

GES and UN Global Compact - Communication on Progress 2014-2015

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 reflected in our Mission statement, Code of conduct and Independence policy, as well as in our overall dedication to sustainable development, since 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, to a large extent based on the UN Global Compact's principles.

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 2014-2015

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, the OECD Guidelines for Multinational Enterprises as well as the UN Guiding Principles for Business and Human Rights. 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 2014-2015, the impact of our services has increased due to several factors:

- GES' assets under advice have increased to EUR 1 trillion.
- GES has approx. 20 000 companies in its screening universe, including listed companies from major world indices, as well as private equities and bonds.

GES' Business Conduct Engagement:

- It has been a busy year for the Engagement department at GES, in November 2014, GES arranged an engagement trip for investors to Burma/Myanmar where meetings were held with companies representing different sectors, including the oil and gas- and telecom sector, as well as with several NGOs. Building on the engagement trip, GES hosted a webinar where the situation in

Burma/Myanmar was discussed from different perspectives of responsible business.

- GES stepped up its engagement with the cocoa industry regarding the issue of child labour among cocoa farmers in West Africa. A company-investor roundtable was held on the topic in order to discuss effective strategies and actions. A letter signed by about 20 investors was sent to various cocoa companies proposing additional efforts to be made by the companies to address the issue of child labour. GES also conducted a research trip and met with Brazilian cocoa farmers to learn from good practices in the country in improving farmer livelihood.
- In the past 12 months, GES has visited 77 companies within the GES Emerging Market Engagement programme. The engagement meetings have been conducted in Russia, South Africa, the Philippines, Mainland China, Hong Kong, Brazil, Mexico and Nigeria. The onsite visits are important to build trust and understanding of the purpose and process of GES' engagement work. For many of these companies, it is the first time they have a full conversation dedicated to ESG/sustainability with an investor representative. GES has engaged for years on the emerging markets and is frequently invited to see production facilities, etc. In October 2014, GES visited a platinum mine together with an investor client and experienced first-hand the hard and dangerous work of mine workers 1250 meters underground.
- GES has during the year developed a Carbon Risk Engagement Service - an investor tool for achieving a long-term, portfolio-wide reduction of carbon risk exposure and improved competitiveness in a carbon constrained economy. The service builds on GES' experience in how investors' best spend engagement resources. The engagement targets are the biggest carbon emitters in the investment universe, with the biggest potential for improved carbon management and with the best likelihood of being open for investor expectations.
- GES continued monitoring for developments in the Bangladeshi readymade garment industry. Based on the progress made by two major joint initiatives, the Alliance for Bangladesh Worker Safety and the Accord on Fire and Building Safety, the progress made by the government of Bangladesh, as well as the dialogue with several brands, retailers and other stakeholders GES is of opinion that overall situation of fire and building safety in the industry has significantly improved.
- GES is in the process of revising its approach to Inhumane Weapons to make sure that all breaches of relevant UN Conventions, as well as international humanitarian law, are included in GES' scope and reported to GES' clients. GES is also monitoring for new types of weapons and new military contracts to ensure that all companies involved in any controversial activities are identified, reported on and contacted. GES' approach to breaches of United Nations and European Union sanctions, in particular trade and financial sanctions, has also been revised and strengthened, especially in light of the Arms Trade Treaty that entered into force in December 2014.

GES' Corporate Governance Engagement:

- GES' Corporate Governance department submitted a total of approx. 1900 votes on behalf of four clients. In many cases, it means an intensive pre-AGM engagement with companies. In the cases of several companies this led to improvements in disclosure and remuneration practices. One bank provided a particularly strong example for successful engagement with shareholders. The bank reached out proactively after a nearly 40 per cent voted against the vote on remuneration in 2014, and implemented far-reaching changes to its practices. It is also in the process of strengthening its compliance function. The constructive dialogue with its shareholder base resulted in a largely harmonious AGM, with high levels of support for all proposals.
- In Italy and France legislation continues to undermine shareholder rights. Both the Florange law in France and the Growth Decree in Italy contain provisions that enable double voting rights share structures, ostensibly to benefit long-term shareholders. In practice, these arrangements only serve the interests of dominant and legacy shareholders, such as founding families and can lead to weaker governance. GES has sought to contravene this developments by supporting opt-outs of the Florange law wherever possible and opposing the introduction of dual-class share structures, such as the adoption of loyalty shares, in Italy.
- The general meeting season in Europe and the US has seen a renewal of shareholder efforts to hold companies to account over their environmental policies and to bring about changes in strategy. In the UK, global oil and gas majors were the focus of a campaign by an investor coalition called 'Aiming for A'. The group placed shareholder resolutions on the agenda at the annual meetings which called for their public reporting to include more information about their efforts to assess and address the risk of climate change. Ahead of the meetings, the management of both companies also recommended support, something that happens rarely with shareholder resolutions. Over 98 per cent of shareholders supported the proposals at each meeting. GES looks forward to more comprehensive reporting from the companies in 2016.

Events:

- GES hosted a half day event to bring together different stakeholders to the conflict in Western Sahara to discuss the risks and human rights situation in the territory (attending were representatives from companies, NGOs, Saharawi people and investors)
- GES Engagement Day – an all-day conference was organised in London and attended by more than 70 investors and company representatives, as well as some NGOs and media. The conference consisted of several sessions (ESG panel discussions and presentations) focused mainly on climate change, water risks, corporate governance, freedom of expression, and privacy issues. Additional sessions touched upon the key issues concerning European climate work and regulatory developments as well as ESG criteria in fund manager selection and engagement. The speakers represented several companies and investor organisations and each session was hosted by a GES representative.



- GES has repeated an investor survey on children’s rights and the accompanying report is issued in the beginning of September 2015. GES surveyed asset owner signatories to the PRI in cooperation with the Global Child Forum, in order to investigate to what extent and how investors are currently taking related aspects into account in their policies and practices. GES will present the results in a dedicated session at the annual Global Child Forum event.



Position papers:

- GES has been working with an external expert to develop a position paper on corporate taxation in order to screen companies on any violations of the OECD guidelines for multinationals chapter XI. The paper is based on the BEPS action points and will be finalised during the fall. GES also conducted training for analysts on international taxation and will start screening companies from September 2015 on taxation issues.
- GES has updated a Corruption position paper to include business-to-business bribery and further clarified which issues are seen as corruption and which are not.

But most importantly, we have conducted an 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:

Human rights	
	As a part of engaging several companies involved in a hydropower project in Latin America, GES visited the project in early 2015. The visit has enabled GES to make more specific and informed proposals to the involved companies afterwards, in particular in relation to the rights of indigenous people and other local community member’s rights.
Labour rights	
	In 2015, GES included the wide spread forced labour in Thai fishing industry in its work. GES engaged with companies involved in the Thai fishing industry, including one of the biggest shrimp producer and several of its buyers. The case was closed due to the successful dialogue with the company

	and its programme on improving its supply chain transparency and complicity.
Environment	
	<p>GES has contributed to improved environmental performance at two global oil and gas companies, through its engagement and lobbying work over the last year. The companies, which were both involved in the well blowout in the Gulf of Mexico, have made substantial improvements in the areas of environmental management systems, transparency on environmental issues and day to day environmental performance. They have also reached settlements which will ensure the financing of the ongoing Gulf of Mexico restoration. In March 2015, as a result of investor pressure, of which GES has been a part through our documented dialogue, one of the companies also made a substantial policy improvement in the area of carbon emissions management. The other company adopted a comprehensive new CEO-endorsed Health, Safety and Environmental performance strategy for its global operations.</p>
Anti-corruption	
	<p>In September 2012, it was reported that an investigation had started towards a telecom company that was suspected for corrupt practices in several countries. Since the first report, the CEO and most of the top management have been replaced and the company has installed a Compliance Officer function with focus on Ethics and Compliance. The company has also strengthen its Anti-Bribery and Corruption policy and has developed an anti-corruption programme in accordance to the company's compliance framework, which consists of eight steps founded on a clear "tone from the top" and with board oversight embedded in the overall programme. The compliance framework is structured on Prevent, Detect and Investigate principles. The company has also increased and improved its training of its employees and is focusing on employees in high-risk markets or functions. Finally, the company has also implemented an anonymous whistle-blower function. GES will continue the dialogue with the company to ensure that the implementation and continuous auditing is progressing positively.</p>

Our internal practical actions and outcome 2014-2015

GES' CO2 emissions are dominantly caused by business air travel. The company therefore always assesses the usefulness of air travel taking into account the climate impact. Information technology-based ways of communication are recommended, promoted and widely used in the company. This includes, when possible, video conference as the first option, also for person-to-person meetings with external stakeholders. It is however made clear that, despite the related CO2 emissions, physical travel can be used if this is likely to lead to positive outcomes for climate management. The potential CO2 emissions reductions that GES can be instrumental in achieving inside external stakeholders, are of a magnitude many times bigger than GES' internal emissions.

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