

UN GLOBAL COMPACT 2012

CHIEF EXECUTIVE'S STATEMENT

Alfagates became signatories to the UG Global Compact in 2010 and we are pleased to submit our first Communication on Progress. This COP is an interim communications step. We have been championing all relevant components of the ten principles on a purely common sense basis since the group's inception in 2004 in Iraq. As a smaller company supplying multiple services in a specific challenging environment, we have focused on the practical issues of generating employment, fostering loyalty from our staff, and achieving critical mass. We are only now commencing the design of written codes and measures to evidence and improve on our performance. The next year will evidence significant progress in this respect. Did we sign the UN Global Compact a year too early? Maybe we did, but our senior management and staff have always slept easy at night in the knowledge that their efforts are producing change for better.

We are specifically delighted that the ten principles and our *modus operandi* fit symbiotically and naturally together. Above all, the UN Global Compact is a platform which we can use to achieve common standards and empathy with, and therefore a mutual understanding between, all stakeholders and ourselves.

Alfagates acts as the link in the chain between our clients, predominantly international enterprises, and our suppliers from the local commercial sector. Our clients and suppliers are increasingly polarised. Our suppliers generally live and work in endemically corrupt societies, and they face increasingly greater pressures as greater trading opportunities are offered to them as the international community accesses their places of work. Our clients welcome the idea that we can tackle on their behalf the practical aspects of dealing within the local environment in which they seek to promote their enterprise, yet they naturally demand the lowest price service for delivered work and without additional compensation for our own compliance.

Alfagates has maintained its independence from local partners other than in the execution of individual contracts or projects. We turn down work which we believe would lead us into any corruption traps; however it is critical for our viability in each market that we act as an agent for change and that we conduct sufficient profitable business. This does not bring about a trading conundrum, for we are vehemently anti-corruption. We either trade profitably and ethically, or we do not trade at all.

We see some light on the horizon, because of pressures on corrupt governments and leaderships, which are coming as much from people power especially through social media, as from trade sanctions and from direct foreign intervention. We are hugely encouraged by the natural good which emanates from people power.

Our goal in the propagation of the Compact is to foster ethical leadership from the bottom upwards through being a force for good. We believe that adherence to the Compact combined with other of our sustainable activities will lead to more, and greater quality, business for us. A virtuous circle is created as the more we participate in commercial trading activities the more our contribution to the Compact is maximised.

We hereby renew our support for, and commitment to, the ten principles and the Compact.

Mark Berger
Chief Executive, Alfagates Group

May 2012

HUMAN RIGHTS

Assessment, policy and goals

Our assessment is that all people are to be treated as you yourself would like to be treated. This applies especially within the complex and broad ethnic environments in which we work which includes the main groups of Arabs, Kurds, Chaldeans, Assyrians, Yezidi, Turkmen. An Iraqi passport does not imply freedom to travel internationally; barriers to travel for Iraqis have denied them opportunities. Also, Iraq can display guarded tendencies towards permitting entry to the very foreigners from whom it requires services and investment.

Our policy is to disseminate information and educate whilst remaining as far as possible independent, apolitical, and disinterested.

Our goal in the year 2012-2012 is to codify our policy and measurements and set realistic targets.

Implementation

We apply cross-checks within each staff peer group, and an open communications channel to the CEO to protect each person's rights and prevent abuses. If there are language and distance barriers then there are generally a minimum of two channels at senior level in each branch office to which problem or issue would be reported (the most senior local manager, and the non-host country branch manager or visiting manager) and two reports are sent to senior management.

We encourage staff, and third parties unconnected with Alfagates, to try to obtain cross border access whether it is for holiday or work. We assist foreign companies establish training courses inside Iraq so that Iraqis can qualify to work in higher or technical grades. The CEO is a Board Member of the Iraqi Center for Training Standards and Quality Control, an Iraqi Non Government Organisation and, if permitted, plans to use this to facilitate the improvement of Iraqi livelihoods.

Our own staff receive help for family needs outside their contracts of employment. We show empathy with all local cultures, for example granting time off for family gatherings, offering financial assistance for overseas medical trips, and pastoral care especially in international matters such as immigration, and international career opportunities outside Alfagates. We permit home working when it is feasible. We keep in contact with former members of staff, and will act as a sounding board to assist them develop their careers. We encourage skills such as IT and language and will make cash or equipment available for educational purposes.

Measurement

We have neither had reports of Human Rights violations nor discovered any problems, nor been fined, nor been threatened with legal action or sanctions.

We uncover information through extensive discussion within our staff at all levels. The CEO and senior managers talk one-to-one with all branch management staff face to face in the relevant branch. All senior management visit our staffed branches on a frequent basis and any problems are resolved on the spot.

LABOUR

Assessment, policy and goals

We employ based on merit, and as far as possible on locality, introducing non-locals only at senior management level and where necessary eg for certain technical roles. Child labour is not permitted by company policy; forced labour is likewise not permitted and would attract the attention of the local authorities. We are not discriminatory. Freedom of association throughout the group, and outside, and collective bargaining, is unhindered and its practical application ensures that senior management can better lead Alfagates. However, we have noticed minimal holidays being taken by our local staff, and we believe that structure and planning by our staff into genuine "time out" planning and then taking structured holidays will improve productivity overall. We still have cultural and historic barriers to overcome – Iraqis are only recently enjoying a relative freedom of movement.

Our policy is to promote from within if possible, and for senior management to delegate authority to employ to the non-host country branch manager (or equivalent person) and the local general manager acting in combination. Our policy is that at least one member of staff may step into a colleague's job at short notice and perform his role on a temporary basis from day 1 at 65% efficiency. This encourages diversity, skill transfer, and fosters a society of merit-based leadership.

Our goal for 2012-2013 is to codify our policy and measurements and set realistic targets.

Implementation

We have employed and will continue to employ, disabled people, women (including during and after pregnancy, granting maternal leave beyond the statutory minimum), and all persons whose skills and locality merit employment fitting our requirements.

Local general managers at each branch recommend solutions to such issues as discipline, pay review, bonus, benefits, and time off other than pre-arranged holidays, in conjunction with the non-host country branch manager. Senior management takes great heed of these recommendations, mainly because managers visit and get to know all branch staff, try to understand the local customs and requirements, and are thereby more easily able to infuse international ideas and standards into the local employment market.

Alfagates is in the development stages of achieving total quality management, and within that we have adopted a culture of occupational health and safety. We are working towards the OHSAS 18000 standard. At the basic level, staff receive health and safety training, and this is overseen on a daily walk-through basis. Many of our activities are monitored by a large corporate client for whom we construct and operate a supply base, and they graciously provide guidance and training in specific matters from their resource pool.

Training courses in Information Technology and language are encouraged. For example we have one UK member of staff learning Arabic, and non-computer literate staff are encouraged to learn computer skills and to reach the level at which they can operate their own email account and read the news. We believe this raises their awareness, assists them in parenting skills specifically to understand their children's educational needs, and ensures that their own skills are more freely transferrable in the labour market.

All staff are expected to be curious and to learn skills from other staff. All staff are expected to train other staff in their own skills. This activity has remained voluntary but we plan that all staff will be scored on their achievements.

Measurement

We have neither had reports of Labour violations nor discovered any problems, nor been fined, nor been threatened with legal action or sanctions.

We engage international and local lawyers to ensure that we are compliant with all Labour Laws. We are in the early stages of supplying manpower services to one of the world's most prominent corporates; we believe our systems are in compliance with their requirements and they will have audited us by our next COP.

ENVIRONMENT

Assessment, policy and goals

Alfagates must often lead its clients in environment matters in Iraq. Local laws exist but implementation is not only highly dubious, but much execution of the law also conflicts with even the most basic common sense internal standard set by an international company.

Waste disposal in our operations regions is generally environmentally dangerous yet private sector environment disposal companies have struggled to gain traction in our geographic markets. An element of this can be put to local officialdom, however we place significant accountability in the hands of the international contracting community which we believe has demonstrated a less than robust collective approach to resolving the problem by private sector means.

Central to our policy is that it will result in focus on the major areas such as disposal and recycling of chemicals and oils, and the reduction to zero of any trade off resulting in less than the highest standard being adopted by us or any of our stakeholders.

Our goal for 2012 – 2013 is to codify our policy and measurements and set realistic targets.

Implementation

We focus on servicing our clients' needs in order to retain them, but freely admit that environmental trade offs are made within the commercial constraints placed on us in the matter of waste disposal, although we do comply with local laws. However, one benefit is that we are able to educate our more responsible clients on the need for action. We are conducting a feasibility study to consider our own participation in an environmental waste disposal business.

We control procurement so that excess is minimised, and additional travel is minimised.

We procure materials and finished products of the highest quality we can afford, to increase the lifecycle of each item.

Two polluting clients have left us. We believe that in part this was because our positive attitude to the care of the environment made them uncomfortable.

We have identified and implemented a new role of travel coordinator for a member of head office staff who supports the senior operations manager, also a new position. We will more efficiently use air travel (which will reduce its cost), and our vehicle fleet, and those of our suppliers, will be monitored closely for efficiency.

We have experimented with a virtual head office, but this is being abandoned for commercial reasons. Also, under local laws we are required to have sole user rights to sufficient office space for our staff, so it becomes more environmentally sound to physically occupy the office we must lease. Our offices are as near paperless as possible, although we are constrained by client, audit and logistics requirements to have hard copy paperwork; our offices are located as centrally as possible to minimise total staff commuting distance, and close to public transport where available.

Measurement

We have neither had reports of Environment violations nor discovered any problems, nor been fined, nor been threatened with legal action or sanctions.

We make daily walk through inspections and discussions to minimise waste, minimise accidents and spillages which may cause an environmental problem. These inspections include interacting with our field staff, our facilities, our clients and our suppliers.

Incident report forms log errors and omissions, and track the rectifying action to compliance with at least the local legal standard.

Our larger clients provide a constant source of external audit.

ANTI-CORRUPTION

Assessment, policy and goals

As stated in the Chief Executive's statement we work in an environment where corruption is the norm as opposed to the exception. However change is afoot, for example in the Kurdistan Region of Iraq in February 2012, the new Prime Minister Nechirvan Barzani has a mission to publicly out corruption from within his own ministries, and this initiative (and the fear it instils) is reaching low levels in private enterprise with a beneficial effect to us because we are at last selling to an audience (our suppliers) which can relate to real life experiences of change from within their own culture. We are naturally pleased and thankful for this high level initiative and intervention in one of our markets. All our senior managers know all of our staff with an ability to make procurement and client service decisions, so this acts as a control. Controlling the activities of our local suppliers is more difficult, and we have not yet worked out a method; however they are enthusiastic to change and we are encouraged that as our own business grows, we will be able to deploy resources to plan, evidence, and report on, the changes we can make.

Our policy is that we do not permit corrupt practices. This is an immediate termination offence for staff; if we discovered that our suppliers were engaged in such practices we would seek to remove them; and we reject all offers of business which we suspect or know would support corruption. Besides, the new UK Bribery Act is a welcome and powerful deterrent alongside the US Foreign Corrupt Practices Act.

Our goal for 2012 – 2013 is to codify our policy and measurements and set realistic targets as they relate to third parties with whom we are, or might become, involved.

Implementation

All our managers with a procurement ability watch over each other at all levels. The Chief Executive has direct oversight and is involved in constant discussions, education and oversight at head office and branch level. This is a core platform of his leadership.

Our staff are bonded to Alfagates in the knowledge that the business, and therefore their jobs, exist through Alfagates's reputation for undoubted probity. This is proving a most effective method of ensuring that corruption does not even become a temptation, and is demonstrating that we can self-regulate from within the organisation. Recently, branch staff held a "united we stand; divided we fall" conversation in relation to correcting a (non-corrupt) short cut being taken by a member of staff. The result: self-regulation works, and all Alfagates staff appreciate our group's stance.

We offer unsolicited advice and guidance to our clients and expect the same in return in our attempts to create a virtuous circle of improvement.

Measurement

We have neither had reports of Corruption-related violations nor discovered any problems, nor been fined, nor been threatened with legal action or sanctions.

We conduct a monthly audit of cash expended at branch and head office level. The Finance Manager (who is a member of senior management) regularly visits the branch offices.

We are shifting payment for local procurement to electronic bank transfer from cash payment. We have succeeded in moving our main local supplier to electronic banking.

All staff actively monitor each other's behaviour and spending habits to identify expenditure beyond the expected norm for that person.