

Communication on Engagement

2019-2021

UN Global Compact

Forum Ethibel

14 August 2019



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, labor rights, environment and anti-corruption.

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

Our mission is to encourage social responsible and sustainable behavior on the financial market. We experience three key elements that are gaining importance in this field: climate change, the sustainable development goals and the UN Global Compact. These are currently important drivers for investors and financial players when moving forward to make their savings and investments more sustainable.

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



Kenny Frederickx
General Director,
14 Augustus 2019
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 more than 25 years of 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 behavior 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 institutional 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

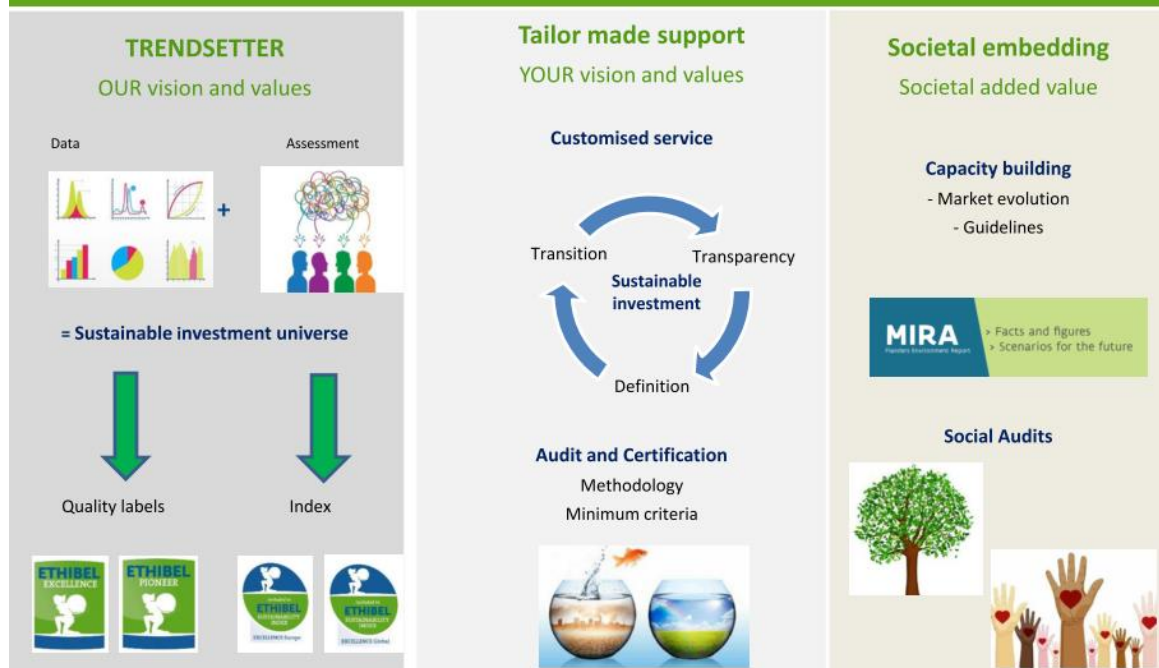
Forum Ethibel holds a unique position in the Belgian market and works together with investors, public & private organisations, financial institutions and civil society to contribute to a more sustainable society. In dialogue with different stakeholders, Forum Ethibel wants to have a maximal societal impact.

The products and services of Forum Ethibel can be outlined in three different pillars. In the first one, Forum Ethibel **sets an example** and implements its own sustainability policy.

The second pillar reflects the **support given** to institutional investors and financial actors when defining, implementing and/or communicating their own sustainable investment policy.

The third pillar shows that Forum Ethibel as a not-for-profit organisation has the responsibility to **gather** and **share knowledge** on this topic.

Forum ETHIBEL: Services & products



Forum Ethibel as trendsetter

In the first pillar, we set out **our own sustainability vision and values**. Based on quantitative data from an ESG-rating provider on one hand and the qualitative assessment from the Forum Ethibel expert team on the other hand, a **sustainable investment universe** is established. This universe consists of companies and countries that pass the sustainability filter.

This filter is featured by a negative and positive approach. On one hand **exclusionary criteria** are used to detect companies and countries that should be eliminated from the universe based on unsustainable or unethical criteria.

Positive criteria are in place to identify companies and countries that have a solid and credible sustainable track record and/or show a business plan that contributes to a more sustainable world.

Companies are evaluated based on the **products** they develop and based on the **practices and behavior** they show. When assessing **companies' behavior**, the UN Global Compact principles are crucial. The 10 principles 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 labor 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 the right to collective bargaining
3. Non-discrimination
4. Exclusion of child labor and forced labor

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

Tailor made support

To make use of the Forum Ethibel audit and certification services, institutional investors or financial actors define their own criteria or quality requirements. Not everyone has the same pace, face the same obstacles or wants to set the same focal point. We therefore provide customized advice and solutions.

In this pillar, we start from the values and choices of customers. On the one hand, we carry out independent monitoring of financial products that are brought onto the market by financial players. On the other hand, we guide and support institutional investors in defining and implementing a sustainable investment policy.



Some wish to obtain a certificate. However, in order to obtain this, a number of minimum SRI standards have to be met. These criteria are formulated with regard to labor 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 and carbon reduction programs.

Fulfilling societal responsibility: creating societal added value

The third pillar reflects Forum Ethibel's mission to enhance transparency on the financial market. By developing capacity and developing guidelines, Socially Responsible Investing is promoted and facilitated. This is crucial since lack of information and understanding is one of the main reasons why (more) growth in sustainable investing is prevented. Every year Forum Ethibel maps the evolution of sustainable savings and investments in Belgium.

Other than that, on demand, ad hoc studies with a specific focus can be conducted. An example is the ad hoc study on Climate Change and fossil fuel (dis)investment that was realized in 2017. This resulted in a learning network with institutional investors. This was unfolded throughout 2018 with the aim of actively promoting and supporting climate friendly investments. The objective was to help institutional investors to achieve their climate targets by making their portfolio climate-friendly. By guiding universities, pension funds, insurance institutions and other investors, steps were taken to make portfolio's carbon neutral.

Progress made and future developments

Institutional investors and sustainable investment

Often people don't see investing sustainably as a means to contribute to a more sustainable society. In the last Communication of Engagement, we announced that we developed a **new business model** including a service that assists institutional investors in Belgium in defining and implementing a sustainable investment policy.

The business model **focuses on institutional investors** with an **outspoken societal responsibility**: local governments, universities, NGOs, pension funds and religious institutions. Given the growing importance of sustainability in general, it is not surprising that this business model has been successful. It is also remarkable that – besides the sustainable development goals and climate change – the UN Global Compact principles are a **guiding tool** in defining a sustainable investment policy.

Sustainable investing in Belgium, a milestone

Every year Forum Ethibel carries out a study on sustainable saving and investing in Belgium. The report showed that 2017 turned out to be a pivotal year, the symbolic threshold of 10% has been exceeded.



Source: http://forumethibel.org/content_files/MIRAForumEthibel2018.pdf

A new record of 12,38% has been achieved which is significantly higher than the previous peak of 9,59 % in 2011. Both the number of investment products and the total invested volume increased in 2017. The volume tripled from €7.7 billion in 2013 to a new record volume of €24.1 billion at the end of 2017. The overall range of sustainable investment products also increased. A total of 364 products were offered as compared to 267 in 2016.

A new study will be published before the end of this year. By then, it will be clear if sustainable investments and savings in Belgium will keep rising.

The Belgian quality standard for sustainable financial products

As the yearly study conducted by Forum Ethibel describes, the demand for sustainable investment products in Belgium is increasing. The financial sector is aware of this evolution and therefore wants to meet this demand.

In order to offer investors more reliability and transparency, the Belgian financial sector developed a quality standard for sustainable financial products. The standard stipulates a set of minimum requirements that financial products should meet when they claim to be sustainable. The UN Global Compact principles are one of the obligatory criteria that the financial products should comply with in order to be awarded the 'Towards Sustainability'-label.

The criteria for the standard were established in 2018, and published beginning of 2019. In April, Forum Ethibel was selected as the verifier of the Sustainable Quality Standard in partnership with ICHEC Brussels Management School and the University of Antwerp. By the end of 2019, the first products will be able to obtain the label.