Processes and qualifications of the Verifier of the Belgian ShiftingPact Label

In the context of the requirements introduced by Directive (EU) 2024/825 of the European Parliament and of the Council of 28 February 2024, commonly referred to as the Empowering Consumers for the Green Transition Directive or ECGT Directive, this document highlights how the Verifier complies with the directive as third party verifier of the Belgian ShiftingPact Label. Specifically, this concerns the paragraph below of the directive:

"The monitoring of a trader's compliance with the scheme's requirements is subject to an objective procedure and is carried out by a third party whose competence and independence from both the scheme owner and the trader are based on international, Union or national standards and procedures;"

Forum Ethibel has been appointed to verify compliance of organisations with regards to the ShiftingPact Label. This means that Forum Ethibel verifies compliance of the candidate organisations with the Criteria of the label referenced in the White Book. The ShiftingPact Label is developed by BetterBusiness, a BCorp company whose mission is to help small and medium-sized enterprises (SMEs) implement sustainability at the heart of their growth strategy. BetterBusiness acts as the scheme owner of the label, and Forum Ethibel is the independent third-party performing verification.

Independence

Forum Ethibel and BetterBusiness are two separate legal entities. Forum Ethibel was founded by several NGOs in 1992 and has the legal status of ASBL in Belgium. BetterBusiness was created in 2021 and has the status of SRL. No individual persons work for both organisations and there is no overlap in the Board of Directors of both organisations.

The General Director of Forum Ethibel sits in the Consultative Committee for the ShiftingPact Label as an independent member. The committee's mandate is to monitor the relevance and credibility of the label and to exchange on continuous improvement. No decisions are taken by this Committee as it acts solely as a think tank. The General Director of Forum Ethibel expresses the view of the Verifier in the Committee. Nor the General Director nor any other employee of Forum Ethibel sits in a decision-taking organ of BetterBusiness and no employee of BetterBusiness sits in a decision-taking organ of Forum Ethibel.

Independence is monitored in the Conflict-of-Interest Policy described further in this document.

Forum Ethibel

Forum Ethibel is a not-for-profit organisation active in sustainable finance and the social economy since 1992. Its mission is to enable (social) businesses and the financial sector to establish more credible sustainable practices. One of the ways Forum Ethibel fulfils that mission is through independent verification for several parties. As a not-for-profit, all activities performed are driven by the mission of advancing sustainability. Forum Ethibel attaches great importance impartiality. We are not dependent on donations nor subsidies in order to keep our unique independent position in the field. Our board of directors consists only of persons acting in their own name and not on behalf of other organisations. Forum Ethibel is also signatory of the UN Global Compact, which confirms its commitment to responsible business practices and the advancement of the Ten Principles on human rights, labour rights, the environment, and anti-corruption.

On operational level, Forum Ethibel applies strict guidelines for verification and auditing. All verification assignments are performed in accordance with our internal verification rules. The Operational Manager of Forum Ethibel is a certified Lead Auditor on the quality norm ISO 9001. The knowledge of this certification is implemented into the Internal Verification Framework. All analysts receive internal training and are expected to perform their verification in compliance with this framework.

This Internal Framework is based on several auditing frameworks such as ISO 9001, ISO 19011 and ISO/IEC 17021, the ISAE 3000 standard and the book 'About Internal Auditing: A Practical Approach' (Amit M. Mehta). The key aspects of auditing described in the ISO-norm 19011 are observed. These international frameworks give good ground for best practices in the verification/audit sector.

Amongst others, the internal framework of Forum Ethibel follows the 7 auditing principles described in the ISO-norm 19011:

- Integrity: This entails that the Verifier shall only take up an assignment if it does not conflict with the audit principles and if the Verifier is competent to perform the audit.
- Independence: The Verifier should be independent of the activity being audited and should in all cases act in a manner that is free from bias and conflict of interest.
- Fair presentation: The Verifier has the obligation to report truthfully and accurately.
- Due professional care: The Verifier shall make sure they have all the elements to make an informed judgement on the audit objectives.
- Evidence-based approach: The audit conclusions shall always be based on sufficient and appropriate evidence.
- Risk-based approach: The Verifier shall focus on the areas of greatest risk.
- Confidentiality: The Verifier shall preserve confidentiality of information.

Next to that, the framework details the verification procedure, conflict-of-interests and escalation procedures if issues arise.

Forum Ethibel has been verifier for other labels and organisations for several years. This experience in verification is supplemented by the expertise Forum Ethibel holds in sustainability and sustainable finance. Indeed, next to these verification assignments, Forum Ethibel undertakes an advisory role and conduct research on behalf of several parties. For example, Forum Ethibel acts

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as an invited expert on sustainable finance in the Workgroup for Financing of the Transition of the Belgian Federal Council for Sustainable Development (CFDD/FRDO). Forum Ethibel also enables institutional investors to understand how sustainable finance work and how to safeguard that their investments follow the path of their own sustainable development strategy. Next to that, Forum Ethibel enables social organisations to have a more pragmatic approach to donations or investments. Finally, Forum Ethibel releases 'Ethibel Viewpoints' detailing a practice or subject in finance and analysing it through a sustainability lens. The goal is to share knowledge and initiate a discussion about sustainability within the financial sector and the broader economy.

Forum Ethibel provides no advisory or consultancy services to organisations or label holders in relation to the ShiftingPact Label, gives no design advice and does not interpret the Label Criteria.

The verification process

The verification process consists of several steps:

Step 1: Analysis of application and dialogue with the organisation

First, at initial application, the candidate organisation is screened by an analyst of Forum Ethibel against the ShiftingPact White Book, the reference document of the label. This happens through assessment of questionnaires and dialogue with the organisation. The procedure follows these different steps:

1. Receiving the questionnaires: the organisation who wishes to apply for the ShiftingPact Label fills in a questionnaire related to the Label Criteria. Where appropriate, the organisation attaches documents supporting their answers.
2. Review of the questionnaire: in this step, the analyst screens the preliminary answers of the organisation, the documents received and all publicly available information in order to gain a view of the application and missing elements.
3. Call with organisation: after the first review, the analyst organises a call with the candidate organisation to gain a full understanding of the application and potential shortcomings. The analyst confirms or corrects initial answers and obtains and reviews additional evidence to ensure they have sufficient information to formulate a conclusion referring to the Label Criteria, in accordance with ISO 19011.
4. The analyst may follow-up on the call with pending matters or additional questions.
5. At the end of the verification cycle, the analyst drafts the conclusions in a Verification Report per organisation. In accordance with ISO 19011, all evidence supporting verification findings is safekept by the analyst.

Step 2: Discussion and validation of the applications with the management team

The reports are discussed during the validation meeting amongst the verification and management team to ensure fair and equal treatment for all organisations. The final conclusions of the reports are approved by the management of Forum Ethibel. The management is composed of the General Director of Forum Ethibel and the Operational Manager of Forum Ethibel. The Verification Reports include an indication of compliance per Label Criteria and an overall assessment formulated as "Compliant" or "Not compliant".

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Step 3: Delivery of the verification assessments

These Verification Reports are sent to BetterBusiness to the attention of the management. BetterBusiness takes note of the assessments and grants the label to organisations in accordance with the assessment of the Verifier.

Step 6: Renewal of the label awarding

The label is renewed bi-annually, where the verification process is identical to the initial verification.

During the different steps of the verification process, the checks and balances between the analysts and the management of Forum Ethibel guarantees an independent assessment conducted by qualified staff with complementary knowledge and skills.

Conflict-of-interest

Forum Ethibel provides no advisory or consultancy services to organisations or label holders in relation to the ShiftingPact Label, gives no design advice and does not interpret the Label Criteria. Where any other client relationship with an organisation exists, the persons concerned are excluded from the file under the conflict-of-interest policy.

If any possible friction with integrity is identified, the analyst or member of management shall notify the General Director of Forum Ethibel or any other competent instance. If the conflict lies with the General Director, he shall inform the other staff members. A form is available to all employees at Forum Ethibel to disclose potential conflict-of-interest. The filled in form is assessed and if conflict-of-interest is confirmed, an escalation measure takes place. If the friction makes the team member or member of management unable to perform the verification and assessment in an impartial way, the team member shall be removed from the assignment or the management member shall not express a view on the specific file. These conflicts may arise from other assignments performed, familiarities or any other potential source. A Conflict-Of-Interest Log is safekept internally describing the potential conflict-of-interests and their implications.

If a potential conflict-of-interest with the Scheme Owner – BetterBusiness – is detected, Forum Ethibel follows the same process.

For more information on the way Forum Ethibel assesses conflict-of-interest, please refer to the Conflict-of-Interest policy on the website of the organisation.

Complaints policy

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If an organisation or label holder believes their application has been wrongfully assessed by the Verifier, they have the right to file a complaint. The request is made in writing to BetterBusiness and communicated to the Verifier. If the Verifier receives such a request in direct, it will forward it to BetterBusiness to ensure fair and objective treatment of the request. The Verifier will investigate the matter of the complaint, analyse the possible misunderstanding further and will report back to BetterBusiness in accordance with the Verifier's Internal Verification Framework.

Conclusion

To conclude, the Directive inquires the third-party verification to be conducted by a party that is:

- Competent: Forum Ethibel hold expertise in verification and sustainable development. Forum Ethibel has the experience needed and necessary internal processes safeguarding a professional verification on the criteria.
- Independent third party: the Verifier is independent from the Scheme Owner and the candidate organisations for the label. Forum Ethibel follows its Conflict-of-interest policy to identify and counter any possible conflicts arising.
- Performs the verification in line with international, Union, or national standards: the Internal Verification Framework is based on several audit principles, including ISO 19011, taking into account the elements relevant to the nature of this assignment.

The management of Forum Ethibel

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