

## UN GLOBAL COMPACT 2013

### CHIEF EXECUTIVE'S STATEMENT

Alfagates became a signatory to the UN Global Compact in 2010 and we are pleased to submit our second Communication on Progress. Much of the content of this year's COP remains extant from our 2012 COP, which is indicative of the harmonious way in which the Alfagates' principles and the UNGC dovetail. 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. Our business remains privately controlled but with the checks of a genuinely ethical public corporation. We use the advantages of both to maximise the benefits we give to society.

We have made significant measurable progress during the last 12 months, and I would like to highlight the ISO 9000 certification with UK audit as providing the internal Quality Assurance framework from which we can prove and extend the coverage and positive impact of the universal Ten Principles.

As a smaller company supplying multiple services in a specific challenging environment, we had focused originally on the practical issues of generating employment, fostering loyalty from our staff and achieving critical mass. We now have written codes and measures to evidence and improve on our performance. I reiterate that our senior management and staff have always slept easy at night in the knowledge that their efforts are producing change for better, *but now we do so with the knowledge of an extra layer of observation on our own activities.*

We are specifically delighted that the ten principles and our *modus operandi* fit together symbiotically and naturally. 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.

We parallel the words of Google (taken from their 2004 IPO manifesto): "Don't be evil. We believe strongly that in the long term, we will be better served — as shareholders and in all other ways — by a company that does good things for the world even if we forego some short term gains." We either trade profitably and ethically, or we do not trade at all.

Alfagates acts as the link in the chain between our clients, predominantly international enterprises, and our suppliers from the local commercial sector.

Our goal in the propagation of the Compact remains 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.

In May 2012 we appointed a Chief Operations Officer and the routine component of my role has become far more one of oversight and assurance of our operations. This is highly beneficial to the development of our business, as more resources have been freed up for the execution of our strategy, specifically the social component.

We hereby renew our support for, and commitment to, the Ten Principles and the Compact.

Mark Berger  
Chief Executive, Alfagates Group

May 2013

## 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 she 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 2013-2014 is to demonstrate improvements in our measurable activities.

### 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 any 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. This year one of our staff emigrated to the United States. We are delighted to remain in close contact, although he and his family are thriving in their new environment. 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 e.g. 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 lead Alfagates better.

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 2013-2014 is to demonstrate improvements in our measurable activities

### 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.

During the year we relocated our administrative and corporate head office to Dubai without a single redundancy and whilst retaining the services of a home based worker in a different time zone.

In our attempts to promote the development and therefore the responsibilities of all of our staff, we have evidenced the rare problem of over-delegation, but have been able to correct this at the earliest stages without loss of momentum or confidence from those involved.

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.

### 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. Our manpower services division has been operating for well over a year and has been the object of intense auditing, with no issues raised other than those which would be expected in a nascent economic environment in which our services are pioneering, and are now being attempted to be copied by others.

## 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 2013–2014 is to demonstrate improvements in our measurable activities.

### Implementation

We focus on servicing our clients' needs in order to retain them, but we comply with all local laws and we work together with all our responsible clients to ensure that their international standards are met as closely as possible within their practical commercial constraints. We have seen that an increasing number of clients are no longer prepared to tolerate working under a self-imposed "relaxation" of their internal standards. This gives us great hope that very shortly full environmental disposal facilities will be available for all responsible corporations.

### 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

All our senior managers know all of our staff with an ability to make procurement and client service decisions, so this acts as a simple, effective control.

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.

Our goal for 2013–2014 is to demonstrate improvements in our measurable activities.

### 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' 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.

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 Chief Finance Officer (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 believe this process will be completed practically for major suppliers within this reporting year.

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