



Communication on Progress 2005



Talal Abu-Ghazaleh Organization (TAGO)

STATEMENT OF CONTINUED SUPPORT

We in TAGO believe that: without profits no company can sustain principles. And without principles no company deserves to be sustained. We have strongly supported the Global Compact since its inception and continue to see it as a core aspect of our strategy to make good corporate citizenship a core aspect of our business.



The Arab world continues to struggle with many challenges in efforts to achieve balanced economic and social development. Some of the most important issues that the region as a whole faces are the need for education and empowerment of women, respect for minority rights, and achievement of higher standards of transparency and disclosure in business and government. Accordingly, we have sought to make special efforts in these high profile areas.

Arab businesses can play a key role in achieving progress in highlighting and supporting key social values. The Global Compact continues to be the most important global initiative in supporting business participation in good corporate citizenship practices.

A stylized, handwritten signature in black ink, consisting of a horizontal line with a series of vertical strokes of varying heights in the center, resembling a stylized 'T' or a similar symbol.

Talal Abu-Ghazaleh
Chairman & CEO

COMMUNICATION ON PROGRESS (COP)

UN Global Compact June 2004 - June 2005

Human Rights

Principle 1:

Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and

Principle 2:

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

- TAGO is committed without limitation to guarantee its employees the right to just and reasonable conditions of work and protection from arbitrary loss of employment. All employees without any discrimination have the right to equal pay for equal work. In hiring and promotion policy, no discrimination will be practiced of any kind, including such as race, color, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. All candidates seeking to be hired are now required to pass through a series of quantitative exams (multiple choice) which ensures, objectivity, fairness and equal chances are given to all in our hiring process. We affirm and pledge to uphold the universal human rights of all individuals without limitation. We recognize the importance to our employees of knowing that the health and well-being of them and their family are secure; consequently all our employees enjoy health and life insurance, which are fully covered by the firm.

AT TAGO our approach to human rights is based primarily on our treatment of our staff and cultivating a policy of absolute fairness and equal treatment for all of our employees. At our Regional Office (i.e. headquarters) we hold on a bi-monthly basis a meeting to solicit and respond to the employees' suggestions, and to investigate any claims by the employees. Particular efforts are made to insure that there is equal treatment for women and minorities. A recent review by our human resources department found that 20% of our staff are not Arabs and that 25% of our practices are headed by foreigners (i.e. non Arabs.) We provide competitive pay and benefits to allow for and maintain human dignity and happiness. In July 2004 we created an Increments Committee to review the salary scale of the offices and to suggest necessary changes. The increments committee members were elected online by the offices; therefore as a result of their work, and based on employee participation in the decision-making process, a new salary structure was implemented. The new policy for bonuses and increments is posted on TAGO's website.

In 2004 we instituted a policy aimed at insuring adequate opportunities for professional women in all our offices across the Arab region. We provided training and guidelines to our executive management at our regional headquarters in the Fall of 2004. The new guidelines indicate that 35% of new managers hired should be female; this is a policy to empower female professionals and provide employment opportunities and empowerment for female candidates. All managers and staff, as well as external publics were notified through emails, our web page and a press release.

By May 2005, the number of new female professionals hired had risen by 30% over the previous year. 50% of our offices have reached the goal of having at least 35% female managers. The Personnel Dept. at the regional office is monitoring the percentage and provides a quarter report to the chairman on the progress. We expect to increase this percentage in the coming year.

We are currently preparing a training course to be delivered during the Annual Staff Retreat Meeting on "Understanding and Supporting International Human Rights". The meeting will take place in Kuwait, March 2006. The training will emphasize how to recognize discriminatory employment practices, international standards of human rights, and steps to take in assuring that both internal practices and external clients were not complicit in human rights abuses. The participants in the course will be then tasked with disseminating these principles to the staff in the individual offices.

Our Procurement Department is currently preparing a set of guidelines to ensure that our suppliers (paper, ink, computers, etc) comply with international standards of human rights. We will require suppliers to provide us with a statement on an annual basis that they comply with international standards of human rights. Failure to do this will automatically cancel them from our suppliers list.

Labour Standards

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:

eliminate discrimination in respect of employment and occupation.

- ▶ TAGO's policy has, from its inception, been to refrain from any discrimination in employment and occupation. Discrimination against women, minorities and others is strictly forbidden. Our Regional Office holds on a bi-monthly basis a meeting to hear and respond to the employees' suggestions, and to investigate any claims or grievances by the employees. This policy has been explicitly and widely disseminated through internal communications. With new employment guidelines on hiring of female managers, we have raised the percentage of female managers from 10 % to 20%.

It has also always been TAGO policy to refrain from utilizing child labor. In November 2004, TAGO instituted a policy to refrain from working with clients that utilize child labor (defined as full-time employment of children less than 16 years during the school year). No one under 18 years of age is employed by the firm. None of TAGO's clients or partners utilizes child labor.

We respect all the labor laws issued by the Arab countries and our employees are given the chance to express their opinion to the concerned managers, and committees. During early 2005, upon receiving a number of requests to reconsider the length of our standard work week (i.e. have two days off vs. one and half day off), we tried for a short time to implement that suggestion in Cairo Office which led to a decrease in productivity & we received requests from the majority of employees to reconsider; accordingly the management had to reconsider its decision and return to the 6 day work week; however we do attempt to be sensitive to employee requests and make an effort to comply if possible.

All our employees are given the right to terminate their contract with us at any time without complying with the advance notice, which is a right given to the employer by some local laws in the Arab world (for example in Egypt, the employee should give two month advance notice).

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

- ▶ TAGO continues to utilize its role as the leading Arab accounting and financial firm to promote the use of environmental accounting. However we have identified a weakness in our processes, in that we have not actively been reporting on environmental assets and liabilities. We have set a goal for the coming reporting year to include a section on environmental reporting for all audits over \$ 5000 in value.

We are trying also to reduce the use of paper and to achieve a paperless office. All employees are requested to reuse paper as drafts or to reprint on the other side of it.

We will soon be launching a new service related to environmental auditing in cooperation with an internationally recognized environmental policy expert and author on policies and financial instruments for sustainable energy and conservation.

Abu-Ghazaleh Technology Transfer Center (ATTC) is the TAGO entity responsible for assisting in Arab technology transfer projects. In 2004 management guidelines issued to ATTC made environmental technologies a key strategic focus. During 2005 (year-to-date) 25% of technologies under review have been sophisticated environmental technologies that contribute to sustainable development.

Anti-Corruption

Principle 10:

Businesses should work against all forms of corruption, including extortion and bribery.

- TAGO has been a leading proponent in the Arab world, of development and maintenance of high standards of corporate governance. TAGO practices and advocates the adoption of International Accounting Standards (IAS). This is a commitment of long standing; TAGO has been a leading Arab voice for adoption of IAS for decades. TAGO management believes the need for the Arab world to attain high standards of corporate governance is a priority issue for development in the region.

With its origins as an accounting and financial services firm, TAGO has always had a policy to avoid conflicts-of-interest, and to maintain complete integrity. In 2005, in response to the Global Compact tenth principle of Anti-Corruption, the firm expanded and formalized this general principle by issuing a TAGO Code of Ethics, which is binding on all employees. The new rules state explicitly that all employees must avoid even the appearance of a conflict. The Code of Ethics has been disseminated to all employees through internal memos, and via the corporate website.

TAGO is committed to maintaining high standards of ethical conduct on the part of its employees. This Code of Ethics is intended to outline standards of ethical conduct to be observed by everyone employed by TAGO.

While it is impossible to articulate each and every example of ethical and unethical behavior, the TAGO's Code of Ethics provides a basic framework for guiding us toward ethical conduct. It is therefore important that all employees familiarize themselves with any relevant statutes. TAGO, moreover, fully anticipates that each employee will accept individual responsibility for his or her own conduct and will engage in no conduct that would undermine his or her own personal integrity or the reputation of TAGO. Violations of this policy may result in disciplinary action, including termination.

In the last year, TAGO has made substantial commitments to support corporate governance efforts in the region; corporate governance is aimed, inter alia, at preventing corruption, bribery and cronyism. TAGO presented a proposal in May 2005 to the Government of Oman for creation of an Omani Corporate Governance Forum.

In our efforts to maintain our own standards of corporate governance, TAGO has created a Global Advisory Board in January of 2005. TAGO's new external board of advisors plays a critical role in maintaining high standards of business and ethical behavior. The role of external advisory boards is an important part of corporate governance initiatives. By taking this step, TAGO has sought to maintain its own ethical and business performance and to play a leadership role within the Arab business community. Information on the Global Advisory Board has been disseminated through the corporate website, press releases, and internal memos.

TAGO management has an internal audit department that supervises all our transactions; regular unannounced visits are made from time to time to ensure full compliance by the laws and regulations of the company, including our code of ethics.

Conclusion

★ Our participation in the Global Compact has helped to focus our corporate citizenship initiatives on actions that produce concrete outcomes and benefits. The issues that we have highlighted in the Arab world are human rights, particularly for women and minorities; elimination of discrimination; and achievement of transparency and high ethical standards in business, and avoidance of even the appearance of corruption and cronyism. We also see a growing need for attention on environmental principles in the Arab world, which will continue to focus on through technology transfer and application of environmental accounting standards.