

Communication on Progress Part 1:
EGOS Statement on Continuing Commitment to Global Compact

Dear Mr. Secretary-General,

I write to you concerning En Gry og Sif's (EGOS) ongoing commitment to the Ten Principles of the Global Compact in respect to human rights, labour rights, the protection of the environment and anti-corruption. Since our last communication much has changed at EGOS with respect to the Principles. We have made a number of very key steps to further our commitment and thus boost the profile of Global Compact and its importance in Nepal.

Upon our last contact much has changed in Nepal and, despite the political and practical issues in the country becoming more pressing we have consolidated our commitment to GC. With the Maoist insurgency reaching international headlines and the ongoing issues surrounding elections in the country, human rights in Nepal have been scrutinised like never before. En Gry og Sif was formed and continues to be run by two women based in Denmark. As a result the rights of women, their opportunities and the importance of their families are a focal point.

Amongst other things, we have modelled a Code of Conduct to which all of our suppliers have been keen signatories. On top of that we have worked towards IFAT (International Fair Trade) certification, which is based primarily on the concepts stipulated by GC. We have done this so as to build upon the Principles of GC. The current climate of affairs in Nepal has made us all the more determined to push the Principles of GC. EGOS' system of management is primarily based on constant monitoring through our own regular trips to Nepal. Between October 2007 and January 2008 alone, six personal trips have been made by EGOS workers from Denmark to communicate regularly with workers at the factories. In the meantime regular contact is maintained with managers at all levels in the factories, and the women are asked regularly how they feel in regard to the systems within their factories.

Our suppliers have been consulted throughout the process so as to ensure a Code of Conduct was created that incorporated all parties' issues and concerns. With this EGOS looks to look forward in 2008/2009 in setting a precedent for the handicrafts industry in Nepal.

Please find attached our Communication on Progress as well as an appendix of the EGOS Code of Conduct. EGOS looks forward to moving forward with Global Compact and evolving according to the Principles in the years to come.

Sincerely yours,



Sif Hoejgaard Hoverby (Company Owner, En Gry og Sif)

Communication on Progress Part 2: Description of practical actions taken in the previous year to implement the ten Global Compact Principles

Each of the following 10 principles of Global Compact are addressed in EGOS' new Code of Conduct (attached), to which all of our suppliers are signatories.

Human Rights (Principles 1 and 2) - Our Commitment, Systems and Actions Taken in Last Year

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

En Gry og Sif (EGOS) work avidly to adhere to and respect the protection of international human rights. In Nepal this is done against a backdrop of serious human rights abuses across the country. Employees are made aware of their rights and EGOS support a democratic working environment where all employees have an input into production techniques and processes.

All of the factories now have women in positions of management. As a result the employees, who are by enlarge women, feel more at ease and comfortable airing issues that may arise. We have seen a staff turnover rate that is negligible and women in more senior positions are generally those who have previously been employed in different capacities. EGOS' suppliers continue to be over 90% staffed by women. These women are afforded training opportunities at the factories and many of them are trained for their respective jobs having had no previous experience. Please see also *Principle 6*.

Employee security is crucial and is highly prioritised in these trying times in Nepal. Everyone works to a timescale ensuring that they are able to reach their homes daily before night fall.

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

EGOS work with a detailed Code of Conduct which enforces the company's fundamental beliefs in Human Rights. EGOS constantly vet all suppliers to ensure compliance and do not work with any suppliers failing to go above and beyond the issues stipulated in the Code of Conduct.

EGOS has invested in, and ensured, that all facilities are equipped with fire, safety and health equipment. Each factory has been consulted as to how they should comply with health and safety needs. Women in the factories are also constantly reminded that they have access to doctors and rest days should they need it. They are limited to 8 hour work days; though paid overtime is available in high seasons should they want it. All salaries are guaranteed so nothing is based on performance, ensuring women have guaranteed incomes to take home.

Actions Planned for the Next Year

En Gry og Sif (EGOS) are keeping a close eye on the political situation and how it will evolve in the next year. The elections are currently earmarked for April 2008 but there is an element of apprehension as to whether or not these will take place. Human Rights are an essential issue that EGOS will now allow to fall by the wayside during this process. On the contrary, EGOS will use the next year to ensure it stays ahead of the basic stipulations of international Human Rights and will continue to create a working environment within which all of their suppliers are happy.

Measurement of results and outcomes

- As detailed in Code of Conduct

<i>Labour Standards (Principles 3, 4, 5 and 6) - Our Commitment, Systems and Actions Taken in Last Year</i>
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The issues of labour standards are what help EGOS and its suppliers to differentiate itself from the majority of other companies in the industry in Nepal. We have instilled a culture of pride in work and good labour conditions throughout all of our suppliers.

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

We are committed to ensuring that employees are aware their rights to freedom of association; this is embraced by employees, the vast majority of whom are represented by trade unions.

Principle 4: The elimination of all forms of forced and compulsory labour

Forced and compulsory labour has been totally barred in the Code of Conduct and is non-existent in the factories. Labour in Nepal is already critically aware of these issues and political pressure has educated Nepalis to these issues.

Principle 5: The effective abolition of child labour

Child labour has been totally barred in the Code of Conduct and is non-existent in the factories. It is totally barred by all suppliers and regular information is provided to employees regarding the importance of education and schooling to employee's children.

Principle 6: The elimination of discrimination in respect of employment and occupation

The Code of Conduct is very clear in regards to discrimination. Discrimination on the grounds of ethnicity is disallowed and the range of groups working to supply EGOS testifies to this. The factories employ a range of people ranging numerous ethnic groups including a range of faiths from Muslim, Hindu and Buddhist communities.

The groups include everything from Brahman, Tamang, Gurung right across to Dalit, Madhesi and numerous mountain tribes. Single mothers are fully integrated into the work force and form an essential component of the workforce. The renowned caste-system in the Indian subcontinent also has no bearing on employment in the factories. People are employed regardless of this and factories employ people from throughout the Kathmandu valley and beyond.

Actions Planned for the Next Year

The political turmoil is threatening to upset a good working balance on Nepal. EGOS vows to ensure that all of its employees will continue to represent a heterogeneous range of groups, all the while ensuring our commitment to labour standards is not compromised.

Performance (results and outcomes)

- As detailed in Code of Conduct

<i>Environment (Principles 7, 8 and 9) - Our Commitment, Systems and Actions Taken in Last Year</i>
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Principle 7: Business should support a precautionary approach to environmental challenges

All of our suppliers use eco-friendly dyes. This has been a stipulation from the outset and is keenly agreed across the board. Techniques in the factory mean that environmentally friendly soaps are used in all felting processes too. All waste goods are able to be recycled and used again the production process.

Principle 8: Undertake initiatives to promote greater environmental responsibility

All EGOS suppliers have adjusted not only to ensure greater environmental responsibility but also to ensure efficiency. Power shortages in Nepal mean that suppliers work generally between the hours of 8am to 6pm. This means that they can work during daylight thus avoiding the need to use gas and diesel generators.

Suppliers insist that all dyes that they use have official certification ensuring they are eco-friendly.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

EGOS have helped suppliers to look to dye companies in India to provide eco-friendly dyes. As these are certified, suppliers have found them not only more cost efficient to use, but also eco-friendly. Nepalis are highly aware of the importance of the environment and the surroundings, upon which the country is highly dependant.

Actions Planned for the Next Year

- The achievement of CE Certification across our product range.
- Continuing to ensure that our production methods are at the forefront of environmentally friendly techniques.

Performance (results and outcomes)

- As detailed in Code of Conduct

<i>Anti-Corruption (Principle 10) - Our Commitment, Systems and Actions Taken in Last Year</i>
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Principle 10: Business should work against corruption in all its forms, including extortion and bribery

EGOS are working against a serious backdrop in Nepal in the form of the Maoist insurgency. This has been a serious issue since the business' outset. All suppliers have managed to counter this issue primarily by ensuring all employees are happy at the factories. This has been done by ensuring wages are received on time, work conditions are highly favourable and that there is a strong sense of community with the workers. By doing this the Maoists have not acted to disrupt the workplaces.

Additionally all suppliers work legitimately under international trade systems in Nepal and are fully compliant in tax payments.

Actions Planned for the Next Year

EGOS vows to stick by our suppliers to help them battle against rampant extortion and bribery, regardless of political climate.

Performance (results and outcomes)

- As detailed in Code of Conduct