



## Communication on Progress 2013-2014 to UN Global Compact

### Our commitment

GES joined the UN Global Compact in 2004 and we are strongly committed to its ten Principles on human rights, labour rights, environment and anti-corruption. This is also reflected in our Mission statement, Code of conduct and Independence policy, as well as in our overall dedication to sustainable development, which the company was founded upon in 1992. In practice, this is demonstrated in our daily work of supporting asset owners and asset managers develop and implement integrated investment strategies with environmental, social and governance (ESG) considerations.

GES is a signatory of the Principles for Responsible Investment (PRI) and the UN Caring for Climate. Furthermore, we actively promote the Global Reporting Initiative (GRI) amongst investors and companies and have certified our business services against the Responsible Investment Research Standard ARISTA®.

### Our external practical actions and outcome 2013-2014

Our premier opportunity to make a difference is through our services. They are based on international norms as expressed in the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises. The philosophy behind GES' services is essentially that all international norms agreed upon between countries and their multilateral organisations are of importance to companies operating in those countries and that they eventually will be judged in accordance with these norms by the authorities, the public and their representatives, NGOs, media, etc. Therefore, these agreements serve as a reasonable foundation for evaluating companies.

During 2013-2014, the impact of our services has increased due to several factors:

- In the past year, we visited more than 80 emerging market companies all over the world, including in South Africa, Russia, China, Mexico, Brazil, Thailand, the Philippines, India, and Hong Kong. The Emerging Market Engagement is focusing on the most material ESG risks and opportunities with the aim to narrow the gap between the ESG risks and the preparedness of the companies, as well as to actively help them take advantage of the ESG opportunities. GES keeps in regular contact with these companies, typically every six months with conference calls and onsite meetings.
- In particular given the focus in Denmark on responsible investments in government bonds, GES has launched an updated assessment on country risks with regards to such






- investments. The new assessment is fully aligned with the new guidelines in responsible investing in government bonds from the Danish Council for Corporate Responsibility.
- In November 2013, GES held the Engagement Day, this first time in Stockholm. It was a day of seminars and discussions with around twenty investor clients participating. On the agenda stood many topical issues, such as supply chain management dilemmas and new sustainable energy solutions, as well as interesting presentations from a diverse set of companies.
  - GES has during the year worked on a special focus area to better integrate children's rights into investments and has taken the lead in driving for improved awareness of this issue in the wider investor community. Starting in late 2013, we surveyed 195 asset owner signatories to the PRI in cooperation with the Global Child Forum (GCF), in order to investigate to what extent and how investors are currently taking related aspects into account in their policies and practices. GES subsequently presented the results in a dedicated session at the annual Global Child Forum event in April 2014. We have since been collaborating with the GCF and a group of investors on an initiative aimed at finding ways for investors to promote children's rights and encouraging more asset owners and managers to follow suit. To this end, we have during 2014 hosted two webinars on different aspects relating to children's rights and investor responsibilities.
  - GES has also held webinars on topics such as Uzbek Cotton and child labour, Payments to Governments and the UN Guiding Principles for Business and Human Rights for minority shareholders.
  - In 2014, GES has for the third time co-led the annual 'Risk Transparency' project in Poland, which covers all Polish companies listed on the Warsaw Stock Exchange and NewConnect. The main purpose of the project is to educate the companies how to increase their transparency on ESG issues. The project is unique in Europe taking into consideration both its dimension and size.
  - GES opened its fifth office in London earlier in 2014. This has given us a direct access to market with strong sustainability potential where we can promote our services for a more responsible investments. Moreover, through our London team we have acquired outstanding corporate governance and proxy voting expertise, so that GES can now offer the most comprehensive engagement solutions in the market.

But most importantly, we have conducted extensive engagement with hundreds of companies in order to make them improve ESG performance. The engagement activities consist of e.g. company dialogue and meetings, resolutions and voting, as well as coordination of the work of several of our clients.

During the last year notable progress has been achieved in GES' engagement efforts with a number of companies regarding several of the UN Global Compact principles, for example:

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<b>Human rights</b>	
	<p>Since 2011, GES has been engaging with a leading Malaysian palm oil company accused of illegal land acquisition in Sarawak, Malaysia. Over the course of continuous discussions with the company, numerous improvements in due diligence work have been adopted, including adoption of a brand new, robust human rights policy addressing indigenous people. Furthermore, the company is fully RSPO certified. Although the land conflict in Sarawak remains unresolved, the company praises the value of dialogue with GES, and states that is committed to reaching amicable agreements with affected communities.</p>
<b>Labour rights</b>	
	<p>GES has been engaging since 2009 with a retailer operating in the garment and apparel industry. Our dialogue has focused on various labour rights challenges in the garment supply chain, with the attention most recently having centred on the forced and child labour in Uzbek cotton cultivation, living wages, and health &amp; safety. In 2013, we were hence pleased to witness the company strengthening its ban on Uzbek cotton in its products by requiring all suppliers to sign a mandatory commitment not to source any either directly or indirectly, or else they could not remain a supplier to the company. It also started applying the same to fabric mills in order to widen its impact further down the supply chain. Furthermore, the company launched a roadmap towards achieving a fair living wage at supplier factories, formed an Advisory Board for wages in the supply chain, and committed to aiming at all its strategic suppliers to have pay structures for living wage in place by 2018. During the year, it also became the first one to sign the Accord on Fire and Building Safety in Bangladesh.</p>
<b>Environment</b>	
	<p>GES has, in collaboration with investors, lobbied an oil and gas company to be more proactive in its clean-up of regionally contaminated lands and waters in parts of West Africa. This has included a visit to meet with the company's in-country Chief Financial Officer and Sustainability Coordinator, and attending the company's annual sustainability day in London, where a discussion was held with the Country Manager. The CEO was also made aware of the issues. GES and the investor focus group have documented the improvement objectives we have set for the company and hold regular meetings to plan next steps and report on progress.</p>
<b>Anti-corruption</b>	



In February 2013, a weapons and defence group's CEO was arrested in relation to an ongoing investigation that had discovered that in 2010 the company made illegal payments to Indian government officials to secure a USD 749 million helicopter contract. GES engaged with the company and suggested improvements to the anti-corruption policy and programme. Later in 2013, the board established an Ethics Committee, requested an independent third party to monitor strengthening of the company's anti-corruption system and updated the Code of Ethics. GES will continue the dialogue with the company to ensure the upgrades are finalised.

## Our internal practical actions and outcome 2013-2014

As travelling is our major environmental impact, we have a strong focus on reducing it to a minimum. Accordingly, we have continued to extensively use our video conferencing equipment during 2013-2014. A telling example was when opening our new office in London, the UK staff was introduced to the other offices via video conference. External video conference meetings have now also begun to be actively promoted on top of the facilities' well established use for our internal purposes. We also use the opportunity to push for resource efficient operations in the companies that we engage with as much as possible; something that has the potential to negate GES internal footprint by a wide margin.

We continue to take significant measures to lower our second largest environmental impact, energy consumption, by reducing the amount of IT equipment that we use and by leasing computers from a company that takes life cycle responsibility, thereby further cutting our CO2 emissions and preventing pollution from production and waste. We continue to use low power processors and hard drives for our servers, as well as repair damaged computers and equipment when possible to avoid waste. As a further commitment to lower our carbon footprint the measurement of our CO2 emissions will be included in the bi-annual report.

Magnus Furugård  
President and Managing Director, GES  
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