpeter on steroids. It is no coincidence **that the Task Force on Climate-Related Disclosures (TFCD) places so much emphasis on resilience –a company's ability to develop adaptive capacity.[3]** In a nutshell, the TFCD wants companies to have what it takes to manage risks and seize opportunities – and to be able to communicate their position to investors and other stakeholders.

Olivier Jaeggi

Our TCFD Regulatory Implementation Program: cost-efficient and innovative

Participating institutions receive all the information, briefings, and templates they need to prepare themselves for improved TCFD reporting. We provide them with the expertise they need to do this work and to guide them through the process with a series of webinars and one-on-one calls.

This approach focuses on what matters most: building capacity within your organization and helping your institution to meet existing and future regulatory expectations in different markets.

For further information, please contact us at **policy@ecofact.com** or call us at **+41 44 350 60 60**

1. The EU recently launched a partial roadmap for a 55% reduction by 2030: https://ec.europa.eu/commission/presscorner/detail/en/IP_21_3541
2. Note that the time slots for taking early action (represented by the yellow and orange lines) had already been missed when this graph was created.
3. https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf, page 7 (document page 15)

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.

→ BCBS reports on climate-related risks and worries about adequate capital buffers to weather them

The Basel Committee on Banking Supervision (BCBS) has been looking into climate-related financial risks for some time. After reviewing a wide variety of literature, holding discussions with banks, and considering the work of international fora such as the Network for Greening the Financial System and the Financial Stability Board, the BCBS has issued two reports that look at ways to measure climate-related financial risks and explore risk transmission channels. To be read together, *Climate-related risk drivers and their transmission channels* and *Climate-related financial risks – measurement methodologies* conclude that although traditional financial risk categories capture climate-related risk drivers, more work is needed to fill in the data gaps and link banks' exposure to these risks. Investors and central banks continue to pressure lenders to quantify the risks they face (especially weather-related risks such as fire and floods). Banks need sufficient capital buffers to cover the costs incurred from climate risks and transitioning to more eco-friendly assets. The BCBS cautions that banking regulators need a better grasp of just how much stronger the safeguards should be. April 15, 2021

Why we think it matters: Central banks can help to encourage resiliency in the financial institutions that they regulate. The number of stress tests and scenario analyses initiated by central banks is increasing worldwide (e.g. Canada's Pilot Project on Climate Risk Scenarios and the UK's Prudential Regulation Authority's Supervisory Statement on Financial Risks from Climate Change). However, this area is still in development. The initiatives central banks are taking to measure and account for climate-related risks vary greatly, since there is as yet no universally agreed approach. Gradually, initiatives are emerging that aim to create shared strategies on the issue, such as the **Network for Greening the Financial System's Climate Scenarios for Central Banks and Supervisors** published in June 2021.

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

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 50 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	2021 Q3/Q4	A revised draft of the EU's proposed Corporate Sustainability Reporting Directive will be issued by the EU Commission. **Read more** (for Policy Outlook subscribers) →

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
UK Financial Conduct Authority	The UK FCA has published two consultation papers on extending the climate-related disclosure requirements in its Policy Statement PS20/17 to: 1) issuers of standard listed equity shares (CP21/18); and to 2) asset managers, life insurers, and FCA-regulated pension providers (CP21/17). **Read more** (for Policy Outlook subscribers) →	September 10, 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

Best practice

New human rights due diligence guidance for the energy sector; and an SDGs roadmap from IPIECA

The second edition of IPIECA's (formerly the International Petroleum Industry Environmental Conservation Association) human rights due diligence guidelines has been extensively revised to reflect members' real-world experiences in developing and applying processes to identify, prevent, and mitigate human rights issues. Targeting both the oil and gas and the alternative energy industries, the guidelines include case studies that highlight, among other things, the human rights risks inherent in the energy transition. Also by IPIECA, in partnership with the World Business Council for Sustainable Development (WBCSD), *Accelerating action: An SDG Roadmap for the oil and gas sector (Roadmap)* has been published to hasten the industry's progress toward a low-emissions future. Identifying a "critical need" for achieving the UN Sustainable Development Goals (SDGs), the *Roadmap* aims to enhance environmental and social performance. This is to be achieved by applying the WBCSD's SDG framework – mapping the sector's SDG impact, identifying priority SDGs and impact opportunities, and issuing a call to action. May 19, 2021

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

Risk factor

Solar panel industries exploit forced labor in China's Uyghur region, says report

The global solar panel industry is built on the forced labor of Uyghurs and other Turkic and Muslim peoples, according to research by Sheffield Hallam University's Helena Kennedy Centre for International Justice. Contrary to Chinese government reports of the voluntary placement of 2.6 million citizens from minority ethnic groups in labor programs designed to alleviate poverty within the Uyghur region, the *In Broad Daylight* report tables counter-evidence that these labor transfers are deployed within an environment of unprecedented coercion. Pointing to the constant threat of re-education and internment, analysts argue that these placements effectively amount to forced labor. The solar industry is heavily exposed, since 45 percent of the world's supply of solar-grade polysilicon, which is integral to 95 percent of the world's solar panels, is produced in the Uyghur region. The report urges international solar module producers to source their polysilicon elsewhere. May 25, 2021

Read more (1) → Read more (2) →

Risk factor

US Supreme Court refuses slavery compensation case against Nestlé, Cargill

The US Supreme Court has rejected a lawsuit accusing Cargill, Inc. and a Nestlé SA subsidiary of knowingly helping to perpetuate child slavery at Ivory Coast cocoa farms on the grounds that the relevant conduct took place outside the United States. Filed in 2005, the lawsuit was brought on behalf of former child slaves, who accuse the multinationals of turning a blind eye to their plight, even providing training, fertilizer, tools, and cash to overseas farms in return for discounts. A Nestlé spokesperson has denied the allegations and reiterated the company's social justice commitments: "We remain unwavering in our dedication to combating child labor in the cocoa industry." Paul Hoffman, a lawyer for the plaintiffs, intends to refile the lawsuit with more detailed allegations regarding conduct that he says took place in the US. June 17, 2021

Why we think it matters: The US Supreme Court ruled that the lawsuits could not go forward because they are based on conduct that occurred overseas. This decision is important. It severely restricts the application of the Alien Tort Statute (ATS) because "the fact that companies made 'major operational decisions' in the United States is not enough to claim ATS." However, the court left the question of whether the ATS allows lawsuits against US corporations in general open for another day – the court has never issued a ruling on the ATS's applicability to US companies.

Read more →

Risk factor

Banks to help decarbonize steel sector

Six banks, all leading lenders to the steel industry, including ING, Citi, and Goldman Sachs, have formed a working group to help promote climate action within the sector. Steel production emits roughly 7 percent of global energy emissions, yet the commercial viability of essential low-carbon production alternatives remains uncertain. Led by ING, the working group aims to define an ambitious yet realistic pathway toward net-zero steelmaking by 2050. This is to be modeled on the **Poseidon Principles** – a similar agreement for the shipping industry – which include scope, emission-reduction pathways, methodologies, and governance structure. The working group plans to draft a climate-aligned finance agreement in time for the 26th UN Climate Change Conference of the Parties (COP26) in November 2021. The announcement comes as think tank Carbon Tracker also launches Industry Tracker, a research house for investors that closely monitors the decarbonization of high-emissions industries such as steel. May 27, 2021

Read more (1) → Read more (2) →

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[†].

FI exposure – Share of NGO actions criticizing FIs in last 5 quarters

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.

Sector	Subsector	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	Trend	FI exposure	Selected news highlights and ECOFACT risk summary
Mining	Coal mining	41	41	39	42	47	12%	18%	**Insurer faces expulsion from PRI for coal involvement; banks' fossil fuel financing targeted:** The UN Principles for Responsible Investment (PRI) is investigating Liberty Mutual after receiving a complaint that the insurer was backing a contentious Australian coal mine project. The insurer faces expulsion if found to be breaking its sustainable investment promises. It signed the PRI Principles in December 2020. Fossil Banks No Thanks showcases "global resistance" to banks' financing of fossil fuels, collating efforts organizations around the world are taking to pressure banks on this topic.
Oil & Gas	Pipelines	25	31	30	35	37	6%	16%	**A "dangerous precedent" – Canadian pipeline permitted to keep insurers a secret:** Trans Mountain, a government-owned oil pipeline operator in Canada, received approval from the country's energy regulator to keep the names of its insurers confidential. The company's projects are facing multiple challenges from Indigenous people and environmentalists. The move prevents the public and First Nations from pressuring insurers to refuse to work with the company. The regulator's ruling states that "confidentiality outweighs the public interest in disclosure."
Oil & Gas	Liquified natural gas	21	27	25	24	31	29%	5%	**LNG projects struggle to find financing; EU yet to decide if LNG can be labelled "green":** Despite a flood of proposed LNG import and export terminals around the world, a report explains that at least one-third of new LNG terminals are experiencing financing and project delays. Once regarded as safe and clean, LNG is increasingly viewed, especially by Europeans, as incompatible with a sustainable future. Further evidence of controversy is the EU delaying its ruling on whether LNG should be labelled green under the Sustainability Taxonomy, and if and how to accommodate it as a bridge fuel.
Agriculture	Palm oil	11	18	31	25	18	28%	13%	**FIs' and investors' due diligence overlooking human right abuses in Indonesia's palm oil supply chains:** The palm oil industry continues to face criticism over land conflict, deforestation, human rights abuses, and its impact on the environment. A new report highlights these problems within the Indonesian palm oil industry and, by extension, global palm oil supply chains. It accuses investors, FIs, and major brands of failing to conduct adequate due diligence, thus perpetuating a lack of compliance with industry sustainability standards and local laws.
Utilities	Gas-fired power	124	87	106	97	108	11%	13%	**Despite pollution concerns, utilities are building new gas-fired power plants; investors are wary:** US utilities are pushing forward with gas plant projects that will outlive the country's 15-year deadline for a zero-emissions electricity grid. Not all investors are convinced that this is a sustainable or constructive endeavor – take, for example, Iberdrola's struggle to sell gas plants in Spain and predictions of USD 100 billion in stranded gas assets due to clean energy. Considering that gas plants have a 40-year lifespan at least, they will burn long after carbon-neutrality deadlines pass.

[†] 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.

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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.

→ The technology needed to make net zero emissions happen doesn't yet exist

There are rumblings that net-zero emissions is an impossible, unrealistic "trap" of our own creation... And it happens to be climate scientists who are making this claim. According to them, humanity has yet to develop technologies of any kind that capture and store carbon in amounts that can make a difference to our current climate trajectory, calling into question the feasibility of the entire net-zero movement. In an article that itemizes the technologies that have been touted as revolutionary and have then stagnated or proven to be unrealistic, James Dyke, a Senior Lecturer at the University of Exeter, says, "I've now realized that we have all been subject to a form of gaslighting. [...] The assumption is that net zero will work because it has to work. But beyond fine words and glossy brochures there is nothing there. The emperor has no clothes." April 22, 2021

Read more →

→ Facial recognition: What role can responsible investors play in upholding human rights?

It has been estimated that one billion surveillance cameras are in operation around the world, taking and storing images of people's faces without their consent. On one hand, the systems are associated with enhanced security and safety. On the other, the facial recognition technology (FRT) that processes the cameras' footage makes people feel less secure. Misidentification leads to innocent people being arrested – and this is "far more frequent than one might expect." It also happens more frequently to members of certain ethnic groups. When viewed together with the lack of official oversight that FRT has, there are red flags for (potential) investors. To take a deeper look at the human rights ramifications of FRT and how investors can enter the dialogue about the technology, Candriam has launched the Facial Recognition Technology (FRT) initiative, published a guidance document for investors who assess the risks and opportunities of FRT, and has issued an *Investor Statement of Facial Recognition* that all investors are invited to sign. June 7, 2021

Read more (1) → Read more (2) → Guidance → Investor statement →

→ New Zealand to launch world's first mandatory climate change disclosure rules

New Zealand is to become the world's first country to require financial firms to report on the climate change effects of their investments. Mandatory climate disclosures are seen as an essential strategy in New Zealand's quest to achieve carbon neutrality by 2050. Banks, insurers, and fund managers are now expected to do their part to help drive sustainable enterprise. They can do this by tracking and disclosing their impact on the environment, says New Zealand Climate Change Minister James Shaw. Once passed, the pioneering law will force financial firms to assess the environmental impact of their own investments as well as the companies to which they lend money. About 200 of the country's largest companies and foreign firms with assets of more than NZD 1 billion will fall under the legislation. April 14, 2021

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→ Head of UN pushes for end to fossil fuel insurance

In a speech to the Insurance Development Forum Summit, UN Secretary General António Guterres has called on insurers to phase out underwriting of the fossil fuel sector. Guterres warns that "we are in a race against time," and urges insurers to sign up to initiatives like the UN-convened Net-Zero Asset Owner Alliance and direct the USD 35 trillion in assets under their collective management away from polluting enterprises and toward climate solutions. His address was given on the same day as reports emerged that yet another insurer had abandoned its involvement in Adani's controversial Carmichael coal mine project in Australia. To date, a reported 38 major insurers have refused to underwrite the project, which climate campaigners say will produce an additional 4.6 billion tons of carbon if built. June 9, 2021

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Business case

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

→ Banks "unlikely activists" for climate change, survey shows

Banks have become prominent green corporate influencers, according to a report by law firm Addleshaw Goddard. Their survey of 1,000 business and finance leaders, investors, and insurers from the UK, Germany, the Netherlands, and France shows that 92 percent of businesses have been influenced to act more sustainably by their banks, and the businesses also name their banks as the most significant influencer, ahead of governments. Indeed, 45 percent of banks now list sustainability as a top priority, board-level issue. April 22, 2021

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→ Investors play an important role in preventing biodiversity loss

Fifty-five percent of global gross domestic product depends on healthy ecosystems and the biodiversity that is a hallmark of their wellbeing. According to the World Bank, there is ample evidence to convince investors to take on biodiversity, just as there is evidence to support the financial industry's role in combating climate change. To further make the case, the joint Study Group on Biodiversity and Financial Stability (set up by the Network of Central Banks and Supervisors for Greening the Financial System and International Network for Sustainable Financial Policy Insights, Research, and Exchange) has published an occasional paper entitled *Biodiversity and financial stability: exploring the case for action*. June 18, 2021

Read more (1) → Read more (2) → Paper →

Peer approach

New sector and issue policies that financial institutions have recently adopted. The table on page 16 gives an overview of the number of sector and issue policies produced by insurers. This issue's policy sector in focus is: Coal (page 17).

→ The financial sector is embracing net-zero emissions through new industry initiatives

There is significant net-zero ambition being demonstrated by the financial sector. In the last quarter, the **Institutional Investors Group on Climate Change** (IIGCC) published three documents detailing investors' expectations of the banking sector and exerted pressure on global banks to cease financing carbon-intensive projects. The group's 35 members point out that the sector must help align the real economy with net-zero emissions by 2050 if the Paris Agreement goal of capping global warming at 1.5°C is to be realized. The initiatives offer suggestions for both listed and private banks in all geographies. Meanwhile, major headlines were generated by the launch of the **Glasgow Financial Alliance for Net Zero** (GFANZ), which is chaired by Mark Carney and unites 160 firms with USD 70 trillion in assets under management. GFANZ will operate as an umbrella under which UN-Race-to-Zero-accredited member alliances will work to accelerate the transition to net-zero emissions across the financial system. Joining GFANZ is the newly formed, UN-convened **Net-Zero Banking Alliance** (NZBA). Its 43 members from 23 countries are committed to aligning "operational and attributable emissions from their portfolios with pathways to net-zero by 2050 or sooner." April 22, 2021

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

➔ 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		Q2 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		Q2 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**

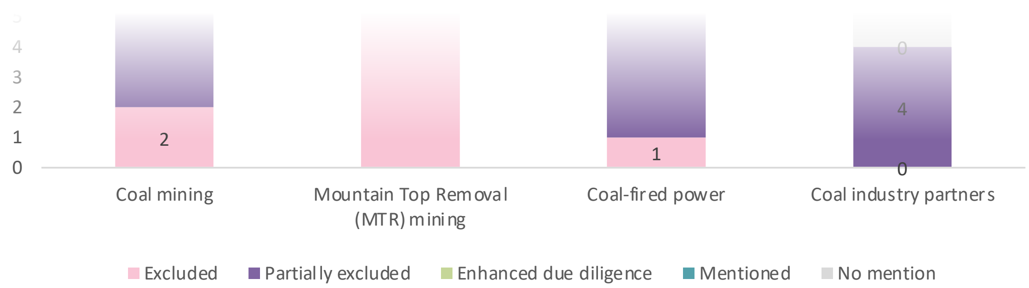
Policy sector in focus: Coal

➔ Financial institutions have been revisiting their coal policies

Coal and financial institutions (FIs) have been in the news of late – from **hefty investor groups** asking specific banks to desist from financing coal to **investors requesting** that banks restrict and phase out their coal lending. Some banks are running into **criticism** for increasing their services and loans to the coal industry and for their business relationships with the **fossil fuel** supply chain. **101 Nobel laureates** even called on governments to rapidly transition away from such fossil fuels as coal, oil, and gas, touting a **Fossil Fuel Non-Proliferation Treaty**.

While FIs have labelled coal as a high-risk industry for some time, **new research** from Oxford University shows that in global terms, FIs might be taking their first steps to account for climate risks and the transition away from fossil fuels. Furthermore, investors are **demanding** a four-fold higher return from coal than from wind or solar. This trend is buoyed by commitments of all kinds from many organizations. For example, seven **EU countries have pledged** to end public export guarantees for fossil fuel projects and the **G7 have agreed** to "phase out new direct government support for carbon-intensive international fossil fuel energy" (in spite of their historic and **ongoing support** of fossil fuels).

Number of monitored financial institutions with policies for coal-related activities



Highlights:

- > 70% of the FIs surveyed either have a stand-alone coal document or an E&S policy chapter dedicated to the coal sector.
- The other 30% of FIs have a policy that mentions coal somewhere.

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.

→ Want to help the world's oceans? UNEP FI has a list of activities to exclude from financing and tells you how to verify them

A list of activities recommended for exclusion from financing has been published by the UN Environment Programme Finance Initiative (UNEP FI) to help promote a sustainable blue economy. Complementary to the report issued in March 2021 (***Turning the Tide***), the exclusion list is organized into five sectors (seafood, ports, maritime transportation, marine renewable energy, and coastal and marine tourism) and includes activities considered to be damaging and high-risk. The UNDP FI advises users of the list to verify primary sources whenever possible. It warns that company disclosures may be biased, and recommends that financers use a third-party entity to corroborate all information. Whenever possible, the list offers expanded as well as basic verification options. June 17, 2021

Read more → List →

→ New UNICEF guidance tool for child-aware ESG analysis

UNICEF has published a new guidance tool to help investors integrate children's rights into ESG analysis. Although children's rights are an integral part of sustainability issues, such as human rights, decent work, gender, and diversity, the children's rights dimensions are often overlooked. Building on investor guidance issued by UNICEF and Sustainalytics in 2019, the tool offers detailed guidelines on children's rights considerations for institutional investors. Risks to the rights of young people are highlighted, alongside an explanation of potential links to sustainability issues. The guidance tool identifies recommended due diligence indicators that are aligned with existing reporting standards. It also provides a scoring methodology for assessing children's rights in portfolio companies. Developed in a series of consultations with relevant commentators, the tool can either be used to help assess stocks or as a basis for engaging investees with regard to children's rights. April 12, 2021

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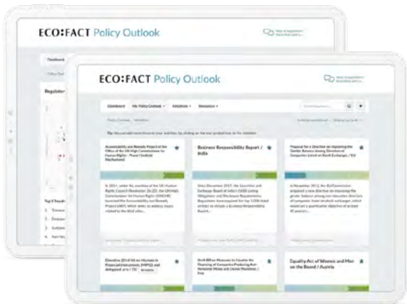

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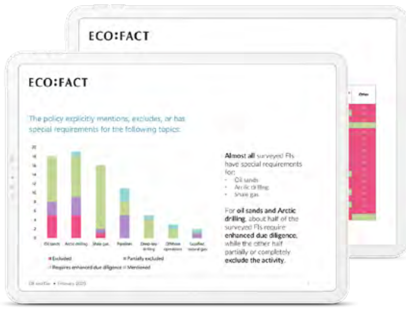

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About this report

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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