

Global Compact



Communication on progress
2009

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Banco is a subsidiary to the Swedish asset management Swedbank Robur owned by Swedbank. We are an organisation with approximately 28 employees, our direct impacts are therefore minor. The focus of this report is on our investments in Swedish, Nordic and Global companies through where we have our major impacts. During 2008 all Banco employees conducted training to increase knowledge of responsible investments, the training covered the ten principles of the Global Compact and also understanding of the UN Principles for Responsible Investments (PRI).

Banco joined the Global Compact in 2003 and became a member of the The Global Compact Nordic Network in 2008. This was a natural step for us since our work over the past years has been to promote the values, principles and practices behind the ten principles of the Global Compact within our sphere of influence.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Rights

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

In the following context; we are describing implementation of the ten principles into our daily work.

The ten principles and Banco's investment criteria

Our investment criteria embrace the core values of the ten principles human rights, labour rights, environmental impact and anti-corruption practices. Approximately 80 per cent of our assets under management are SRI focused and the Principles for Responsible Investments (PRI) were signed by Banco in May 2006. In practice, our investment criteria imply that the companies within our portfolios shall conduct their business in a manner compatible with the principles of the Global Compact. In line with our investment criteria, Banco has analysed over 100 companies during 2008. By the end of 2008 approximately 41 (40 by the end of 2007) Nordic companies were excluded from our investment portfolios due to their lack of commitment and/or poor practices.

To increase savings in responsible investments Banco opened up the fund architecture in 2008 and now offer private clients all SRI funds and funds managed by PRI signatories on the Swedish market. Through the campaign "Money talks" Banco also tried to increase the general awareness of Responsible investments. During the campaign Banco did advertisements in Swedish newspapers and launched a campaign website. The aim of the campaign website was to increase awareness of Responsible Investments and it featured a blog. We now use the blog continuously to describe our progress in Responsible Investments in an extended and personal way.

The investment criteria mentioned above have been developed in close cooperation with Banco's Ethical Committee. Decisions to exclude or include companies are also discussed with the committee. Organizations represented in the Ethical Committee are, for example, Amnesty International and the Swedish Red Cross.

Active ownership promoting the ten principles

In our governance policy, it is stated that we shall practice active ownership. As a result of this, we have over the recent year engaged in dialogues with a number of companies on issues directly related to one or more of the ten principles, aiming at achieving a positive change within the company. We practice our active ownership through different channels, for example:

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- Engagement dialogues - During 2008 Banco conducted approximately 40 dialogues with Swedish and international companies.
- Field trips - The purpose of the field trips was to meet companies that we invest in their local business. Focus for these trips are on general corporate responsibility aspects, policy, implementation evidence and communication. In 2008 we made field trips to India, Romania, Czech Republic and HongKong. In 2007 Banco visited companies in Tunisia and Brazil.
- Reducing carbon emissions from the environmental funds- by calculating number of shares and the carbon emissions from the investments Banco reduces the emissions with emission trading and clean development mechanism.

During 2008 Banco did not conduct any workshops, two workshops were held in 2007 with focus on Water management and Sustainable products and services.

Engagement through company dialogues

Banco has during 2008 engaged with over 40 Nordic companies, major aspects addressed are supply chain; assessments and transparency and climate change. Until April 2008 the ABN AMRO Amsterdam SRI team analysed and engaged with the global companies, therefore the focus of the engagements has been on Swedish companies and few dialogues with global companies. During 2009 Banco intends to increase the number of engagements with international companies, starting with oil companies.

Human Rights and Labour rights; Similar to previous years, one of the major focuses for the company dialogues have been human and labour rights in emerging markets. Since bad working conditions and underage labour was revealed at suppliers to both Ericsson and Telenor in Bangladesh Banco has been in contact with the companies to make sure that they are working to improve conditions not only in Bangladesh but on all high risk markets. A field trip to Ericsson's suppliers in Bangladesh took place in February 2009. During 2008 Banco has also been in close dialogue with Volvo AB to increase focus on social aspects in their supplier evaluation. Volvo started a project to increase cooperation within the organisation and to increase focus on social aspects in the supply chain. Electrolux and H&M are other Swedish companies that have been focusing on discrimination and labour rights issues.

Environment; Climate Change, water issues and biodiversity are on the agenda when analysing and engaging with companies. In 2007 Banco implemented a new investment tool with focus on the upside and the opportunities instead of the traditional risk perspective. This means that Banco favours companies that integrate sustainability within core business and products. Today there is limited information from the companies; Banco has therefore highlighted the importance of being more transparent and to integrate sustainability into new technologies, products and services.

During 2007 and 2008 Banco has appealed to colleges within the Swedish Finance sector to take responsibility for the climate by integrating policies on investments, lending etc. This has been done through seminars and debate articles in Swedish business papers. During late 2007 and 2008 SEB and Nordea, two of the major banks in Sweden, signed the PRI.

Certified sustainable palm oil was introduced during 2008. During the last year Banco has engaged with AarhusKarlshamn, a Swedish/Danish vegetable fat producer, to understand what criteria the company applies when purchasing non certified palm oil. Due to lack of information about the purchasing routines regarding non certified palm oil, Banco withdrew all investments in AarhusKarlshamn in February 2009.

Anti Corruption; Since 2005 Banco has tried to get information on how TeliaSonera, the Swedish/Finnish telecom company, works against corruption and bribes in countries with high risk identified by the international organisation Transparency International. Due to lack of communication and poor information Banco withdrew all investments in Telia Sonera in April 2008.

Engagement Field trips

During 2008, several field trips has been made in order to discuss human and labour rights, environment and anti corruption with Swedish and international companies. In March 2008 Banco met with several Swedish companies in India. The meetings included discussions with the management and a factory tour. Each visit resulted in a report to the company with recommendation for long-term and short-term improvements. Banco also visited Assa Abloy and H&M in East Europe. The general impression from visiting the companies is that a majority of the Swedish companies are handling both social and environmental aspects satisfactory. Some companies need to improve their supplier evaluation process and assessment procedure and also prevention of corruption and bribes within in the supply chain.

Community involvement

Banco supports the The World's Children's Prize For The Rights Of The Child which empowers children and

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young people all over the world in order to make their voices heard and demand respect for their rights in accordance with the UN Child Convention, more information is available on www.childrensworld.org.

Communication and transparency

Banco reports progress through www.banco.se. To inform customers on our progress we also send out a weekly mail, a magazine twice a year and also half- and full year reports. For 2008 Banco published a small progress report, available in Swedish on Bancos's webpage. During 2008 Banco participated at several seminars organised by the government, environmental department, universities etc. In articles and debate articles Banco tries to influence the public and raise the importance for people to invest in SRI products and for companies to improve their work with Environmental and Social aspects.

Banco will during 2009 continue to work in support of the Global Compact principles.

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