

Communication on Engagement

UN Global Compact
Forum ETHIBEL

16 August 2017



Foreword

Dear colleagues,

Dear stakeholders,

We are pleased to reaffirm our support to the United Nations Global Compact and the ten principles with respect to human rights, labour rights, environment and anti-corruption.

In this communication of engagement, we describe the actions our organization took in order to promote and integrate the UN Global Compact Principles. The principles of UN Global Compact are embedded in our core business and are prominently part of our responsible investment criteria and are the basis of our certification services.

This year, we celebrate the 25th anniversary of our organization and we still hold a unique position on the Belgian market in creating a shared value for investors and society by working strategically in the SRI sector.

We also want to express our ambition to continue promoting corporate social responsibility in general and the ten UN Global Compact-principles in particular amongst institutional investors in Belgium.



Kenny Frederickx
General Director,
16 Augustus 2017
Forum ETHIBEL

ABOUT FORUM ETHIBEL

Forum ETHIBEL is a Belgian not-for-profit organisation, established in 1992, and recognised as an expert in rating, independent auditing and certification of financial and non-financial products and services.

Forum ETHIBEL combines 25 years' experience with quality standards, based on dialogue and collaboration with a network of SRI stakeholders across the world.

Forum ETHIBEL's vision is to actively promote Socially Responsible Investing (SRI) and Corporate Social Responsibility (CSR) to contribute to social justice and sustainable development. Its **mission** is to enhance transparency, social responsibility and ethical behaviour on financial markets.

Forum ETHIBEL does this by developing specific services and tools, including quality labels, audits and certifications of products which comply with ethical, environmental and social and governance (ESG) criteria.

Forum ETHIBEL dialogues and cooperates with investors, savers, financial institutions, companies, governments and NGOs and actively contributes to standardisation and quality-setting in the SRI sector.

Forum ETHIBEL offers different types of products: Ethibel labelled products, consultancy, audit and certification products and research.

Forum ETHIBEL adheres to four core values:

1. Commitment

We are committed to all our stakeholders and we actively listen to their views. We communicate openly about our choices

2. Credibility

Our relationships are based on trust, truthfulness and honesty.

We do what we say and we say what we do

3. Effectiveness

Our operation is efficient and effective, and strives for a maximal societal impact.

4. Innovativeness

We create demand in the SRI market and develop new products and services to stimulate SRI.

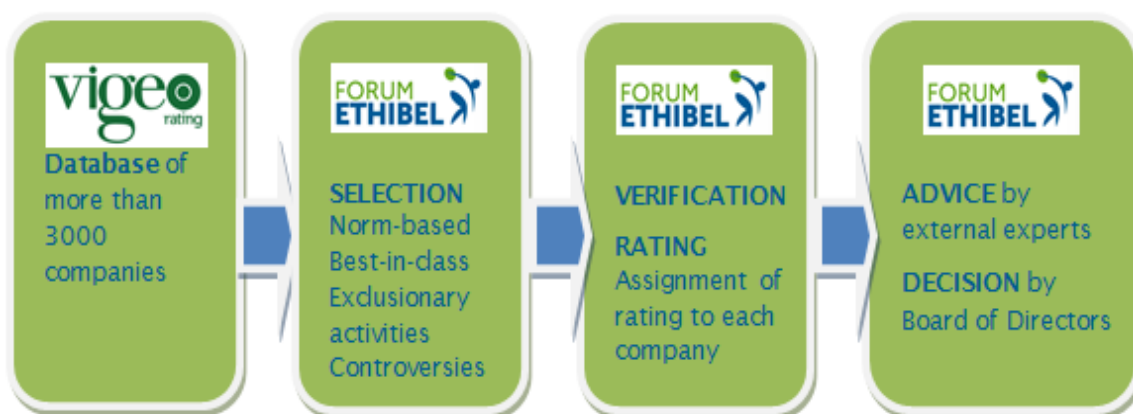
DESCRIPTION OF ACTIONS

The actions taken by Forum ETHIBEL will be outlined according to the products and services provided by the organization.

ETHIBEL Products: Ethibel Investment Register, Ethibel Quality Labels and Ethibel Sustainability Indices

The Ethibel Investment Register is an [investment universe](#) compiled of companies that comply with strict criteria in terms of corporate social responsibility (CSR) as specified by the rulebook of Forum ETHIBEL.

In order to determine their CSR performance, companies are researched and analyzed by Vigeo Eiris, a European CSR rating agency. Vigeo Eiris is responsible for data collection and processing, performance analysis and industry benchmarking according to the Ethibel rulebook.



A company is assessed on the basis of 38 normative screening criteria defined by Forum ETHIBEL. These criteria are based on internationally accepted norms and conventions which cover all aspects of CSR: human rights, human resources, environment, corporate governance, market ethics and societal impact.

The 10 principles of the UN Global Compact with respect to Human rights labour rights, environment and anti-corruption are prominently part of our responsible investment (positive) criteria and are translated in different subdomains:

The **environment** domain is further broken down in eleven criteria:

1. Environmental strategy and eco-design
2. Pollution management (prevention and control)
3. Development of green products and services
4. Risk management related to the affection of biodiversity
5. Sustainable water management
6. Rational energy consumption
7. Management of atmospheric emissions
8. Waste management
9. Management of local pollution
10. Impact of transport and distribution
11. Environmental impact on the overall life cycle of products and services

The **human and labour rights** domain is further broken down in four criteria:

1. Respect for the fundamental human rights and safeguarding measures
2. Respect for the freedom of trade unions and right to collective bargaining
3. Non-discrimination
4. Exclusion of child labour and forced labour

The principle of **anti-corruption** is an elementary component of **market ethics** which includes in total 9 criteria:

1. Product safety and safe products
2. Information to customers
3. Responsible relation with customers
4. Cooperation with suppliers in terms of sustainable production
5. Integration of environmental factors in the production chain
6. Integration of social themes in the production chain
7. Prevention of corruption
8. Prevention of anti-competitive practices
9. Integrity and transparency in terms of strategy and influencing tactics

In addition to these normative screening criteria, a company is screened to determine its involvement in exclusionary activities and controversies. The best-in-class principle, finally, is used to select the best companies from each sector.

An external board of experts in different fields of social responsibility, the [Ethibel Register Committee](#), reviews the performances of the companies within their sector of activity and proposes ratings for each company. The advice of the external board is then validated by the [Board of Directors](#) of Forum ETHIBEL.

The remaining domains that are taken into account during the assessment are human capital, corporate governance and societal impact. Thus, the principles of UN Global Compact are embodied in the Ethibel standards; the latter even goes beyond.

The Ethibel products derived from the Investment Registers are the Ethibel EXCELLENCE and PIONEER labels as well as the indices ESI Excellence Europe and Excellence.

Financial products that only consist of stocks and bonds that are part of the Ethibel Register can apply for the **Ethibel PIONEER** or **Ethibel EXCELLENCE label**.

The Ethibel labels are collective European quality marks for financial products. The Ethibel PIONEER label is assigned to funds that only contain companies with an outstanding CSR performance, hence 'pioneering' companies in terms of CSR. The Ethibel Excellence label is assigned to funds comprised of companies that have an above average CSR performance.



The **Ethibel Sustainability Indices** comprise two indices, **Ethibel Sustainability Index Excellence Europe** and **Ethibel Sustainability Index Excellence Global**, whose universe is composed of the companies included in the Russell Global Index that display the best performance in the field of Corporate Social Responsibility (CSR).

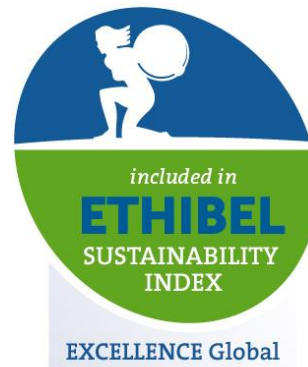
The composition of the ESI Indices is based upon the Ethibel Register, which is defined independently by Forum ETHIBEL, using Vigeo Eiris research. Companies that display the best performance in terms of CSR, and that have no major involvement in exclusionary activities and/or controversies, are included in the Ethibel Register and then selected for the ESI indices. This selection ensures that the indices are balanced and varied in terms of sectors and market capitalisation, which allows fund managers to compose financially and technically sound portfolios.

ESI users know what to expect from the Ethibel Sustainability Indices as they contain only shares of companies with the best performance in terms of CSR. The Indices are reviewed and updated semi-annually, in March and September, to ensure that companies with a declining CSR performance are timely excluded from the Indices.

AUDIT AND CONTROL ACTIVITIES

To make use of the Forum ETHIBEL audit and certification services, clients define their own criteria or quality requirements as terms of reference for the audits. A certificate is issued which confirms full or partial conformity.

- Forum ETHIBEL does not certify just any product: a number of minimum SRI standards have to be met. However, as a minimum, criteria are formulated with regard to labour and human rights, environmental crimes and armament. The principles of UN Global Compact are consequently embedded in the minimum criteria.
- Both financial and non-financial products can be audited, such as saving products, investment products, stock indices, solidarity support programs, ethical codes or quality brands and carbon reduction programs.
- SRI portfolio advice. Based on portfolio screenings, Forum ETHIBEL can advise on SRI transition issues to retail and institutional asset managers.



Besides audits for financial products, Forum ETHIBEL also offers social audits. This process requires an organization to define its societal impact and its ethical behavior. It takes into account the company's objectives and the expectations of various stakeholders and with the wider society. These objectives are measured, evaluated and reported on a regular basis and adjusted if necessary.

Just like financial audits indicate the financial health of a company, a social audit gives evidence of a company's social-ethical health; a social audit verifies the social-ethical health. The audit is based on qualitative and quantitative performance indicators, dialogue and benchmarks.

The difference between an Ethibel label and a Forum ETHIBEL certificate is the fact that an Ethibel labelled fund only includes companies that are part of the Ethibel Investment Register, guaranteeing good performance/scores in all domains of CSR, whereas a Forum ETHIBEL certificate confirms compliance of a fund with its self- defined rules and regulations.

CONSULTANCY

Starting 2016, Forum ETHIBEL developed a new business plan including a product that assists institutional investors in Belgium in formulating and implementing a sustainable investment policy. The business model focuses on 5 types of institutional investors: local governments, universities, NGOs, pension funds and congregations.

Forum ETHIBEL offers A to Z solutions to these investors. The first step for an investor is to define its own investment policy according to the identity, mission and vision of the organization. By supporting organization to define their sustainable investment policy, the clients are encouraged to implement the then principles of UN Global Compact.

After defining the policy, the next step is to map the current situation. The sustainability choices need to be translated into concrete and measurable SRI policies. Through a pragmatic approach the current portfolio can be transferred into the desired portfolio.

In the third stage, transactions and financial positions are periodically monitored to ensure that the self-imposed policy is effectively respected. Deviations are mapped and step by step corrections can be made.

Finally, a positive follow-up monitoring process is confirmed by a certificate that guarantees external compliance with the rules imposed.

RESEARCH

Commissioned by governments, NGO's or other actors, Forum ETHIBEL regularly conducts research related to SRI methodology and perception, including the compilation of relevant statistics and trend analysis.

Since 2001, Forum ETHIBEL conducts the [MIRA-report](#) on yearly basis that updates the evolution and tendencies regarding sustainable investments and sustainable savings (since 2010) on the Belgian market. These reports are accomplished on the request of the Flanders Environment Report (MIRA).

In 2017, Forum ETHIBEL also executes a research commissioned by [The Shift](#), a Belgian meeting point for sustainability. This study resulted in a practical guideline for investors who wish to decarbonize their investment portfolio. This study will be combined with an event, organized in September 2017, addressed to investors that are interested in withdrawing and reinvesting their fossil fuels from a fair transition to a low-carbon society.

Both studies promote greater social and/or environmental responsibility and encourage (institutional) investors to support a precautionary approach to societal and environmental challenges.

THIRD PARTY VERIFICATION

VIGEO EIRIS

As described earlier, Forum ETHIBEL appeals to the services of [Vigeo Eiris](#) to develop the Ethibel investment register. Vigeo Eiris is a European CSR rating agency, responsible for data collection and processing, performance analysis and industry benchmarking. Its methodology is also analyzed and approved by the ARISTA standard.

It is important to note that the cooperation is not exclusive and that, apart from the Ethibel investment register, forum ETHIBEL works with other data providers.

ARISTA

Both Forum ETHIBEL and Vigeo Eiris adhere to the Principles of the ARISTA Quality Standard: quality management, integrity, independence, transparency and accountability.

The Ethibel methodology is certified against the voluntary quality standard [ARISTA](#). This is a standard owned and managed by Arise, the Associated for Responsible Investment Services. The certificate demonstrates that the research process covered by the Ethibel methodology meets specific requirements in terms of quality, integrity, transparency and accountability.

Forum ETHIBEL applied for this certification in 2015 for the first time. The Ethibel methodology has received ARISTA certificates every year since then.