



ETHIS

UNITED NATIONS GLOBAL COMPACT

COMMUNICATION ON PROGRESS

JAN 2019-JAN 2020



ETHIS

STATEMENT BY CEO

LETTER - STATEMENT OF CONTINUED SUPPORT BY THE CHIEF EXECUTIVE OFFICER:

To our stakeholders:

I am pleased to confirm that Ethis reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. Ethis became a signatory of the United Nations Global Compact in January 2017.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Best Regards,

Umar Munshi

Co-Founder & Chief Executive Officer,

Ethis Group

UNITED NATION GLOBAL COMPACT PRINCIPLES

Human Rights

Assessment, policy and goals

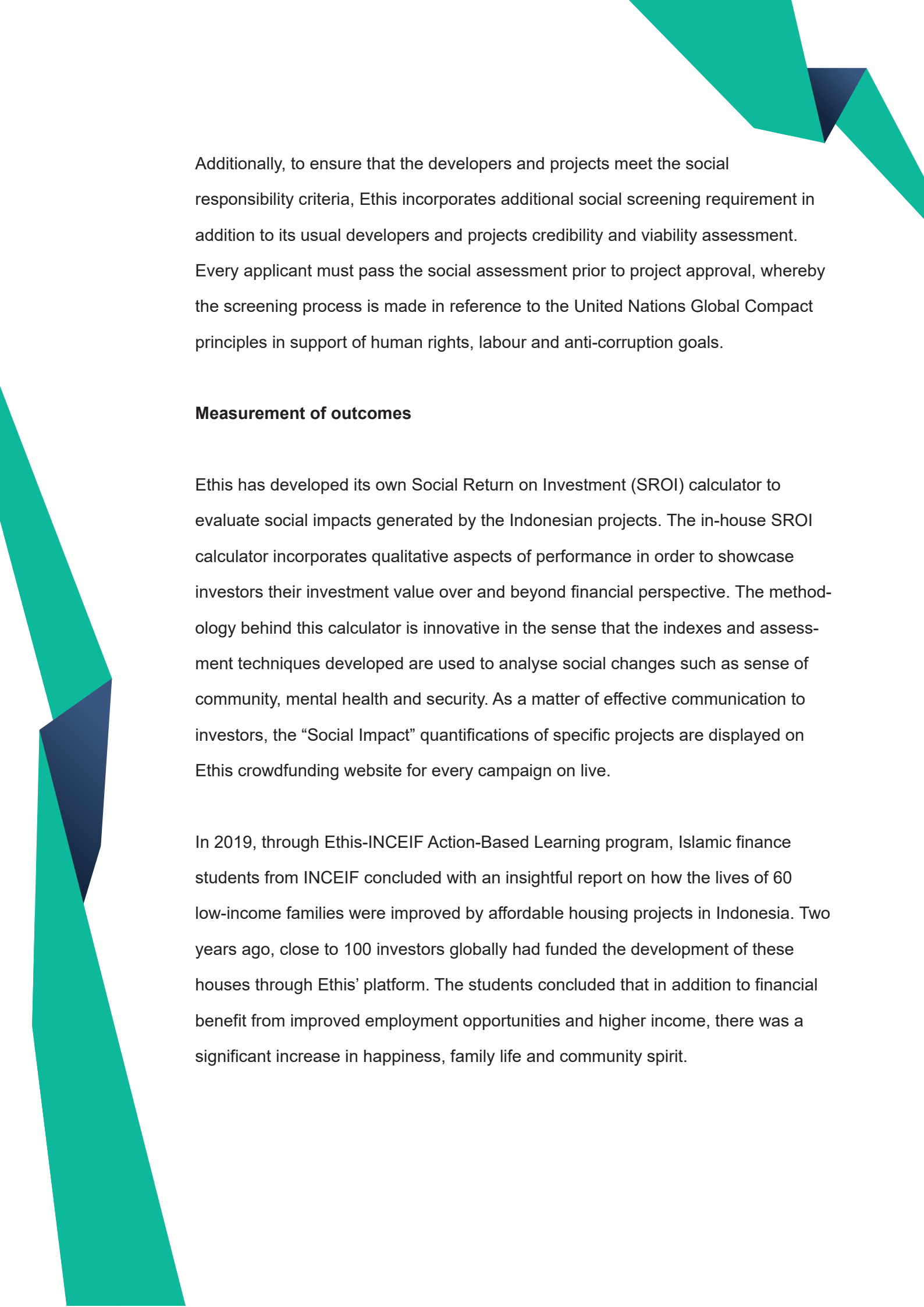
Ethis overall business mirrors strong encouragement towards Human Rights protection. In reference to the company's vision statement, Ethis aims to "Circulate Good to Economy", signifying concerns for human rights related actions. As a property crowdfunding platform, Ethis empowers investors by mobilising their excess capital towards financing the developments of social housing projects in Indonesia. As a result, at the end of the projects the investors are able to earn attractive returns while helping Indonesian families to have a chance at breaking out of poverty.

Implementation

In line with the company's goal, Ethis campaigns mainly feature affordable and subsidised housing projects that investors can contribute to with as low as SGD 500. To date, Ethis platform has built more than 8,000 houses, with project value of \$46.1M, and impacting over 32,000 low-income families.

Exhibit: Examples of Ethis Projects in 2019



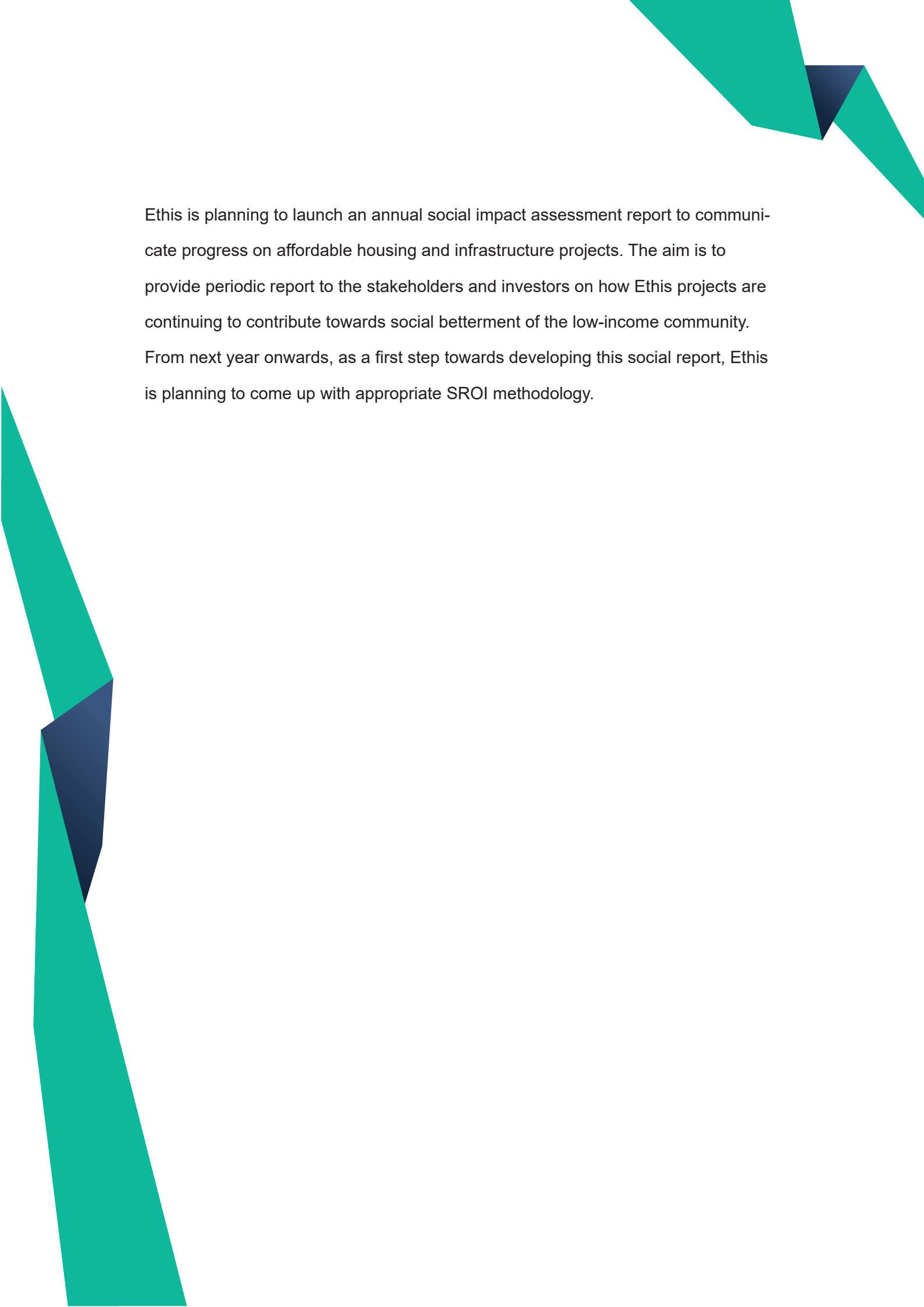


Additionally, to ensure that the developers and projects meet the social responsibility criteria, Ethis incorporates additional social screening requirement in addition to its usual developers and projects credibility and viability assessment. Every applicant must pass the social assessment prior to project approval, whereby the screening process is made in reference to the United Nations Global Compact principles in support of human rights, labour and anti-corruption goals.

Measurement of outcomes

Ethis has developed its own Social Return on Investment (SROI) calculator to evaluate social impacts generated by the Indonesian projects. The in-house SROI calculator incorporates qualitative aspects of performance in order to showcase investors their investment value over and beyond financial perspective. The methodology behind this calculator is innovative in the sense that the indexes and assessment techniques developed are used to analyse social changes such as sense of community, mental health and security. As a matter of effective communication to investors, the “Social Impact” quantifications of specific projects are displayed on Ethis crowdfunding website for every campaign on live.

In 2019, through Ethis-INCEIF Action-Based Learning program, Islamic finance students from INCEIF concluded with an insightful report on how the lives of 60 low-income families were improved by affordable housing projects in Indonesia. Two years ago, close to 100 investors globally had funded the development of these houses through Ethis’ platform. The students concluded that in addition to financial benefit from improved employment opportunities and higher income, there was a significant increase in happiness, family life and community spirit.



Ethis is planning to launch an annual social impact assessment report to communicate progress on affordable housing and infrastructure projects. The aim is to provide periodic report to the stakeholders and investors on how Ethis projects are continuing to contribute towards social betterment of the low-income community. From next year onwards, as a first step towards developing this social report, Ethis is planning to come up with appropriate SROI methodology.



Labour

Assessment, policy and goals

Ethis propagates full support for local labour laws and UNGC principles on labour rights. In its own operations, Ethis encourages diversity in its employment structures by hiring competent employees irrespective of age, gender, race and nationality. In ensuring end-to-end protection of labour rights, Ethis incorporates strict due diligence in ensuring that its potential developers practices are in compliance with the local labour laws. Ethis' concern for labour rights is enhanced by having a second-tier check with local Ministry of Labour to ascertain that the project developers are truly in compliance with the labour laws and standards.

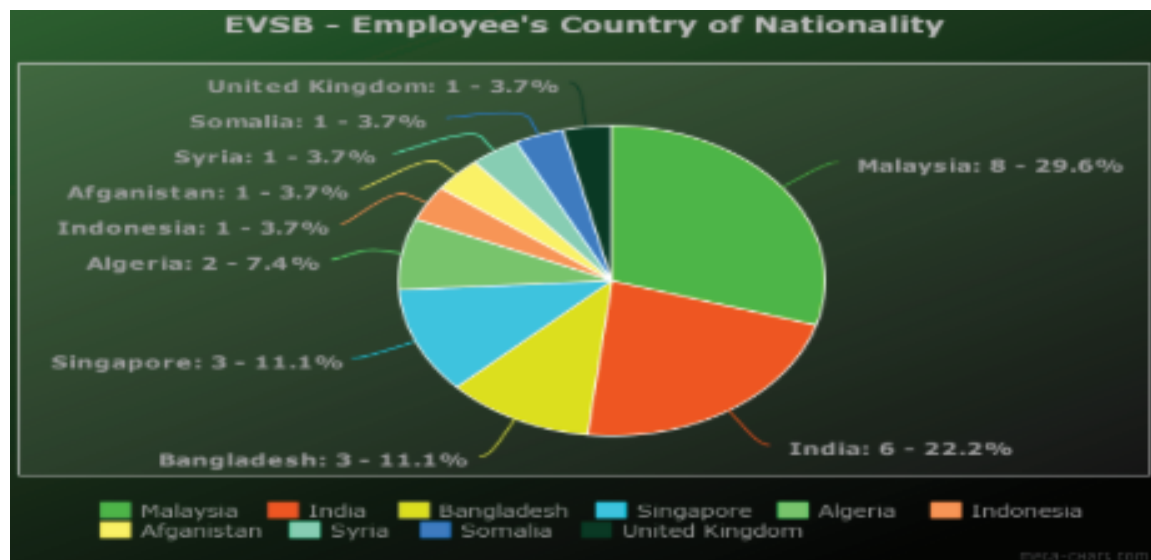
Implementation

Ethis values its staff as an important resource and asset in propelling the company's success. For employee retention and improved working experience, Ethis allows flexible work timings and holidays provision as it acknowledges the importance of family and work-life balance in addition to understanding the time limitations of the employees currently pursuing higher education. As a company that is embracing the digital age, we have allocated numbers of remote days for all employees every month. We are very confident in this approach since we are using integrated digital work platform to organize, monitor, track and communicate more efficiently. For recreational purposes, Ethis office also houses a gym and a wide area to conduct sports, events and other activities. To encourage better work life and employee relationships, communication channels to voice out concerns to the management is available and easily accessible to all team members. Ethis encourages educational empowerment of its employees by conducting regular Ethis-to-Ethis (E-2-E) talks, which are the sharing sessions on various topics by the team members aiming to educate and train the rest of the staff of all levels – juniors and seniors alike.

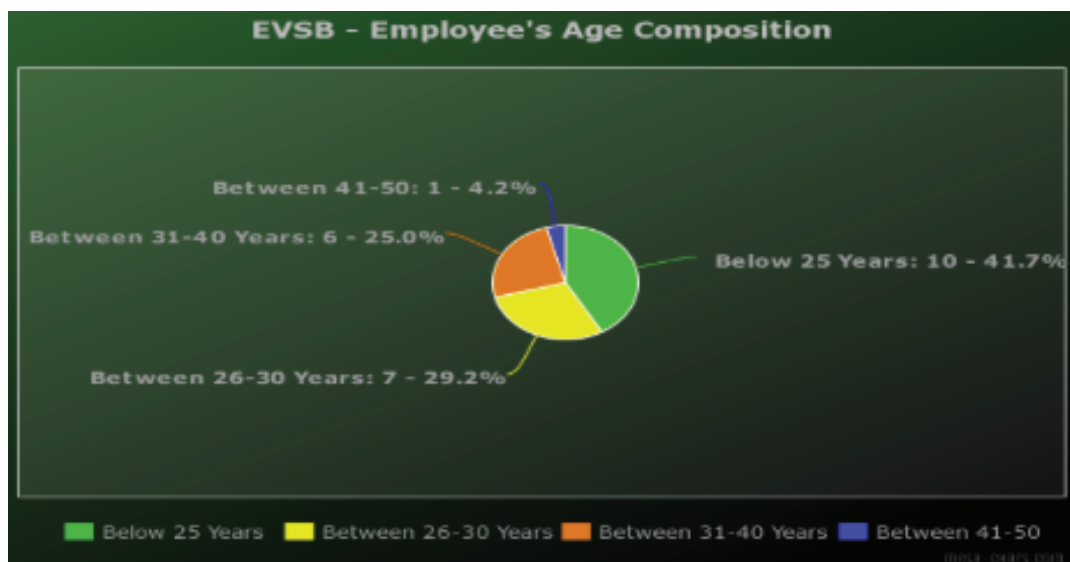
Measurement of outcomes

Ethis has employees from Bangladesh, Afghanistan, Morocco, America, Philippines, Singapore, Malaysia and Indonesia of a wide range of ages - 20 to 50 years old. Ethis also has employees from multiple backgrounds across other platforms - Global Sadaqah, a charity crowdfunding platform powered by Ethis. The following graph illustrates Ethis Malaysia diversified employee structure. By hiring local and international workforce, we believe that the blending of ideas and perspectives from various cultures creates the best possible recipe for creativity and innovation that can take Ethis to a new height in the industry. Moreover, this will encourage our own resource of networking, connection and elevate our image across the globe.

Graph 1: Ethis Ventures Employee Composition by Nationality



Graph 2 shows Ethis Malaysia employees age composition. Ethis recognizes that with the span of age diversity comes a variety of individual work styles and characteristics such as values, work ethics, expectations, motivations, levels of commitment and more. Working among generational differences can make it challenging to get things done – but it doesn't have to be. With E2E session (Ethis to Ethis), and "10 Minutes with CEO" on a weekly basis, we intend to close the gap through various channels of communication and spread out positive influence within our community.





Environment

Assessment, policy and goals

In support of green issues and climate change mitigations, Ethis projects are strictly ensured to be in compliance with local environmental laws. In terms of Indonesian affordable housing projects, Ethis monitors the developers to uphold the local law that makes it compulsory to dedicate 40 percent of a project site for green purposes. In addition, parts of Ethis projects have engaged with architects which incorporate environmental considerations in the project designs.

Implementation

Earlier this year, Ethis was involved in Kampung Islami Thoyyibah (KIT) affordable housing construction project located in Greater Jakarta, Indonesia. To fulfill the green requirement mandated by the local law, a part of the land was allocated to building a mosque. The mosque - Masjid Abu Bakar As-Siddiq, is designed to be surrounded by greenery, is currently approaching its completion stage.

Exhibit: Masjid Abu Bakar As-Siddiq concept design and KIT construction images



Exhibit: Other Ethis projects in Indonesia in adherence to green allocations



Baytuna Residence at Serang, Indonesia



Left: Pesona Prima Cikahuripan at Bogor, Indonesia.

Right: Bela Negara Tugu Regency at Sukabumi, Indonesia.

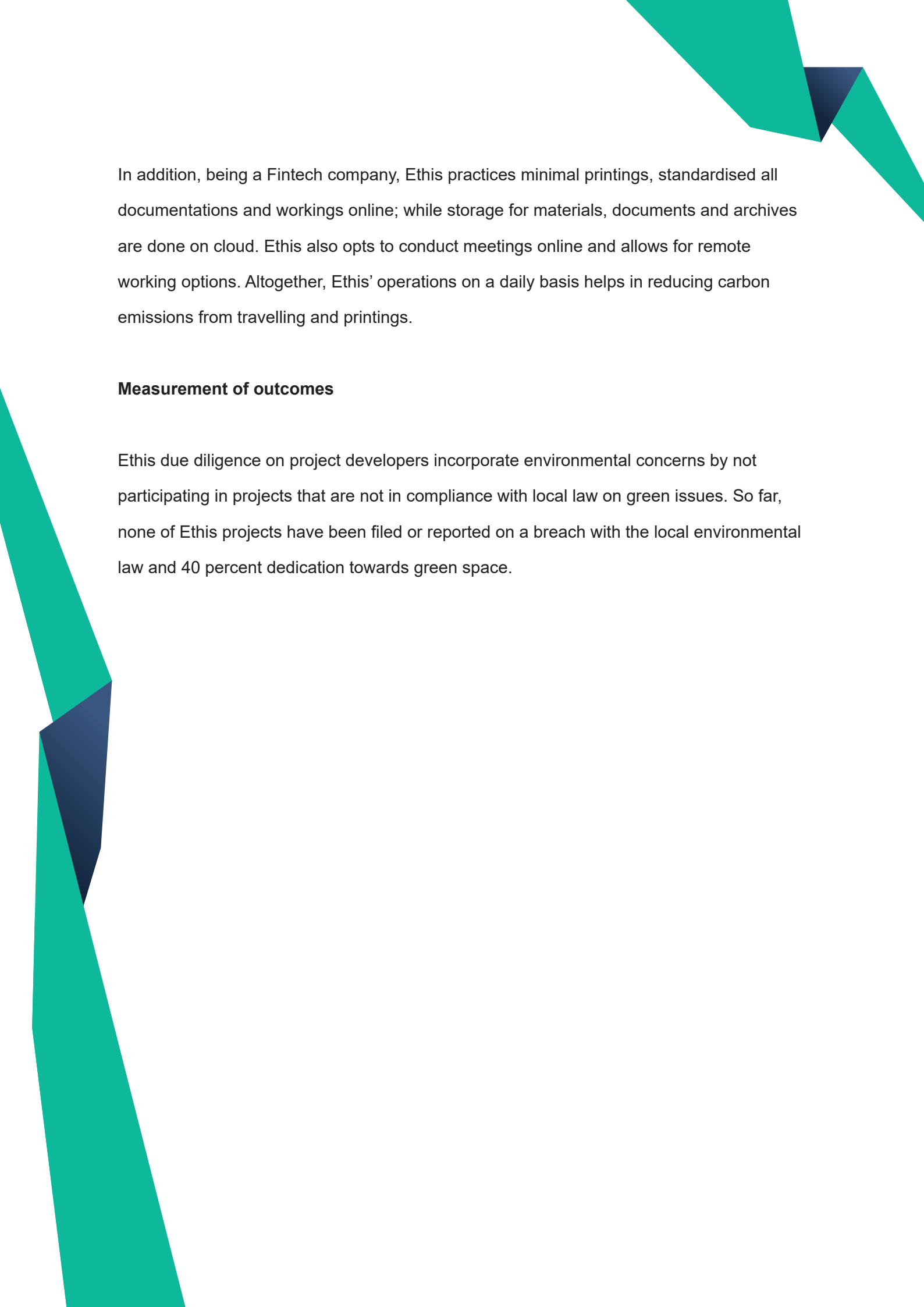


Left: Casavera Residence at Bogor, Indonesia.

Right: Mutiara Muktiwari Residence at Bekasi, Indonesia.



Gria Pali Residence at Pali - Palembang, Indonesia



In addition, being a Fintech company, Ethis practices minimal printings, standardised all documentations and workings online; while storage for materials, documents and archives are done on cloud. Ethis also opts to conduct meetings online and allows for remote working options. Altogether, Ethis' operations on a daily basis helps in reducing carbon emissions from travelling and printings.

Measurement of outcomes

Ethis due diligence on project developers incorporate environmental concerns by not participating in projects that are not in compliance with local law on green issues. So far, none of Ethis projects have been filed or reported on a breach with the local environmental law and 40 percent dedication towards green space.

Anti-Corruption

Assessment, policy and goals

Ethis does not tolerate any forms of corruption, bribery, and extortion from the stakeholders be it internal, developers, or investors. Ethis is fully committed to complying with all national regulations and laws relevant to the company, including those related to local and international anti-corruption laws. Part of Ethis vision statement is to “create an ethical and Islamic ecosystem” as thus anti-corruption principles stay close to the company’s nature.

Implementation

From the investment side, Ethis has a strict SOP in conducting internal Know Your Customer (KYC) assessment to screen for potential corruption risk, and this procedure is especially important when it comes to High Net Worth (HNW) investors. Ethis also engages with a well-renowned credit reporting agency, RAM Credit Information Sdn Bhd to further strengthen our anti-corruption policy by conducting external KYC assessment on the investors and money source. From the developers side, Ethis conducts strict due diligence on the potential developers and thorough financial statement screening prior to partnering as a SOP to ensure clean criminal records and no breach of laws. Ethis’ communication channel is always available and open to all employees or third parties for any report and concern on possible anti-corruption issues.



Measurement of outcomes

From its inception to date, Ethis is free from receiving any report on possible corruption issues and no legal case has been raised against the company.