

# FORUM ETHIBEL

**Matching investor expectations by integrating financial instruments in a nature-impact positive investment portfolio**



# What is Forum Ethibel?



Not for profit organisation created in 1992 by multiple NGOs



What? Expertise in verification, advices and support services on socially responsible investing & corporate social responsibility

- Neutral
- Independent
- Trend setter
- 'Forum': Push public debate on CSR and SRI (ERSIS, Viewpoints)



Working together with businesses, organisations and financial institutions



# References



a.s.r.  
de nederlandse  
verzekering  
maatschappij  
voor alle  
verzekeringen



Union des Villes  
et Communes  
de Wallonie asbl



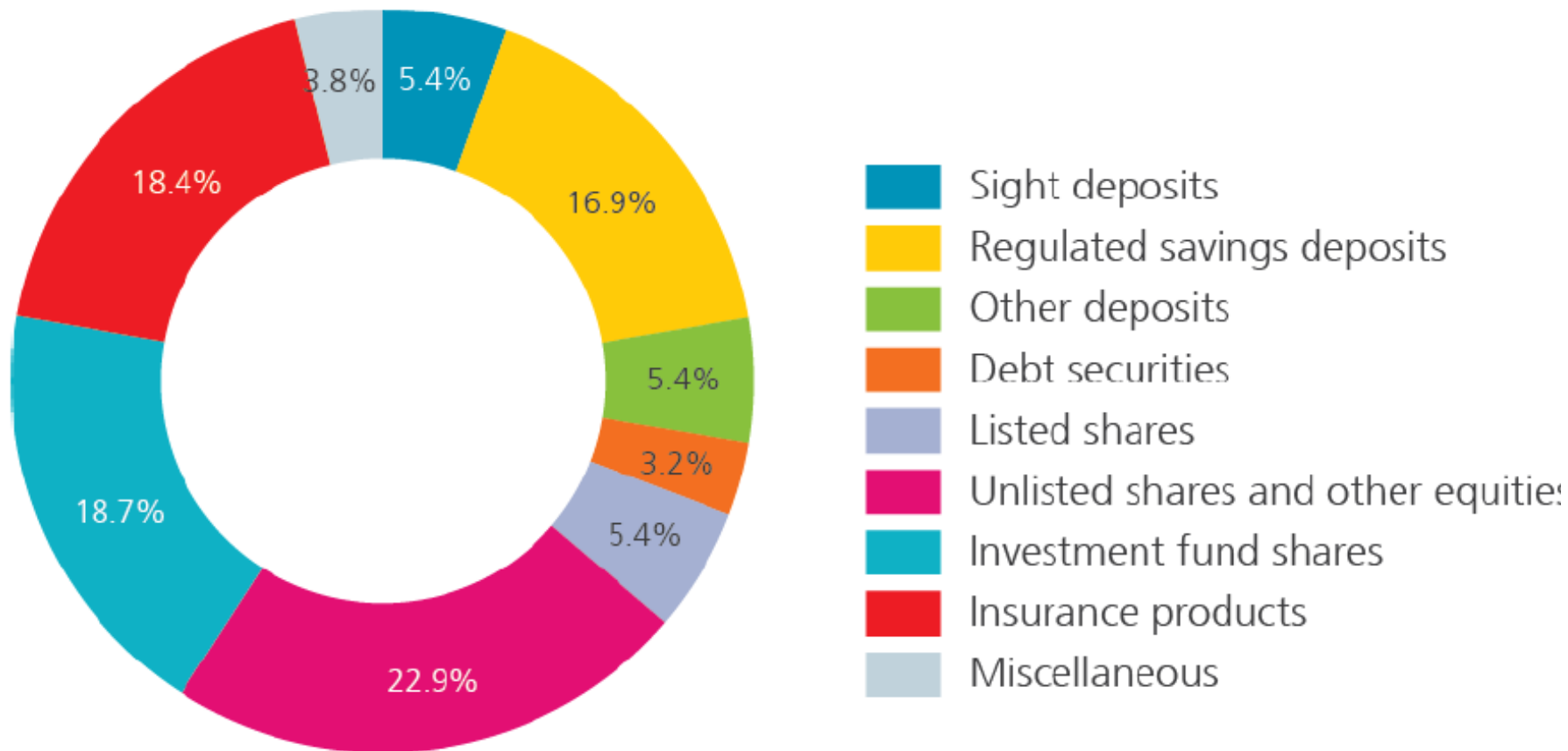
# Financial assets in Belgium



# Private capital

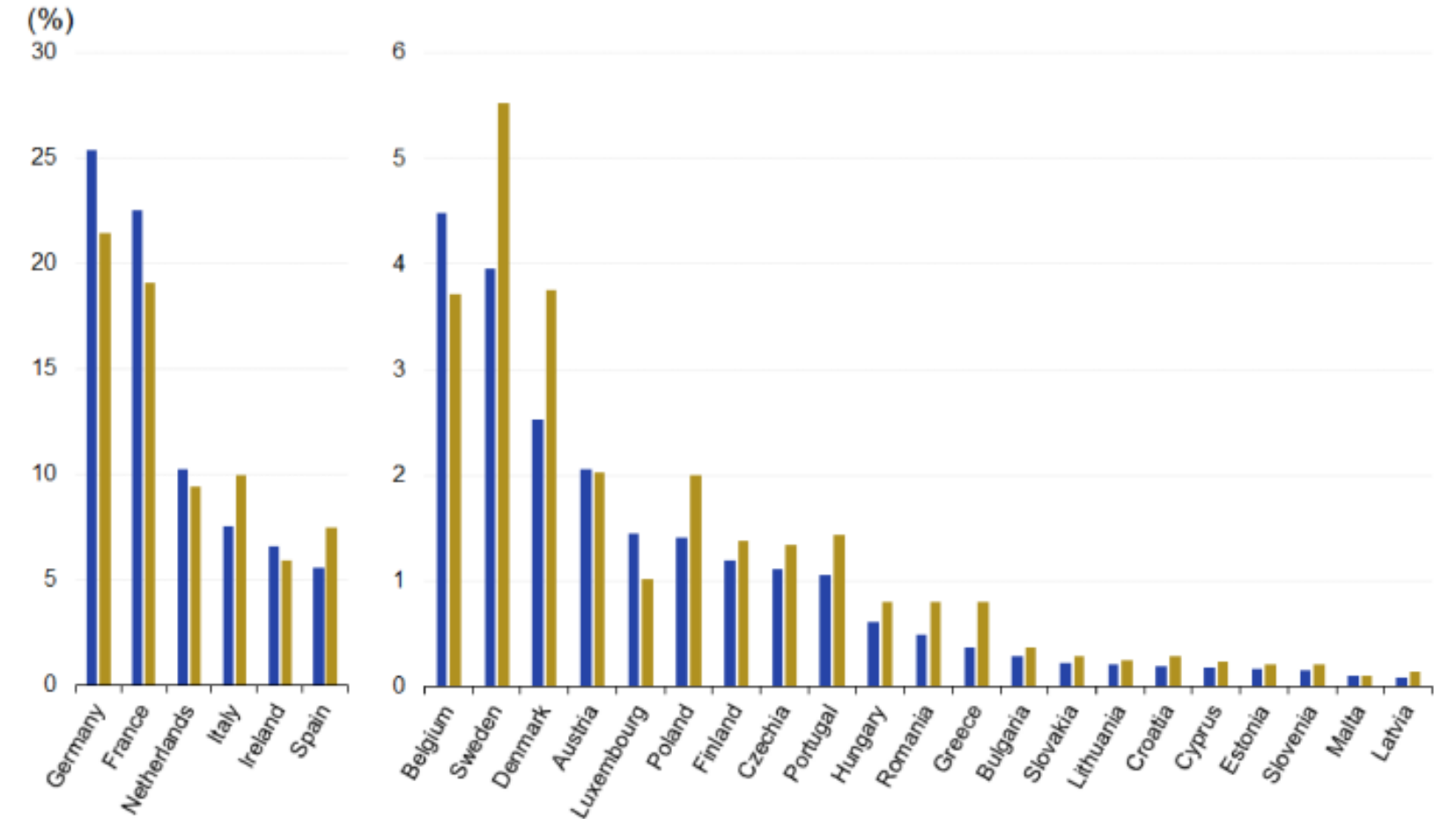
## National bank of Belgium (NBB) – capital from individuals (~1,6 trillion in total)

BREAKDOWN OF FINANCIAL ASSETS HELD BY BELGIAN HOUSEHOLDS AT 31 DECEMBER 2024  
(in %)



## Eurostat – capital from non-financial corporations or NFC (~1,6 trillion in total)

Share of the EU's total financial assets and liabilities of non-financial corporations, 2024  
(%)



# Financial instruments

Savings

ETF

**Investment funds**

Pension savings

Public bonds

Insurance products

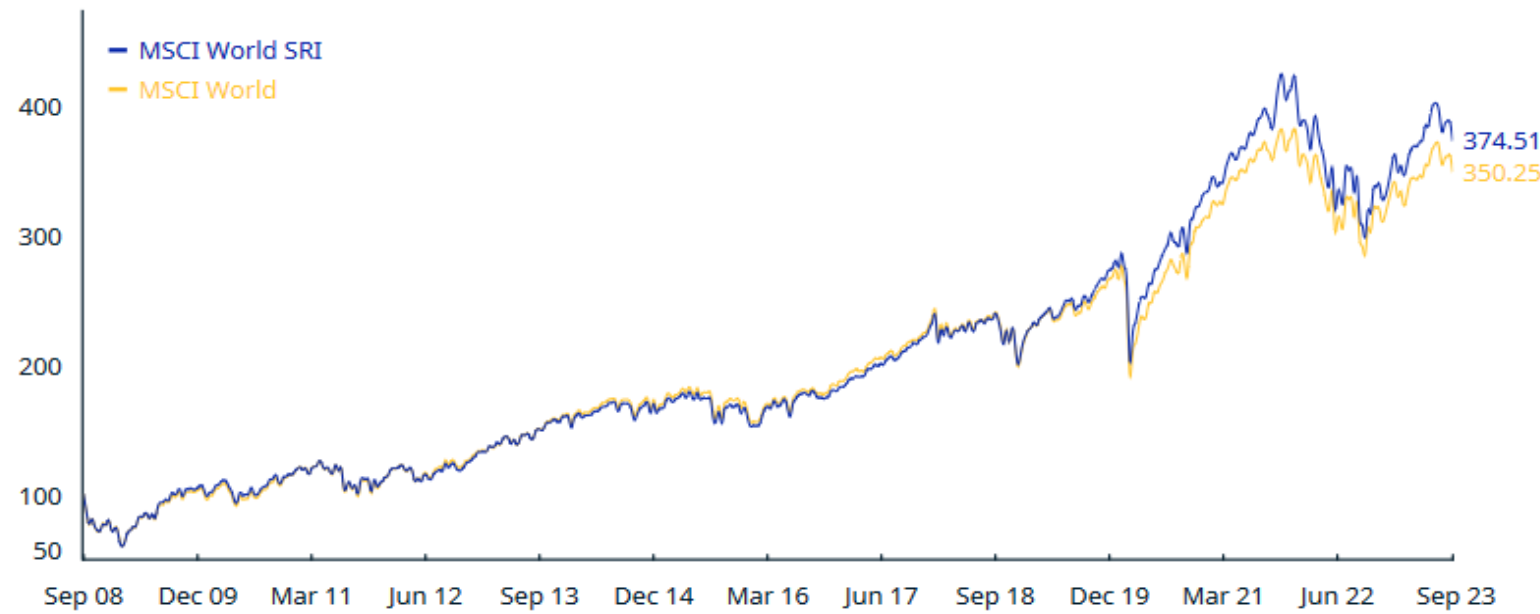
Public equity

Crowdfunding

Public credits

# Sustainability versus return?

**CUMULATIVE INDEX PERFORMANCE – GROSS RETURNS (USD)  
(SEP 2008 – SEP 2023)**



**ANNUAL PERFORMANCE (%)**

Year	MSCI World SRI	MSCI World
2022	-22.12	-17.73
2021	27.62	22.35
2020	20.48	16.50
2019	30.54	28.40
2018	-6.17	-8.20
2017	24.34	23.07
2016	8.36	8.15
2015	-1.05	-0.32
2014	4.45	5.50
2013	28.04	27.37
2012	13.95	16.54
2011	-5.01	-5.02
2010	11.17	12.34
2009	33.10	30.79

**INDEX PERFORMANCE – GROSS RETURNS (%) (SEP 29, 2023)**

	1 Mo	3 Mo	1 Yr	YTD	ANNUALIZED			
					3 Yr	5 Yr	10 Yr	Since Sep 28, 2007
<b>MSCI World SRI</b>	-4.51	-4.85	23.56	13.90	8.36	9.36	9.59	6.99
<b>MSCI World</b>	-4.28	-3.36	22.58	11.55	8.60	7.80	8.84	6.16

**FUNDAMENTALS (SEP 29, 2023)**

Div Yld (%)	P/E	P/E Fwd	P/BV
2.01	21.60	18.04	3.43
2.06	19.45	16.13	2.89

# Sustainable investment: Drivers



# Financial materiality

Exhibit 5: Sectoral breakdown of percentage of revenue that is exposed to nature-related risks

Categories	GICS / BRF Scores	Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Communication Services	Utilities	Real Estate	Total
Air & Water Dependencies	BRF Water Availability	24.4%	23.3%	11.7%	8.4%	13.7%	11.2%	0.8%	12.3%	5.0%	38.3%	7.1%	11.8%
	BRF Water Condition	0.0%	9.9%	1.6%	5.1%	21.3%	4.4%	0.3%	0.1%	3.8%	2.1%	9.2%	4.4%
	BRF Air Condition	29.2%	23.0%	25.3%	18.8%	12.5%	8.4%	45.2%	26.7%	27.9%	26.0%	37.1%	26.2%
Resources Dependencies	BRF Timber Provision	44.7%	36.0%	4.7%	3.4%	5.8%	2.9%	0.6%	1.0%	1.5%	36.7%	0.5%	14.2%
	BRF Soil Condition	0.0%	23.8%	2.2%	5.2%	2.2%	0.0%	1.0%	0.1%	18.2%	1.5%	6.6%	4.4%
	BRF Ecosystem Condition, Dependency	0.0%	21.3%	1.6%	0.3%	2.1%	0.0%	0.0%	0.1%	10.5%	0.1%	0.0%	2.7%
	BRF Pollination	0.0%	26.8%	2.4%	0.3%	2.3%	0.0%	0.0%	0.1%	11.5%	0.1%	0.0%	3.4%
	BRF Herbicide Resistance	0.0%	21.7%	0.7%	0.0%	2.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.0%	1.5%
Climate Dependencies	BRF Landslides	17.7%	24.4%	23.6%	24.3%	20.5%	17.5%	23.3%	33.7%	31.4%	27.6%	37.4%	23.9%
	BRF Wildfire Hazard	28.3%	29.8%	23.4%	20.3%	28.1%	22.4%	23.0%	24.0%	28.4%	25.5%	18.0%	24.3%
	BRF Extreme Heat	50.9%	41.1%	46.1%	38.9%	38.8%	45.8%	56.5%	37.9%	44.8%	49.8%	58.7%	46.0%
	BRF Tropical Cyclones	29.8%	41.4%	38.1%	32.8%	33.3%	37.5%	35.2%	39.6%	26.9%	35.6%	50.8%	35.4%
Impact Drivers	BRF Land, Freshwater and Sea Use Change	37.6%	15.6%	12.0%	0.9%	0.6%	0.6%	0.3%	3.0%	2.4%	12.7%	0.7%	7.4%
	BRF Forest Canopy Loss	26.3%	22.4%	10.7%	2.9%	0.3%	1.0%	0.3%	1.5%	4.3%	29.5%	3.1%	7.5%
	BRF Invasive Species	20.7%	16.7%	17.2%	18.8%	22.7%	7.6%	1.4%	10.3%	13.6%	5.5%	17.9%	14.6%
	BRF Pollution	81.0%	83.7%	60.9%	63.5%	54.8%	72.1%	4.6%	60.8%	17.6%	72.7%	24.9%	52.1%
	BRF Ecosystem Condition, Impact	24.3%	15.7%	5.2%	0.3%	0.2%	0.6%	0.3%	0.3%	1.9%	31.4%	0.2%	5.4%

# Use of sustainable finance mechanisms

## 1. Engagement

- Demand for validated targets, pathways or additional company assessments
- Ideally time-bound but shift towards outcomes (cf. UK stewardship code)
- Principles based on GIIN/OPIIM – big listed equities require big networks (e.g., Nature 100)



## 2. Use-of-proceeds

- Specific criteria for how to spend the receipts of such an instrument
- Only applies to a limited fraction of instruments with a specific focus to make positive impact
- Difference between real-world impact at initial versus at re-financing



## 3. Exclusions

- Most effective on large scale but standardization can harm accuracy
- High degree of ESG-integration or many nature parameters can lead to inaction (e.g. for carbon, AI driven black-box quant engines )
- Creation of ambitious index universes (with publicly available portfolio composition)

**! Professional investors with a local mission, or NFC with a local non-profit focus can integrate all three.**

# Use of sustainable finance mechanisms

## 1. Engagement

“We **encourage** companies to reduce their impacts on biodiversity across the value chain, following the mitigation hierarchy, and aim for a net-positive impact on biodiversity as best practice”

“Engagement: **Leadership role** in launching Nature Action 100; Co-chair of the NA100 Steering Group and active participant in nine company engagements. **Involvement** in several leading public policy advocacy initiatives, such as the Business Coalition for a Global Plastics Treaty. Addressing global pharmaceutical sector dependency on horseshoe crabs.”

## 2. Use-of-proceeds

“EU-Taxonomy Biodiversity **aligned CAPEX: x%**”

“Development of new sustainable finance tools that index the cost of financing to biodiversity issues, to encourage companies to adopt best practices. Thus, in 2019 and 2020, **X has participated in several Sustainability-Linked Loans (SLL) and green bond issues including indicators and targets linked to biodiversity** and more particularly to the preservation of forests.”

## 3. Benchmarking

“**X monitors** which companies have sites or operations located in or near to a biodiversity sensitive area...”

“**Exclusion includes the production of pesticides for the agricultural sector**, the development of genetically modified organisms (GMOs), and certain controversial mining practices, such as deep-sea mining ”

“In all sub-sectors, companies with a **high controversy score for land use and biodiversity are excluded**”

# Investment side: SFDR

## SFDR Classification

**Article 6:** No sustainability objective

**Article 8:** Report on integration of sustainability characteristics

**Article 9:** Report on sustainable objective(s)

**“Commit to invest meaningfully in sustainable investments referred to in Article 2(17) of the SFDR.”**  
(Article 9)

Article 2.17 of the [Sustainable Finance Disclosure Regulation \(SFDR\)](#) defines sustainable investments as *“investments in an economic activity that contribute to an environmental or social objective, provided that such investments do not significantly harm any other environmental or social objectives and that the investee companies follow good governance practices”*.

Does this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

Yes   No

<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

# Investment side: PAB/CTB

## PAB (Paris-Aligned Benchmark)

- “Companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises”
- “Use, possession, development, transfer, manufacture or stockpiling of **weapons** expressly banned by major conventions.”
- “Companies involved in the cultivation and production of **tobacco**”
- “Companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of **hard coal and lignite**”
- “Companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or **refining of oil fuels**”
- Companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing, or **distribution of gaseous fuels;**
- “The GHG intensity or, where applicable, absolute **GHG emissions** for EU Paris-aligned Benchmarks, including Scope 1, 2 and 3 GHG emissions, shall be at least 50 % lower than the GHG intensity or absolute GHG emissions of the investable universe.

## CTB (Climate Transition Benchmark)

- *“Companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises”*
- *“Use, possession, development, transfer, manufacture or stockpiling of weapons expressly banned by major conventions.”*
- *“Companies involved in the cultivation and production of tobacco”*
- The GHG intensity or, where applicable, **absolute GHG emissions** for EU Climate Transition Benchmarks, including Scope 1, 2 and 3 GHG emissions, shall be at least 30 % lower than the GHG intensity or absolute GHG emissions of the investable universe.

# Client side: ESMA naming rules

Term in fund name	Examples	80%-rule (UCITS/AIF)	Mandatory exclusions	Extra requirement
Transition related terms	Transition, Net Zero, Transformation	Yes	CTB	<ul style="list-style-type: none"> <li>The funds should show a clear and measurable transition route</li> </ul>
Environment related terms	Green, Climate, ESG, SRI	Yes	PAB	—
Social related terms	Social, Equality, Inclusion	Yes	CTB	—
Governance related terms	Governance, Stewardship	Yes	CTB	—
Impact related terms	Impact, Impactful	Yes	PAB	<ul style="list-style-type: none"> <li>The fund should show a measurable positive impact</li> </ul>
Sustainability related terms	Sustainable, Sustainability	Yes	PAB	<ul style="list-style-type: none"> <li>The fund should commit to make meaningful sustainable investments</li> </ul>

# SFDR and biodiversity

## SFDR = Sustainable Finance Disclosure Regulation

“The SFDR aims to bring a level playing field for financial market participants (“FMP”) and financial advisers on transparency in sustainability related information”

## GHG-indicators

- Scope 1, 2 and 3 GHG emissions, carbon footprint
- GHG intensity of investees
- Share of activities in the fossil fuel sector
- Energy consumption for high impact climate sectors
- GHG emissions of real estate assets
- Energy consumption by type of non-renewable source

## Biodiversity indicators

- PAI 7: Activities negatively affecting biodiversity-sensitive areas
- PAI 8: Emissions to water
- PAI 9: Hazardous waste and radioactive waste ratio
- Emissions of inorganic pollutants
- Exposure to areas of high-water stress
- Etc.

# Investing side: EU taxonomy

## Sustainable contribution on biodiversity

### For a limited amount of activities:

- Conservation, including restoration, of habitats[1], ecosystems[2] and species
- Hotels, holiday, camping grounds and similar accommodation

## DNSH regarding biodiversity

### “Appendix D” for many activities:

- An Environmental Impact Assessment (EIA) or screening has been completed.
- Measures for protecting the environment are implemented.
- Appropriate measures are taken to prevent damage to protected ecosystems.

### Other requirements such as:

- Optimal forestry practices
- Optimal release of ballast water
  - Pesticide reduction

## Indirect effects

Sustainable contribution and Do No Significant Harm (DNSH) criteria for 151 activities in domains that indirectly influence biodiversity:

**Climate mitigation,  
Climate adaptation,  
Circular economy  
Pollution prevention,  
Water**

# Sustainable finance labels



# International - Mirova Sustainable land fund

Mirova's natural capital strategy has the following investment criteria:

- Align with IFC social and environmental performance standards
- Be in line with MSS
- No net loss of livelihood induced, no net loss of biodiversity
- Stakeholder process on point – for native populations: free, prior and informed consent with to regard to adverse impact

→ Project alignment delay possible if an Environmental and Social Action Plan (ESAP) is implemented

It aims to support the transition and decarbonization of agricultural and forestry value chains while generating financial returns and positive impacts on climate, biodiversity, water, and social inclusion, particularly for women in emerging countries, with a focus on sustainable forestry, agroforestry, and regenerative agriculture.

**EUR 350 million** by the end of 2025.

## Caractéristiques du fonds

Management Company

MIROVA

Geographical area

Emerging markets (Latin America, Asia Pacific, Africa)

Legal structure

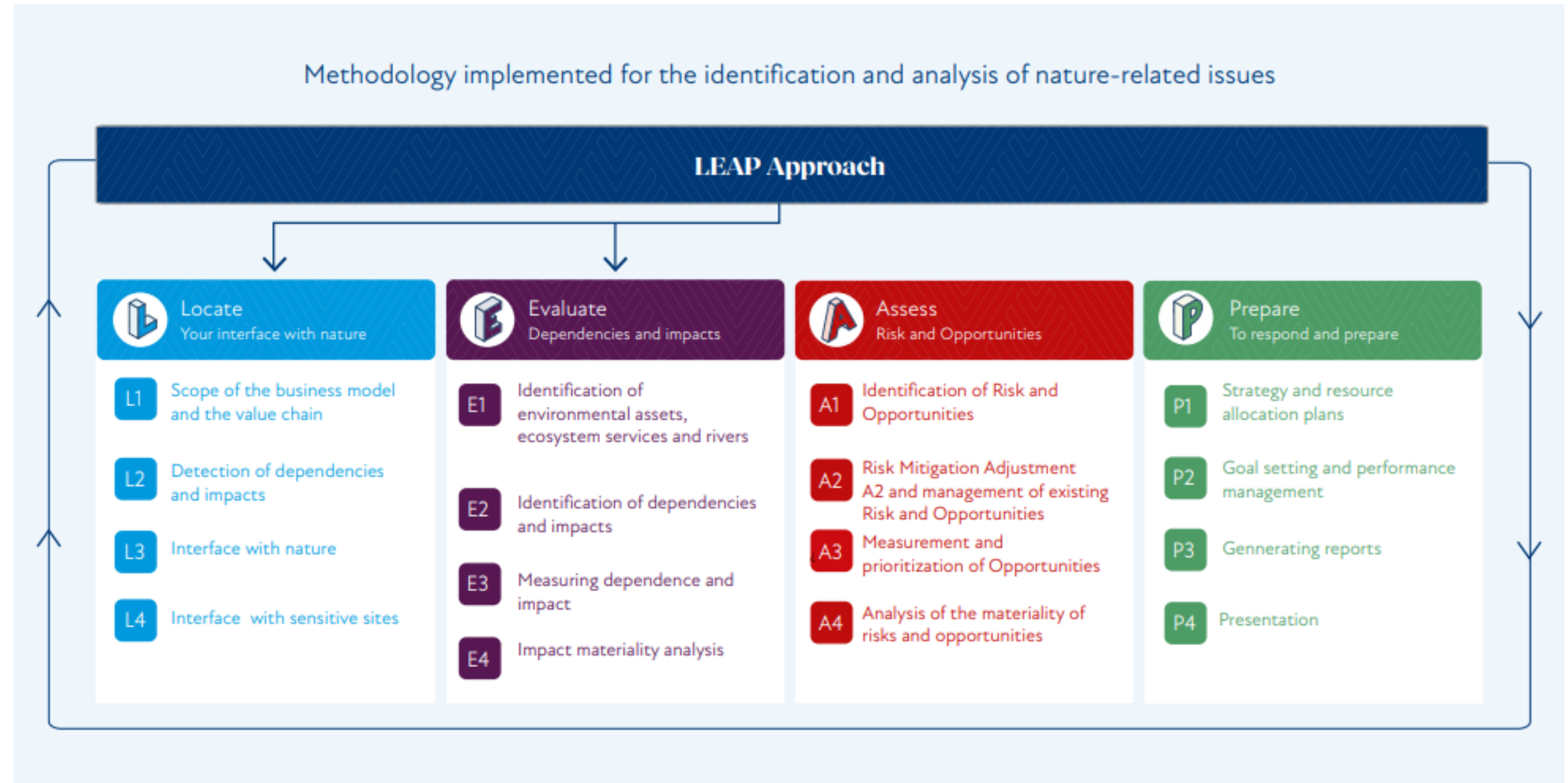
Société en Libre Partenariat (SLP) – French limited partnership qualifying as a Reserved Alternative Investment Fund (SLP RAIF)

Strategy

Equity, quasi-equity and debt investments in emerging markets-based projects of the planted forests, agroforestry and regenerative agriculture sectors






# TNFD LEAP

- **ESRS E4 (CSRD):** “The undertaking shall consider conducting its materiality assessment in line with the first three phases of the LEAP approach by TNFD.”
- Use of LEAP is optional and not required to make the disclosures recommended by the TNFD.
- 277 pages document (including metrics).
- **<> VSME standard (voluntary CSRD alternative):**  
**Req. 33. :** The undertaking shall disclose the number and area (in hectares) of *sites* that it owns, has leased, or manages in or *near* a **biodiversity sensitive area.** and **Req. 34.** The undertaking may disclose metrics related to **land-use.**



# IPBES policy recommendations

- Lack of maturity of available tools for portfolio biodiversity measurement, notably for location-based analysis.
- **Only “Life Cycle Approaches” and “Macro-scale environmental economic models” are considered ready and available, and just for screening priorities.”**

Level of business decision-making	Purpose of measurement	Method categories				
		Location-based observations	Participatory mapping and monitoring	Spatial analysis	Life cycle approaches	Macro-scale environmental economic models
<b>Portfolio</b>  A group of investments owned by a financial institution or a group of business units owned by a conglomerate		X→	X→	→	→	→
		X→	X→	→	→	X→
		X→	X→	X→	→	X
		X→	X→	X→	X	X

## Purpose of measurement



**Screening:** identifying priorities requiring further analysis or action



**Comparing options:** evaluating potential impacts and dependencies of business activities relative to alternatives



**Tracking potential changes in impacts/dependencies:** measuring change in pressures over time as part of an impact assessment, or the change in reliance of business activities on nature's contributions to people over time as part of a dependency assessment



**Observing change in nature:** showing positive or negative changes in biodiversity and nature's contributions to people that can be attributed or linked to the business activities or action on biodiversity

## Level of applicability



**Available and applicable**



**Proceed with caution:** methods can be applied provided sufficient accuracy, coverage and responsiveness



**Not currently feasible**



**Not applicable**

# Interactive exercise on indicator selection

# Portfolio parameters: example

Issuer	Instrument	Weight	Expected IRR 5 years	Beta	Revenues	CAPEX	Production
ASML HOLDING NV	Equity	7%	8%	0,29			
VESTAS WIND SYSTEMS	Equity	7%	8%	1,96			
SIEMENS N AG	Equity	7%	8%	0,51			
SCHNEIDER ELECTRIC	Equity	7%	8%	1,83			
Roche Holding AG	Equity	7%	8%	1,65			
AstraZeneca PLC	Equity	7%	8%	0,80			
Novartis AG	Bond	7%	8%	0,31			
TESCO PLC	Bond	7%	8%	2,50			
ALLIANZ	Bond	7%	8%	0,45			
UBS Group AG	Bond	7%	8%	0,85			
Credit provider	Credit	7%	4%	0,54			
Nature consultancy	Stock	7%	4%	1,40			
Project group	Social bond	7%	4%	1,13			
Community	Green bond	7%	4%	0,60			
Nature company	Bond	7%	4%	1,63			
		<b>1,00</b>	<b>7%</b>	<b>1,10</b>			

Scope 1 GHG   Scope 2 GHG   Scope 3 GHG

# Step 1: metrics lists

## ***Lists of metrics:***

- *TNFD: <https://tnfd.global/metrics/#overview>*
- ***PAI: [Delegated regulation - 2022/1288 - EN - EUR-Lex](#)***
- *For specific instruments:*  
*<https://www.ifc.org/content/dam/ifc/doc/2024/ifc-biodiversity-finance-metrics-for-impact-reporting.pdf>*
- *Nature Action 100: <https://www.natureaction100.org/company-benchmark/>*

# Step 2: core metrics table (part 1)

Table 1 main environmental PAI		Votes
1.	GHG emissions Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions	1
2.	Carbon footprint	
3.	GHG intensity of investee companies	
4.	Exposure to companies active in the fossil fuel sector	1
5.	Share of non-renewable energy consumption and production	1
6.	Energy consumption intensity per high impact climate sector	
7.	Activities negatively affecting biodiversity-sensitive areas	2
8.	Emissions to water	2
9.	Hazardous waste and radioactive waste ratio	1

Table 2 additional environmental PAI		Votes
1.	Emissions of inorganic pollutants	1
2.	Emissions of air pollutants	1
3.	Emissions of ozone-depleting substances	
4.	Investments in companies without carbon emission reduction initiatives	
5.	Breakdown of energy consumption by type of non-renewable sources of energy	
6.	Water usage and recycling	2
7.	Investments in companies without water management policies	1
8.	Exposure to areas of high water stress	
9.	Investments in companies producing chemicals	

# Step 2: core metrics table (part 2)

Table 2 additional environmental PAI		Votes	
10.	Land degradation, desertification, soil sealing	Share of investments in investee companies the activities of which cause land degradation, desertification or soil sealing	3
11.	Investments in companies without sustainable land/agriculture practices	Share of investments in investee companies without sustainable land/agriculture practices or policies	2
12.	Investments in companies without sustainable oceans/seas practices	Share of investments in investee companies without sustainable oceans/seas practices or policies	2
13.	Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	
14.	Natural species and protected areas	Share of investments in investee companies whose operations affect threatened species Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas	4
15.	Deforestation	Share of investments in companies without a policy to address deforestation	4
16.	Share of securities not issued under Union legislation on environmentally sustainable bonds	Share of securities in investments not issued under Union legislation on environmentally sustainable bonds	1
17.	Share of bonds not issued under Union legislation on environmentally sustainable bonds	Share of bonds not issued under Union legislation on environmentally sustainable bonds	

Table 2 additional environmental PAI		Votes	
18.	GHG emissions	Scope 1 GHG emissions generated by real estate assets	
		Scope 2 GHG emissions generated by real estate assets	
		Scope 3 GHG emissions generated by real estate assets	
		Total GHG emissions generated by real estate assets	
19.	Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	
20.	Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	
21.	Raw materials consumption for new construction and major renovations	Share of raw building materials (excluding recovered, recycled and biosourced) compared to the total weight of building materials used in new construction and major renovations	1
22.	Land artificialisation	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets	3
<b>Extra indicators from the workshop</b>			
	Nature positive activities	% nature positive activities	1
	Energy-efficiency gains	% energy-efficiency gains	1
	Nature restoration activities	% investments in active nature restoration	1
	Nature positive R&D	% R&D in prevention of harmful activities	1

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Nature company	Bond	7%	4%	1,63			
		<b>1,00</b>	<b>7%</b>	<b>1,10</b>			

Scope 1 GHG   Scope 2 GHG   Scope 3 GHG

PDF   MSA   Habitat fragmentation index

Dependency on water regulation ecosystems   Dependency on soil fertility services   Dependency on flood regulation / coastal protection

Total land use (ha)	% of sites in or near biodiversity-sensitive areas	Number of operational sites located in protected areas	Water consumption	PFAS emissions	Nox emissions
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# Open discussion



# Thank you!

