ECO:FACT QUARTERLY

The briefing for E&S risk experts

JANUARY 2022 | ISSUE #39

Editorial

Is 2030 the new 2050?

During a recent International Institute of Finance webinar, a participant asked: "Is 2030 the new 2050?" It's a valid question.

In October 2021, **Frank Elderson[1] of the European Central Bank (ECB) issued a forceful call for action**: "There is no doubt that time is running out for us to tackle the climate and environmental crises. What does this mean for banks? This means that **the time for preparations is over and the time for action is now**." He continued that mere words of intent to be Paris-compliant by 2050 are no longer enough. **Banks need to restructure the way they do business** to back those words with deeds and ensure that they actually reach their goals. To do otherwise would mean a build-up of risk not just to the banks themselves, but to the financial system as a whole.

Elderson emphasized that **banks need prudent transition plans** that are compatible with EU policies implementing the Paris Agreement — and that such transition plans should contain milestones. He referred to the EU's 2030 climate ambitions, pointing out that the ECB's focus would be less on the distant year of 2050 and more on five-year intervals on the way to 2050. It would also make little sense for banks to commit to carbon neutrality by 2050 without having a strategy in place to reduce their exposure to carbon-intensive industries by 2030, or supporting their clients in their own efforts towards a low-carbon economy.

Another advocate for climate action is **BlackRock's CEO Larry Fink**. In his **2022 letter to CEOs**, he defended BlackRock's approach to sustainability challenges (in short: it is not woke, it is capitalism). He also said that **most stakeholders — including shareholders and regulators — now expect companies to help decarbonize the global economy**. He describes how BlackRock has observed the beginnings of a tectonic shift in capital.

Fink believes that decarbonization will create the "greatest investment opportunity of our lifetime." But of course, where there is upside risk, there is downside risk. Companies that do not adapt will be left behind. He also said that **BlackRock asks companies to issue reports consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)**. BlackRock will assess companies' intermediate targets, as well as the quality of the plans to meet them.

At ECOFACT, **we like to highlight four reasons to embrace the TCFD recommendations**:

- **Compliance:** Regulators are paying significant attention to how financial institutions manage climate risk as a financially material risk.
- **Risk:** Climate change is already happening. Understanding how clients and institutions are affected is challenging.
- **Opportunity:** There is a unique opportunity at hand. Benefiting from climate-related investment opportunities necessitates business model changes. This requires time.
- **Governance:** The TCFD recommendations offer a foundation for the effective implementation of climate-related goals.

To bring things full circle: Yes, 2030 is the new 2050, and the TCFD recommendations are your must-have accessory. Charting a path to 2050 demands an action plan that is well underway by 2030. Supervisory bodies will eventually want to see your institution's transition plan. And the TCFD recommendations provide reliable guideposts to initiate and steer that journey in your organization.

Olivier Jaeggi

ECOFACT News

In 2021, ECOFACT launched an innovative and cost-effective approach to implementing the TCFD recommendations. Our program focuses on what matters most: Building capacity to manage climate risks and opportunities within your organization. Learn more about how we can support your TCFD activities.

Contact Lana Ollier, our climate and regulatory expert (**lana.ollier@ecofact.com**; +41 58 520 20 16).

1. Overcoming the tragedy of the horizon: requiring banks to translate 2050 targets into milestones, Keynote speech by Frank Elderson, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, at the Financial Market Authority's Supervisory Conference, Vienna, October 20, 2021

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.

→ World's first sustainable disclosure standards for investment products

Following industry-wide consultation, the CFA Institute has published the first voluntary set of ***Environmental, Social and Governance (ESG) Disclosure Standards for Investment Products***. These new global standards are designed to encourage the development of consistent, transparent, and comparable ESG-related investment products. The CFA Institute, a worldwide non-profit educational organization for investment professionals, recognizes that the increased capital flows being directed toward sustainable investments have created a proliferation of investment options that require consistent terminologies and standards if investors are to be able to fully understand and compare products. The new standards also aim to counter greenwashing – which can erode trust in ESG investment products – and to be applicable to all types of investment vehicles. Furthermore, the new standards aim to cover all ESG approaches, including both passive and active strategies. November 1, 2021

Read more →

→ UN human rights office confirms banks' responsibilities when they hold investments on clients' behalf

The Office of the High Commissioner for Human Rights has **confirmed** that, under the UN Guiding Principles on Business and Human Rights (UNGPs), banks that provide custodian or nominee shareholder services are accountable for investments undertaken on behalf of clients. BankTrack and OECD Watch requested the clarification in April 2021 following a complaint against UBS about its financial links – through a passive investment fund and custodian share-holding services – to Hikvision, a controversial surveillance company. The clarification may have significant ramifications for investors as well as banks seeking to align with the UNGPs. It is now expected that banks, as nominees, share responsibility for these custodial transactions. They will therefore need to undertake due diligence and act to mitigate any related adverse impact on human rights that such investments may have. If they are unable to do so, they are advised to consider ending these relationships. October 5, 2021

Read more (1) → Read more (2) →

What we're watching

You will find 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 of next expected development	Description
United Kingdom	Q1 2022	The government will hold a consultation on draft technical screening criteria for its green taxonomy (climate change mitigation and climate change adaptation objectives), before legislating by the end of 2022. **Read more** (for Policy Outlook subscribers) →
International TNFD	Q1 2022	First beta version of the Taskforce on Nature-related Financial Disclosures' framework will be published. **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/ 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 materials that are issued to support dialogue. For further information on open consultations, please **contact us**.

Authority	Consultation topic	Deadline for input
Basel Committee on Banking Supervision's High-Level Task-Force on Climate-related Financial Risks BIS	The consultation on proposed principles for the effective management and supervision of climate-related financial risks follows the publication of analytical reports on the topic issued in 2021. The principles seek to provide a common baseline for banks and supervisors. **Read more** (for Policy Outlook subscribers)	February 16, 2022
European Insurance and Occupational Pensions Authority (EIOPA) eiopa European Insurance and Occupational Pensions Authority	EIOPA is gathering feedback on its guidelines for climate change materiality assessment and on using climate change scenarios in Own Risk and Solvency Assessments. **Read more** (for Policy Outlook subscribers)	February 10, 2022

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 shares ECOFACT analyses.

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

Best practice

Poseidon Principles for Marine Insurance offer more transparent carbon accounting for shipping industry

Decarbonizing the maritime industry is set to pose major challenges. The vast distances between ports and the power needed to propel giant ships prohibits the use of electric batteries, at least with their current energy storage potential. To help accelerate the sector's transition to greener operations, the ***Poseidon Principles for Marine Insurance*** have been developed to give marine insurers "a common global baseline" to meet when assessing and disclosing their portfolio alignment. Signatories commit to sharing information on the climate alignment of their hull and machinery portfolios, and to benchmark these portfolios against two climate scenarios. The principles for insurers are complementary to the ***Poseidon Principles for Marine Finance***, which count 27 international banks as signatories. December 19, 2021

Read more (1) **Read more (2)**

Risk factor

IAHR calls for greater corporate digital rights accountability

In a **statement letter** sent to 26 companies in the information and technology sector, the Investor Alliance on Human Rights (IAHR) called on them to respect human rights such as privacy and freedom of expression throughout their digital operations and value chains. The 77 investors represent more than USD 5.9 trillion in assets. The IAHR letter expresses deep concern over the lack of corporate digital transparency and accountability. Citing the 2020 Ranking Digital Rights (RDR) findings, which revealed a lack of disclosure regarding data usage and algorithmic processing, the IAHR stated that unchecked corporate digital power has eroded digital rights by contributing to the rampant spread of misinformation, viral hate speech, and illegal surveillance. The group warns that companies will face increasing reputational, regulatory, financial, and possibly legal risks if they do not improve. It supports the RDR's recommendations and urges companies to commit to robust human rights governance. October 5, 2021

Read more

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Risk factor

New "exit" lists reveal which companies are driving fossil fuel expansion

More than 20 NGOs have collaborated to amass the data behind the ***Global Coal Exit List 2021*** and the ***Global Oil & Gas Exit List***. They want the lists to empower financial institutions with information that will guide their exit from fossil fuels, helping them to see which companies are expanding their operations. The coal list covers 1,030 companies. Close to half of them are planning new coal-related activities, and fewer than five percent of them have announced a date for their exit from coal. The oil and gas list covers 887 companies responsible for nearly 95 percent of global production. The NGOs note that many financial institutions have coal-related exclusion policies, yet few have them for oil and gas. In relation to investment sources for fossil fuels, BlackRock CEO Larry Fink spoke out against hydrocarbon assets moving into private hands, calling this "the largest capital-market arbitrage in our lifetimes." He warned that a narrow focus on the climate policies of public companies could result in an outcome that undermines climate goals. November 4, 2021

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Read more (5) →

Risk factor

Renewable energy comes with difficult choices for investors, environmental and human rights issues

The metal lithium is a critical component of batteries used in electric vehicles. Compared to the emissions of combustion engines burning fossil fuels, vehicles powered by lithium-ion batteries do not emit greenhouse gases. However, as the technology becomes more mainstream and affordable, concerns are being raised about the environmental damage of lithium mining. Human rights concerns are also gaining attention. Even though the US has enough reserves of metals to build millions of electric vehicles, proposed lithium mines are meeting with significant public opposition. This may force the country to import metals from countries that have weaker labor and environmental protection regulations in order to meet demand. When the Business and Human Rights Resource Center published its second **benchmark** of global renewable energy companies, it reported that firms had made some progress toward adopting "essential human rights policies and practices." The group noted that it had logged more than 200 human rights allegations related to the renewables sector – 44 percent of which were linked to wind and solar power – over a ten-year period. December 22, 2021

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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.

- Red = High
- Orange = Enhanced
- Yellow = Moderate

Sector & subsector		Risk	Level of controversy: Number of NGO campaigning actions per quarter and trend in the last three months[†]. 2020 Q4	2021 Q1	Q2	Q3	Q4	Trend	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.
Forestry	Logging and plantations	Enhanced	94	123	104	130	122	-6%	17%	**Underreported emissions from the logging sector**: Some financial institutions active in the logging sector have committed themselves to realizing low-carbon portfolios, but this work requires accurate data. The logging industry in Canada has been accused of grossly underreporting its greenhouse gas emissions. This presents challenges to FIs when conducting carbon accounting and assessing forestry projects. A Washington Post investigation has revealed that countries are also significantly underreporting their greenhouse gas emissions.
Oil & Gas	Fracking	Moderate	14	24	17	21	15	-29%	7%	**New type of earthquake caused by fracking**: Fracking causes earthquakes in areas both near and far from wells. This video explains how. Recently, scientists have collected evidence of a new type of earthquake triggered by fracking activities. The fracking industry is frequently criticized because fracking fluids can contaminate groundwater if they leak out of well casings, and they must be transported and disposed of safely. Air pollution from fracked gas has been added to the list of concerns about this activity.
Oil & Gas	Liquified natural gas	Moderate	25	24	31	33	58	76%	10%	**Countries relying on LNG must cut their gas imports/production**: If the emission targets in national climate pledges are to be achieved, the production and use of LNG must be reduced. The speed at which governments act on their promises will dictate how long LNG projects will be seen as sound investments. In Australia, an AUD 12 billion LNG investment has sparked debate about how to balance the energy transition against maintaining a consistent energy supply while the world transitions to new energy sources.
Agriculture	Deforestation from agriculture	High	69	64	73	64	80	25%	26%	**Are banks' voluntary commitments effective?** A Global Witness investigation has examined the role banks' and asset mangers' financing of agribusiness plays in the destruction of rainforests and human rights abuses. The general conclusion is that voluntary commitments are a "failure" because the pledges do not hamper "problematic deals" and lack accountability. The NGO estimates that financial institutions have made USD 1.74 billion in profit from financing sections of agribusinesses that have the highest risk of deforestation. (Here's the report.)
Utilities	Nuclear power	Enhanced	24	20	28	23	37	61%	2%	**Is nuclear power sustainable?** Nuclear power is seen as a "clean" alternative to fossil fuels and a way to combat climate change. The public views the technology with unease. But should nuclear power qualify for a sustainable investment? The EU grappled with the question, first delaying a decision on its status within the EU Sustainability Taxonomy, then deciding to include it. The decision is controversial. France, China, and the Rolls-Royce company, among others, have announced nuclear power aspirations.

[†] 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.

➔ Robeco study on water risk

Dutch investment manager Robeco has published an analysis of water risks, outlining where large-scale investments are needed in both emerging and developed markets to optimize water use, increase water supplies, ensure water quality, and reduce scarcity in agriculture, energy, and industry. While global contexts vary, Robeco's report, ***Boiling Point: Global growth, climate change, and the increasing pressure for water resources***, warns that current usage patterns are largely unsustainable. Trends such as climate change, population growth, industrialization, and decreasing water quality continue to drive a looming water crisis. Potential investment opportunities are outlined, including wastewater treatment to help industrialized cities recycle water supplies; conventional measures, such as infrastructure investments in pipes and transmission networks; as well as digital solutions that can rapidly detect leaks and pollutants, and efficiently manage flow. October 6, 2021

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➔ Sexual harassment is a ticking (material-risk) time bomb

Sexual harassment is a material financial risk for companies, warns the Australasian Centre for Corporate Responsibility (ACCR). In 2018 alone, sexual harassment cost the Australian economy an estimated AUD 3.8 billion in lost productivity, staff turnover, absenteeism, and other impacts, according to the ACCR's new investor **briefing paper**. Following recent scandals at AMP Capital, QBE, Fortescue Metals Group, BHP, and Rio Tinto, the ACCR concludes that incidents of harassment "reveal significant future problems for companies in terms of profitability, labour costs, and stock performance." Under Australian law, companies are not required to inform investors about efforts to curtail sexual harassment. Yet the report states that investors clearly need to know more. To demonstrate effective risk management, the ACCR recommends that companies initiate independent inquiries, shareholder resolutions, and the systematic implementation of previous Australian Human Rights Commission recommendations, such as Respect@Work's seven domains of change. November 4, 2021

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➔ Scientists campaign to ban the world's first octopus farm

A heated campaign is underway to stop the world's first commercial octopus farm before it launches operations later this year. Scientists and conservationists argue that the intelligent, "sentient" creatures should never be commercially reared for food, particularly because animal welfare regulations only protect vertebrates and as invertebrates their welfare is not safeguarded. Breeding octopuses in captivity is difficult; the larvae only eat live food and need a carefully controlled environment. Nevertheless, a Spanish multinational says that it has found a way. The company's refusal to reveal any more details is raising concern. Recent changes to UK animal rights law reflect "strong scientific evidence" that octopuses can experience pleasure, excitement, and joy — but also pain, distress, and harm. Despite this, octopuses remain unprotected in the EU, where recent guidelines have acknowledged the "lack of good husbandry practices" in the rapidly growing global aquaculture market. Researchers are "convinced that high-welfare octopus farming [is] impossible." December 20, 2021

Why we think it matters: In past issues of the *ECOFACT Quarterly*, we have mentioned animal welfare concerns as an emerging risk. This news reaffirms this potential risk, especially for investors in aquaculture, which is a fast-growing industry and the object of frequent criticism. As new possibilities for feeding the world emerge, gaps in regulation could prove to be problematic for investors.

Read more ➔

Business case

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

→ European Central Bank to probe the banking sector's application of its climate-related and environmental risk management guide

In November 2020, the European Central Bank (ECB) published its final climate and environmental risk **guide** following a public consultation. On the same day, it also published a damning **report** regarding the extent to which risk disclosure in the banking sector falls short of expectations. The new guide, which became operational in 2021, explains how the ECB expects banks to prudently manage and transparently disclose such risks going forward. These expectations inform self-assessment efforts undertaken in the run-up to a full 2022 review of European banking practice. The next supervisory stress tests will focus on climate-related risks, at which point decisions about specific follow-up measures will be made. November 27, 2020

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→ The most lucrative investment strategy is rapid pace to zero emissions

With the global sustainability drive intensifying, financial firms that adopt a rapid, well-communicated, and measurable pace to net-zero financed emissions will be able to preserve their credit quality, according to the credit rating company Moody's Investors Service. Its research finds that financial institutions in leading industrial and developing nations still average about 20 percent exposure to increasingly high-risk carbon-intensive industries. So, unless these firms respond to financial and regulatory pressures and move swiftly to more climate-friendly financing, they risk posting losses. The report urges banks, insurers, and asset managers to adjust their "business models toward lending and investing in new and developing green infrastructure projects, while supporting corporates […] pivoting to low-carbon business models." October 12, 2021

Read more →

Peer approach

A selection of new sector and issue policies that financial institutions have recently adopted or are receiving attention.
The table on page 18 provides an overview of nine insurer's sector and issue policies.

→ Engagement goals expect climate action from clients, with consequences for laggards

Companies that have a high impact on the climate have been given notice that banks and asset managers are adjusting their engagement practices to concentrate more closely on emissions and the transition to a low-carbon economy. One recent example is HSBC's commitment to phasing out thermal coal, which includes a "client transition plan." The bank expects thermal coal-related clients to publish their strategies for transitioning away from the fuel and will evaluate their plans in terms of "clarity, credibility, and pace of progress." HSBC will refuse new financing and advisory services to those with implausible or non-existent plans. Citigroup indicated that it will also be looking at its clients' climate and environmental impact, aiming to see emissions measurement and reporting as well as looking for "credible plan[s] to greenify." The bank's CEO said that these expectations will involve choosing whom to serve and whom not to serve. Also communicating its climate-related expectations of clients, AXA Investment Managers strengthened its climate engagement and stewardship policy as well as other elements of its oil and gas sector policy, which include identifying and working with climate and transition "laggards." AXA Investment Managers is also committing to steering capital toward "sustainable strategies" and "climate solutions." December 14, 2021

Why we think it matters: Announcements about actively engaging with clients to bring about change are becoming more frequent. Simply divesting from problematic clients is a practice that is increasingly seen as counterproductive because it pushes these clients to other potentially less climate-concerned financial services providers. Divestment remains on the table, but only as a last resort if significant efforts do not achieve the intended results.

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

→ Insurers AXIS and Zurich announce new fossil-fuel related restrictions

AXIS Capital Holdings Ltd. is the first North American insurer to state formally that it will phase out its thermal coal business. Its updated ***Fossil Fuel Policy***, effective January 1, 2022, indicates that the (re)insurer will institute project and company restrictions on underwriting and investment in thermal coal, tar sands oil, and oil and gas related to the US Arctic National Wildlife Refuge. Reuters also reported that Zurich Insurance Group had committed to ending underwriting for new greenfield oil exploration projects, fully phasing out underwriting thermal coal, and continuing not to underwrite oil and gas projects in the Arctic. November 18, 2021

Read more (1) → Read more (2) →

→ Sector and issue policies adopted by insurers

This table presents the number of the **nine global systemically important insurers** that have a public policy or guideline for investing in or underwriting for the sectors listed in the left column.

Sector policy	Q4 2021	
	I	U
Agriculture	**2**	**1**
Agricultural commodities	2	1
Animal welfare	1	1
Palm oil	2	1
Forestry	2	1
Tobacco	5	3
Fisheries	1	1
Defense **(controversial weapons)**	**6**	**1**
Cluster munitions	7	1

Sector policy	Q4 2021	
	I	U
Utilities		
Nuclear power	1	1
Coal-fired power	8	3
Hydropower	0	1
Human rights	**5**	**4**
Large-scale resettlement	1	1
Indigenous rights	2	1
Child labor	4	3
Forced labor	4	3

I = investment in the sector has a public policy or guideline

U = underwriting for the sector has a public policy or guideline

Policy sector in focus: Agriculture

There is a reason why many financial institutions (FIs) have environmental and social risk (ESR) policies that address agriculture-related issues – the agriculture sector is the subject of much controversy, including **water concerns**, **labor violations**, infringement of **Indigenous Peoples' rights**, **land grabbing**, **deforestation**, **illegal land clearing**, **unsustainable farming** and **livestock rearing** practices, and **climate change impact**.

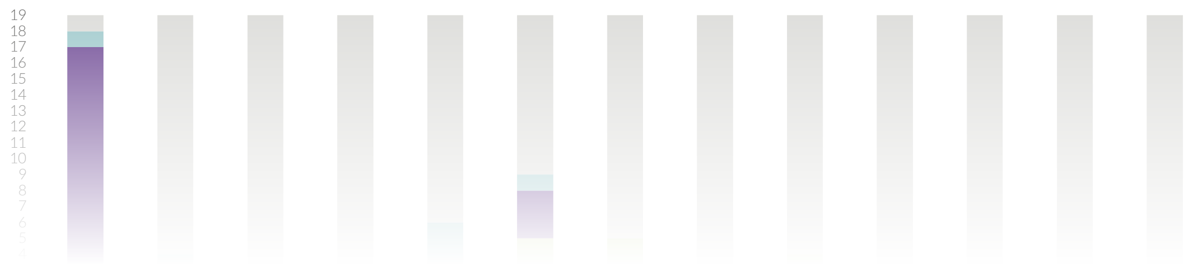
It is often areas with high biodiversity or intact forests that are most at risk from both **illegal** and **legal crop expansion**. The **Amazon rainforest** and **Cerrado highlands** in Brazil and the **rainforests of Indonesia** are frequently in the news for agriculture-related threats to communities and ecosystems.

Depending on how and where their ingredients are produced, **food** and **drink** companies' products risk being linked to issues such as those listed above. Some food companies have gone so far as to **threaten to boycott** or have **stopped selling** certain agricultural products from Brazil because of rampant deforestation in that country.

Why we think it matters: The Task Force on Climate-Related Disclosures has identified agriculture, food, and forest products as the sectors accounting for the largest proportion of greenhouse gas emissions and energy and water use. As the world's attention turns to biodiversity issues and natural capital becomes more valued, financing and investments are moving toward forest conservation and reforestation. Financial institutions are also being more diligent about human rights and land conflicts when investing in the agricultural sector.

Several tools, such as **ENCORE [Exploring Natural Capital Opportunities, Risks and Exposure]**, are being developed to help FIs assess and integrate natural capital risks into their activities. However, there continues to be a lack of similar resources to support FIs' evaluation of sustainable agriculture and food systems. (So far, certification schemes have not adequately resolved the agricultural sector's controversies.)

Agricultural subsectors addressed by monitored financial institutions' ESR polices



New tools and databases

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

→ Free sustainability data available through the ESG Book platform

Motivated by the belief that ESG data should be a public good, Arabesque has joined together with institutions, investors, and businesses to develop the **ESG Book**. The centralized source of "digital corporate sustainability information" could be a game changer. It is free and seeks to solve the commonly cited problem of data availability. Founders include the International Finance Corporation, Global Reporting Initiative, Bridgewater Associates, Swiss Re, HSBC, Deutsche Bank, HKEX, Allianz, Bank Islam, and Goldbeck. The platform supports the 10 principles of the UN Global Compact and has five guiding principles: 1) Companies are custodians of their own data, 2) Transparency on data usage and interactions brings more meaningful reporting, 3) Accessibility and impartiality, 4) Framework-neutrality, and 5) Easing the reporting burden. December 8, 2021

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

→ New insurance risk management report: Mind The Sustainability Gap

New **guidelines** designed to strengthen the insurance industry's contribution toward inclusive sustainable growth have been published by CRO Forum, an association of chief risk officers (CROs) from multinational (re)insurance companies. The best practice guidelines outline strategies to integrate sustainability risks into risk management frameworks. Specific guidance is provided in terms of how to address conflicts of interest. Ways to identify and manage material risks are shared, such as using proven strategies like scenario analysis and stress testing. The data required for these evaluations is explained, including ways to address data gaps and measure risk management progress over time. These guidelines are designed to help CROs and their colleagues to articulate to stakeholder businesses that relevant sustainability risks are understood, that measures are in place to mitigate these risks, and that any associated limitations are clear and recognized. November 3, 2021

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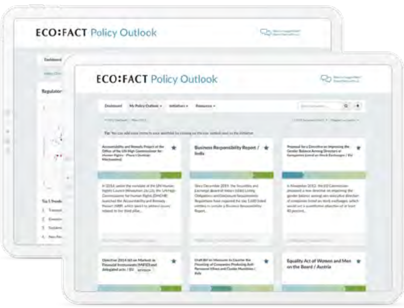
About ECOFACT

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.

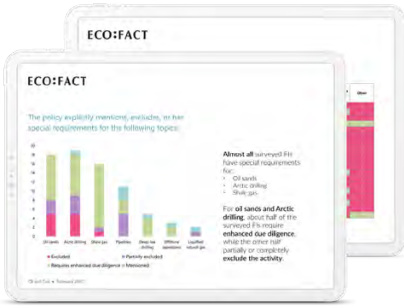


Research

The Policy Outlook platform

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

Learn more →



Research

Monitoring Peer Policies

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

Learn more →

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.**

Learn more →

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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