



Lombard Odier Industry & Practices Disclosure

About Lombard Odier

Lombard Odier is one of the oldest and largest private banking groups in Switzerland. Lombard Odier provides wealth and asset management services, private banking services, and technology services for banking. The company employs more than 2,400 individuals throughout its global operations spanning Europe, Asia, and the Americas.

Based on its industry, Lombard Odier completed the “Investment Advising” addendum of the BIA that specifically measures the performance of a company’s investment activities from a social and environmental perspective. A few practices pertaining to their assets under management include approximations that:

- 100% have gone through a negative screen based on specific prohibitive industries
- 75-100% have received additional Environmental, Social and Governance (ESG) screens
- 1-9% are invested in positive impact investments

Interested parties may view more B Impact Assessment metrics on the [company’s B Corp Profile](#).

Outside of the BIA, the company has also received [awards](#) from within the private banking industry regarding its socially responsible and impact investing, as well as its philanthropy services, and is a [UN PRI Signatory](#).

Because of its status as a private bank based in Switzerland and the regulatory environment and public perception surrounding Swiss banking institutions, Lombard Odier underwent a review of the company's practices related to bank secrecy and the company's social and environmental practices.

B Lab’s Standards Advisory Council determined that Lombard Odier was eligible for B Corp Certification given its comprehensive and adequate management of issues related to bank secrecy and transparency, which are highlighted below. More information related to B Lab’s review of the issue is available [here](#) under Banking in Switzerland.

Lombard Odier Participation in US Department of Justice Swiss Banking Program

In 2015, Lombard Odier executed an initial [non-prosecution agreement](#) with the U.S. Department of Justice through the [Swiss Bank Program](#). The terms of the agreement require participating banks to cooperate in any related criminal or civil proceedings, demonstrate its implementation of controls to stop misconduct involving undeclared U.S. accounts, and pay a penalty in return for the

department's agreement not to prosecute these banks for tax-related criminal offences. Beginning in 2013, the US Department of Justice initiated the program to allow Swiss Banks who were not currently under criminal investigation to voluntarily disclose their potential involvement in activities (regarding tax evasion) that might qualify as criminal offences under U.S. law. This voluntary reporting program permitted eligible Swiss banking institutions to enter into a non-prosecution agreement (NPA) with the U.S. government in order to remedy those cases that otherwise might be prosecutable offences. Under the program, participating companies were required to:

- Make a complete disclosure of their cross-border activities;
- Provide detailed information on an account-by-account basis for accounts in which U.S. taxpayers have a direct or indirect interest;
- Cooperate in treaty requests for account information;
- Provide detailed information as to other banks that transferred funds into secret accounts or that accepted funds when secret accounts were closed;
- Agree to close accounts of account-holders who fail to come into compliance with U.S. reporting obligations; and
- Pay appropriate penalties.

Under the program, 80 companies executed non-prosecution agreements, with total fines of \$1.4B and the largest penalty being \$211M.

Lombard Odier's fine was assessed through the program at \$99M. In July 2018, Lombard Odier self-disclosed additional accounts that should have been disclosed previously, resulting in an additional penalty of \$5M. Subsequent to that time, no additional penalties have been imposed and Lombard Odier is fully compliant with the terms of the Non-Prosecution Agreement (NPA), which expired on December 31, 2019.

Company Practices to Prevent Criminal Activities from the Use of Lombard Odier's Services

Lombard Odier has adopted policies, implemented controls and internal procedures, conducted training programs and instituted compliance audits to ensure that it remains in full compliance with relevant laws and regulations.

Additionally, Lombard Odier complies with the [automatic exchange of information \(AEOI\)](#) and the [Foreign Account Tax Compliance Act \(FATCA\)](#), uses collaborative platforms to share information, and provides annual reports to relevant tax authorities (and have processes in place to provide amended reports if errors are identified). These information technology platforms set out strict rules by which information must be communicated to tax authorities (information on clients and financial data) and in what format, and Lombard Odier has in place their procedures / policies in order to prepare the lists of reportable clients and to communicate these data outside of the bank.

Lombard Odier implements policies and procedures for screening clients related to corruption, money laundering, and terrorist finance. Lombard Odier also implements assessment procedures in order to prevent tax evasion. As a result, in its experience, Lombard Odier has put in place all policies and procedures necessary to prevent or mitigate the risk that its clients might use their services to engage in tax evasion and corruption, money laundering, terrorist finance, or other criminal activities.

A summary of these processes include:

- Risk-based approach to assess and classify relationships and transactions (including reviews of negative news about the party, assessment of political exposure, assessment of link to state-owned money, assessment of tax compliance, etc.). Risk classification drives depth of due diligence and monitoring;
- Investigation procedures could involve requests for information from the contracting partner and/or beneficial owner of the account, onsite visits to contracting partner or beneficial owner, reviewing information of databases in the public domain, or consulting with trusted third parties (while maintaining privacy);
- Assessment and documentation of the source of wealth and origin of the assets to ensure compliance with anti-money laundering (AML), combating the financing of terrorism (CFT) and sanctions policies;
- Reporting of potential suspicious transactions to the relevant authorities;
- Documentation and record keeping of client relationships and transactions as per applicable regulations in order to cooperate, as the case may be, with administrative, criminal or other authorised authorities;
- Internal policies and procedures prohibit the entry into a relationship if assets are derived from a crime or corruption activities, client is part of a criminal or terrorist organisation, the client is a shell bank, assets are derived from a qualified tax offence or tax fraud, the client is looking for assistance with tax evasion or capital flight, the client has not been identified prior to the business relationship, the client is an unregulated financial institution or carrying out unregulated or non-compliant financial activities, or if insufficient or misrepresenting information has been presented;
- Automated transaction monitoring and screening tools for multiple surveillance scenarios and to detect market abuse or manipulation, staff operations and insider dealing;
- Training of personnel regarding AML, CFT, and sanctions policies.

Lombard Odier's relationship with certain entities, including clients in controversial industries

Lombard Odier has for the moment not adopted an ESG codification to the onboarding of clients in the sense of restricting the onboarding of clients that are not fully aligned with their ESG policy. Lombard Odier has however implemented a restriction on clients operating in certain businesses that can pose enhanced AML risk, which de facto, in some cases might lead to an overlap with the ESG approach. Lombard Odier also has a list of prohibited industries that they refuse to provide services to. This includes offensive firearms and weapons, unregulated charities, adult entertainment, virtual currencies, marijuana, gambling, and payment service provider industries. The company also imposes restrictions to services provided to extractive, precious metals and stones companies, regulated charities and non-governmental organisations.

Lombard Odier Group claims there is no exposure to the Group controversial industries held in the investment portfolio currently. The company also has a policy that applies investment restrictions in controversial industries which include:

- Investments in companies whose revenues derive by more than 10% from tobacco, coal

and unconventional oil & gas, and level 5 controversies;

- They do not invest in, nor issue recommendations to invest in, companies that produce, trade, or store controversial weapons (i.e. biological and chemical weapons, anti-personnel mines, cluster weapons, depleted uranium, and white phosphorus) as defined by the UN conventions;
- As they are concerned about the potential impact of commodities investments on the volatility of essential food prices, Lombard Odier has decided to permanently exclude all financial instruments that invest in essential foods.