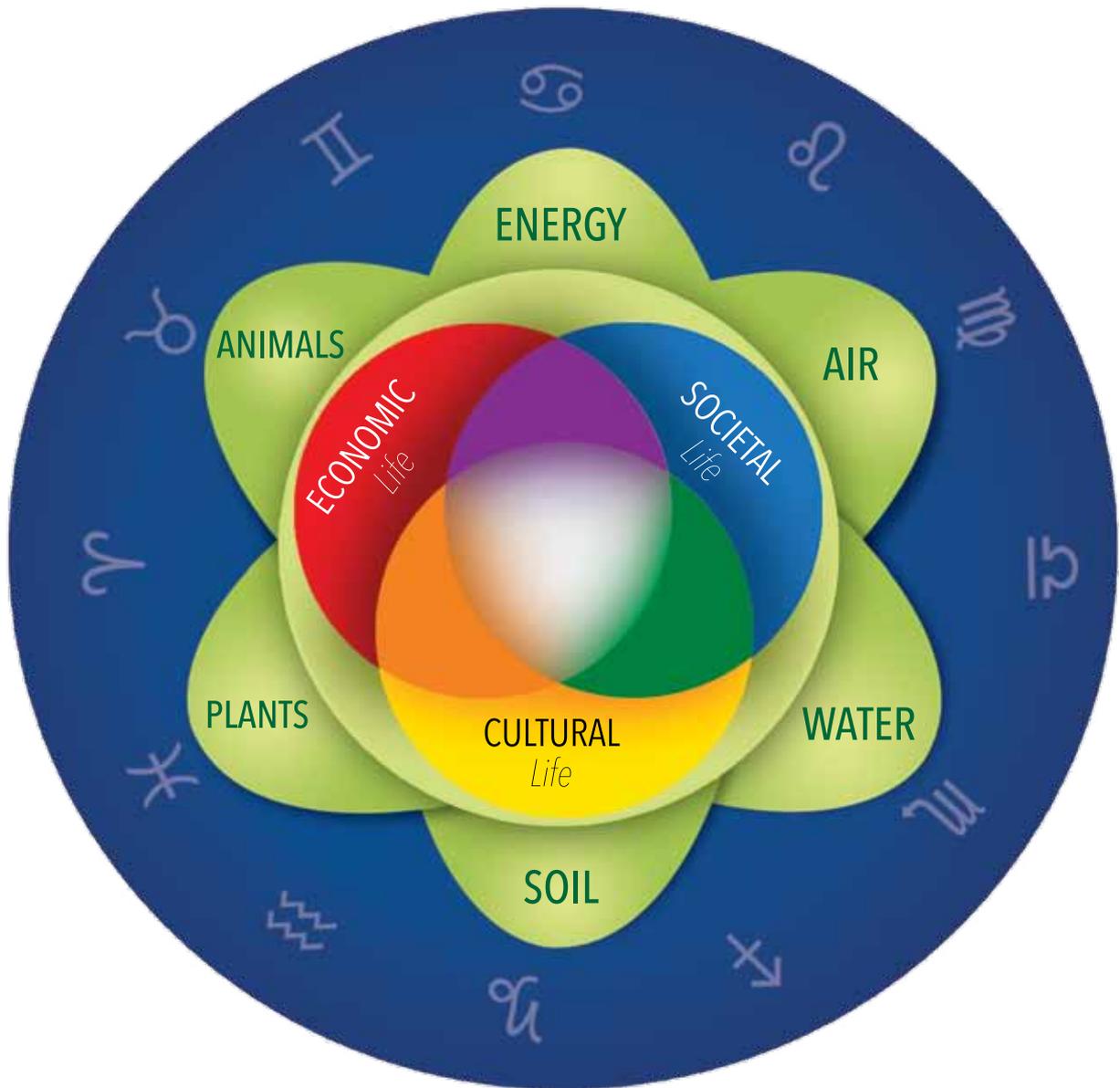




**SEKEM**



REPORT ON  
**Sustainable**  
*Development* **2012**

## Profile of SEKEM's Report on Sustainable Development 2012

The reporting period of the Report on Sustainable Development 2012 is January to December 2012. We continue the Sustainable Development story that started in the year 2007 to publish the first report.

If not otherwise stated, the scope includes all SEKEM companies as of page 18-19, excluding SEKEM Europe. Where stated, the SEKEM Development Foundation was included into the data. The basis for this report is mainly deduced from certified

management and quality management systems. We aimed to ensure that the data and information provided in this report is as accurate as possible. Wherever data is based on estimations and/or other limitations apply, this is indicated. In cases of significant changes, these are described directly in the context. A detailed index of the information requested by the GRI 3 and the Communication on Progress (CoP) of the UN Global Compact is provided at page 84 to 92.

		2009	2010	2011	2012
<b>ECONOMIC LIFE</b>					
Product Portfolio		Green	Green	Green	Green
Responsibility to Customer and Consumer		Green	Green	Green	Green
Innovation		Green	Yellow	Yellow	Yellow
Organizational Process		Green	Green	Green	Green
Partnerships		-	-	Green	Green
Economic Value Distribution		Yellow	Green	Yellow	Yellow
<b>SOCIETAL LIFE</b>					
Labor Rights		Yellow	*	*	Green
Health and Safety		Green	Green	Green	Green
Diversity		Green	Green	Green	Green
Employee Loyalty and Motivation		Yellow	Yellow	*	Green
Governance and Compliance		Green	Green	Green	Green
Advocacy for Sustainable Development		Green	Green	Green	Green
<b>CULTURAL LIFE</b>					
Training and Education		Green	Green	Green	Yellow
Research and Development		Yellow	*	Green	Green
Employee Self-fulfillment and Vitality		-	-	n.a.	n.a.
Values and Spirituality		Green	Green	Green	Green
<b>ECOLOGY</b>					
SOIL	Soil Quality	Green	Green	Yellow	Yellow
	Soil Use	Green	Green	Green	Green
PLANTS	Seeds	Green	Green	Green	Green
	Biodiversity	Green	Green	Green	Green
ANIMALS	Animal Husbandry	Green	Green	Green	Green
	Natural Habitats	Green	Green	Green	Green
ENERGY	Energy Use	Yellow	Yellow	Yellow	Green
	Energy Sources	Yellow	Yellow	Yellow	Yellow
AIR	Emission Reduction	Yellow	Yellow	Yellow	Green
WATER	Water Use	Green	Yellow	*	Yellow
	Water Sources	Green	Green	Yellow	Yellow
<b>Positive impact</b>		20	17	17	19
<b>Initiatives for positive impact</b>		5	8	9	7
<b>No actions / negative impact</b>		0	0	0	0
<b>Not relevant / not available</b>		2	2	1	1

\*The evaluation of these performance aspects has been revised, the color of the asterisk indicates the previous evaluation

## Sustainable Development Balance Score Card Evaluation

In order to assess its overall performance of continuous sustainable development and regeneration, SEKEM uses the Sustainable Development Balance Score Card (SDSC). The evaluation steps are represented in the traffic light colors – green stands for excellence, red for no action or negative impact and yellow means that awareness exists and actions have been taken, but that there is room for improvement. The concrete explanations for the classification and annotations concerning changes are presented in the Annex (see page 83).

For more detailed information, see from page 48 into the

“Performance Report for 2012”



## SEKEM Local and Export Markets

### AMERICA

United States of America, Canada

### AUSTRALIA

Australia, New Zealand

### AFRICA

Egypt (local market), South Africa

### ASIA

Japan, South Korea, China

### SEKEM Europe

SEKEM Europe, Bochum, Germany

### EUROPE

Austria, Belgium, France, Germany, Greece, Hungary, Italy, The Netherlands, Norway, United Kingdom, Slovenia, Sweden, Switzerland

### GULF Region

United Arab Emirates, Kuwait, Qatar, Oman, Kingdom of Saudi Arabia

## SEKEM Locations

### 1) SEKEM Farm, Bilbeis

SEKEM Farm is the founding site of the SEKEM initiative and does not only refer to the farmlands that are cultivated there. It is also the main site for all SEKEM Group companies including production facilities. Furthermore, it is the base for the educational and medical institutions of the SEKEM Development Foundation and offers eco-tourism opportunities at the SEKEM guesthouse.

### 2) Headquarter, Salam City, Cairo

The SEKEM Headquarter premises host the SEKEM Holding as well as some management functions of the SEKEM Group companies, the Heliopolis University for Sustainable Development and the Egyptian Biodynamic Association (EBDA).

### 3) New Farm Sinai

### 4) New Farm Minya

### 5) New Farm Bahareya

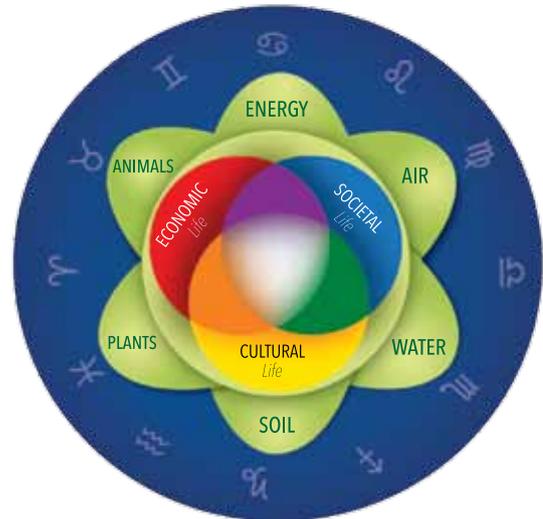
# The Concept of the Sustainability Flower

## What is the Sustainability Flower?

The Sustainability Flower represents a management, assessment and communication tool symbolizing the concept of sustainable development in its four dimensions (economic life, societal life, cultural life and ecology with its six sub dimensions). It was developed within a network of international organizations from the organic / biodynamic movement cooperating under the umbrella of the „International Association of Partnership for Ecology and Trade“ (IAP).

Each dimension consists of several performance aspects, defined in detail through performance indicators. These are, wherever possible and applicable, linked on the international standard for sustainability reporting, the GRI G3.1 of the Global Reporting Initiative.

In the last years we learnt a lot through applying this concept to our work; also which performance aspects are easy to assess and which are not. In a thoroughly review process we adapted the Sustainability Flower framework according to our learnings, so that also other companies can make better use of the tool. This year we use for the first time the redefined framework to assess our performance (comments on mergers and reformulation can be found at page 81). In order to make the provided data more accessible we separated the detailed status and target overviews filled with hard facts from the general information about SEKEM.



## Why does SEKEM use the Sustainability Flower?

The Sustainability Flower supports SEKEM in:

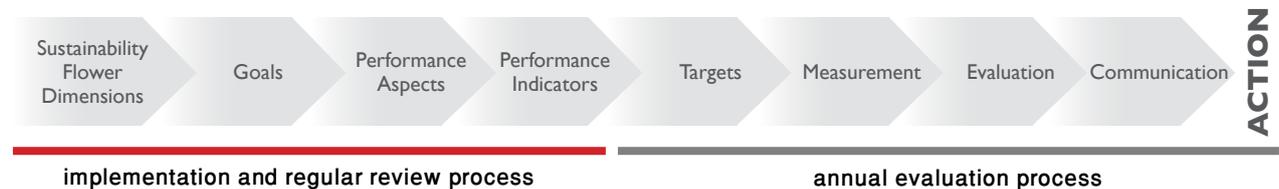
- Understanding all important development processes, setting targets and taking action accordingly
- Making development transparent for all stakeholders of SEKEM (clients, employees, customers, investors, business partners, media etc.)
- Giving a platform to disclose SEKEM's self-concept as a responsible company and, thus, make it possible that SEKEM serves as a role model for other organizations that aim at sustainable development

## How does SEKEM use the Sustainability Flower?

In the operations of the SEKEM companies, the Sustainability Flower is fully applied in its three functions as a management, assessment and communication tool.

In the dimension ECONOMIC LIFE, SEKEM reflects what kind of products it sells and in which way it distributes values along the value chain. In SOCIETAL LIFE, the protection and regulation of human rights is in the focus. CULTURAL LIFE concentrates on the question of how to support the development of the individual. These three areas of society are surrounded by the six sub-dimensions of ECOLOGY: SOIL, PLANTS, ANIMALS, ENERGY, AIR, and WATER; to understand the positive and negative impact on the environment.

For our annual evaluation process, we formulated strategic, tangible targets aligned with SEKEM's vision, mission and policies. The continuously ongoing data collection on SEKEM's economic, social, cultural and ecological performance results in a Sustainable Development Balanced Score Card that we use for improvement and communication purposes e.g. for our annual Sustainable Development Report.



implementation and regular review process

annual evaluation process

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Cairo, 15<sup>th</sup> of July 2013  
Helmy Abouleish  
Managing Director of SEKEM Group

## Dear Readers,

Egypt still finds itself amidst an environment of political change and uncertainty about the future. While the January 25 revolution had its first peak over two years ago, the political as well as the economic situation in the country remains fragile. Egypt is facing severe socio-economic challenges such as plummeting investment rates, dropping living standards, as well as energy, food, and water shortages.

All of us are aware of the fact that these problems are intertwined and deeply rooted in today's Egypt; they will not be solved overnight. The current situation requires structural reforms that, unfortunately, will be related to unpopular measures. At the moment, Egyptian politics are not in the right position to introduce these measures as fast as we would like them to see. We hope that the new interim leadership of Egypt will learn from the challenges and mistakes of the recent past. Most important in our opinion is that the next steps to a better future will be build on inclusiveness of all of Egypt's diverse people.

One of the unpopular decisions to be made is the drastic reduction of national energy subsidies. This will directly affect industrial and agricultural production. Rising prices will be felt by all sectors of the country's economy and society.

Water Scarcity is another burning issue in Egypt today. Not only will the problem of insufficient water resources become more severe due to climate change and rapid population growth. Water scarcity in the Nile Basin is more and more becoming an international issue as riparian countries further upstream are demanding a larger share of the Nile's waters.

Also, food insecurity prevails in Egypt and is becoming more severe. The country heavily relies on food imports and is therefore prone to price fluctuations on the international market.

In short, these problems pose enormous challenges for Egypt that cannot be solved by politics alone. SEKEM stands up to these challenges. The company embraces a private-economic and civilian approach to tackle the aforementioned problems.

In the long run, there is no other form of agricultural production that is more efficient in using water and energy resources than organic and biodynamic agriculture. You see that SEKEM does not only promote this kind of agriculture to do something good for the environment. It is also a strategy to build up our resilience toward increasing resource scarcity.

This sets the foundation for sustainable competitiveness. Proof of this competitiveness is the fact that SEKEM started growing only one year after the Egyptian revolution and has been showing increasing revenues.

Into this sustainable approach toward value creation we integrate the education of our employees. We increasingly provide publicly accredited education in our kindergarten, schools as well as in our recently founded Heliopolis University for Sustainable Development.

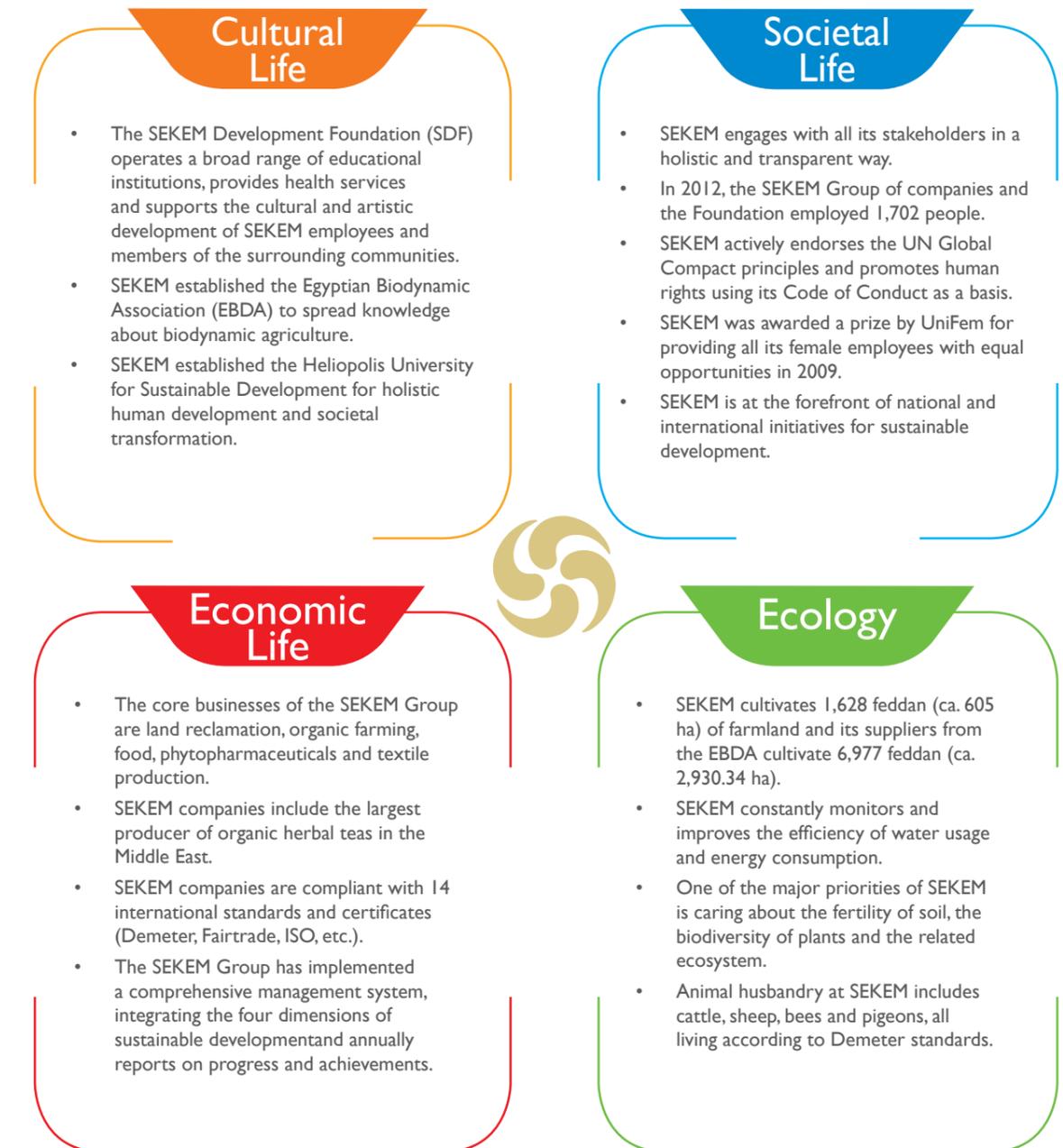
Indeed, the founding of the Heliopolis University has been one of last year's highlights for us. We are excited to enter this new adventure together. Nothing is more exhilarant than seeing a young generation of future "change agents" mingling on one campus with our enterprises, creating a space for social innovation – a much needed type of innovation which demonstrates that sustainable development can only be achieved through a holistic approach, beyond disciplinary and societal boundaries.

The Sustainability Flower has provided proof of our commitment to this holistic approach. With the indicators along the flower's dimensions you can assess our performance and we encourage you to enter into a dialogue with us..

SEKEM was founded by Dr. Ibrahim Abouleish in 1977 and is located about 60 km northeast of Cairo in rural Egypt. In 2003, the SEKEM Initiative was honored with the Right Livelihood Award for its holistic business model which integrates societal and cultural dimensions and thereby successfully supports sustainable development. Other international recognition came amongst others through the Schwab Social Entrepreneurship Award in 2004 and the Business for Peace Award in 2012. With the practices of biodynamic agriculture, Dr. Abouleish turned desert land into fertile soils. Today, these soils form the very basis for the successful cultivation of herbs, fruits and vegetables. The raw materials are further processed by the

companies of the SEKEM Group to create high quality food, clothes and medicines, which are sold on the national and international market. The returns of these companies are partly reinvested into the social and cultural activities.

Today, the SEKEM Development Foundation runs a school, a medical center, a vocational training center, various programs for socially disadvantaged children and several research and training programs. Furthermore, the Heliopolis University for Sustainable Development has been finally established. SEKEM's approach to sustainable development unites social, cultural and economic components interacting in harmony with nature.



## 2012 – BIRTH YEAR OF THE HELIOPOLIS UNIVERSITY for Sustainable Development

SEKEM's approach to sustainable development includes a holistic worldview – seeing the world as an integrated whole rather than a dissociated collection of parts. This means striving for a future where all human beings can unfold their potential, where humankind lives together in social forms reflecting human dignity, and where all economic activity is conducted in accordance with ecological and ethical principles.

In September of 2012, the Heliopolis University for Sustainable Development was founded by Dr. Ibrahim Abouleish and in cooperation with SEKEM in order to take the next step toward this future marked by equality and sustainability. The Heliopolis University (HU) engages in the process of finding solutions to society's burning issues like poverty, population growth, climate change, and food insecurity by educating a young generation of future change agents.

During the introductory opening week in September 2012, the first HU students were given the possibility of a comprehensive visit to the SEKEM Farm. 146 students started their first year in 2012.

### VISION

Heliopolis University strives for sustainable development of individuals, communities, and nature in Egypt and around the world.

### MISSION

Heliopolis University empowers its students to be champions of sustainable development in different spheres of life. It provides a place where new ideas meet fertile ground for further research and teaching. Its education combines interactive learning, interdisciplinary research and practical experience with a unique humanistic core programme, developing curious and creative minds. This will educate the leaders of tomorrow to completely act and reflect the decisions shaping the future.



## FACULTIES

Supporting the holistic worldview promoted by SEKEM and HU, the university integrates different fields of study into the students' curriculum. The faculties of Engineering and Technology, Business and Economics for Sustainable Development, and Pharmacy all offer Bachelor degrees in their specific fields of expertise.

In addition, the trans-disciplinary Core Programme is an integral part of all Bachelor curricula. The Core Programme aims at educating future change agents holistically, providing practical experiences, skills in entrepreneurship and innovation, as well as academic qualifications. It is designed to awaken the individual student's creativity, develop the ability for teamwork and the capacity to innovate, as well as to foster a sense for social responsibility and the desire to serve in society. The programme comprises the fields of

- Arts, culture and development;
- Science and Innovation;
- Nature and Community;
- Language, Communication, and Enterprise.

## STUDENT LIFE

Students enjoy an active and eventful community life involving students, practitioners and professors as the HU's physical proximity to SEKEM and the SEKEM Development Foundation fosters communication and collaboration.

## A PLACE FOR SOCIAL INNOVATION

The SOCIAL INNOVATION LAB designs and navigates the key transfer processes within the university. The role of the lab is to enhance integration between the core program and the specialised sciences as well as to connect research, learning and action to create a space for social innovation. Furthermore, it promotes curriculum design and ensures a faculty spirit of sustainable development and academic quality. While all faculties conduct research in their respective field of specialisation, the social innovation lab brings together and embeds these research projects into a humanistic context.

### STUDENT'S VOICE Interview with Afdal Farid

“Afdal (19) is a member of the first cohort to study at HU. She is enrolled at the Faculty for Business and Economics for Sustainable Development.

Asking Afdal about where she sees herself in the future, she answered that she will support societal change in Egypt, potentially as an entrepreneur:

“I love the way of sustainability & sustainable development and I'll help the society to safe its resources!”

During her first year at HU, she took courses in Arts, Sustainable Development, History, Culture, English and German. Studying these different subjects provided Afdal with insights into “how the world goes around”, she says. She has also been exposed to practical experiences within numerous projects and was able to meet new people on campus, giving her confidence about her skills and knowledge about sustainable development.



## PROMOTING THE SOCIAL INNOVATION PROCESS

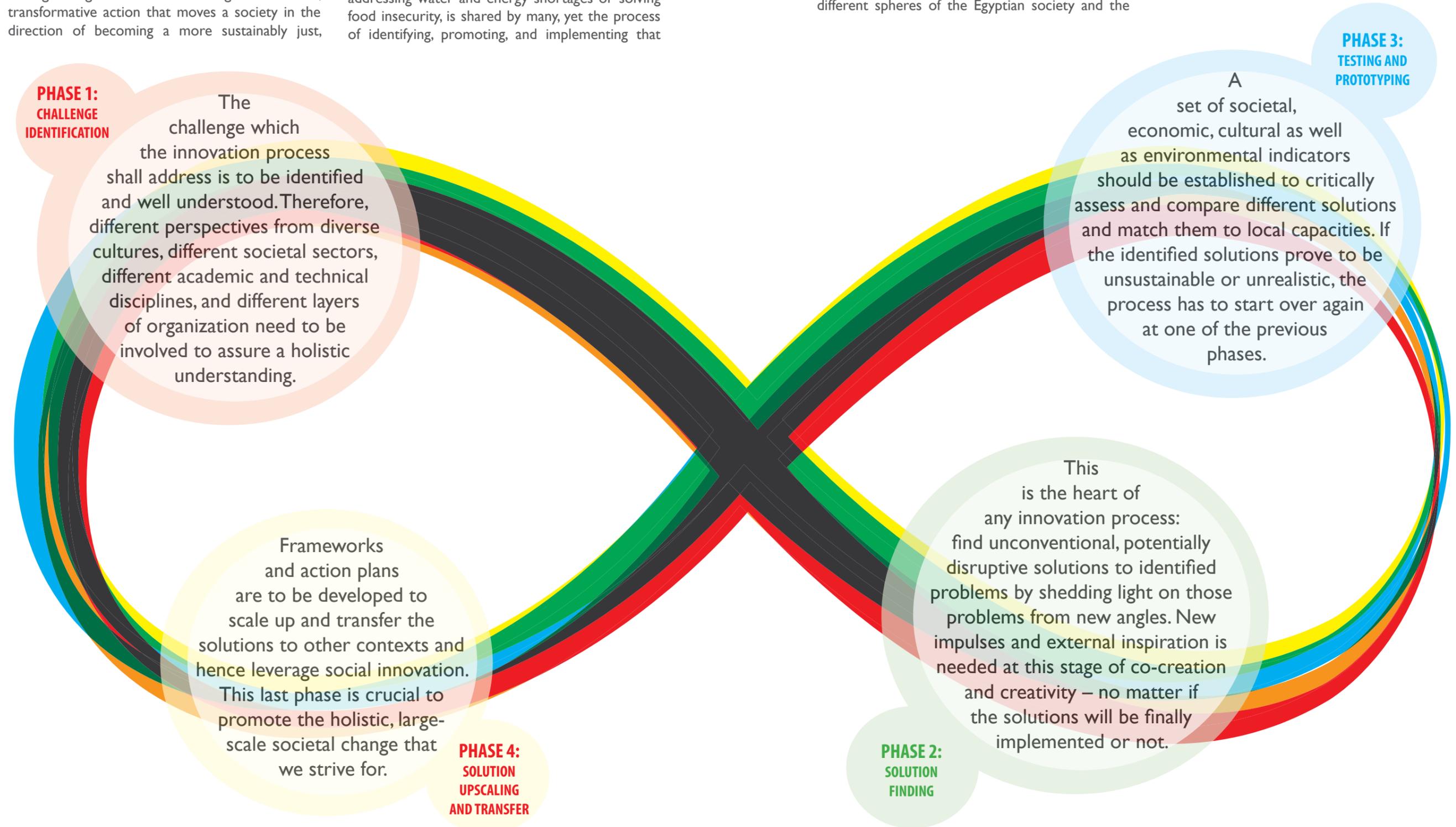
Social innovation is a participatory multi-stakeholder process of addressing a burning issue in society through integrated research leading to innovative, transformative action that moves a society in the direction of becoming a more sustainably just,

holistic and constructive society. While Business Innovation has often been beneficial for humankind, it is merely focused on profit-maximization.

The idea behind a Social Innovation, like addressing water and energy shortages or solving food insecurity, is shared by many, yet the process of identifying, promoting, and implementing that

idea must be initiated by one – the agent of change and societal transformation, a social entrepreneur. Such an agent must be supported through a strong network. In the case the SEKEM initiative, the whole surrounding ecosystem is aiming to mainstream sustainable development in the different spheres of the Egyptian society and the

Heliopolis University is adding a major institution to accelerate this. We call this Social Innovation Process that follows four distinct phases that build on and reinforce one another: Problem Analysis, Solution Finding, Solution Testing, and Solution Up-Scaling.



SEKEM was founded with the idea of sustainable development and building of a prosperous future for the surrounding communities and Egypt. The vision that brought Dr. Ibrahim Abouleish to dig the first well in the vast desert land still resounds in SEKEM's approach of conducting business. Like a compass, the vision, mission and values guide the employees in the everyday work in all SEKEM companies. The Code of Conduct of SEKEM builds the ruling framework (see page 24).

### Our Vision

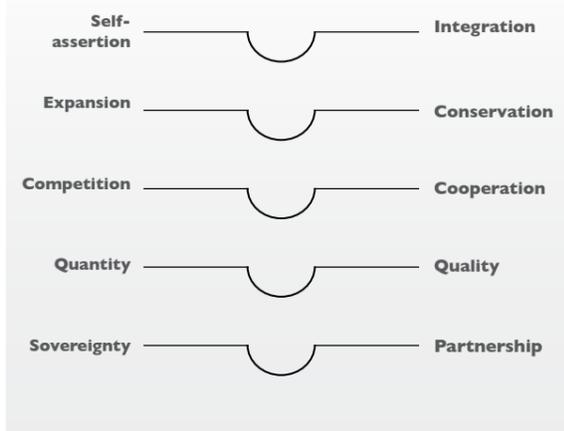
Sustainable development towards a future where all humans can unfold their individual potential; where humankind is living together in social forms reflecting human dignity; and where all economic activity is conducted in accordance with ecological and ethical principles.

### Our Mission

- To realize our Vision for Sustainable Development in Egypt...
- ...we establish biodynamic agriculture as the competitive solution for the environmental, social and food security challenges of the 21<sup>st</sup> century.
- ...we support individual development through holistic education and medical care.
- ...we create workplaces reflecting human dignity and supporting employee development.
- ...we build successful business models in accordance with ecological and ethical principles.
- ...we innovate for sustainable development through research in natural and social sciences.
- ...we locally and globally advocate for a holistic approach to sustainable development.

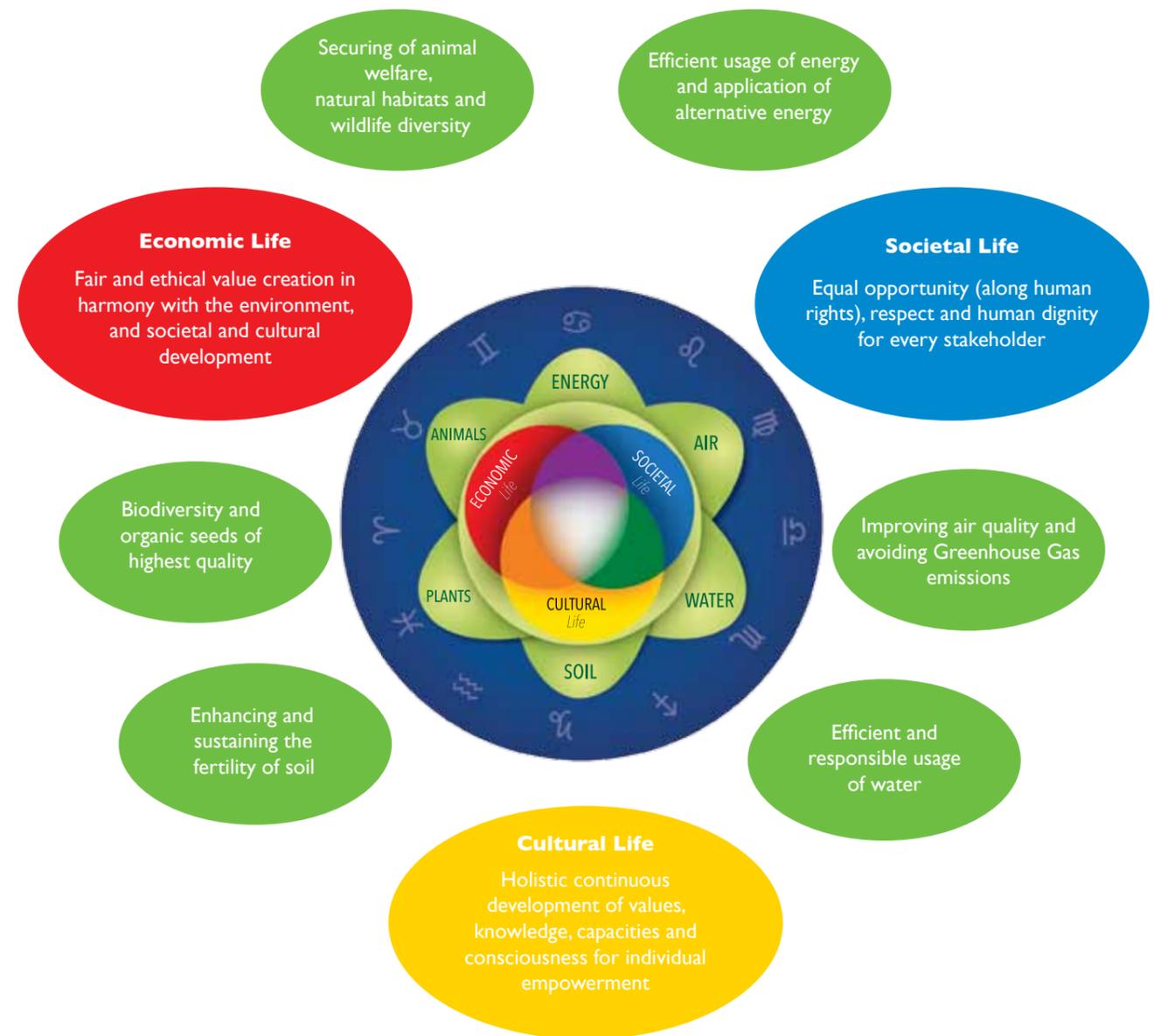
### Our Values

In nature, every organism is independent and at the same time systemically inter-connected to other organisms. Inspired by ecological principles, representing the wisdom of nature and the universe, we continuously strive to gain and sustain a harmonious balance between the following polarities and to integrate them into our development:



### Our Goals within the Sustainability Flower framework

The Sustainability Flower (also see "The concept of the Sustainability Flower" in the fold out cover) builds the framework for our performance monitoring, evaluation and reporting. Therefore, the structure guides the reader through this report. It reflects the fourfoldness of sustainable development, with the ecological dimension broken down into separate elements and spheres. Throughout this report, we communicate the basic philosophy, our hands-on management approach as well as a detailed performance evaluation for the separate flower petals. For each of them, we defined an overall goal as depicted below.





- |      |   |      |  |
|------|---|------|--|
| 1977 | Dr. Ibrahim Abouleish establishes SEKEM on an area of 70 hectares of desert sand.   |      | and the Cooperative of SEKEM Employees (CSE) is founded.   |
| 1981 | First medicinal herbs and food ingredients are shipped to the U.S.A.  | 2001 | SEKEM Holding is established.  |
| 1983 | The two brands SEKEM HERBS and ISIS are established.  | 2003 | SEKEM and Dr. Ibrahim Abouleish receive the Right Livelihood Award; SEKEM Academy introduces Eurythmy training at the workplace  |
| 1983 | The Society for Cultural Development in Egypt (SCD) is founded (later renamed as SEKEM Development Foundation, SDF).  | 2004 | Dr. Ibrahim Abouleish is selected as «Outstanding Social Entrepreneur» by Schwab Foundation; higher education activities start with participation in EU project “DOPSE-TEMPUS”.                                      |
| 1984 | Employee training in arts and science begins under the umbrella of The Egyptian Society for Cultural Development (SCD).   | 2005 | LOTUS starts work as a company processing organic herbs and spices; SEKEM Europe is founded to support the goals of the Holding to process and market healthy and ethical products made from biodynamic ingredients. |
| 1986 | ATOS Pharma is established.   | 2006 | EL-MIZAN for organic seedlings is established.   |
| 1987 | The SEKEM Kindergarten and the Mahad Adult Training Institute open their doors.   | 2007 | LOTUS Upper Egypt and the Water Research department at Heliopolis Academy start work; LIBRA cooperates with Soil & More Egypt to produce compost from organic matter (2008 also in Alexandria).                      |
| 1988 | LIBRA is founded and specializes in packing and exporting fresh fruit and vegetables to Europe.   | 2008 | SEKEM for Land Reclamation is established (North Sinai, Bahareya Oasis and Minia; in total 6000 feddan [= 2,630ha]); Heliopolis Academy establishes Sustainable Entrepreneurship Center.                             |
| 1989 | Primary and secondary SEKEM schools open.   | 2009 | Heliopolis University for Sustainable Development receives its acknowledgement by the Presidential Decree No. 298; First “Heliopolis Academy Innovation Award”.  |
| 1990 | LIBRA exports fresh organic produce to Europe; SEKEM encourages the foundation of the Center of Organic Agriculture in Egypt (COAE), an independent certification body.   | 2010 | The joint venture “PREDATORS” for breeding insects for organic pest control is founded.  |
| 1993 | LIBRA for Organic Cultivation is established.   | 2011 | ATOS Pharma builds a new factory and starts implementation of a subsurface irrigation system.  |
| 1994 | CONYTEX (later NATURETEX) and the Egyptian Biodynamic Association (EBDA) are founded.   | 2012 | Foundation of the Heliopolis University for Sustainable Development.   |
| 1996 | HATOR is established; the first Nature’s Best Shops open in Cairo, SCD opens the Medical Center; the International Association of Partnership in Ecology and Trade (IAP) is established by SEKEM and many of its business partners. |      |  |
| 1997 | SEKEM, ATOS Pharma, CONYTEX and HATOR are ISO 9001 certified; SCD opens a Vocational Training Center (VTC), an art school and Literacy Program for disadvantaged children; ISIS is founded to manufacture organic foodstuffs.       |      |  |
| 2000 | SEKEM Academy for Applied Arts and Science (medicine, pharmacy, agriculture and arts, later Heliopolis Academy) starts work;  |      |  |

# ECONOMIC Life

Modern societies around the world are mainly characterized by the division of labor into economic activities. Through cooperation, values are created and then exchanged as products and services. In this exchange, it is essential that those creating the values be rewarded for their efforts with a fair income. This income must enable them, within their social environment, to achieve and to improve such results in the future, too. Therefore, the establishment of a worldwide cooperative network of value creation, accumulating values for fair interchange relations, is fundamental for a sustainable development of the economy.

## Management Approach

We take a long-term perspective towards our development and give high priority to the preservation of nature for future generations. This is why we aim, amongst others, for the highest product quality based exclusively on organic raw materials that have a low impact on the environment. The certification of our products according to a wide range of standards such as Fairtrade, International Demeter standards and Global Gap shows our commitment to not thinking in financial figures only.

- ▶ The quality management systems of the SEKEM companies are certified according to the ISO 9001 standard. The requirements for this certification include the continuous improvement of control and of all quality relevant processes, as well as the enhancement of customer satisfaction. The standards ISO 14001 and OHSAS 18001 guide us in proper environmental as well as health and safety management. Any operational planning or product related decision is evaluated for its influence on SEKEM’s sustainable development path and discussed in the weekly management meetings of all companies. We measure success throughout all dimensions of the Sustainability Flower. This extensive performance evaluation framework used to monitor our key performance indicators is our way to incorporate the precautionary approach (Article 15 of the Rio Principles) into our business model. Our ambitious goals can only be achieved by building long-lasting partnerships throughout our value chain. This is why we are committed to supporting our suppliers in satisfying our qualitative, social and environmental requirements and cooperate with peer companies to share practices and learn from each other.

Finally, every element in the value chain that is part of the production has to receive the appropriate share of economic value created. A fair price policy applies to our purchases and a salary allowing for a decent living is the minimum for our employees.

## Impact, Risks and Opportunities

Our economic activities are based on nature and the cultivation of organic raw materials, which form the basis for all subsequent steps of value creation. Our core businesses, including food, textiles and pharmaceutical production, depend on our capability to assure that our products are organic and compliant with the International Demeter standards and, as far as possible, Fairtrade. We are aware of the risk of non-compliant behavior of our suppliers that we try to compensate through certification by independent certifiers and support of the EBDA (our pool of suppliers) that helps its members assure compliance. Due to a general surge of health awareness and a growing customer base, we expect the global demand for organic products to increase, especially in Egypt. To satisfy this demand, we extended our farmlands by three further sites in 2008, where we started to reclaim over 6000 feddan (= 2,630 ha) of desert land. For irrigation and hygienic matters, the responsible and efficient use of water and energy is not only in our interest because of reduced costs, but also because of the reduced negative impact on the environment, which is the basis for our competitive advantage.

- How can we design sustainable products and services?
- How can we build partnerships with our suppliers?
- How can we share the created value in a fair way?

Process improvements see page 53/54



## Background on Egypt's Economic Situation

In the aftermath of the 2011 revolution, the economic situation in Egypt stayed unstable. The 2012 elections led to a rise to power of Mohamed Mursi and his Freedom and Justice Party, which then found itself confronted with massive economic challenges. In the course of 2012 the government was not able to fight the structural problems underlying the most severe problems of the Egyptian society like poverty and unemployment. Moreover the short-term decisions of the government again caused protests and scared away investors because of the unpredictability of the long-term developments.

## SEKEM's sustainable business model

With its sustainable business model SEKEM was able to generate a decent growth in spite of the circumstances in Egypt 2012. Besides our export activities a lot more effort was put into getting more shares of the local markets. This went especially well in context of the current phase of consolidation, in which we center our activities around the optimization of internal processes to gain a better understanding of our customer groups. In the local market SEKEM achieved a sales increase of 25% while keeping export figures stable. These activities enabled us to re-enter into a new growth phase in 2012. Sales revenues are mainly due to groceries (50%), agricultural primary products (20%) and biopharmaceuticals and natural textiles (15% each).

Investments from the previous years were made possible by our long lasting cooperation with the GLS stakeholders and were used for capacity building and further growth. With their help, we were able to cover additional business without major new investments.

Our aim for SEKEM in 2013 is to strengthen our cooperation with Egyptian customers and to grow further by acquiring new customers for export. In the local market we want to stick to our strategy and further extend our achieved growth. In order to reach these goals we will use our resources more effectively and make only small investments to stay aligned to our

consolidation plans. Later on, SEKEM will focus again on strong growth. To achieve this we will apply the following strategies:

- 1) optimal usage of available capacities, 2) increase in efficiency, 3) lowering borrowed capital and 4) investigations on new options for financing like equity capital, mezzanine capital and long-term credits for the holding and its subsidiaries.

## Financial Highlights in 2012

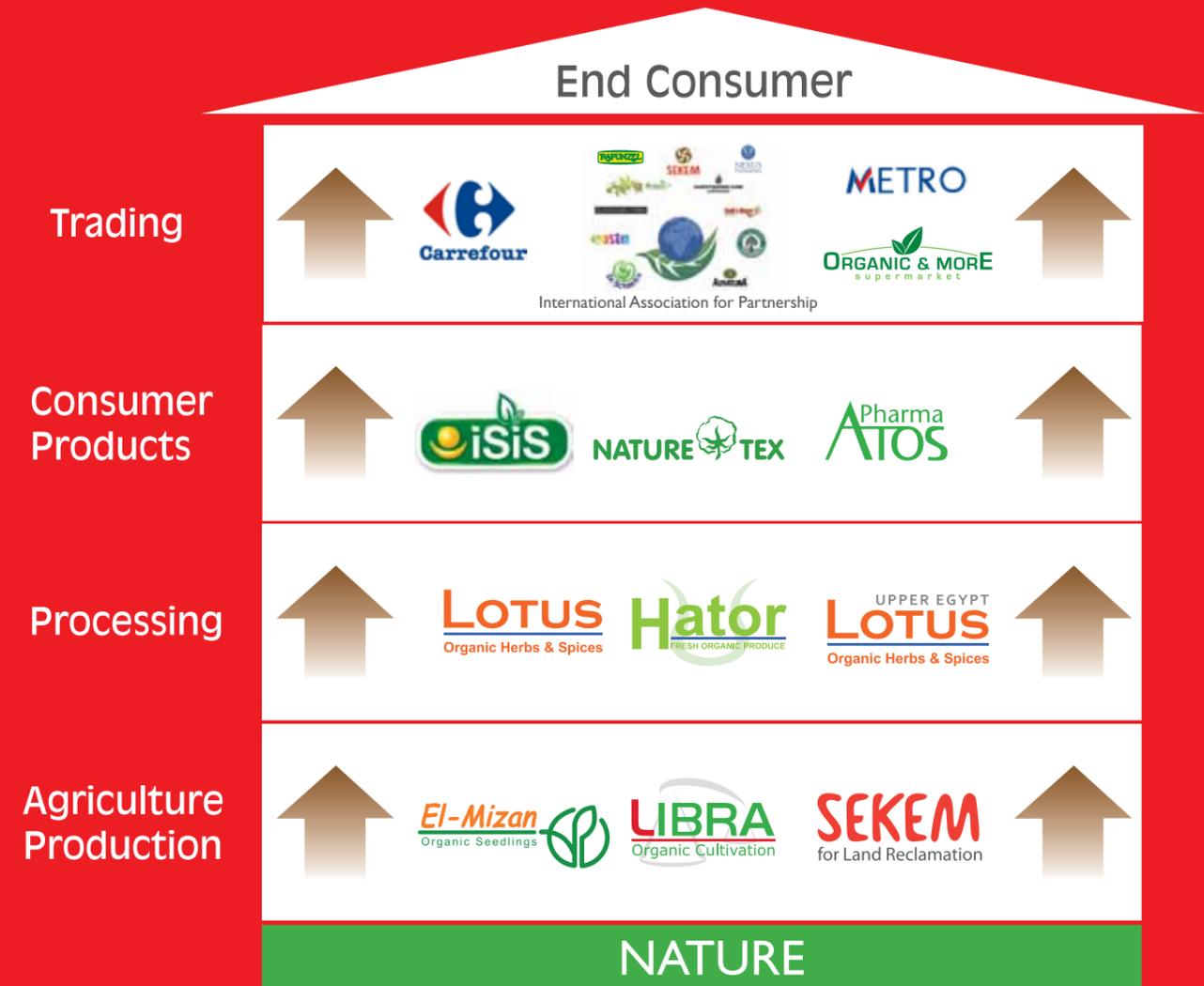
- SEKEM Holding obtained an upstream loan of \$7million from Oikocredit in the Netherlands in 2012
- In mid-November the remaining bonds amounting to €5million were paid back to Triodos Bank
- The Baraka Bank in Egypt gave a long-term loan of EGPI0million to the SEKEM holding

## Financial perspective for 2013

- We expect again a positive growth for the company in 2013
- SEKEM received the second tranche of the DEG credit amounting to \$2million in June 2013
- SEKEM presented the new business strategy 2020 with plans, strategies and goals for the SEKEM companies in April 2013



## SEKEM Group's Integrated Value Chain



## Product Portfolio of SEKEM

### Fair Prices for Suppliers

The prices for raw materials are set according to Fairtrade principles and assure a fair distribution of the value generation to our suppliers. We foster our long-term relations with our suppliers through guaranteeing purchase of certain amounts of raw material and helping to pre-finance the cultivation (see also page 17).

### Affordable

We offer products in all pricing categories. Customers of all income groups can afford at least some SEKEM products, for example ATOS Pharma medicinal tea. We also strive to adapt our pricing policy according to factors like differences in purchasing power. Also, a study by Soil&More showed that organic agriculture will soon be cheaper than conventional agriculture.

### Accessible

In Egypt, most ISIS products can be found in all supermarkets and in many hypermarkets. ATOS Pharma phytopharmaceuticals and SEKEM health products such as medicinal teas are available in 80% of the pharmacies in Egypt. Our sales personnel continuously works on the extension of the distribution area. ◀

### Environmentally Fair Prices

Conventional cultivation ignores the negative long term impact on soil and biodiversity. Consequently, we consider the cheaper non-organic products as "unfairly" priced. The hidden costs lay in environmental degradation, cleaning of contaminations and the burden for future generations. Through our commitment to organic products and environmentally friendly production, we face extra costs in the production that do not accrue directly for conventional producers but avoid the so called external costs.

### Positive for the Community

10% of the profits go to the SEKEM Development Foundation which realizes educational, health and research projects to benefit the surrounding communities of SEKEM in particular and Egypt in general. The private SEKEM school offers a gradual fees scale so that all children can afford to receive quality education.



### Humane

Our strong commitment to the UN Global Compact and ILO Conventions underlines the respect we pay to basic human and labor rights in our operations and along our supply chain. Through our Code of Conduct we hold all our employees accountable (see also page 24).

### Healthy and Safe

The most tangible benefits of our products are their health advantages, along with their story of positive impact on human development. The ban of pesticides and genetically modified organisms in our production avoids any negative impact on the human body. The raw materials arriving at ISIS, LOTUS, ATOS Pharma and NATURETEX are checked in physical, chemical, microbiological and pesticide tests. During production, we do not use additives like flavor enhancers.

In fact, the fruits, vegetables, spices, teas and other foodstuffs enrich the consumers' diets while the textiles are pleasant for the skin.

### Biodynamic

We apply biodynamic agricultural methods. This means we use compost, resilient (not genetically modified) crops and natural predators instead of external inputs such as chemical fertilizers and pesticides. The application of biodynamic agriculture means thinking about agriculture in closed nutrient cycles, including livestock. SEKEM produces its own compost, grows cereals to feed the livestock and enhances the soil fertility through crop rotation. Soil, plants, animals and humans together create a holistic and living organism.

The contracted farmers of SEKEM use biodynamic growing methods as well and from season to season are able to show an increase in productivity and superior food quality.

### Vital

We recognize the effect of the sun, the moon, the planets and the signs of the zodiac on the plant development. Using this knowledge and biodynamic preparations, we can harmonize and connect our farming operations with nature and cosmos and achieve a significant vitalization of our plants.

### From Healthy Soils

We started to grow on desert land. With the help of compost, we built up organic matter in the first 30 cm of the soil, which is now full of life. The water holding capacity increased as well as the carbon sequestration capacity, while the risk of erosion sank. Driven by this success, we are now reclaiming further land in different regions of Egypt (Sinai, Minya and Bahareya).

### Certified

A large amount of our purchased raw materials are certified according to Demeter – one of the highest organic standards world-wide – Fairtrade and other standards. This way we, as well as our customers, can be sure that the suppliers comply with certain rules and receive their fair financial share.

Though 94%\* of our products are of organic origin and come mainly from farms which are compliant with the Fairtrade principles, we only print the Demeter and Fairtrade label on the packaging when our customers ask for it. This is simply because labeling license fees are high. Inspectors from COAE, FLO-CERT, ICEA and TUEV regularly assesses our premises and operations (see page 18 and 19 for all certifications per company).

### Innovative

As a pioneer for organic products, we constantly expand into new markets in Egypt. We were the first to introduce organic cotton, teas and a broad variety of other products.

We continuously do research on various subjects concerning agriculture, medicine, pharmaceuticals, biotechnology and other scientific areas and translate our findings into products, e.g. herbal medicine of ATOS Pharma, which spends 2% of profits per year for studies at the Heliopolis University. Furthermore, we support our customers in realizing new ideas like various baby clothing and toys in NATURETEX.

## Efficient Organizational Processes

### Packaging

For the packaging of our products, we continuously maximize the share of recycled input material. We strive to solely use reusable or recycable materials. The largest amount of packaging comes from boxes and paper that offer the possibility for recycling.

Due to the missing infrastructure in Egypt, we cannot offer a refund and recycling-system for bottles. SEKEM plans to cooperate with major customers in order to improve the situation.

### Transport

The distribution fleet of SEKEM consists of 80 vehicles, mainly transportation cars. They distribute mostly ISIS products to grocery stores and supermarkets but also deliver ATOS Pharma products to pharmacies. The export shipment is mainly done by shipping and the total food exports measured in sales value via airplane do not exceed 5%.

### Waste

At its main site close to Belbeis, SEKEM has set up a waste sorting facility processing the companies' output of waste materials. Waste produced during the processing and production within the SEKEM companies is sorted into glass, plastics, carton, paper, organic waste and remaining non-recyclable materials, such as metals or hazardous waste from the Medical Center, which gets either landfilled or transported to special end-of-life treatment centers. All organic waste is composted on site by LIBRA and valuable non-organic waste is sold for recycling.

\*The remaining 6% come from conventional sources. This remains in case of ISIS limited to our honey production or results from shortages in organic raw material supply for spices or teas and nuts. Some of the ingredients for ATOS Pharma products are not available as organic. Of course, we state this on the package. This motivates us even more to enlarge the capacity for our own raw material production.

% of recycled input, see page 54

Waste numbers, see page 53

Innovation numbers, see page 53

## Partnerships

Building partnerships based on mutual trust is not only important in private but also in economic life. Business is not possible without good relations to other stakeholders, may they be businesses, consumers or suppliers. SEKEM would not have been possible without longstanding partnerships that have been developed over the years to the strong foundations of today. We keep on striving for reliable and value driven partners.

### The International Association of Partnership

Arguably, the most important partnership network is the International Association for Partnership in Ecology and Trade (IAP). In 1996, it was established by SEKEM and several of its long-term European business partners to create a dynamic interaction between farmers, producers, and traders with the goal to provide consumers with high quality organic products. The IAP is a cooperation forum for organic agriculture that enhances commitment to nature and a higher food quality. The partners have cooperated since 1984 to strengthen the basis for biodynamic and organic agriculture world-wide.

IAP members exchange market information, plan strategic initiatives for marketing of organic products, finance new projects and strengthen existing ones. These actions are taken to facilitate the development of organic cultivation movements across the world. The partners try to meet four times annually to evaluate progress, implement decisions, and discuss new strategies. Currently, there are 14 constant members who are all high-level businessmen in their respected companies.

### Long-Term Relationships with Suppliers

While IAP partners are mostly buyers from SEKEM companies, SEKEM Group also has an extensive network of suppliers (see next page). The network of suppliers consists of both the SEKEM companies, themselves being the suppliers of other companies such as LIBRA (compost) for SEKEM for Land Reclamation or EL-MIZAN, and external suppliers. All agricultural suppliers are members of the Egyptian Biodynamic Association. SEKEM Group provides their suppliers with inputs (such as compost or biodynamic preparations) and knowledge, offers pre-financing for their activities (depending on the case) on a seasonal basis and a buying guarantee for the pre-financed harvest. SEKEM knows about the importance of these mutually beneficial relationships and tries to nurture them as much as possible.

### Responsibility to Customer and Consumer

“The most responsible way of dealing with clients consists of two parts: education and listing nutritional information. In Egypt, there is still a need to spread information about the health impact of organic food. We see it as our responsibility and are convinced of the positive impact on the community when we provide health related information and advice on products, on our websites, Facebook pages and through our customer service. Furthermore, our product information and labeling is compliant at least with country-specific regulations, and even beyond.

A new customer service department has been established for ISIS in order to be in direct contact with end consumers and to answer all kinds of questions, inquiries or complaints. Through the new websites of ISIS and SEKEM, clients and users can easily find information about our products, ingredients and benefits, as well as organic and sustainable development topics and are lead to the hotline, email form or Facebook page for further information.

In order to ensure long-term customer satisfaction, all SEKEM companies regularly refer to customer feedback through standardized questionnaires, which are part of their Integrated Quality Management System. While differentiating between local and export customers, topics such as quality, communication, annual planning, deliveries, prices and financials are analyzed.

”



International Association for Partnership

## Supplying Partners of SEKEM

The reliability of SEKEM's production depends, apart from our own cultivation (SEKEM for Land Reclamation: 1,628 feddan [ca. 684 ha]), on the supply of high quality, biodynamically grown produce, cotton and herbs. In 2012, 93% of all raw materials come from external sources. Our suppliers are members of the Egyptian Biodynamic Association (EBDA) which cultivated an area of 6,977 feddan (2,930.34 ha) in 2012. Approximately one small-scale farmer works on 5 feddan (2.1 ha). That means we are dealing with around 1400 farmers organized in 137 farms.

In order to guarantee the suppliers' compliance with our expectations, we implemented a supply chain management throughout the SEKEM Group. Each SEKEM company is responsible for its own suppliers. Our goal is to continuously improve our local and exporting activities. Our approach combines the control of clear requirements based on international management and technical standards with building vital partnerships with the farmers.

### ► Certification of Raw Materials

Like our own companies, all our suppliers are Demeter certified or in transition. Next to the International Demeter standards, we ask our suppliers for compliance with additional standards depending on the product and on clients' demands (e.g. EU regulations on organic farming, Kosher, Hand-in-Hand by Rapunzel, Bio Suisse, Global Gap and US National Organic Program).

After inspection by technical engineers in physical, chemical, microbiological and pesticide tests, ATOS Pharma, ISIS, LOTUS, LOTUS Upper Egypt or NATURETEX process the raw materials. The SEKEM Group Compliance Manager works in close cooperation with the companies' quality departments. It is under his responsibility that the SEKEM companies are all certified according to the standards mentioned before, or to manage successfully the transition to get certified. Furthermore, we evaluate all suppliers annually according to our own quality evaluation methods in the form of surveys and assessments. In this way, we reduce the number of complaints and have less return.

### Innovation for Sustainable Development

“Sustainable development can only have a lasting impact if it takes all four spheres of societal life into account, that is the economic life, social life, cultural life, and ecology. Therefore, there must be an institution within the Heliopolis University that observes that the principles of sustainable development are respected in every aspect of teaching, learning, and life of the faculties. The Social Innovation Lab will be at the heart of the university and aim to fulfil just that role. It will observe that all ventures of the university are in line with the principles of sustainable development, and will guide research and education in order to pursue social innovation that benefits enterprises, communities, and society in its entirety alike.”

### Capacity Building in the Supply Chain

Following the principles of transparency, we implement an honest and fair collaboration throughout the whole supply chain (see previous page). The prices for raw materials are set according to Fairtrade principles and assure a fair distribution of the value generation to our suppliers. For some of our products, customers ask for a Fairtrade certification; e.g. for oranges, potatoes, rice, hibiscus, chamomile, mint, lemon grass and cotton.

Our supply chain management approach ensures that we contribute to the improvement of living conditions and the development of our supplying farmers throughout Egypt. In 1990, we established the independent Egyptian Biodynamic Association (EBDA) in order to offer training, technical assistance to farmers and conduct research on biodynamic agriculture. Our suppliers are becoming more and more aware of the advantages of biodynamic agriculture and promote it within their own community; usually rural areas.

The United Nations Food and Agriculture Organization (FAO) states that organic agriculture can provide over 30% more jobs per hectare than non-organic farms and, thus, create employment opportunities.

certified  
purchase value  
see page 54

Customer  
satisfaction  
see page 52

Supplier figures  
see page 54

## The SEKEM Group of Companies

The SEKEM Group of Companies forms an integrated value chain based on biodynamic agriculture, which starts with agricultural production and ends with the delivery of products to the end consumer. This vertical integration helps us to ensure adherence to our standards and requirements along the value chain, as well as to secure the availability of high-quality raw materials. The SEKEM Holding supervises, evaluates and supports all its subsidiary ventures and acts as an investor and money lender to them.



- International Demeter standards
- Good Management Practice
- Quality management acc. to ISO 9001
- Environment management acc. to ISO 14001
- Health and safety management acc. to OHSAS 18001
- Laboratory tested acc. to ISO 17025

**ATOS Pharma**, founded in 1986 as the phytopharmaceutical branch of SEKEM, manufactures and markets an array of natural medicines and healthcare products of superior quality for effective causal treatment combined with maximum tolerability. ATOS Pharma products are marketed and distributed nationally as well as in the Middle East/North Africa region.



- Fairtrade criteria by FLO (Fairtrade Labeling Organization)
- International Demeter standards
- Quality management acc. to ISO 9001
- Food safety management acc. to ISO 22000
- Environment management acc. to ISO 14001
- Health and safety management acc. to OHSAS 18001
- Kosher

**ISIS**, founded in 1997, produces healthy food from carefully selected raw materials, free of artificial additives and preservatives. The foodstuffs processed and packed by ISIS include organically grown cereals, rice, vegetables, pasta, honey, jams, dates, spices, herbs, edible oils, beverages such as herbal teas, coffee and juices as well as other multi-ingredient products. ISIS also sells biodynamically grown fresh produce to local and international markets, mainly in Europe.



- Fairtrade criteria by FLO
- International Demeter standards
- Quality management acc. to ISO 9001
- Environment management acc. to ISO 14001
- Health and safety management acc. to OHSAS 18001
- Global Organic Textile Standard

**NATURETEX**, founded originally under the name of CONYTEX in 1998, is a high quality producer of fabrics, fashionable home textiles, dolls and colorful baby wear based on organic cotton. The products are produced and sold on national and international markets under its own brand named Cotton People Organic (CPO), NATURETEX or under private labels such as "Under the Nile" or "PWO - People Wear Organic".

### Farming



- International Demeter standards
- Quality management acc. to ISO 9001
- Environment management acc. to ISO 14001
- Health and safety management acc. to OHSAS 18001
- TÜV CO2 Compost and Crop

**LIBRA**, founded in 1988, forms the agricultural foundation of the SEKEM supply chain following biodynamic principles and producing milk, eggs, beef, sheep, chicken and compost. LIBRA launched with Soil & More International BV a commercial compost project in 2007 that has today two compost sites, one in Sharkia and one in Alexandria. Since 2010, LIBRA has begun to concentrate on cattle management only and has handed over its agricultural cultivation responsibilities to its sister company SEKEM for Land Reclamation.



- Fairtrade criteria by FLO
- National Organic Program of the USA
- Quality management acc. to ISO 9001
- Food safety management ISO 22000
- Environment management acc. to ISO 14001
- Health and safety management acc. to OHSAS 18001
- International Demeter Standard
- Kosher
- Bio Suisse

**LOTUS**, was originally founded in 1977. It was the first company of Dr. Ibrahim Abouleish and started with the name of SEKEM. It produces, imports and exports organic and biodynamic, thus natural and chemical free, herbs, spices and seeds for its sister companies ISIS and ATOS Pharma, as well as for the export market according to International Demeter processing guidelines. Taste, aroma and their natural medicinal effectiveness are the highest priorities.



- Fairtrade criteria by FLO
- Quality management acc. to ISO 9001
- Food safety management acc. to ISO 22000
- Environment management acc. to ISO 14001
- Health and safety management acc. to OHSAS 18001

**LOTUS Upper Egypt**, established in 2007, is mainly concerned with drying the herbs and spices of the SEKEM farms in Upper Egypt.



**EI-MIZAN**, also referred to as MIZAN, was founded in 2006 as a 50/50 joint venture between Grow Group Holland and SEKEM Group Egypt and offers grafting and plant cultivation services for fruit and vegetable plants. Healthy, profitable in- and outdoor grafted seedlings are provided to Egypt's vegetable producers and SEKEM for Land Reclamation.



**PREDATORS**, was founded in 2010 as a joint venture between LIBRA, Envision and Bioproduction (Denmark) to professionally breed insects that serve as a natural substitute for toxic and hazardous chemical pesticides



- Fairtrade criteria by FLO
- Global GAP (for Adleya and Sinai farm)
- National Organic Program of the USA
- International Demeter standards
- Bio Suisse

**SEKEM for Land Reclamation (SLR)**, was established in 2008 for reclaiming and cultivating new pieces of land according to biodynamic principles. In the first place, therefore, it was responsible for enlarging the cultivation area in Sinai, Bahareya and Minya and for supplying high-quality raw materials from these farms to the SEKEM companies. In 2010 SLR overtook, additionally, the whole land cultivation of LIBRA. SLR engages in assuring fair prices, securing the supply of organic quality raw material, practicing crop rotation, as well as planning and producing for the Egyptian Biodynamic Association (EBDA) members and stakeholders.



- International Demeter standards
- Bio (Europe)
- Fairtrade criteria by FLO

**SEKEM Europe**, located in Bochum, Germany, is a subsidiary of the SEKEM Holding. SEKEM Europe GmbH operates in the areas of import and sales of SEKEM's ready-made consumer goods and fresh produce, raw materials and ingredients. The entity provides services to SEKEM in the field of customer care, export marketing, market development and public relations for Europe.

## Economic Value Distribution

Our goal is to create economic value and ensure its fair and sustainable distribution amongst all stakeholders. Our suppliers receive their appropriate share in the same way as our employees. Within SEKEM, certain investments for new machinery, infrastructure and the employees are made. SEKEM was born with the idea of giving back to the community, which includes an affordable price for our products but also investment into our surroundings, and therefore into our future and the common welfare of Egypt.

## Supplying Partners

We established a fair price policy for our suppliers. An increasing amount of our purchased raw materials come from Fairtrade certified suppliers. In this manner, we want to assure that the price paid is not below the average production price and that the suppliers receive an additional premium payment which can be used for a development project to enhance any of the aspects of sustainable development.

## Company

SEKEM's role as an organic agriculture producer in Egypt forced the company from the first day on to follow an innovation strategy.

Thanks to the diverse product portfolio (see page 14-15 and 18-19), the internal value chain and a healthy balance of export and local market, SEKEM proved to be economically resilient (see page 12-13).

SEKEM will continuously invest into the companies, employees and cultural activities. One focus in the next years will remain desert land reclamation. The second main investment project is the start of the Heliopolis University.

## Shareholders

SEKEM Holding is a joint stock company. With 76%, the main part of the shares belongs to the Abouleish family. The remaining 24% are split evenly between GLS Bank and Triodos Bank and a symbolic share of less than 1% to the Abouleish Foundation and the Oikocredit bank. Oikocredit currently has the option to turn their convertible loan into shares at SEKEM in 2014. In general, we try to keep the external participation as low as possible. The dividend distribution does not happen on a regular basis but depends on the approval of the

shareholders. In 2010 dividends have been distributed. 2011 no distribution took place due to the absence of profits. However, in 2012 the shareholders decided to reinvest the possible dividend with regard to the political and economic situation in Egypt into the company's operations.

## Employees

In Egypt, the differences between the living standards of the social classes is drastic. While the upper class lives according to Western standards, the public minimum wage of 600 EGP as of 2010 is too low to ensure a decent living for the lower classes. After the 'revolution' in spring 2011, debates put new pressure on the government to develop a fair minimum wage for private companies. Until this is realized, SEKEM does not use the official numbers as guidance for its compensation policy. In 2012, the minimum entry-level salaries started at 750 EGP per month, depending on the educational background of the person and based on individual performance.

The ratio between lowest and highest salary is around 1:57. Though SEKEM tries to keep the salary scale as narrow as possible, it reflects the societal reality of very different qualification levels and the nationwide income inequality. The lowest salaries are earned by unskilled young women.

SEKEM provides all full-time employees with benefits, including optional medical insurance (see page 25), life insurance in case of disability and retirement plans. Contribution to the latter two amounts each to 2% of the salary, paid equally by one of the SEKEM companies and the employee. A cash box for emergency cases like severe injuries or death but also for rather joyful events like marriages and births is filled with money coming mainly from salary deductions (due to absence etc.).

## Community

To improve the common welfare in our community, SEKEM founded the Egyptian Society for Cultural Development in 1984 – which was later renamed SEKEM Development Foundation (SDF). Today, it offers many social and cultural services, usually for a very low price or for free: medical care, education, training, research, and arts (more at page 29ff). The SEKEM Group fills with 10% of its profits the financial gap which the foundation cannot cover. This way, all running costs can be broken even by own means. Some projects are financed by the SEKEM Friends network that is very active in fundraising in Europe.



# SOCIETAL Life

*The place of the individual in society shapes our social relationships, while the laws of a society determine individual opportunities. In a fair and just society, the individual human being is recognized to have innate rights, is equal to all others in front of the law and is granted equal opportunities for participation. A just cooperation of human beings worldwide can be regarded as the main prerequisite for peaceful development, today as well as in the future.*

## Management Approach

Assuring an environment and conditions that contribute to the development of our employees and the cooperation with farmers and their communities is one of the predominant goals of the SEKEM Initiative.

We regard as a basic necessity the strict adherence to and enforcement of the international standards for human rights, especially labor rights, health and safety regulations and general working conditions. As guidance for our employees and business partners we created our Code of Conduct, based amongst other guidelines on the ten principles of the United Nations Global Compact. It defines the corridor in which we conduct our activities so that all SEKEM companies follow a responsible and ethical path.

With respect to our employees, we focus on equal treatment (especially regarding women's rights), loyalty and motivation through non-monetary benefits. We established a medical center under the SEKEM Development Foundation that aims to promote and offer health care not only for our employees but also for the broader community.

To advocate our position on sustainable development, for example on the fatal misjudgment of genetically modified organisms or the essentiality of individual development, we use our expertise and participate in several international initiatives. We strive to have positive impact far beyond the corporate borders.

## Impact, Risks and Opportunities

To apply transparency and enforce human rights throughout our value chain is challenging but important. The same high priority lies with anti-corruption and fair business relations. Furthermore, the guarantee of

a healthy and safe working environment is essential for the continuity of our operations and for the respect and dignity of our employees. We see employee diversity and gender equality as essential because this enriches the working environment and reflects our core values. We support and benefit from all initiatives aiming towards sustainable development. We see it as our duty and opportunity to get involved in this momentum on a national and international level.

**How can we assure equal opportunities for all stakeholders?  
Which obstacles do we have to overcome to cherish the human dignity of every stakeholder?**



## The Code of Conduct as the centerpiece of corporate action

The leadership of employees at SEKEM is based on the Code of Conduct (CoC), which was introduced in 2009 and updated in 2011. According to the conventions of the UN and the ILO it frames the guidelines that oblige the workers to comply with the law, ethical business, fight against corruption, employee and human rights as well as environmental awareness. This CoC applies to all SEKEM activities and business partners and is reviewed and updated on a regular basis.

### Relation to the employees

Every SEKEM company has a special employee, whose focus is on the compliance to the Code of Conduct and the communication of its contents on all levels. It's his responsibility to convey the complaints of employees to the management. Furthermore we elect employee representatives every twelve months, who advocate the interests of the workers and support the Code of Conduct commissary.

The cooperative of SEKEM employees (CSE) continues its work by providing services in the field of health and social insurance. Together with the social workers of the companies and the medical center a nursery for the babies of working mothers was further developed, cultural programs were offered and the transport of employees to work was optimized.



To steadily improve the working environment of SEKEM employees, SEKEM wants to conduct a survey i.a. for employee satisfaction, social environment and interpersonal relations. By these means we try to make improvements, which are directly related to the wishes of the individuals. This is also meant to strengthen the relationship with the company itself.

### Number of employees

The number of employees from the companies decreased slightly from 1669 in the previous year to 1536 in 2012. This was mainly due to the rationalization of processes in connection with the economic challenges of the country. In the future employee training and adult education will continue to be a vital part of the SEKEM concept. It is implemented regularly (e.g. Mondayforum and employees meeting with Dr. Abouleish).



## Human Rights and Code of Conduct

Respect and dignity for every individual within our companies and in the broader community are the guiding principles that we use to create human relationships. The SEKEM Code of Conduct explicitly states our commitment to protect and advocate for human rights in all our activities and spheres of influence.

In all the steps of our value chain, we strive to provide and support fair salaries (see "Economic Value Distribution", page 20), as well as healthy and safe work places (see "Health", page 27). To ensure human rights adherence along our supply chain, we strictly apply Fairtrade principles within our purchasing practices (see page 17). In the SEKEM Development Foundation, we have started a community school to prevent child labor (see „Children and youth education“, page 33).

We consider literacy as a human right. All illiterates at SEKEM have the opportunity to receive reading and writing lessons.

Furthermore, together with our project partners and our main investors, we monitor human rights adherence and consider human rights clauses in our investment decisions.



### Topics of SEKEM's Code of Conduct

- Legal compliance
- Human rights
- Child labor / young employees
- Forced or compulsory labor
- Freedom of association and collective bargaining
- Disciplinary measures
- Health & Safety
- Anti-discrimination
- Compensation
- Working hours
- Work ethics
- Literacy
- Environmental protection
- Bribery and corruption
- Management systems

### The Code of Conduct

The SEKEM Code of Conduct (CoC) forms, together with the Corporate Governance Index, the framework of values guiding the operations of the SEKEM Group of Companies. This basis refers to the SEKEM Vision for Sustainable Development, the ten principles of the United Nations Global Compact (UNGC), which we joined in 2004, and the relevant United Nations and International Labor Organization (ILO) conventions, e.g. ILO Labor Standards and the Universal Declaration for Human Rights (UDHR). Accordingly, the CoC formulates explicit commitments regarding legal compliance, business ethics and anti-corruption, labor standards and human rights, as well as environmental responsibility. The code applies to SEKEM operations and all associated business partners and is subject to regular review and development.

## Monitoring

Compliance with the Code of Conduct is monitored and enforced by the compliance and technical auditing managers of the SEKEM Group. The department also provides guidance and information on the application of the code and serves as an internal and external contact point for concerns about non-compliance, which can also be raised anonymously. The SEKEM CoC is provided in English and Arabic to all SEKEM employees in the SEKEM Information System (SIS). Furthermore, we will start in 2012 to train our employees regularly and hand out the CoC to each newcomer.

Since the official Fairtrade standard certification also includes social development as one of its common principles we use this certificate as an orientation if our suppliers comply with the core standards of labor rights. Where applicable, the SEKEM companies purchase up to 100% from Fairtrade and likewise Demeter certified farmers and farmer associations.

### Core standards of labor rights

- *Freedom of association: workers are encouraged and allowed to join trade unions which are independent of government and employer influence;*
- *The right to collective bargaining: workers have the right to negotiate with employers collectively, as opposed to individually;*
- *The prohibition of all forms of forced labor: includes security from prison labor and slavery, and prevents workers from being forced to work under duress ;*
- *Elimination of the worst forms of child labor: implementing a minimum working age and certain working condition requirements for children;*
- *Non-discrimination in employment: equal pay for equal work.*

### Promoting a Peaceful Society

“ Through its business model, SEKEM promotes a peaceful society. On 7 May 2012 Helmy Abouleish, on behalf of his father and SEKEM, received the “Business for Peace Award” in Oslo, Norway. The prestigious award for entrepreneurship, which is given each year to a number of internationally renowned entrepreneurs who have distinguished themselves in peace building, was presented to Helmy at a ceremony in the Norwegian capital. The award is presented by the “Business for Peace Foundation” in cooperation with the International Chamber of Commerce (ICC). ”

## Corporate Governance

Corporate Governance defines the structure in which SEKEM conducts its business. The reliability of an organization depends on the way decisions are taken and opinions with stakeholders are exchanged. The Board of Directors (BoD) advises and supervises the SEKEM Group Management in regards to sustainable economic prosperity, business development and strategy. The composition, current members, voting rights, access to information, responsibilities, meeting procedures, duties and tasks are defined in the Corporate Governance Code. All provided information is considered confidential and principles regarding any conflict of interest are in effect. The operational management, led by the Managing Director Helmy Abouleish, takes the advice and propositions of the BoD originating from their meetings, where upon these expectations are directly translated into action plans and achievements. Any following shortcomings are assessed in the next meeting. The quarterly financial report, sent out for review to the BoD members, provides constant updates on new investments, products, volume analysis and risks. Six members of the BoD, all except Dr. Ibrahim Abouleish and Helmy Abouleish, are nonexecutive members; three are totally independent from SEKEM's operations.

## Workforce

Human dignity is precious. Our daily mission is to cherish the dignity of each of our 1,702 employees. Our goal is to establish a long-term relationship with all employees by treating them fairly and satisfying their needs. In return, we hope for their loyalty.

SEKEM tries to create as many jobs as possible for the low qualified villagers in the surroundings. On the one hand, biodynamic agriculture creates significantly more workplaces than conventional approaches (according to UN Food and Agriculture Organization 30% on average for organic agriculture). On the other hand, SEKEM deploys technical solutions in the processing design only where manual work is not feasible, especially in ISIS production.

### Working Hours

In comparison to the nationwide average, the weekly working hours at SEKEM are a little higher. But they also include several events per week for self-development and training as well as cultural activities (around 10% of working time). The compliance officer monitors the ILO requirements concerning working time, minimum age, etc. which are also part of the external certifications like Fairtrade. Almost 3.5% of our workplaces are part time jobs, mainly for physicians, teachers and researchers. During the lunch break, the employees receive a warm and healthy meal and can enjoy the green surroundings of the main premises and the head office, which also impress the visitors. Long working hours because of production peaks occur only rarely. Whenever the order situation is suitable we engage new employees.

### Workforce Diversity and Equal Treatment

Working hand in hand at the different SEKEM premises, we seek to give all our employees the same chances no matter if they are male or female, disabled or healthy, notwithstanding their religion or nationality. The main premises are located in Sharkeya, so are most of our employees. The SEKEM group of companies complies with a hiring procedures to secure equal rights during the recruiting process but does not follow a policy for local hiring.

*...for women*

To support women's empowerment, we engage in activities in- and outside the company. On the one hand, our social workers support SEKEM female employees in any work-related or personal issues. On the other

## Hiring Procedures

“After assessing the applications, promising candidates are interviewed by the Human Relations department and the direct manager. The final candidate is also interviewed or approved by the Managing Director of the company. If any changes in the senior management at holding level occur, the Board of Directors must give its consent. During a probation period of three months, any contract can be cancelled immediately from both sides. In line with the Egyptian labor law, the minimum notice period is one month for terminations and all other operational changes.”

hand, we strengthen the women's position in the outer community through microcredit and education programs. Due to traditional rural habits, the majority of women marries early and concentrates on family life. Therefore, the average salary differs from the male average. NATURETEX offers the opportunity for female employees to continue their work at home, especially during production peaks. This allows married women to contribute to the family income and keep their independence. Furthermore, we offer childcare for women who continue the work at the SEKEM main premises.

For SEKEM's efforts in supporting women, World Bank and UNWomen granted the SEKEM Group of companies the "One Business Community, Equal Opportunity Seal" which is valid until the end of 2012.

*...for people with different cultural backgrounds*

SEKEM is aware of intercultural and religious differences between employees, especially between Muslim and Christian rituals, and addresses them with awareness raising and dialogue, mainly during the weekly morning lectures with Dr. Ibrahim Abouleish or in some of the Monday forums at the head office (further information on page 38). In Egypt, the population consists of around 90% Muslims (mostly Sunni), 9% Copts and 1% other Christians. Most of the SEKEM employees are of Islamic belief.

*...for the disabled*

32 disabled persons are integrated into the workplaces of the group of SEKEM companies. Most of them first took part in our special education project that takes six years (see page 34). According to their capabilities and the state of health, the graduate afterwards starts a three year qualification phase for example at the cattle farm, the nursery, the paint or sanding workshop. These are particularly safe spaces. During the first weeks of work, a teacher accompanies the student in his new environment. The amount of work gradually increases until the student feels confident in the new work. After this period, during which the student learns skills and experiences besides the continual educational process, everyone receives a certificate of qualification.

### Transparency and Co-Determination

All essential information (salary levels, cost evaluations, minutes of manager meetings) are accessible through the intranet. Regular meetings with the management foster information exchange and offer free space for questions for all employees. Furthermore, SEKEM publishes the Sustainable Development Report with extensive data. Each company has put up suggestion boxes for employees, for either contributing ideas or complaints regarding topics such as health and safety, working conditions and personal or community well-being. This opportunity for employees to raise their voices is not yet used as widely as SEKEM had planned. In the future, the involvement of employees in having a hand in their working environment needs further improvement. For direct conversation, all employees have the opportunity to contact the social workers in their company who is responsible for the improvement of critical issues raised by the employees, as well as for communicating any kind of proposals to the management. Furthermore, employees' representatives are elected for three months to act as the spokesperson for a certain number of employees.



## Health and Safety

The provision of a safe environment and access to health services are some of the main requirements for a humane workplace. We differentiate between two levels of action: First, health and safety at the workplace, and second, a broader approach towards health promotion in the community.

### From Certified Management...

In all organizational processes, health and safety aspects have to be taken into account. To follow-up on, for example, any reported safety problems or accumulations of incidents, a precise documentation is needed. Tangible targets have to be set, and trainings on all relevant health and safety issues have to be carried out and repeated regularly. To make sure that our health and safety management system works according to internationally recognized standards, all our companies have been certified according to the well-known OHSAS 18001 standard since 2005. In every company, a health and safety team is responsible for ensuring that standards are met. The team meets annually to discuss the related company statistics and to formulate action plans for prevention if needed.

### ...to the Individual Level

Nonetheless, only by keeping the workplace safe, the challenge of a healthy lifestyle is not addressed. Each working day, we serve our employees a warm and healthy lunch including organic vegetables. Furthermore, our small sporting club uses the football field, which we built for the school at the main premises. Even more important is the individual medicinal support for all employees, which they receive at the Medical Center.

### The SEKEM Medical Center

The SEKEM Medical Center is part of a comprehensive plan for community development for offering health care services to SEKEM employees and the general public. It was established under the umbrella of the SEKEM Development Foundation in 1995. Education and health awareness programs for patients are designed to meet the needs of the local community. People are told about sanitation and hygiene, provided with information on health, nutrition, disease prevention and environmental issues, and are motivated to use the services of the Medical Center for preventive and curative treatments. Our team consists of 23 doctors, eight nurses, three

administrators, four technicians and chemists. In 2012, we treated 2,855 cases from SEKEM employees and 23,669 cases from people of the surrounding communities. The service portfolio encompasses: Bone's Clinic, cardiology, dentistry, dermatology, ENT (ear, nose and throat), general medicine, gynecology, internal medicine, medical analysis, neurology, ophthalmology, orthopedics, pediatrics, pharmacy, physiotherapy, surgeries, and urology. In our radiology department, we offer X-Rays and ultrasonic examinations.

Employees have the choice to opt for a basic governmental health care insurance, or add a private insurance provider that is jointly paid by SEKEM and the employees. The employee's contribution to medical insurance depends on the level of the individual wage and can be extended to the family of the employee. For the children in our SEKEM School, the health care services are free of charge.

### Cooperative for SEKEM Employees

“The Cooperative for SEKEM Employees (CSE) was founded in 2000 to promote meaningful work in a healthy, safe and humane environment. The governmental Cooperative Union of Social Affairs oversees its activities. The goal is to achieve social justice and decent human life for everyone in the SEKEM Initiative. The current activities of the CSE are the pharmacy at the main SEKEM premises, the library, the cafeteria that provides healthy and warm meals for the employees every day and the transfer of workers to and from the companies. Currently, the CSE has 220 members based on the distribution of shares. On top of this, SEKEM employees are encouraged to take part in a labor union, which is welcome to promote its activities on company premises anytime.”

## Advocacy for Sustainable Development

In 2011, Helmy Abouleish withdrew from numerous committees and boards in the course of refocusing his energy and time on the initiatives that are most promising and time-efficient. Among others, he was particularly engaged in the World Future Council's (WFC) activities, the International Foundation for Organic Agriculture Movements (IFOAM), Demeter and UN Global Compact to provide his expertise in climate change policies. Together with IFOAM and several other key players in organic agriculture, we pushed the establishment of the Sustainable Organic Agriculture Action Network (SOAAN) to develop activities that position organic agriculture and its related supply chains as a holistic, sustainable approach to agricultural production for all of human society.

### Egyptian National Competitiveness Council

Helmy Abouleish is the co-founder of the Egyptian National Competitiveness Council (ENCC). The ENCC has created a National Competitiveness Strategy for Egypt, with the pillars of Innovation, Green Transformation and Education, as focus topics. In this respect, he worked closely together with different governmental authorities and ministries to drive agendas and priorities into the direction of sustainable development. In 2011 he withdrew from his previous very active involvement as a chairman due to changing national political circumstances and refocused on single initiatives as a normal member of the ENCC.

### International Engagement

Internationally, Helmy Abouleish worked together with United Nations Industrial Development Organization (UNIDO), Bund Oekologischer Lebensmittelwirtschaft (Federation of Organic Food Industry), the UN Food and Agriculture Organization (FAO) and many organizations such as universities, research institutions, NGOs and associations.

Together with the International Association of Partnership (IAP, see page 16), a cooperation forum for all international SEKEM business partners, SEKEM engaged in the active development of sustainable agriculture, food quality, environmental sustainability and social responsibility. One central outcome is the concept of the Sustainability Flower (see "Approach to Sustainable Development", in fold out cover).



# CULTURAL Life

Sustainable cultural development means individual human development. The people need to be guided to their individual inspirational sources, whether these are sciences, philosophy, religion, arts or beauty. This can only be achieved through freedom in cultural life through the establishment of connections with other local cultures through a global network.

## Management Approach

Humanity creates the world from ideas. All learning, researching, inventing and artistic activities are ideally free and not influenced by material benefits. It is only through holistic thinking and acting that a materialistic society can be transformed into a cultural society guided by meaningful values. Therefore, free education and spiritual development of all human beings must be the highest priority.

The advancement of every individual is a continuous challenge in the fields of education, science, art, religion and spirituality. Without a sound understanding of the world around them, people will not be able to live in unity with nature and fellow human beings. Lifelong learning enables the individual to improve living conditions and contribute to the development of the community and country. Children who have been given the opportunity to receive a holistic education are likely to become free-spirited and responsible individuals.

SEKEM's approach to sustainable development therefore embraces culture as a fourth, equally treated, petal of the Sustainability Flower. SEKEM contributes to the cultural development of its employees and the broader community through its constantly growing cultural institutions like the SEKEM School, Heliopolis University and other projects in different fields. The range of activities spans from music, theater and fine arts to education, teacher trainings and scientific research. Our approach is based on the belief that only the combination of feeling, willing and thinking, all human senses can be addressed and developed. SEKEM is exposed to a multitude of cultural and religious influences and supports this cultural and spiritual diversity.

## Impact, Risks and Opportunities

With our trainings and artistic activities, we stimulate human development and people's consciousness as being integrated into community and nature.

We aspire to have a culture of learning, then leading to innovation. This is the main driver for growth and development for us and for Egypt. We also focus on different research and development topics with high practical relevance and want to send out an impulse of knowledge and development, ultimately benefiting from the stimulus that is returned.



How can we develop consciousness for sustainable development?  
How can an individual achieve the stadium of self-fulfillment?



## Heliopolis University concludes 10-year development phase

The young students attending the first courses now being offered at the Heliopolis University must have felt excited during the inaugural ceremonies of their orientation week. Many of their comments show just that. For it is not just any university they have just begun attending, but a unique institution, founded and realised in an integrated way directly building on the vision of truly comprehensive sustainable development. The Heliopolis University has now been constituted as a non-profit institution and fully independent organization.

On 23rd of September the first group of students began their regular study programmes. They begin their studies at the first three faculties of pharmacy, engineering and business administration. Within these, further concentration on subjects such as marketing, accounting, economics and environmental studies, renewable energy or water management is available to them.

During their first week of study, the young men and women aged 19 to 21 enjoyed several days of orientation not only to the university's premises but also to their teaching staff and the SEKEM Initiative itself. Here they



learned everything they need to know about the initiative, its beginnings and its history, the global challenges that it aims to help solve, and the importance of sustainable development for the development of Egypt and mankind in general.

The university had cleared the last administrative hurdles only on 1st of August. After that, everything went very quickly. But it had taken nearly 10 years of planning to get there.

At the beginning of the last decade the idea had arisen within SEKEM to round off the existing educational institutions by an institution dedicated to higher education with a view to educating specialists of the future versed in comprehensive sustainable development practice.

In 2003, with the assistance of professionals from Europe and Egypt, a „university team“ was formed for the first time, which set itself the goal of producing an initial set of documents for formal approval by Egyptian authorities. These not only had to include an educational concept, but also elaborated curricula, a financing plan, and information on the institution's infrastructural dimensions. Even though the plans underwent many changes in the following years, at that time, the university buildings were in fact planned to be erected in the exact same place where they were eventually built.

A first attempt to obtain approval was made in 2004 but followed by years of struggling with bureaucratic

red tape. In the preceding years, a boom in private university education had spread in Egypt and formed a landscape of highly commercialized education that was characterized by low quality and high tuition fees. Cairo had enough educational institutions of this kind, it was felt, and approval was initially refused to SEKEM despite the favourable interest the innovative concept met with.

### Partnerships Helped Lay Foundations

In parallel, the awarding to SEKEM of the Schwab Foundation Award for Outstanding Entrepreneurship and the Alternative Nobel Prize in 2003 had led to a significant expansion of international renown of the initiative. This development stimulated representatives of the global education sector to take greater interest in SEKEM's ideals and the concept of a „Euro-Mediterranean“ educational institution on a non-profit basis. In the following years a close friendship with the University of Witten-Herdecke resulted in a substantial internal development process, a lively exchange of practical knowledge, discussions with several other universities and a first exchange of know-how and „best practice“. Leading European business schools quickly became partners of the newly proposed facility. Among others, the Alanus University Alfter (Germany) and other prestigious institutions from the USA to Australia rapidly joined. Out of these emerged some long-lasting friendships.

First talks were also held with international funding agencies such as the World Bank. From 2004 to 2007 the European Commission supported several projects dedicated at developing the content for multiple study programmes.

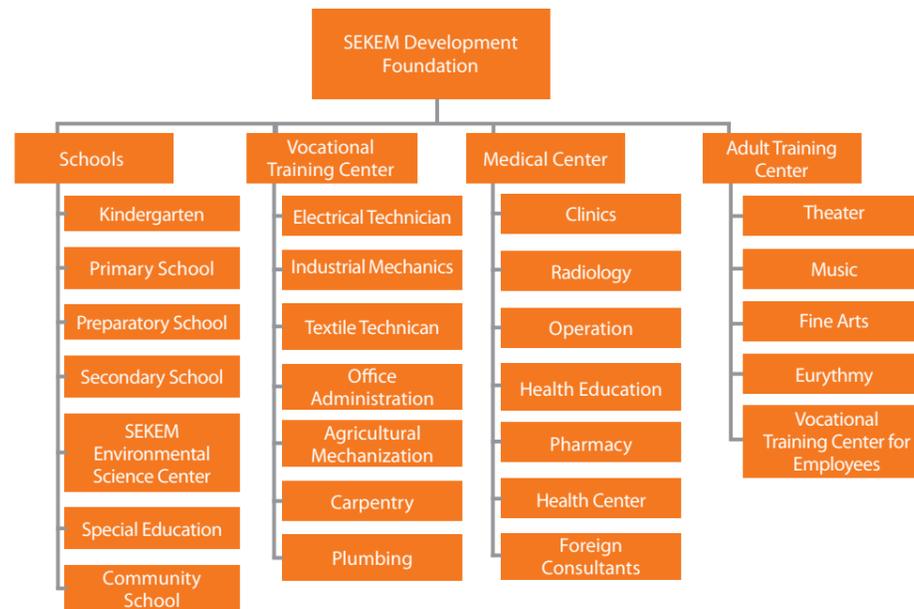


## The SEKEM Cultural Institutions

All institutions involved in providing cultural services act under the umbrella of the SEKEM Development Foundation (SDF): the Vocational Training Center, the schools, the SEKEM Medical Center and the Adult Training Center. There are 27 employees working for the SDF at the Head Quarter and 149 at the farm. The total expenses of the SDF in 2012 were over 5 mio EGP.



### Overview of all entities of the SEKEM Development Foundation



## Children and Youth Education

- In 2012, 38 children were enrolled in the SDF kindergarten, 165 students in the elementary school, 86 in the middle school, 55 in the high school, and 28 in the special education program "Fassl el Fagr" (class of dawn). Additionally, 13 children benefitted from the Day-Care Center which was run by two teachers. 240 trainees were enrolled at the Vocational Training Center. These educational institutions are embedded in the SEKEM Community with its societal, economic and ecological activities.

### SEKEM Kindergarten

Young children live in a rich world of play and discovery. They are completely open to and deeply influenced by their surroundings. These young spirits learn by touching, smelling, listening, moving and imitating what they see. Unconscious imitation is the natural mode of learning for a pre-school child. Accordingly, the SEKEM Kindergarten is a world of harmony, beauty and warmth. In the Kindergarten, the main goal is to give each child the opportunity to develop soundly at his or her own individual pace.

### The SEKEM School

The private SEKEM School is accredited by the Egyptian Ministry of Education and follows the Egyptian state curriculum. Nonetheless, we believe that education consists not only in teaching abstract knowledge, but also in training students in practical skills, crafts and artistic exercises such as eurythmy, painting and playing music. The goal is to awaken students' creativity and critical thinking and to create a generation that enjoys learning. The SEKEM School aims at graduating independent young persons who are interested in world issues and in developing their country. To prevent that only students whose families can afford to pay the school fee enroll in the school, we established a social payment scale that is linked to the parents' income.

### SEKEM Community School: The Chamomile Children

Student statistics, see page 70

Child labor is a widespread social problem in Egypt and other developing countries. Many poor families cannot afford to send their children to school and instead let them work. So, they grow up illiterate. To alleviate the child labor problem and to provide as many children as possible with the most essential education, the SEKEM Community School was designed with small classes and intensive pedagogic supervision. The goal is that the children graduate at least from primary school to be able to find their place in society. The curriculum at the Community School in SEKEM encompasses subjects like English, Mathematics, Arabic, Religion and Arts. Afterwards, the children have the possibility to attend a one-year vocational training. The educational part is coupled with an opportunity to gain some experience and income through adequate work, mainly related to the harvest of flowers and leaves of medicinal plants (at the beginning most of the flowers where chamomile which is why those children are called "Chamomile Children"). The program is officially approved by the Egyptian government and covered by the Egyptian law that allows light work for children between 12 and 16, especially in the agricultural sector, if it is coupled with adequate training and the right working conditions. To improve health care and hygiene, the SEKEM Medical Center conducts awareness programs and offers medical services free of charge for the children. Warm, nutritious meals and adequate clothing are provided for the children as well.



## SEKEM Environmental Science Center (SESC)

The SEKEM Environmental Science Center offers interactive science classes on environmental topics to students from the SEKEM Community, as well as from local and international schools. The one-day field trips consisting of practical activities cover a wide variety of subjects including chemistry, biology, physics and geography.

## Vocational Training Center

The Vocational Training Center (VTC) provides young people with abilities that are needed in the local labor market. Given the current lack of opportunities in the Egyptian labor market, the curriculum prepares students for self-employment. Through training courses, the apprentices are guided through every aspect of their chosen trade. In line with the SEKEM philosophy “learning by doing and doing by learning”, on-the-job training is emphasized and practical skills are judged to



be just as important as theory. Trainees participate in a three-year program, taught by both local and foreign-trained staff. Since 1999, the VTC has been accredited by the Initiative for Industrial Schools for Vocational Training (former the Mubarak-Kohl-Initiative), a highly successful German technical assistance project in Egypt. Accredited courses include: mechanics, plumbing, ready made garment, carpentry, agriculture machinery mechanics, general administration and electronic technology (incl. computer maintenance). In 2006, an organic model farm was established for education in agriculture. During 2011, a community service helper from Germany helped significantly in structuring the work and instructing the students.

## SEKEM Special Education

The SEKEM Special Education program provides a variety of educational and therapeutic programs for children and young adults with special needs, such as physical and mental disabilities and serious learning difficulties. The students gain independence and self-confidence by learning how to master practical, everyday life activities and basic skills in reading, writing and mathematics. Furthermore, for those who are adults and need to work in a sheltered environment, we provide adequate placements within the SEKEM institutions (see page 27).



## Employee Training

In addition to cultural activities offered to employees in the form of artistic courses as well as weekly presentations and meetings, the SEKEM Holding takes care of the personal development of its employees. They participate in weekly meetings to discuss critical issues about their everyday and work life, led by the founder of the SEKEM Initiative Dr. Ibrahim Abouleish who portrays, explains and passes on the basic vision of holistic development (see page 8). Furthermore, the employees are involved in constant development and specific trainings directly related to their work tasks and challenges. On average 10% of their working time is used for the individual development. The Human Relations department develops and optimizes appropriate trainings and personality development programs for the employees.

## Professional Training

SEKEM Holding takes care of the personal development of its employees. Based on a Personal Performance Agreement (PPA), managers and supervisors, which make up about 10% of our employees, receive incentives directly related to their work tasks and challenges. In regular performance review meetings, individual goals and training needs are discussed. Other employee levels receive a similar performance report from their direct manager.

We differentiate between two types of training. Firstly, training for soft skills, such as presentation and speech skills, which is mainly done for the management and sales personnel. Secondly, training for vocational skills, which is tailored to the practical needs of each company, such as production standards and procedures, and therefore foremost directed towards manual labor workers. Additionally, the teachers of the SEKEM Schools receive one hour of training each day in order to enlarge their knowledge and skills needed in everyday work with children; amongst others English language classes, painting courses and speech skills.

## Arts Training

To develop entrepreneurial competence, three main skills are important: Creative, conceptional and communication skills. Creative skills enable us to develop ideas and lead to new thoughts. Conception skills give us the possibility to structure old concepts into new



processes. Communication skills help us to link creative and conceptional activities and integrate them into social life.

The more we embed these competences in our feelings and our way of thinking, the more we can inspire our work life with a forward looking attitude. Unfolding a lively spirit, art enables us to develop an encompassing and emphatic perception of the world as well as an enthusiastic approach to life. The development of these competences is addressed through artistic activities (active and observing) for all employees at all levels under the umbrella of the SEKEM Development Foundation. Due to the unstable situation after the popular uprising in Egypt in 2011, we could not realize the planned international arts projects but continued the intensive work with the employees.

## Fine Arts – Perceiving and Painting

Colors have an immediate effect on a person's soul and mood (either positive or negative); be it while perceiving an artist's work or painting oneself. The eyes learn to admire the colors and through that the beauty in nature and the environment.

In all SEKEM offices, along the corridors and in public areas of SEKEM, we display fine arts from different artists. Regular exhibitions are shown in the public areas of SEKEM. Most of the painters are our employees or friends whom we offer to use the painting atelier of the SDF. All colors have been carefully selected to enhance the dynamic quality of the buildings' architecture. The pictures in their bright colors give each space an inspiring and exhilarating atmosphere.

## Music: Joyful, Smart and Healthy

Music is a storage and treasure for cultural heritage. Playing music and especially singing lead to the roots of people's cultures. As rhythm and tone, like fine arts, touch the inner life and soul of human beings, music can

trigger a change in people's way of thinking, feeling and willing.

In the SEKEM Holding, companies and cultural institutions, all major meetings, lectures and festivals open either with classical European live music or traditional Arabic live music. This prepares the participants for a successful meeting, as they start to listen actively and carefully, which is the basic skill for an interactive process.

The teachers receive music lessons for singing and playing instruments, so that they can pass on these skills to their students. A SEKEM choir for advanced voices performs on stage during many internal celebrations. Each year, young students from different countries, including students from the SEKEM School come together at the main farm for one week to intensively work on a hand-picked program, supported by professional musicians from Cairo. As a highlight, the group goes from factory to factory as "Choir and Orchestra Caravan" and also performs directly in the working areas of e.g. LOTUS, ISIS and NATURETEX and at the Adleya Farm.

## Eurythmy - Integrated in Social Life

Eurythmy at the working place contains courses in the companies of SEKEM Group and institutions of SDF. The courses are aiming of personal development and enhancing social skills, such as teamwork, communication, coordination and leadership. In the field of pedagogic all students of the SEKEM Schools are supported with Eurythmy lessons provided by the SEKEM Eurythmy Students. On a base of professional training, Eurythmy students do their educational training. The integrative training of studying and practicing Eurythmy at the same time makes it possible, that the teacher students are providing the Eurythmy lessons in all classes and ages of the SEKEM Schools. Eurythmy as an performing art mediate experiences which will change our life if we allow for it. Artistic work means a permanent reflection on the own action. Therefore, it supports the continuous process of development, which will enable to an artistic action.

## Theater, Storytelling, Recitation, Literature

The way of artistic speaking expresses our personal authenticity. Different courses of "Communication and Creativity" with D. Walter from Germany took place over a period of 6 months for employees working as

representatives, teachers of SEKEM Schools. The training was specially directed for presentation tools and how arts can be integrated in business life. A play "Naguib Mahfouz and his characters" was performed at SEKEM Academy Theater with a group of representatives of SEKEM companies.

The activity of story telling was present through an Academy Forum event with the story teller M. Lewerenz including the launching of her fairy tale book.



## Eurythmy on the Banks of the Green River

"The SEKEM eurythmy ensemble participates in the world-wide project „Eurythmy Caravan“ that was founded in 2012 on the occasion of a symposium on social eurythmy at Alanus University Alfter, Germany. Under the title: „Eurythmy on the banks of the green river“ Arabic poetry by Jalal el Din Rumi and Khalil Gibran was performed under the open sky in a dusty plot of desert as a stage. SEKEM so brings eurythmy to the remote deserts of Upper Egypt.

## The Magic Flute

"In March a grand eurythmics performance took place during the annual spring festivities at SEKEM. 80 participants of all ages took part in the preparation of the event. Children and students from the SEKEM Kindergarten and School, trainees from the VTC and eurythmics teachers couldn't wait to present their interpretation of W. A. Mozarts classic. The applause of the audience rewarded them for their hard work and left the SEKEM employees with a beautiful impression of this true masterpiece.

## Holistic Research: Heliopolis Academy for Sustainable Development becomes Heliopolis University

In 1999, the SEKEM Development Foundation (SDF) established the Heliopolis Academy for Sustainable Development as a major independent research institution. In the Academy, A network of scientists and artists, national and international, collaborates and works on practical solutions for challenges encountered during the development process. Through a number of activities, the Academy's program aims to improve Egypt's capacity to conduct, publish and disseminate relevant scientific research in the areas of medicine, pharmacy, biodynamic agriculture, sustainable economic, social sciences, community development, and arts. With the establishment of the Heliopolis University, the Heliopolis Academy became fully part of the university.

The departments of the Heliopolis Academy mainly fulfill three tasks. First, they conduct funded research projects from different programs and frameworks. Second, the medical, pharmaceutical, agricultural and biotechnology research departments provide services to the SEKEM group of companies. Third, the training department offers capacity building and job-specific knowledge transfer for all SEKEM employees.

## Support of Research Activities

The close ties to the SEKEM companies enable the different science centers to come up with practical and marketable innovations (see also Infobox). The Special & Sponsored Programs Department (SSP) was established in 2008 under the umbrella of Heliopolis Academy for Sustainable Development to assist in the fundraising process for the research projects and to act as the central coordination point for all grant proposal submissions. Furthermore, to maximize synergies between the projects, the SSP supports all entities of the Heliopolis Academy in the strategic alignment of research activities.

## Continuous Research Program

- "
- Department of Agricultural Research**
    - Breeding of medicinal and aromatic plants, acclimatization of imported plants and production of seed and seedlings
    - Implementation and production of successful research in species varieties
    - Scientific support
  - Department of Biotechnology and Microbiological Research**
    - Producing substances from micro-organisms and metabolites like bio-fertilizers, bio-control agents, bio-treatment of environmental pollutants and others
    - Analysis services
  - Department of Market Studies**
    - Marketing research
    - Development of marketing plans, providing training programs and other marketing consultation activities to the SEKEM Group and other stakeholders.
  - Department of Medical Research**
    - Medical research
    - Clinical trials
    - Scientific support
  - Department of Pharmaceutical Research**
    - Developing pharmaceutical products from medicinal plants
  - Department of Water Research**
    - Research on wastewater treatments and implementation
    - Drinking water disinfection and treatment
    - Monitoring of water quality
  - Arts Department**
    - Eurythmy book in Arabic
- "

## Self-Fulfillment

The development of a meaningful community that is working consciously on the overcoming of social and ecological problems, on the development of personality as well as on the whole country, forms one of the main elements of SEKEM's identity. For the individual, this community builds the basis to find the path of self-fulfillment. To many new employees, the extra cultural activities of SEKEM seem unusual at first, but they generally start to see the added value soon.

Each morning, the employees of all SEKEM companies and SEKEM Development Foundation institutions meet in a circle to start the day together. At the end of the week, on Thursday afternoon, the employees of all SEKEM institutions located at the SEKEM main farm gather in a big circle in order to celebrate the achievements of the previous week. In the symbol of the circle, many are included in one unity.

Cultural activities like choirs and eurythmy support further team building, especially, eurythmy at the work place. Trust and reliability link the employees to each other (see more at page 35).

Twice a week, the employees meet during working hours for presentations and discussion panels with Dr. Ibrahim Abouleish. Amongst others, each Monday at the head office, the Heliopolis University offers a cultural program for all employees. Experiencing literature, eurythmy, music and poetry gives an understanding of culture and society. Next to Dr. Ibrahim and Helmy Abouleish, SEKEM employees and guest lecturers enrich the Monday forum. In 2012, the event took place 40 times.

### SEKEM's Microcredit Program

“Being originally part of a three-years project in our surrounding community, our microcredit program has been a continuous success story since it was established in 2007. We offer the initial financing to independence. As of 2012, we have helped 363 men and 339 women to build up their own existence for example with workshops, raising animals, or little grocery stores. Today the total credit sum counts almost 3,4 mio EGP.”



## Values & Spirituality

The values of SEKEM (see page 8) are reflected in all our activities. In addition, religion and spirituality are recognized in SEKEM as a central pillar of personal development, while tolerance, reflection and dialogue are fostered throughout SEKEM's institutions. This includes, for instance, a mosque on the farm grounds, 10 official praying rooms and the communal celebration of religious holidays.

Those people living at the farm meet each morning except Friday to read and speak about various topics such as Sufism, biodynamic basics or Egyptian poetry.

Since 2008 the youth of SEKEM meets regularly under the umbrella of SEED - the SEKEM Entrepreneurship Development Program - to discuss how SEKEM's values can be transferred to the unknown future.

For visitors, Dr. Ibrahim Abouleish annually holds a seminar on a holistic understanding of Islam, including artistic expressions such as Islamic poetry reading, Arabic script, Qur'an recitals and Arabic songs.



## Management Approach

All major religions share the idea that man is appointed as a steward on earth who has to sustain and develop it. In accordance with this approach, our governing principle is not only to reduce our 'ecological footprint', but to spread life and to contribute towards a better and healthier condition of the land and the people that we work with. This is the only way to create and sustain conditions for a planet with more than seven billion people. We thus commit ourselves to sustaining and further developing all ecological spheres. Through biodynamic agricultural principles, quality standards and efficiency improvements, the application of new technologies and education of all our stakeholders, we wish to achieve "eco-literacy." This means keeping the environment in balance and taking the scarcity of all resources into consideration. To assure that our environmental management system works effectively, we have aligned it with the ISO 14001 standard. The responsibilities related to corporate environment protection (e.g. water, energy, waste) are organized centrally under the General Compliance Manager.

## Impact, Risks and Opportunities

Based on a biodynamic approach of cultivation, we constantly monitor our impact on soils, plants, animals, energy, air and water. Our existence and success are closely linked to the quality of these natural resources. We do not only take from nature but also strive to give back.

Global warming affects harvesting patterns due to gradual shifts in heat and cold periods. This can lead to higher costs of raw materials and, eventually, changes in

the production cycle. Higher temperatures will lead to increased costs for air conditioning to protect products during their growth, processing and transport. The changing climate will influence consumption patterns, which can be a great opportunity for SEKEM, resulting in a different product portfolio.

SEKEM, as a biodynamic agriculture company, has inherently reduced CO<sub>2</sub> emissions and water consumption compared to conventional producers. Environmentally friendly production will provide great competitive advantages in the future when governments implement stricter environmental regulations on companies. Therefore, the subsequent risk of negative impacts of new regulations is currently low for SEKEM.



How can we reduce our direct and indirect ecological footprint along the organization's value chain? How can we integrate our operations within the ecological system?



## The Challenges

### Energy security:

After decades of plentiful energy sources, such as the Aswan dam and the discovery of oil and gas, Egypt is now facing a future of energy scarcity. Egypt became a net importer of oil in 2008, and has supplemented its decline in oil production with greatly accelerated natural gas production and export (EIA 2011). As a result, natural gas is rapidly depleting while demand is rising sharply. If this trend continues, Egypt will lose its energy independence in the coming years, and Jordan and Lebanon will lose their current source of supply.

### Water security:

Egypt has already crossed the line into water-scarcity conditions as defined by the United Nations (UN), and is predicted to hit a water deficit around 2017 (Gehlen 2010). Egypt has one of the highest per capita consumptions of household water usage, and water stress is already a driver of regional conflict. As water scarcity increases, so does the threat of regional conflict and instability. Egypt needs to immediately begin to make the changes in policy, technology, pricing, and consumption and production patterns to ensure the efficient and sustainable use of water resources and reduce the risk of a serious domestic water crisis.

### Food security:

Rising world food prices and limited water and agricultural land in Egypt, combined with population growth, climate change, and continued desertification, are creating growing pressures on Egypt's ability to provide food for its people in the future. The high rate of subsidies for basic commodities like wheat, flour, cooking oil, and sugar makes the Egyptian government especially vulnerable to external price shocks. Under the current circumstances, food riots and social disruptions related to food security can only be limited by constantly increasing spending on subsidies. There is a need for systemic change to address this problem.

### Climate change:

Egypt is among those countries most affected by climate change. Changing precipitation and weather patterns and rising sea levels in the Nile Delta are slowly but steadily making a difficult situation worse, especially with regard to food and water.

## The Solution

**Green policies in agriculture can lower production costs, improve productivity, result in higher-value products, and improve water and energy efficiency.** With the agricultural sector employing 30 percent of the workforce but generating only 13 percent of GDP, productivity could be far higher. Some 57 percent of the population and 70 percent of Egypt's poor live in rural areas where food insecurity is often an issue, making the prosperity and sustainability of agriculture an important national priority.

**Accounting for more than 85 percent of Egypt's water consumption, agriculture could be far more water-efficient.** Much of Egypt's land has old irrigation systems and water is viewed as a free good. There is little incentive for water conservation, and water is used inefficiently. In 2010, Egypt had about 140,000 feddan (56,000 hectares) of organic farms. This represents only 1.67 percent of the total cultivated area in Egypt.

**Agriculture could be far more energy-efficient, with lower carbon emissions.** The sector is characterized by high fertilizer use, encouraged by subsidized energy prices, which are among the lowest in the world. Rationalizing the use of synthetic fertilizer would have another significant impact on energy efficiency and CO2 emissions, and improved water management would contribute to the carbon abatement goal.

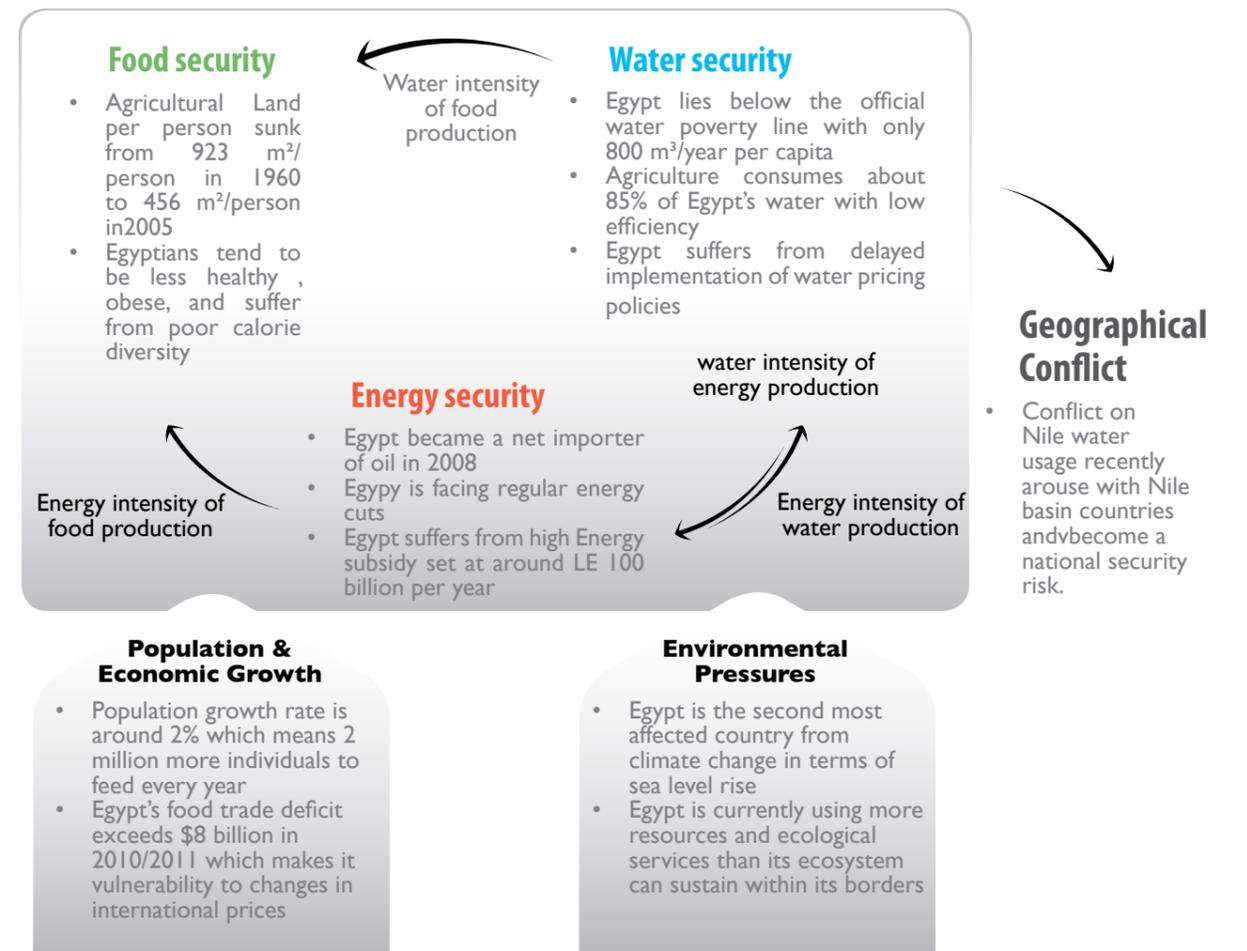
**Sustainable agriculture is cost-effective, better for the environment, better for human health, and will help Egypt conserve its scarce energy resources.** Effective techniques include location-specific organic resource input and the use of natural biological processes such as composting to restore and improve soil fertility. Yet another benefit of sustainable agriculture is that it is more employment-intensive than conventional agriculture. The UN Food and Agriculture Organization estimates that organic farms provide 30 percent more jobs per hectare than non-organic farms. These transitions will require focusing R&D and extension together to enable farmers to utilize appropriate inputs and practices.

### Global governance failures

Political instability and difficult transition towards democratization

### Economic disparity

41% of Egyptians are classified by the World Bank as either poor (22%) or near poor (19%). Within those classified as poor, 6.7% were classified as living in extreme poverty in 2008/9.



## Soil

*Soil is a living organism. The solid and limited surface of the Earth is the habitat of countless organisms and offers stability for the roots of the plants. Soil is the fundamental basis for food production. In the future, the global surface can only produce enough food for all human beings if we preserve its fertility, avoid erosion and enable an adequate water storage capacity.*

### Vital Soils

Each feddan cultivated by SEKEM has to be turned from desert land into vital soil. Today, the top layer of SEKEM's first farm soils (varying between 0 to 30 cm in depth) is rich of organic matter and a broad spectrum of microbiological life; a main requirement for an increased water holding capacity. Furthermore, the microorganisms are essential to make nutrients such as potassium, phosphate or nitrogen available to plants. For creating this vitality in the soils, three techniques help us: First, the application of compost, compost tea and other organic fertilizers, second, the rotation of crops and, third, the use of biodynamic preparations.

To build-up the first organic matter in empty desert soils, we use compost that we produce at our own premises (see below). The continuous treatment of the field with compost tea (a mixture of compost with molasses and water aerated for 16 hours) maintains and accelerates the activity of the microorganisms in the compost. In some cases, we have to add further organic fertilizers.

By rotating nitrogen consuming with nitrogen enriching crops like legumes, we prevent the depletion of soils. Instead, the roots of e.g. clover and beans built more organic matter. In general, we plan to always cover at least 20% of the cultivated area of a farm with legumes and at least every fifth season in the same plot or green house.

A distinctive difference to other organic agriculture methods is the use of eight biodynamic preparations in the cultivation. SEKEM uses horn manure (cow manure filled into cow horns and buried in our soils during winter) and horn silica (silica filled into cow horns and buried in our soils during summer). Both are sprayed on the field. For the compost, SEKEM uses six different medicinal plants prepared in a special way by building a connection to cosmic powers that vitalizes the plants. All preparations function as fertilizers.



### Composting at SEKEM

Under the umbrella of LIBRA, SEKEM produces its own compost, mainly from cow manure and plant residues. The two production sites in Adleya and close to Alexandria each have a capacity of approximately 200 tonnes of input material per day. The aerobic conditions throughout the composting process are the basis of acquiring methane avoidance based carbon credits, a project which LIBRA developed together with Soil and More International. In 2011, SEKEM produced 64,847.12 tonnes of compost compared to 66,916 tonnes in 2010.

In order to constantly monitor and improve soil quality, SEKEM conducts soil and compost analysis in its Biotechnology and Agricultural Microbiology Research Department (see page 37).



## Plants

*Plants constitute the dress of the Earth. In many parts of the planet, they reflect the seasons. More than 500,000 species are enrooted in the Earth, building their substance through sunlight, carbon dioxide and water. Generating the necessary oxygen, forests can be regarded as the lungs of the Earth. With all their parts, plants provide nourishment and serve as medical remedies, as well as multifunctional raw materials. They can be preserved in their diversity and further developed in their effectiveness through diligent care.*

Plants and their fruits are the essential ingredients of the products of the SEKEM Group of companies; be it herbs for medicine or oranges for juice. According to the Demeter requirements, we do not use any chemical fertilizers or pesticides to grow them. Instead, we rely on natural solutions for pest control and growing a large variety of plants for keeping up the natural balance.

Each plant has its own task in the soil and ecosystem. For example, beneficial organisms and predators at different types of plants. To keep the natural balance, it is important to avoid monocultures and, instead, combine different plants at a farm, also through green corridors between single fields.

At all our farms, we planted different types of shrubs as well as about 200,000 Casuarina trees along the field borders. In the working and living areas, trees and colorful gardens give delight to employees and visitors. In an agroforest experiment in Bahareya, we planted 5,300 palm trees and 1,500 other trees on the same field as the legume licorice. Looking at the main farm and Adleya, 7.6% (= 20 feddan [8,4 ha]) are covered by forest and gardens; on ground that was desert before.

### Natural Pest Control

We use the extract of neem trees to stop the growth of cankers and others and also apply pheromones to catch or irritate insects. In 2010, we started to produce beneficial organisms under the name of "Predators Production Company", in cooperation with the Danish companies EWH Bio Production and Envision. The organisms are used on SEKEM's own fields, but are also sold on agricultural markets as an efficient alternative to regular pesticides or other artificial chemical products which are harmful to soil, plants, air and humans.

### GMO Free Organic Seeds and Seedlings

With regard to the question of food security in the future, conventional food companies often justify the development and usage of genetically modified

organisms (GMO). We follow a strict "No GMO" policy. The reasons for this can be found on our website. SEKEM holds 136 organic seed varieties in its own seed bank and in its botanical garden at the Adleya farm. The agriculture department of the Heliopolis University (see page 37) continuously works on their improvement. In addition, SEKEM actively researches the acclimatization of foreign plants to the Egyptian environment. The optimal living conditions of the plants like lighting and temperature are simulated in order to create the possibility to grow certain organic plants in Egypt.

## Animals

*Animals populate and enliven the Earth with several millions of species. They live in almost all regions of the Earth and play a crucial role in the balance of all ecosystems. They are capable of different patterns of behavior and even show emotional life in their higher stages of development. Like human beings, they are sensitive to pain. Treating animals in a species-appropriate way means to respectfully deal with life itself.*

### Animal Husbandry

In SEKEM's Demeter based understanding of farm and cattle management, animals are not only raised in ways appropriate to the species, but also with the physical requirements of their natural development.

We keep cattle, sheep, bees and pigeons. The cattle live unbound in an open space covered by a shading roof. Their nutrition consists of corn-silage, clover, straw, fodder beat, corn, soya, cotton seeds and wheat bran. The average milk production per cow per day is around 23 liters. The sheep nutrition consists of clover and regularly grazing, with a production of around 1000 kg of wool in 2011. The two other animal species kept on the main farm and in Adleya are flying in the skies: bees for honey and pigeons for meat.

Apart from cow and pigeon meat, milk, wool and honey, the most important product is the manure of the cows, sheep and pigeons that goes directly to the compost production in LIBRA. Manure from animals adds vital parts to the mixture with green residue.

### Natural Habitat

Animals close the cycle of eating and being eaten. To keep the natural balance around the farm, animal wildlife diversity has to be realized through opportunities for nestling and living. Over the years, we built up a habitat for wild life such as foxes, mungos, hedgehogs, lizards, chameleon, mice, snails, rats, a variety of reptiles and birds, of which 11 are rare species.

Seed figures, see page 76

Husbandry statistics see page 77

## Energy

The sun lights life and grants human beings their physical and spiritual strength. Sunlight, wind and hydropower are natural sources of energy – infinite, at least from a human perspective. Physically, energy can be neither generated nor consumed. The human way of using energy, however, contributes substantially to climate change. Through carbon-neutral power generation from renewable energies, the emission of dangerous greenhouse gases can be reduced significantly.

SEKEM maintains on-going small scale renewable energy projects, such as a small photovoltaic station at the headoffice, several hybrid solar dryers for herbal production, two Sheffler mirrors to produce steam for production processes at the main farm and several solar water heaters on the roof of production sites. In the field of energy savings, we continue to make slow progress, mainly due to insufficient data of ongoing energy usage. It is necessary to implement an energy flow analysis on the company level in order to improve the current energy usage situation.

Energy statistics, see page 77

Carbon footprint, see page 78/81

## Solar Thermal Energy

“ In summer 2011, SEKEM and Heliopolis University, together with partners from Austria (SEKEM Energy, GREENoneTEC solar industry and PINK GmbH), started a project for developing a market for high-quality solar thermal systems in Egypt. Austrian technology was adapted to the climatic conditions found in Egypt, to solve the dust, corrosion & maintenance problems found in current solar thermal energy systems installed in Egypt. Key stakeholders have received training in dimensioning & system design, quality criteria, installation & maintenance. A demonstration system with a collector area of 42 m<sup>2</sup> has been set up to provide pre-heated water for a steam boiler supplying three companies (ISIS, ATOS Pharma and NATURETEX) located at SEKEM's main farm. ”

## Air

The air of our atmosphere is vital for all aerobic creatures. Only in an environment with clean air, humans and animal can live in a healthy way. Global warming drastically illustrates the importance of balanced conditions and temperatures of the atmosphere. Stabilizing these temperatures is the best way to avoid natural disasters related to climatic conditions.

The climate above the surface of the soil is one factor that determines how fast soil degrades and water evaporates. By planting trees (see page 43) around the fields, we achieve several effects, on top of a pleasant scent: The trees break the wind so that it cannot blow away the top soil; the shade brings cooler and more humid air, which creates a micro climate among the surrounding tree lines of a field; the photosynthesis of the trees uses carbon dioxide and emits the needed oxygen instead; and in the long term, the groundwater level slowly rises because of the cooler surface and brings additional microclimatic change.

## Green Waste into Carbon Credits

By processing the green waste of SEKEM and of surrounding farms into compost (as opposed to conventional waste management methods), greenhouse gas emissions are decreased substantially. In 2011, a total amount of 79,500 VERs (Verified Emissions Reductions) was issued by the TUEV certification body for our methane avoiding composting method. One credit (= one VER) offsets one tonne of CO<sub>2</sub> emissions. We then trade those received carbon credits internationally.



## Water

Water constitutes the basis of all life. The hydrological cycle of planet Earth is similar to the human blood circulation system: Water evaporates, falls back down as rain and runs from fresh water rivers into the salty oceans. Without the influence of human beings, the water clears and cleans itself along the way. 71% of the surface of the Earth is covered by water, mainly salt-water. Potable water is a scarce resource and must neither be wasted nor polluted any further.

SEKEM needs water to irrigate the plants on the fields and green corridors, for processing and for the employees. We use three sources of water: Nile water, government-distributed water and well water. In all companies and all farms, certain rules for water usage apply though they are not yet enforced through a written policy. Such a written policy is planned for 2012. The waste water from all companies is reused after treatment as irrigation water for the trees at the main SEKEM farm.

We support the CEO Water Mandate, a UN Global Compact Initiative. As Egypt will be hugely impacted by the world's water scarcity, we regard it as one of our highest priorities to raise awareness for the careful and efficient usage of the country's water sources.

## Waste water treatment with EM

EM stands for effective microorganisms in a watery mix of 84 aerobic and anaerobic varieties such as the family of yeast, lactobacilli and photosynthesis bacteria. When applied to waste water, two effects can be observed. Due to the activities of the microorganisms, the odor is drastically reduced and sludge in the sewage treatment plant is decreased by 50%. We get our high quality EM from a company in Germany and re breed them only twice to avoid uncontrollable mutations.



## Sub-Surface Irrigation

“ At the end of 2011, we started a project to analyze the water efficiency of subsurface irrigation under local conditions. Together with the Austrian company Hydrip GmbH, we directly compared drip irrigation and subsurface drip irrigation in combination with different soil conditioners which are meant to increase the moisture holding capacity of the soil and thereby save water. Initially tomatoes and rosemary were planted on a test field of 1.7 feddan (0.71 ha) at SEKEM's Adleya farm. After the harvest, zucchini and eggplant were cultivated. In addition to water consumption, parameters such as crop yields, amount of weeds, plant health and soil composition are monitored and have shown some promising results in the subsurface plots so far. The project which is funded by the DEG Invest (German Investment Corporation) and will run until the autumn of 2013. ”

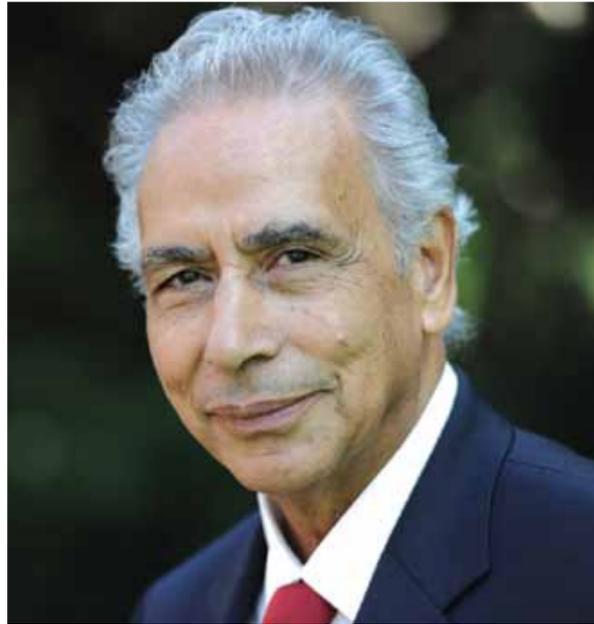
Water statistics, see page 78



## Dear readers

We are faced with a whole series of global problems that are harming the biosphere and human life in alarming ways. The more we study the major problems of our time, the more we come to realize that they cannot be understood in isolation. They are systemic problems, which means, that they are interconnected and interdependent and must be seen as just different facets of one single crisis, which is a crisis of perception. It derives from the fact that most of us subscribe to the concepts of an outdated worldview, a perception of reality inadequate for dealing with our overpopulated, globally interconnected world. There are solutions of the major problems of our time, some of them even simple. But they require a radical shift in our perception, our thinking, and our values. Indeed we are now at the beginning of such a fundamental change of world views in business and society. From the systemic point of view the only viable solutions are those, which are "sustainable". The concept of sustainability has become a key concept in the ecology movement and is indeed crucial for business.

The Norwegian philosopher Arne Naess



distinguishes between "shallow" and "deep" ecology. Shallow ecology is human centered; it views humans as above or outside nature, as the source of all values. Deep ecology does not separate humans or anything else – from the natural environment. It sees the world not as a collection of isolated objects, but as a network of phenomena that are fundamentally interconnected and interdependent. The essence of deep ecology is to ask deeper questions.

When the concept of the human spirit is understood as the mod of consciousness, in which the individual feels a sense of belonging of connectedness to the

cosmos as a whole, it becomes clear that ecological awareness is spiritual in its deepest essence.

We opened Heliopolis University which evolves around its central value: sustainable development. While students, of course will obtain degrees in engineering, pharmacy and in business & economics, the main orientation and ultimate achievements of the students will be to contribute to the sustainable development of the country.

Sincerely,

A handwritten signature in black ink, appearing to read "Dr. I. Abouleish".

Prof. Dr. Ibrahim Abouleish

Chairman of the Board of Directors



# PERFORMANCE Report 2012

## ORGANIZATION

### Sustainable Development Organization

The Sustainable Development Center (SDC, former Sustainable Entrepreneurship Center (SEC)) supports the internal management of the SEKEM Group in questions of sustainable development topics. The team is situated under the umbrella of the Heliopolis Academy for Sustainable Development and works together with all management divisions of the SEKEM Holding as well as the general managers and relevant departments of the group companies.

The concept of the Sustainability Flower guides the work of the SDC. Together with the Group Compliance Manager and the relevant departments, the team collects the needed data for measuring the performance of SEKEM and its companies and translates the results into the Sustainable Development Balance Score Card (SDSC, see next page). Additionally, the performance is evaluated with regard to the targets in the near future. The results are discussed internally in regular management meetings and published annually in the SEKEM Report on Sustainable Development.

### Introduction

In this fifth Sustainability Development Report, some changes were made regarding the structure. We have separated the descriptive part of our approach to sustainable development from the annual hard facts. This was done to make the information more accessible for all readers. For those just getting to know what SEKEM is all about, reading the first part will be a good start. For those who already know SEKEM quite well, the hard facts in the Performance Report will update them on the newest developments.

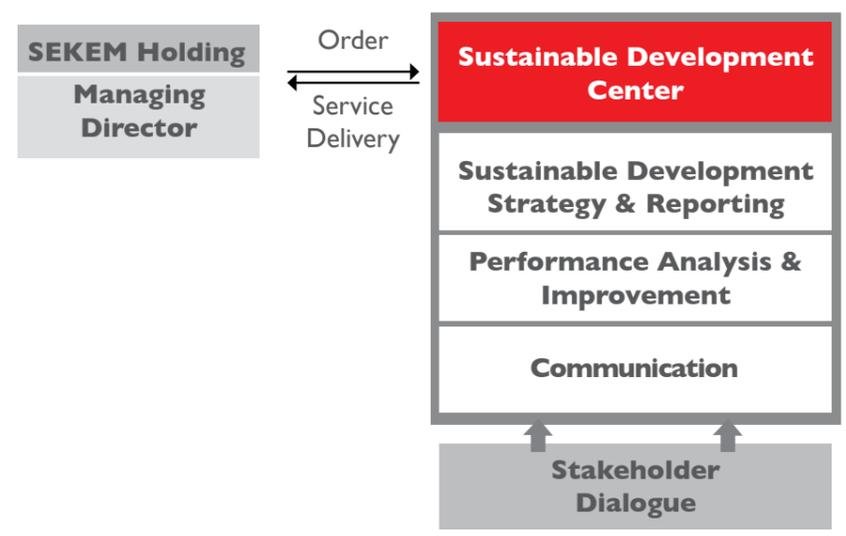
use the reviewed performance aspects and the newly defined performance indicators as basis for evaluation on the Sustainable Development Balance Score Card (SDSC). Due to the on-going review process, some indicators may change next year. The result of the SDSC of both the group level and the company level can be found at the next page.

The explanations of the abbreviations used in the table are shown in the description below. The evaluation of the performance indicators are aligned only to the current target, not to the overall performance which is reflected in the SDSC.

The core of the Performance Report are the status and target overviews in the sequence of the dimensions of the Sustainability Flower (see page 9 and fold-out cover): ECONOMIC LIFE, SOCIETAL LIFE, CULTURAL LIFE and ECOLOGY with its six sub-dimensions. We

In general the targets in the status and target overviews are set for 2013.

### Sustainable Development Structure



PA	Performance Indicator	Unit	LOTUS (incl. LOTUS Upper Egypt)				NATURETEX				SDF	Total 2012	Total 2011	Evaluation	
			SLR	MI	LI	LU	ISIS	AT	NT	Total Target					
	Indicator x														
	Target 2013														
			Target for entities		EL-MIZAN		ATOS Pharma								

PA = Performance Aspect incl. evaluation from the SDSC

Total 2012/2011 and total target Included is the sum for the applicable entities only. Not applicable is marked with "-".

## Sustainable Development Balance Score Card Evaluation

In order to assess its overall performance of continuous sustainable development and regeneration, SEKEM uses the Sustainable Development Balance Score Card (SDSC). The evaluation steps are represented in the traffic light colors – green stands for excellence, red for no action or negative impact and yellow means that awareness exists and actions

have been taken, but that there is room for improvement. The concrete explanations for the classification and annotations concerning changes are presented in the Annex (see page 53).

	2009	2010	2011	2012
<b>ECONOMIC LIFE</b>				
Product Portfolio	Green	Green	Green	Green
Responsibility to Customer and Consumer	Green	Green	Green	Green
Innovation	Green	Yellow	Yellow	Yellow
Organizational Processes	Green	Green	Green	Green
Partnership	-	-	Green	Green
Economic Value Distribution	Yellow	Green	Yellow	Yellow
<b>SOCIETAL LIFE</b>				
Labor Rights	Yellow	*	*	Green
Health and Safety	Green	Green	Green	Green
Workforce Diversity	Green	Green	Green	Green
Employee Loyalty and Motivation	Yellow	Yellow	*	Green
Governance and Compliance	Green	Green	Green	Green
Advocacy for Sustainable Development	Green	Green	Green	Green
<b>CULTURAL LIFE</b>				
Training and Education	Green	Green	Green	Yellow
Research and Development	Yellow	*	Green	Green
Employee Self-fulfillment and Vitality	-	-	n.a.	n.a.
Values and Spirituality	Green	Green	Green	Green
<b>ECOLOGY</b>				
<b>SOIL</b>				
Soil Quality	Green	Green	Yellow	Yellow
Compost Quality	Green	Green	Green	Green
Soil Use	Green	Green	Green	Green
<b>PLANTS</b>				
Seeds	Green	Green	Green	Green
Biodiversity	Green	Green	Green	Green
<b>ANIMALS</b>				
Animal Husbandry	Green	Green	Green	Green
Natural Habitats	Green	Green	Green	Green
<b>ENERGY</b>				
Energy Use	Yellow	Yellow	Yellow	Yellow
Energy Sources	Yellow	Yellow	Yellow	Yellow
<b>AIR</b>				
Emission Reduction	Yellow	Yellow	Yellow	Yellow
<b>WATER</b>				
Water Use	Green	Green	*	Green
Water Sources	Green	Green	Green	Green
<b>Positive impact</b>	19	18	18	20
<b>Initiatives for positive impact</b>	7	8	9	7
<b>No actions / negative impact</b>	0	0	0	0
<b>Not relevant / not available</b>	2	2	1	1

\*The evaluation of these performance aspects has been revised, the color of the asterisk indicates the previous evaluation

## Target Evaluation

	ECONOMIC	SOCIETAL	CULTURAL	ECOLOGY
	1	1	0	0
	0	0	2	4
	3	2	3	2
	6	3	4	3
	13	6	7	6
	14	8	9	17

## 2012 Developments at company level

On the overall performance of the SEKEM group on the level of different Sustainability Flower aspects two improvements have been done at “energy use” and “emission reduction”. Both performance aspects are interrelated and have been influenced greatly by the reduction of the activities of the ISIS distribution fleets of cars and small trucks. Otherwise, SEKEM remains stable on its general performance level but steadily increased its achievements of targets that have been set for 2013. The majority of targets already have been achieved and we are looking forward to tackle the open ones and to work out new targets in the period thereafter.

	2012				2011				2010				Total	
	2012	2011	2010	2009	2012	2011	2010	2009	2012	2011	2010	2009		
<b>ECONOMIC LIFE</b>														
Product Portfolio	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	20
Responsibility to Customer and Consumer	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	18
Innovation	Green	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	8
Organizational Processes	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	9
Partnership	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	0
Economic Value Distribution	Yellow	Green	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	0
<b>SOCIETAL LIFE</b>														
Labor Rights	Yellow	*	*	Green	Yellow	Green	1							
Health and Safety	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	1
Workforce Diversity	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	2
Workforce Loyalty and Motivation	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
Governance and Compliance	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
Advocacy for Sustainable Development	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
<b>CULTURAL LIFE</b>														
Training and Education	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
Research and Development	Yellow	*	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
Employee Self-fulfillment and Vitality	-	-	n.a.	n.a.	Green	Green	Green	Green	Green	Green	Green	Green	Green	7
Values and Spirituality	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
<b>ECOLOGY</b>														
<b>SOIL</b>														
Soil Quality	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
Compost Quality	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
Soil Use	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
<b>PLANTS</b>														
Seeds	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
Biodiversity	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
<b>ANIMALS</b>														
Animal Husbandry	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
Natural Habitats	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
<b>ENERGY</b>														
Energy Use	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
Energy Sources	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
<b>AIR</b>														
Emission Reduction	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
<b>WATER</b>														
Water Use	Green	Green	*	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
Water Sources	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	6
<b>Positive impact</b>	19	18	18	20	13	13	13	13	13	13	13	13	13	13
<b>Initiatives for positive impact</b>	7	8	9	7	9	9	9	9	9	9	9	9	9	9
<b>No actions / negative impact</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Not relevant / not available</b>	2	2	1	1	5	5	5	5	5	5	5	5	5	5

\*The evaluation of these performance aspects has been revised, the color of the asterisk indicates the previous evaluation

PA	Performance Indicator	Unit	SLR	MI	LI	LU	ISIS	AT	NT	Total 2012	Total 2011	Evaluation	Comments	
										Total Target				
Product Portfolio	% of sales value of organic products	%	100	0	100	89	16	12	100	67.5	75.4		Last years calculation was not accurate, recalculation was done for 2011 and 2012 figures	
	Target 2013	%	100	100	100	100	90	71.5	100	94.3				
	% of sales value of products that have a Demeter certificate	%	100	0	60	42	85	0	-	54	49.9		We only print the Demeter / Fairtrade logo on the product when requested from customer, see page 14-15	
	Target 2013	%	100	-	100	61	82	-	-	55				
	% of sales value of products that have a Fairtrade certificate	%	7	0	-	1	0	0	16	2.4	1.6			
	Target 2013	%	3	-	-	10	7*	-	5	13				
	% of raw materials assessed** for health and safety impact	%	-	-	100	100	100	100	100	100	100	100		
	Target 2013	%	-	-	100	100	100	100	100	100	100			
	% of final products assessed** for health and safety impact	%	-	-	100	100	100	100	100	100	100	100		
Target 2013	%	-	-	100	100	100	100	100	100	100				
% of sales value with representative product carbon footprints	%	-	-	-	45.1	81.5	47.3	10	64	31.8		Carbon Footprint estimation partly based on representative product groups with similar carbon emissions		
Target 2013	%	-	-	-	100	50	50	100	67					
Responsibility to Customer and Consumer (1)	Number of customer claims	number	n.a.	-	0	20	45	5	30	100	136		Customer claims do not reflect those from end consumers but from major clients	
	% increase of customer claims	%	-	-	-100	-48	-38.4	-50	+3	-22.25	-13.9			
	Target 2013	Number	-	-	0	10	40	5	25	80				
	% fulfillment of orders to customer	%	-	88	100	74	96	64	99	86.83	92.5			
	Target 2013	%	-	95	100	99	98	70	100	93.6				
	% of orders delivered to customer on the committed date	%	-	92	100	74	96	63	89	85.67	92.3			
	Target 2013	%	-	97	100	80	100	70	97	99				
	% of hypermarkets coverage of SEKEM products in Egypt	%	-	-	-	-	100	100	-	100	-		ATOS Pharma: SEKEM Herbs	
	Target 2013	%	-	-	-	-	100	100	-	100				
	average % of available assortment per hypermarket	%	-	-	-	-	50	30	-	40	-			
	Target 2013	%	-	-	-	-	60	30	-	45				
	% of supermarkets coverage of SEKEM products in Egypt	%	-	-	-	-	90	90	-	90	-			
Target 2013	%	-	-	-	-	60	20	-	40					

\* Export Market

\*\* ISIS fruits and vegetables: physical plus pesticide analysis for organic products;

ISIS (raw material except fruits and vegetables), LOTUS raw materials, ATOS Pharma herbs raw materials and SLR outgoing raw materials: physical, chemical, microbiology analysis plus pesticide analysis for incoming organic products; NATURETEX raw materials: physical analysis plus pesticide analysis for outgoing raw cotton

PA	Performance Indicator	Unit	SLR	MI	LI	LU	ISIS	AT	NT	Total 2012	Total 2011	Evaluation	Comments	
										Total Target				
Responsibility to Customer and Consumer (2)	Average % of available assortment per supermarket	%	-	-	-	-	25	10	-	17.5	-		ATOS Pharma: SEKEM Herbs	
	Target 2013	%	-	-	-	-	30	10	-	20				
	% of groceries coverage of SEKEM products in Egypt	%	-	-	-	-	15	15	-	15	-			
	Target 2013	%	-	-	-	-	15	15	-	15				
	Average % of available assortment per grocery	%	-	-	-	-	5	-	-	5	-			
	Target 2013	%	-	-	-	-	10	-	-	10				
	Number of boutiques with SEKEM products in Egypt	number	-	-	-	-	-	-	-	96	96	28		
	Target 2013	number	-	-	-	-	-	-	-	80	80			
	% of pharmacies with SEKEM products in Egypt	%	-	-	-	-	-	-	72.73	-	72.73	-		ATOS Pharma: SEKEM Herbs; [NATURETEX coverage target for 2013: 200 pharmacies]
Target 2013	%	-	-	-	-	-	-	70	-	70				
Average % of available assortment per pharmacy	%	-	-	-	-	15	30	-	22.5	-		ATOS Pharma: SEKEM Herbs		
Target 2013	%	-	-	-	-	20	30	-	25					
Innovation	% of sales going into research	%	0.21	-	-	-	0.04	2	-	0.34	-			
	Target 2013	%	1	-	-	-	1	2	-	1				
	% of sales from new products	%	0.6	80.8	0	0.2	2.0	2.9	80	15.5	18.4			
Target 2013	%	2	50	-	2	2.0	5	16	15					
Organizational Processes (1)	Number of internal quality and sustainability audits per year	number	12	12	12	12	12	12	12	12	12		Each month an internal quality and sustainability audit takes place	
	Target 2013	number	12	12	12	12	12	12	12	12				
	x of y improvement points of ISO 14001 program solved	x/y	-	0/0	4/4	2/2	0/2	1/2	0/1	7/11 (64%)	11/13		87 % of sales come from ISO 14001 and ISO 9001 certified processes (see page 18-19)	
	Target 2013	%	-	100	100	100	100	100	100	100				
	x of y improvement points of OHSAS 18001 program solved	x/y	-	0/0	2/2	7/8	2/2	11/12	2/8	23/32 (72%)	29/32		89.7% of employees work in OHSAS 18001 certified environment (see page 18-19)	
	Target 2013	%	-	100	100	100	100	100	100	100				
Total weight of waste	'000 tonnes	265	19.2	7.5	30.2	199.7	11.6	18.7	551.8	700.6		The main part of the waste of SLR, LOTUS and EL-MIZAN is organic and goes directly into the compost; see page 56 for waste graph incl. categories		
	kg/ 1000 EGP sales	0.97	0.74	0.29	1.16	7.7	0.44	0.72	2.12	3.56				
Target 2013	kg/ 1000 EGP sales	10	9	0.4	2	2	0.06	0.1	3					

## Status and Target Overview for ECONOMIC LIFE (1)

Status and Target Overview for ECONOMIC LIFE (2)

PA	Performance Indicator	Unit	SLR	MI	LI	LU	ISIS	AT	NT	Total 2012		Total 2011	Evaluation	Comments
										Total	Target			
Organizational Processes (2)	% of organic waste recycled	%	100	100	100	100	100	100	100	100	100	100		All organic waste is composted on site by LIBRA
	Target 2013	%	100	100	100	100	100	100	100	100	100	100		
	% of non-organic waste recycled	%	n.a.	5	34	100	100	0	43.42	27	55	50.4		Without taking the Medical Center and lab waste into consideration
	Target 2013	%	100	28	16	45	34	100	27	36.1	55	50.4		
Partnership	% recycled input material of total packing material used	%	-	-	-	2.75	13.31	17.97	36.1	37	10	3.53***		Difference due to redefinition of indicator
	Target 2013	%	n.a.	n.a.	n.a.	15	15	26	37	10	10	3.53***		
	% of suppliers with whom we have a purchasing commitment > 1 year	%	100	100	100	77	100	100	100	100	96.71	84		LOTUS: In case of seasonal contracts the commitment to purchase next year is agreed orally. For more about partnerships with business partners see page 16
	Target 2013	%	100	100	95	90	100	100	55	55	90	84		
Economic Value Distribution	% of purchase value of raw materials* with Fairtrade certificate	%	-	-	41.79	0.12	44.58	33.97	100	100	11.97	9.4		Fairtrade certificates do exist only for a limited range of products. In general the suppliers are compliant with the Fairtrade principles.
	Target 2013	%	-	-	6	8	100	100	100	15	15	9.4		More certifications on page 15 and 18/19.
	% of purchase value of raw materials* with Demeter certificate	%	75	-	4	63	16.2	-	-	-	33.80	65.7		
	Target 2013	%	75	-	4	77	62	78	-	-	70	65.7		
	Total amount of annual net sales	mio EGP	-	842	-	138	37	37	37	37	237	209.4		Sum of companies' sales is higher than total sales because the latter is consolidated, companies sales not.
	% increase of annual sales	%	-	-11.2	-	24	4.5	7.6	7.6	7.6	13.2	-7.9		
	Target 2013	%	118	118	-	162	56	39	39	39	375	-7.9		
	Net Profit margin in %	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.63	1		Investments into SEKEM Companies; without Heliopolis University = % of shares owned by founder
	Target 2013	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4	20		
	Total amount of investments	mio EGP	-	-	-	-	-	-	-	-	15	20		
	Target 2013	mio EGP	-	-	-	-	-	-	-	-	26	20		
	Equity ratio	%	-	-	-	-	-	-	-	-	76.03	76.03		= raw materials only from own farm soils
Target 2013	%	-	-	-	-	-	-	-	-	76.03	76.03			
NatureTex	Average % of purchase of raw materials from SEKEM for Land Reclamation	%	0	2.52	5.98	17.95**	0.12	0	0	0	6.84	16.3		
	Target 2013	%	-	-	6	40	5	-	-	-	20	16.3		
	Highest salary times the lowest salary	ratio	1:28	1:9	1:12	1:57	1:38	1:36	1:36	1:36	1:57	1:55		
	Target 2013	ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1:50	1:55		
SEKEM for Land Reclamation	% net profit invested into community development	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	10		
	Target 2013	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10	10		

\* raw materials: ATOS Pharma only herbs  
 \*\* only ISIS Food and Vegetables; no data available for ISIS Herbs  
 \*\*\* Redefinition and - calculation results into different number

News from the SEKEM Companies

ISIS

In the year 2012 ISIS laid its focus on the optimization of its processes and getting closer to customers by improving its communication. By doing so, ISIS managed to boost its business despite the poor national economic situation. The strategy to work internationally as well as locally paid out and the revenues from the export market remained stable. Above all, ISIS teas are rooted deeply in the market. Their contribution to the economic stability of the company is strong. For ISIS, 2013 is still characterized by process optimization. More efficient work will lead to a better use of resources and an integrated marketing strategy will also contribute to the achievement of our goals.

ATOS Pharma

Although the pharmacy sector is one that is less affected by the effects of the revolution, Atos Pharma had to fight some inconveniences in 2012. This can be attributed to the GMP-certification (Good Manufacturing Practices) in 2011, which obliges us to give three batches of a certified product to the Ministry of Health for examination. The restructuring of the government led to delays and latencies. Therefore Atos Pharma was not able to work at full capacity as it was planned in the beginning of 2012, but nearly one year later. Since all our products have finally been reviewed and approved for marketing, Atos Pharma will focus all its efforts in 2013 on the achievement of its goals with its new sales team that was set up in 2012.

NATURETEX

Main topics for NatureTex in 2012 were the new partnerships in the export business and the focus on the local market. The export of baby clothing made of organic cotton stays one of the main pillars and generates a constant income, especially with regard to the exchange rate movements. However, potentials in the local market increased significantly due to the growing awareness on the benefits of organic cotton. The new line of socks made from organic cotton, that was created in 2012 develops very well. There are only two major manufacturers for socks in Egypt, which reveals the large market potential. In 2013 NatureTex will continue to strengthen its partnerships and continue to develop the local market.

LIBRA

Libras main concern in 2012 stayed on the animal husbandry of SEKEM. The foot-and-mouth disease had a major impact on us and claimed the life of 53 calves. Furthermore 70 dairy cows had to be sold. Since then the livestock has recovered and is now healthy. Another 180 bee colonies of the genus Apis Mellifera Lamarckii have been acquired and contribute to SEKEMs honey as well as to the environment. For 2013 no larger investments have been planned. The compost production remained stable, we acquire new customers and the administrative work remains small.

LOTUS

In 2012 Lotus primary concern was the struggle for sufficient amounts of raw materials for the processing, because the demand was very high. Nevertheless we were able to achieve our goals but raw materials will stay the main topic for 2013.

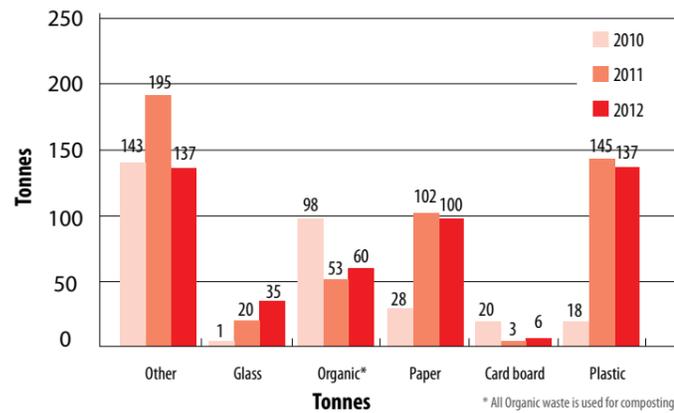
LOTUS Upper Egypt

In 2012 the new strategy for convenience products has been further fostered under the name Lotus Upper Egypt. Lotus U.E. has successfully established 15 products in the market. These products are not certified organic, because the raw materials that are used originate in large parts from farmers that are in the transitional phase to biodynamic farming. In 2013 we will continue this strategy and additional products will be added to the assortment.

SEKEM for Land Reclamation

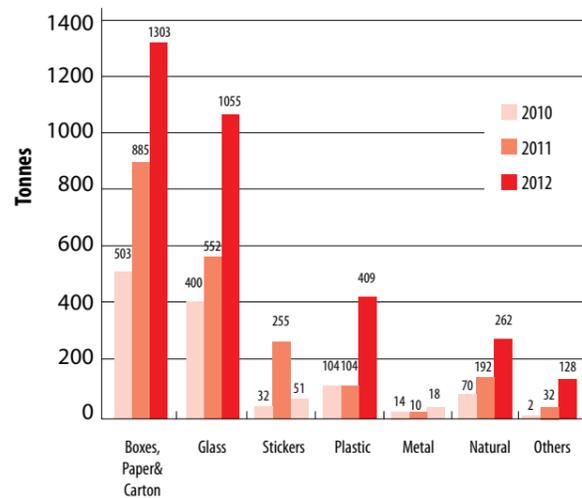
The national crisis affected the SEKEM farms mainly through the fuel shortages. They have been through difficult times when it comes to continuing the operations. However, quick reactions and the optimization of processes enabled SEKEM for Land Reclamation to achieve its expansion targets. There are no plans for the cultivation of new agricultural land in 2013. Our main concern is the fostering of the existing soil structure. By planting new varieties and the optimization of processes, SEKEM wants to achieve its targets for 2013.

Waste Production from SEKEM Group

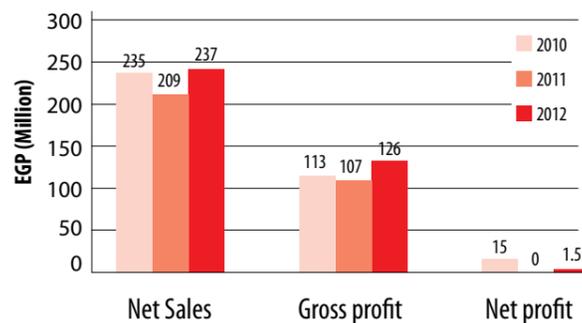


Waste produced during the processing and production within the SEKEM companies is sorted into glass, plastics, carton, paper, organic waste and remaining non-recyclable materials, such as metals or hazardous waste from the Medical Center, which gets either landfilled or transported to special end-of-life treatment centers. Kitchen waste, stickers and juice packages are difficult to separate and are not accepted by recycling companies; egg packages are polluted and cleaning them is too costly; the waste from the Medical Center refers to cotton contaminated with blood, test tubes and used syringes. ATOS Pharms lab waste results from the manufacture of rivets or chemical materials.

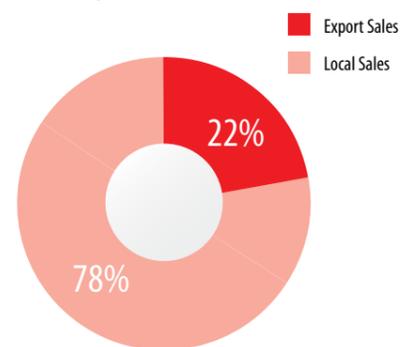
Packaging Material used in SEKEM Group



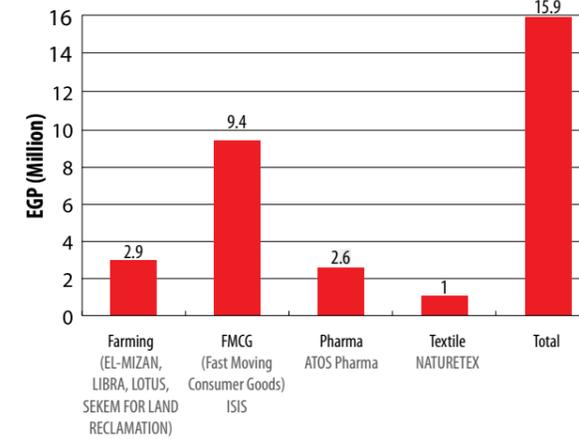
SEKEM Holding - Financial Highlights (Consolidated)



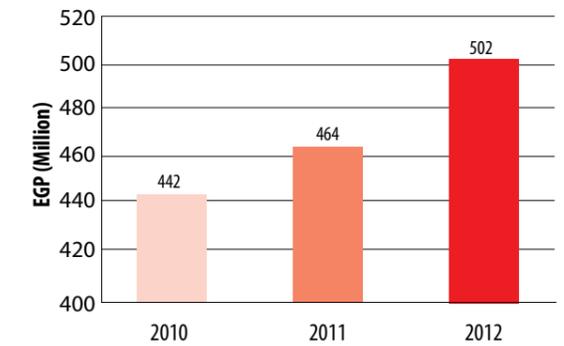
Export Share 2012



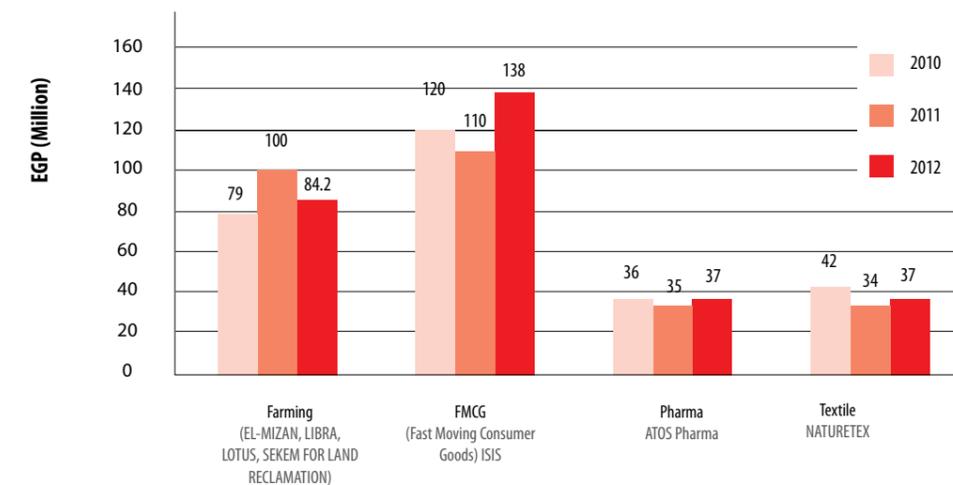
Planned investment amount by business sector for 2013



Fixed Assets (Property, Plants & Equipment and Biological Assets)



SEKEM net sales by business sector



The sum of all revenues of the companies is higher than the consolidated revenues for the group as there are revenues within the group. That is why the percentages below do not mirror the total net sales numbers.

## Consolidated Financial Statement

Balance Sheet SEKEM Holding for Investment Company S.A.E.  
on 31st December 2012

	2012 EGP	2011 EGP
<b>CURRENT ASSETS</b>		
Cash and bank balances	9,529,603	10,922,027
Other assets	81,191,842	81,767,499
Trade and other receivables	88,825,824	73,809,058
Trade inventories	150,855,264	130,969,102
Biological assets inventory	4,816,703	4,944,726
Total current assets	335,219,236	302,412,412
<b>CURRENT LIABILITIES</b>		
Trade and notes payable	29,009,170	20,793,801
Bank overdrafts	266,890,748	245,695,833
Provisions	6,172,063	6,239,063
Other liabilities	28,414,853	22,437,886
Current portion of long-term loans	12,410,660	46,900,275
Current portion of obligations under finance lease	13,658,837	14,735,578
<b>Total current liabilities</b>	356,556,331	356,802,436
<b>Working capital</b>	(21,337,095)	(54,390,024)
<b>NON-CURRENT ASSETS</b>		
Fixed assets	424,906,824	401,144,670
Biological assets	4,086,056	5,534,157
Goodwill	53,867,282	53,867,282
Long term Investments	19,347,500	-
Investments available for sale	93,500	93,500
Advances for purchase of fixed assets	1,008,000	1,008,000
<b>Total non-current assets</b>	503,309,162	461,647,609
<b>TOTAL INVESTMENT</b>	481,972,067	407,257,585
Financed as follows:		
<b>NON-CURRENT LIABILITIES</b>		
Term loans	159,075,896	134,849,093
Notes Payable – Non current portion	1,767,356	-
Obligations under finance lease	34,998,317	32,762,295
Share Holders Current Account	7,070,475	3,680,982
Shareholders convertible loan	56,103,876	18,247,332
Deferred tax	8,552,200	8,002,054
Total non-current liabilities	267,568,120	197,541,756
<b>EQUITY</b>		
Reserve for shareholders convertible loan	5,896,076	1,752,668
Share capital	149,509,000	149,509,000
Legal reserve	9,794,321	9,575,739
Foreign currency translation reserve	-	(9,189)
Retained earningsa	37,903,813	37,331,901
Total equity attributable to equity holders of the company	203,103,210	198,160,119
Non-controlling interest	11,300,737	11,555,710
Total equity	214,403,947	209,715,829
<b>TOTAL FINANCING</b>	481,972,067	407,257,585

Income Statement SEKEM Holding for Investment Company S.A.E.  
for the year ending on 31st December 2012

	2012 EGP	2011 EGP
<b>Revenues</b>	237,688,561	209,235,005
Export subsidy – incentive on export sales	3,232,621	4,409,757
Credit interest	167,057	-
Cost of sales	(123,217,950)	(117,532,937)
<b>Gross profit</b>	<b>117,870,289</b>	<b>96,111,825</b>
(Loss) on disposal of fixed assets	(705,542)	-
Marketing and distribution expenses	(45,948,693)	(38,480,750)
Administration expenses	(24,381,270)	(22,813,936)
Finance cost	(45,143,600)	(29,728,805)
Board of Directors allowances	(109,218)	-
Foreign exchange losses	(9,134,589)	(9,370,281)
Provisions	(33,000)	(2,354,242)
Provisions no longer required	1,000,000	2,750,000
Fair value (loss) arising on forward foreign exchange contracts	(945,142)	(1,045,468)
Other income	10,422,205	6,164,736
<b>Profit before tax</b>	<b>2,891,440</b>	<b>1,233,079</b>
Income tax	(782,005)	(262,227)
Deferred tax	(550,146)	(883,734)
<b>Profit for the year</b>	<b>1,559,289</b>	<b>87,118</b>
Profit for the year attributable to:		
Equity holders of the company	1,502,911	(87,086)
Non-controlling interest	56,378	174,204
	<b>1.01*</b>	<b>(0.06)</b>
(Loss)/Earnings per share		

\*This year's dividend has not been distributed on shareholders' request because of the tense political and economic situation in Egypt. The possible dividend was reinvested into the company's operations.

Status and Target Overview for SOCIETAL LIFE (1)

PA	Performance Indicator	Unit	Level											Total 2012		Total 2011	Evaluation	Comments		
			HO	SLR	MI	LI	LU	ISIS	AT	NT	SDF	Total Target	Total							
Labor Rights	% of purchase value of raw materials* with Fairtrade certificate	%	-	-	-	-	41.79	0.12	44.58	33.97	-	-	-	-	-	11.97	9.4		More about social workers at page 26	
	Target 2013	%	-	-	-	-	1.5	4	0	100	-	-	-	-	-	10	8			
	Number of social workers per company	number	2	1	1	1	1	1	1	1	1	1	1	1	1	11	8			
Health and Safety	Target 2013	number	2	1	1	1	1	1	1	1	1	1	1	1	1	8				
	% employees with private health insurance partly financed by SEKEM	%	0	13	8	19	22	57	79	10	46	decrease	decrease	decrease	decrease	35.61	33.9		Share of employee depends on the salary level; Pupils of SEKEM School receive free health care	
	Target 2013	%	n.a.	10	10	20	25	67	88	10	25	decrease	decrease	decrease	38					
	Number of sick leave days for all employees	number	152	210	0	20	119	599	401	120	66	decrease	decrease	decrease	1687	1440				
	Target 2013	tendency	decrease	decrease	hold	decrease	decrease	decrease	decrease	decrease										
	Number of employees visiting Medical Center	number	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.855	3.996		In general we want our employees to be healthy so that they do not need to see the doctor. More about health at page 27.	
	% increase of visits	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	- 28.5	- 42.5			
	Target 2013	tendency	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	decrease				
	Number of other visitors of the Medical Center	number	-	-	-	-	-	-	-	-	23.669	-	-	-	-	23.669	29.527		Less patients because of the circumstances during and after the revolution.	
	% increase of visits	%	-	-	-	-	-	-	-	-	-19.8	-	-	-	-	-19.8	-2.7			
	Target 2013	%	-	-	-	-	-	-	-	-	-	-	-	-	-	decrease				
	Number of injuries	number	n.a.	0	0	7	8	4	0	0	0	n.a.	n.a.	n.a.	19	22			See page 67 to injuries according to risk level	
% increase of injuries	%	n.a.	n.a.	n.a.	40	33.3	-33.3	-100	-100	n.a.	n.a.	n.a.	n.a.	-13.64	-15.4					
Target 2013	number	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Number of fatal injuries	number	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Target 2013	number	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				

PA	Performance Indicator	Unit	Level											Total 2012		Total 2011	Evaluation	Comments	
			HO	SLR	MI	LI	LU	ISIS	AT	NT	SDF	Total Target	Total						
Workforce Diversity	Number of employees	number	215	92	25	63	79	519	202	340	167	1.840	1.702	1.840					The high decrease was not caused by lay-off but rather through the special circumstances while and after the popular uprising
	% increase of employees	%	-0.46	-34.3	-21.9	-11.3	-7.7	-2.8	-13.6	-5	-5	-7.8	-7.8	-13					
	Target 2013	%	+5	+5	+5	+5	+5	+5	+5	+5	+5	+5	+5	+5					
	% share of females	%	6	2.2	24	3.2	9.7	17.9	26	27	31.7	18.3	19.1	18.3					
	Target 2013	%	12	6	35	8	16	23	35	35	37	23	23						
	% share of females in managerial position	%	5.88	11.11	0	33.33	0	15.79	8	83.33	0	16.67	13.9	16.67					
	Target 2013	%	15	13	5	20	23	20	18	33.3	10	18	18	18					
	% of employed disabled persons from all employees	%	0	0	0	3.17	0	2.7	4.95	1.17	0	1.77	2.9	1.77					
	Target 2013	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5	5	5					
	% employee turnover	%	12.6	14.3	6.9	2.2	2.3	17.3	24.7	27.3	9	19.86	22	19.86					Includes only employees which leave after a period longer than a year.
Target 2013	%	n.a.	15	0	8	10	12	20	20	n.a.	18	18	18						
Number of part time workers	numbers	0	0	0	0	0	2	5	0	50	70	57	57						
% share of part time workers	%	0	0	0	0	0	0.4	2	0	29.9	3.8	3.35	3.35						
Target 2013	%	0	0.7	0	0	0	0.6	1.3	0	35.8	3.8	3.8	3.8						
% of non-monetary benefits against overall salaries	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.26*	4.7	9.26*					Worker: 13.89% Middle Management: 9.03%	
Target 2013	%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.7*	4.7*	4.7*						
Governance and Compliance	% of new employees received introduction to the CoC	%	postponed to 2013											0	0		100% of the SEKEM Group of companies is covered by a Code of Conduct (CoC)		
	Target 2013	%												100					
	Number of training hours on CoC per employee	number												96	0		Every Sunday (in the HQ) every Thursday (on the Farm), all workers have a CoC related meeting with Dr. Abouleish		
	Target 2013	number												96					
Number of events with Code of Conduct related topic	number												5	21		Every Monday there is a Monday Forum at the headoffice with different speakers. Some of them are CoC related			
Target 2013	number												20						

\* partly based on estimations (includes catering and transport)

## Status and Target Overview for SOCIETAL LIFE (2)

PA	Performance Indicator	Unit	HO	SLR	MI	LI	LU	ISIS	AT	NT	SDF	Total 2012		Total 2011	Evaluation	Comments
												Total	Target			
Advocacy for Sustainable Development	Number of articles in renowned publications on SEKEM and sustainable development per year*	number	.	.	.	.	.	.	.	.	61	70	60	[Bar chart showing 60]	We merged the two indicators on scientific articles from last year into one indicator.	
																Target 2013
Advocacy for Sustainable Development	Number of active memberships in ILO and/or Millennium Goals related organisations	number	.	.	.	.	.	.	.	.	.	13	13	[Bar chart showing 13]	Though travelling was reduced during 2011, we upheld our engagement from Egypt	
																Target 2013

\* Last year we reported separately on articles that were written by SEKEM and those that were written by others. In this years report these two indicators were merged for reasons of simplification.

### Awards and Memberships

Overview of most important Memberships (selection): In 2011, SEKEM won the IMPACT Business Award 2011 from the GIZ and the German Ministry for International Cooperation and Development. SEKEM also became one of 16 New Sustainability Champions which were presented by the World Economic Forum and the Boston Consulting Group. Dr. Ibrahim Abouleish won the Special Award in the category "International" from the German ecological economic initiative B.A.U.M. for his life's work revolving around SEKEM. In 2012 he was awarded the Business for Peace Award by the Norwegian Business for Peace Foundation.

#### Board of Trustees: (Helmy Abouleish)

- The Egyptian Junior Business Association (EJB)

#### Board member in (Helmy Abouleish)

- Chair of the Egyptian National Competitiveness Council (ENCC)
- Egyptian Energy Saving Council for Industry
- Arab Sustainability Leadership Group (ASLG)
- Science and Technological Development Fund (STDF)
- The Federation of Egyptian Industries (FEI)
- Egyptian German High Joint Committee for Renewable Energy, Energy Efficiency and Environmental Protection
- Egyptian Environmental Affairs Agency (EEAA)

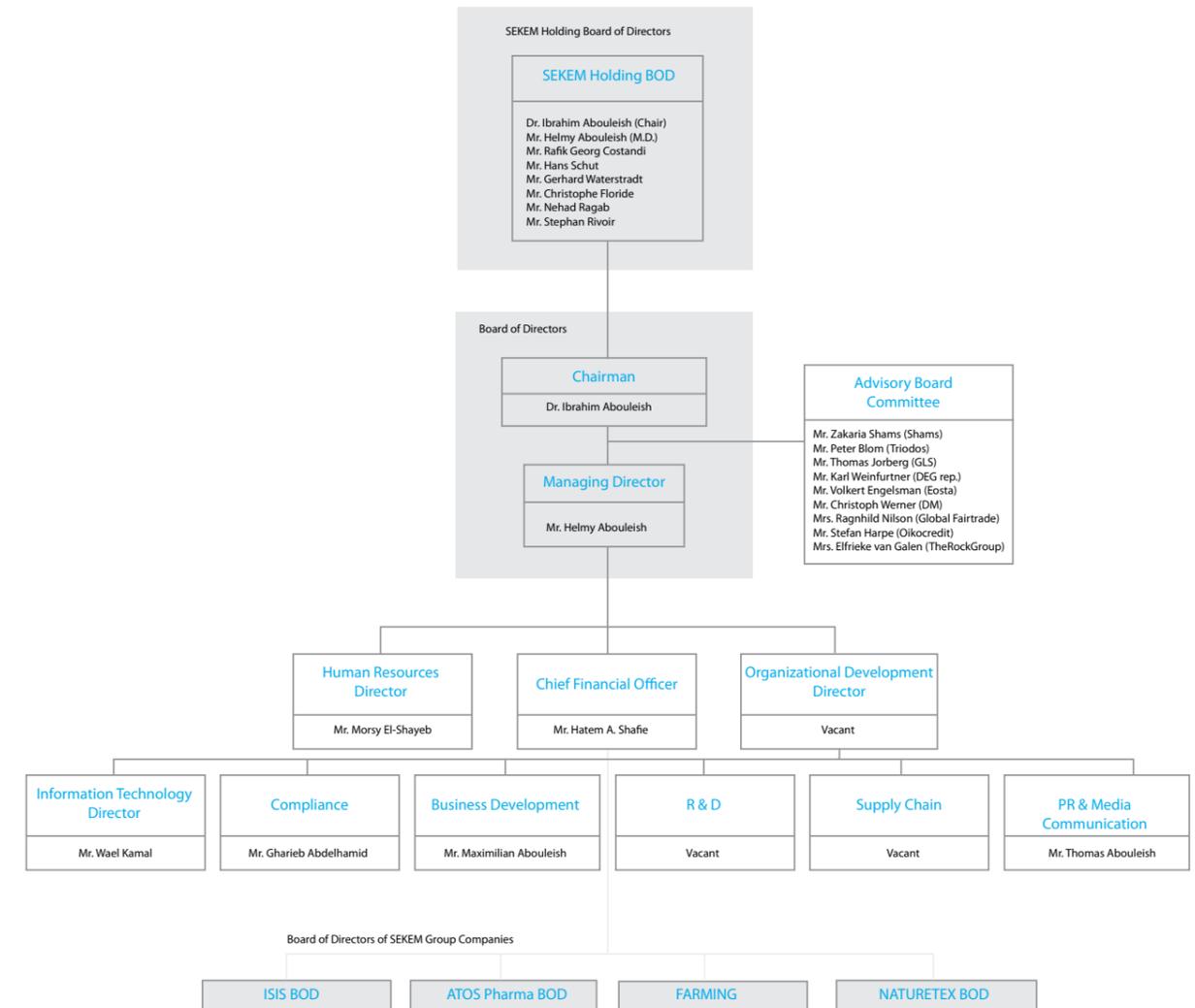
#### SEKEM is a member in

- Social Entrepreneur Council (Schwab Foundation)
- Schwab Fellow of the World Economic Forum (WEF)
- World Future Council (WFC) – Climate and Energy Commission
- Ashoka Foundation Selecting Panel in Egypt
- International Association of Partnership (IAP) with leaders of international organic movement

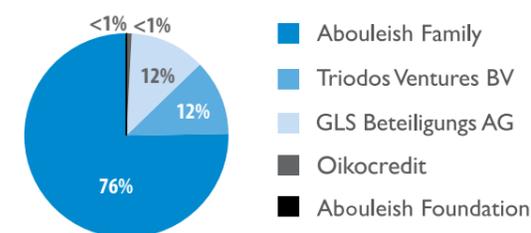
#### SEKEM is collaborating with and participating in

- United Nations Industrial Development Organization (UNIDO)
- United Nations Economic, Social and Cultural Organization (UNESCO)
- United Nations Development Fund for Women (UNIFEM)
- United Nations Global Compact (UNGC)
- United Nations University via the Regional Center of Expertise (RCE) on Education for Sustainable Development within Heliopolis University

## Organizational Structure of the SEKEM Group

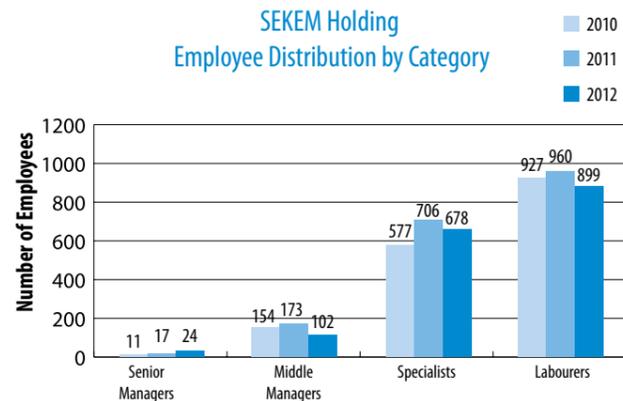


### Distribution of SEKEM Holding Shares

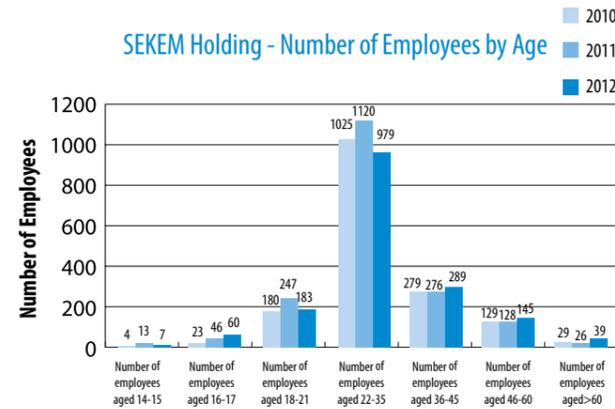


Since 2007, the GLS Bank and the Triodos Bank, each hold a share of 2.5 million EUR. Both banks are specialized in ethical-ecological financing with headquarters in Germany and the Netherlands respectively. The Abouleish Foundation was established to hold the Abouleish family capital of SEKEM in the future. Oikocredit joined the group of shareholders in 2012 with a symbolic share of less than 1%. Their convertible loan of \$7 million has the option to be turned into shares in 2014.

SEKEM Holding Employee Distribution by Category



SEKEM Holding - Number of Employees by Age



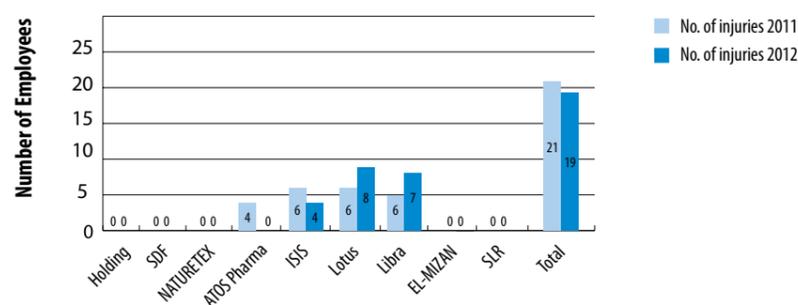
Employee Turnover

Turnover rates Entity	2011 turnover	2012 turnover
ATOS Pharma	29%	25%
ISIS	17%	17%
LIBRA	8%	2%
LOTUS	15%	2%
LOTUS U.E.	60%	50%
EL-MIZAN	0%	7%
NATURETEX	35%	27%
SEKEM L.R.	22%	14%

The overall employee turnover is 19.86% (2011: 22%) taking into account those employees that have worked for SEKEM for more than one year. The rate decreased by 9.72% in comparison to the preceding year due to the following reasons.

The public uprising brought change into the life of our employees and caused some turnover. Furthermore, employee groups that typically face a higher rate of turnover, like the sales department from ATOS Pharma and ISIS, have a significant share in the overall workforce and therefore increase the average rate. Another reason for the rather high fluctuation can be the fact that the SEKEM main farm and SEKEM Headquarters are far from the city and employees spend a lot of time in Cairo's traffic. The previously introduced five-days-week was extended again by one day and the working hours were evenly distributed over the days.

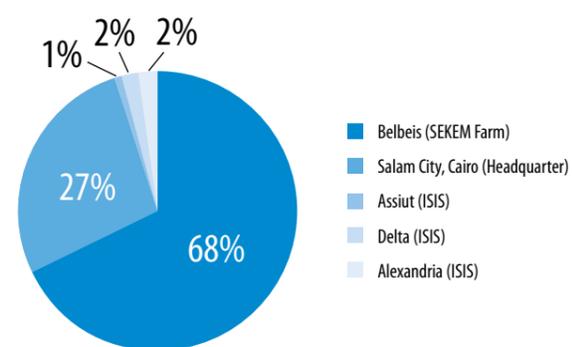
Number of Injuries



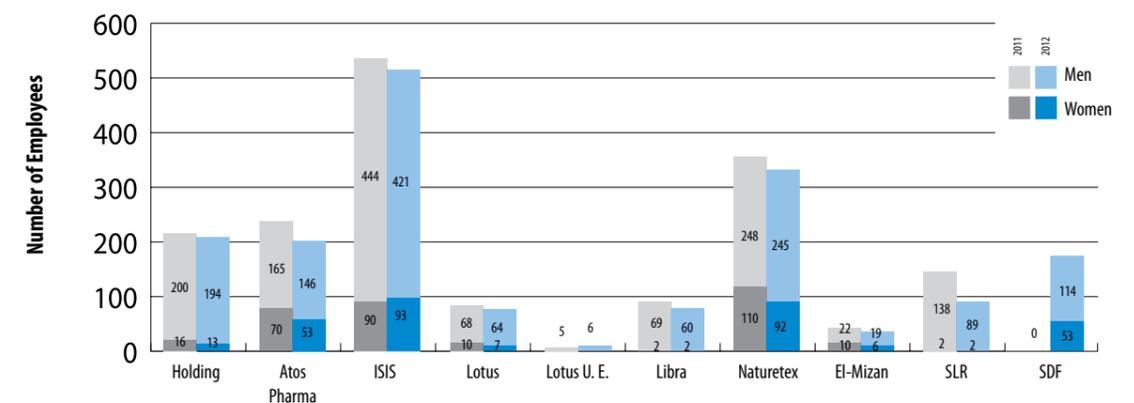
In 2012, the SEKEM Group had 21 women in managerial positions; a share of 16.67% within this employee category. The amount of female employees grew proportionally with the growth of the workforce. 321 women were employed, with an increase in their share only slightly from 18.3% in 2011 to 19.1% in 2012. NATURETEX is, with 31.7%, still the company with the highest share of female employees.

At SEKEM, the average annual female salary of 17,467 EGP lies below the annual average male salary of 21,102 EGP. The gap between the two averages originated from a lower share of highly educated or long-time experienced female employees. Due to traditional rural habits, the majority of women marries early and concentrates on family life. The distribution of age among females shows that females older than 21 are under-proportionally represented compared to male employees.

Employee Distribution by Region



Number of employees and gender distribution



## SEKEM's Board of Directors

**Dr. Ibrahim Ahmed Abouleish**  
Chairman

Right Livelihood Award Laureate and Founder of the SEKEM Initiative

Dr. Ibrahim A. Abouleish (\*1937) is chairman of the Board of Directors of the SEKEM Holding. Besides the eight firms operating under the umbrella of the SEKEM Holding, he founded several non-governmental organizations such as the SEKEM Development Foundation, the Heliopolis University for Sustainable Development and the Egyptian Biodynamic Association. He received the Right Livelihood Award in 2003, in 2004 he was chosen as Outstanding Social Entrepreneur by the Schwab Foundation and in 2012 he was awarded the Business for Peace award.

**Mr. Rafik Georg Costandi**  
Member

Since 1990, Rafik Costandi (\*1960) has been Head Teacher and founding member of the SEKEM school on the premises of the SEKEM farm. Before that he managed the purchasing department for all companies.

**Mr. Hans Schut**  
Member

Hans Schut (\*1953) is a senior manager of Triodos Investment Management, part of the European Triodos Bank group. His focus is on renewable energy investment funds. Before joining Triodos Bank, he worked in different industrial and energy utility companies.

**Mr. Nehad Ragab**  
Member

Eng. Nehad Ragab holds a Bachelor of Science in Civil Engineering from Cairo University (1984), MA in Management of Construction Companies from the Bartlett School, College of London, United Kingdom (1987), in addition to numerous management certificates from top business schools. He is the Chairman and CEO of SIAC Industrial Construction and Engineering Company, in addition to being the chairman and board member in several affiliated companies as well as public and private associations.

**Mr. Helmy Ibrahim Abouleish**  
Deputy Chairperson and Managing Director

Helmy Abouleish (\*1961), in addition to serving as Deputy Chairperson and Managing Director of the SEKEM Group, also is a Schwab Fellow of the World Economic Forum as well as board member of the Arab Sustainability Leadership Group (ASLG) and the German-Arab Chamber of Industry and Commerce (GACIC). Helmy Abouleish also is a member of the International Federation of Organic Agriculture Movements (IFOAM), the International Demeter Organization (IDO) and Social Entrepreneur Council (Schwab Foundation).

**Mr. Gerhard Waterstradt**  
Member

Gerhard Waterstradt (\*1940) was a manager in the finance department at a German subsidiary of a large US company. After that he was appointed as treasurer and member of the committee at a nonprofit organization. Since 1995 he was a member of the Board of Directors of the GLS Bank. In 2007, he retired from the GLS board and is now working among others as freelancer for the GLS bank.

**Mr. Stephan Rivoir**  
Member

Hans Rivoir GmbH was established by Hans Rivoir over 50 years ago in the famous gold and gemstone city of Pforzheim in Germany. Hans started his career in the jewelry industry, supplying specialist retail jewelers in Germany, Austria and Switzerland with contemporary and classical designs. In 2002 Stephan joined Hans Rivoir GmbH as co-partner to become the second generation of the family to run the business. Stephan had studied economics and trained as a diamond specialist.

**Mr. Christophe Floride**  
Member

Christophe Floride (\*1959) is Managing Director of LOTUS and since 1986 serving as Technical Manager for the SEKEM Group. Before joining SEKEM, Christophe Floride was head of CNC department of Feinmechanische Werkstaetten Baumgaertel GmbH in Malsch/Karlsruhe, Germany.

## SEKEM's Advisory Board



Karl Weinfurter is representing the DEG, member of KfW Bankengruppe (KfW banking group), as the director for Africa, which finances investments of private companies in developing and transitioning countries. As one of Europe's largest development finance institutions, it promotes private business structures to contribute to sustainable economic growth and improved living conditions.



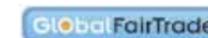
Mr Peter Blom is representing the European Triodos Bank as CEO, which finances companies, institutions and projects that add cultural value and benefit people and the environment, with the support of depositors and investors who want to encourage corporate social responsibility and a sustainable society. Triodos Bank has won the Financial Times Sustainable Bank of the Year Award 2009.



Volkert Engelsman is representing Eosta as founder and CEO, which is Europe's leading distributor of organic fresh produce and serves major retailers and natural food stores in Europe, the USA, Canada and the Far East. Eosta was the first to obtain carbon credits on composting and on organic farming practices and to offer TÜV certified Climate Neutral products in the European food market. The company has been awarded various entrepreneurial prizes among which the Dutch Innovation Award 2011, the German EcoCare Award 2012 and the European Sustainable Entrepreneurship Award 2013.



Zakaria Shams is representing Al Shams agro group as chairman, which is one of the leading companies in Egypt offering the ability to export fresh citrus around the world. The group is currently managing over 2,400 acres of cultivated ground raising citrus fruits, mangos, guavas and grapes.



Ragnild Nilsen, one of Scandinavia's bestselling authors within the field of leadership, negotiation-skills and psychology, is representing GlobalFairTrade Ltd as founder and CEO, which focuses on bringing more consciousness around the issue of fair trade into Scandinavia and the world.



Thomas Jorberg is representing the GLS Bank as CEO, which focuses on cultural, social and ecological projects that try to tackle challenges in our society by developing creative solutions. Loans are offered to projects like independent schools and kindergartens, organic farms, institutions using therapeutic pedagogy, nursing homes, projects for the unemployed, health-food stores and communal living projects, as well as sustainable businesses.



Elfrieke van Galen is representing the ThRockGroup, which offers tailor-made solutions with focus on mainstreaming sustainability in corporations and organizations, commercializing young ventures, and creating solutions for complex societal issues.



Stefan Harpe is representing Oikocredit as Portfolio Investment Manager, which works towards sustainable development by providing capital to business undertakings that create jobs and income for underprivileged people. Oikocredit is one of the world's largest sources of private funding to the microfinance sector, providing credit and equity to trade cooperatives, fair trade organizations and small to medium enterprises.



With more than 1.400 stores across Germany and sales of more than EUR 6.8 bn in the current financial year, dm-drogerie markt is Germany's largest drugstore chain by turnover. Since its founding in 1973, dm-drogerie markt has remained true to its focus on people - customers, partners, and staff. Reflecting this commitment, the company has been counted among one of Germany's top job-creating businesses as ranked by Wirtschaftswoche magazine. dm-drogerie markt employs about 46,600 people and operates more than 2,800 stores in Germany, Austria and ten other European countries.

## Stakeholder Approach

When referring to our stakeholders, we include all groups of people who are affected by SEKEM in any form and on any level of cooperation. Stakeholder management at SEKEM consists of dialogue and empowerment through cooperative development.

Although we only disclose our management approach related to the primary stakeholders here in the report, we are aware of the secondary stakeholders such as

regulators or certification bodies and monitor their demands. The identification process of the stakeholder groups is ongoing and is ensured through a close interaction with all these groups.

Stakeholder group	Needs	Our management approach	Ways of engagement
Employees	<ul style="list-style-type: none"> <li>Feeling of respect and esteem through organizational culture</li> <li>Clear job framework and job-related contact point for personal development</li> <li>Contact point for social issues</li> <li>A forum to discuss grievances and possible remedies</li> </ul>	The Cooperative of SEKEM Employees (CSE) is assigned with providing supportive working conditions, trainings on human rights as well as health and safety issues. It is a forum for collective bargaining or other interest discussions of the employees. To nurture close relations with SEKEM employees and farmers, founder Dr. Ibrahim Abouleish meets regularly with all employees to deepen their knowledge in specific topics or to address ways how to improve SEKEM's contribution to the community at large.	<ul style="list-style-type: none"> <li>Weekly meetings</li> <li>Regular dialogue between managers and social workers of all companies</li> </ul>
Farmers	<ul style="list-style-type: none"> <li>Fair and reliable contracting conditions and prices</li> <li>Cooperative future planning of companies' needs</li> <li>Training enabling to apply the organic and biodynamic agricultural method</li> </ul>	Our approach to supply chain integration means fair prices and Fairtrade regulations for all our 350 contracted farmers. Consulting and training along the way of organic and biodynamic cultivation characterizes the close collaboration. Within the quality management, supplier profiles help us to clarify quality, communication, planning, delivery and pricing issues with the individual suppliers via regular ratings and reviews.	Weekly meetings and regular dialogue with the FDA and the EBDA
Sub-contractors	<ul style="list-style-type: none"> <li>Fair and reliable contracting conditions and prices</li> <li>Cooperative future planning of companies' needs</li> <li>Support in applying technical and quality standards</li> </ul>	Our subcontractors are companies that cover certain pre-processing activities for our companies ISIS and NATURETEX. In general, we apply the same technical standards as in our own production facilities and try to foster long term cooperation. A future goal is to encourage these companies to comply with our management and human rights standards to ensure an even higher quality.	<ul style="list-style-type: none"> <li>Regular planning meetings</li> <li>Regular quality certification process</li> </ul>

## Stakeholder Approach continued

Stakeholder group	Needs	Our management approach	Ways of engagement
Share-holders	<ul style="list-style-type: none"> <li>Excellent performance to ensure a profitable investment</li> <li>Reliable forecasting and long-term sustainable development of the company</li> </ul>	With our internal performance management, we are not only ensuring our business case profitability but we also set the foundation for the identification of gaps and the need for improvements.	Quarterly board meetings
Banks	<ul style="list-style-type: none"> <li>Payment of interest and payback of principal from loan</li> </ul>	With our internal performance management, we ensure that our business creates enough value to pay back loans	Partly through quarterly board meetings and mandatory reporting requirements
Retailers & Wholesalers	<ul style="list-style-type: none"> <li>Excellent quality meeting the customers' standards</li> <li>On-time and on demand delivery</li> <li>A story to tell the consumer</li> </ul>	By constantly applying general and specific quality standards and guidelines we cooperate with our retailers and wholesalers by monitoring and improving quality, availability and on-time delivery of our products.	Regular planning meetings and satisfaction questionnaires once a year
End-consumers	<ul style="list-style-type: none"> <li>Excellent quality of healthy products with benefits for social and environmental development</li> <li>Easy availability and access</li> </ul>	In order to react to our consumers' wishes and inquiries in the most personal and flexible way possible, we have established a free customer service hotline which helps to answer any questions and notes complaints for adjacent improvement.	Customer satisfaction surveys every 1-2 years
Broader community	<ul style="list-style-type: none"> <li>Benefit from the companies' profits through in kind contribution</li> <li>Support of deficient areas like education, health care and other development needs</li> </ul>	The surrounding and broader community of SEKEM is the basis for our sustainable development approach. Therefore, we engage with our associated NGO, the SEKEM Development Foundation, in development projects aligned to the communities' needs.	<ul style="list-style-type: none"> <li>Dialogue through service provision</li> <li>Weekly meetings</li> <li>Outreach programs</li> </ul>
National/ International Partnership Organizations	A project and development partner	With our associative approach, we facilitate collaborations inside and between networks and organizations in the different fields of economy, human rights, politics and culture. Nationally and internationally, we benefit from these relationships and try to give back as much knowledge and commitment as we can.	<ul style="list-style-type: none"> <li>Regular engagement in conferences</li> <li>Strategic cooperation</li> </ul>

### Status and Target Overview for CULTURAL LIFE

PA	Performance Indicator	Unit	Group	SDF	Total 2012	Total 2011	Evaluation	Comments
					Total Target			
Training and Education	Total man hours of vocational training	number	14924.24	-	14924.24	11954		For detailed data see page 72
	Target 2013	number	71.000	-	71.000			
	Total man hours of soft skills training	number	14566.24	*	14566.24	371		See page 72
	Target 2013	number	32.000	*	32.000			
	Total man hours of management system training	number	10861.7	-	10861.7	1629		E.g. for our health and safety management system acc. to OHSAS 18001
	Target 2013	number	15.000	-	15.000			
	Total man hours of arts training	number	7762.33	*	7762.33	6130		For detailed data see page 72
	Target 2013	number	13.000	*	13.000			
	Average hours of arts and soft skills training for teachers	number	-	355*	355	255		
	Target 2013	number	-	255*	255			
	Number of children in SEKEM Kindergarten	number	-	55	55	47		
	Target 2013	number	-	50	50			
	Number of students in SEKEM School	number	-	306	306	295***		For detailed data splitted according to school level see page 75
	% increase of student number	%	-	+3.7	+3.7	+4.9		
	Target 2013	%	-	>0	>0			
	Total number of SEKEM School graduates since 1998	number	-	169	169	148		
	Target 2013	number	-	168	168			
	Number of students in Vocational Training Center	number	-	240	240	249		For detailed data splitted according to section see page 75
	% increase of student number	%	-	-3.6	-3.6	30		
	Target 2013	%	-	>0	>0			
Total number of VTC graduates since 2000	number	-	501	501	423			
Target 2013	number	-	583	583				
Number of students in SEKEM Special Education	number	-	28	28	28			
Target 2013	number	-	30	30				
Total number of Chamomile Children since 1987	number	-	1492	1492	1480		The project started earlier but the project was full-time since 1987, the number was estimated	
Target 2013	number	-	1490	1490				
Number of students in professional training for eurythmy	number	-	6	6	8		Six SEKEM teachers are involved in professional Eurythmy training at the moment. There is also integrated class Eurythmy in SEKEM schools.	
Target 2013	number	-	8	8				
Number of art events per year	number	n.a.	n.a.	2	3		Arts events = International and/or high scale events in music, eurythmy, fine arts exhibitions and/or theater	
Target 2013	tendency	n.a.	n.a.	increase				
% of agricultural suppliers with membership in the EBDA	%	100**	-	100**	100			
Target 2013	%	100	-	-				

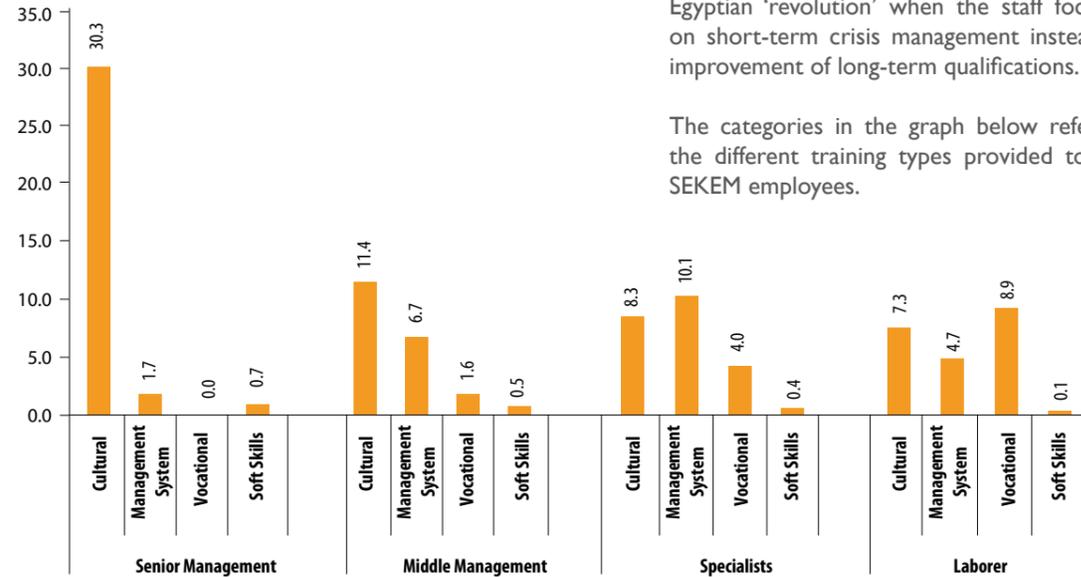
\* SDF: Teachers receive daily training in soft skills and arts; stated in separate indicator for training in the companies  
 \*\* The compost of Libra Company is not only from EBDA members  
 \*\*\* The numbers published last year were wrong, they were updated for this years report

PA	Performance Indicator	Unit	Group	SDF	Total 2012	Total 2011	Evaluation	Comments
					Total Target			
Research and Development	Number of ongoing science projects	number	-	11	11	14		
	Target 2013	number	-	10	10			
	Number of science project proposals in evaluation	number	-	28	28	7		
	Target 2013	number	-	7	7			
	Number of science project proposals accepted	number	-	2	2	3		
	Target 2013	number	-	6	6			
	Number of science projects successfully completed	number	-	6	6	2		2010: n.a. 2011: Two projects 2012: Four projects
	Target 2013	number	-	10	10			
	Total number of direct beneficiaries from all social projects	number	-	27128	27128	34214		Last year we published this indicator to be 1389. This was due to a wrong calculation. Updates in this years report.
	Target 2013	number	-	increase	increase			
Total number of loans in micro credit program	number	-	105	105	129		Average credit volume per person: EGP 5,000	
Target 2013	tendency	-	increase	increase				
Total number of established and sustained products / services / expertise / social links through research & development projects	number	-	22	22	n.a.		Results range from bio-fertilizer and development methods to curricula and building up infrastructure.	
Target 2013	tendency	-	increase	increase				
Self-Fulfillment	Employee analysis on values, motivation and perception of the workplace	number	0	0	0	0		Planned for 2013
	Target 2013	number	1	1	1			
Values and Spirituality	Number of prayer rooms	number	n.a.	n.a.	11	10		
	Target 2013	number	n.a.	n.a.	11			
	% of employees who can reach a prayer room within five minutes	%	100	100	100	100		
Target 2013	%	100	100	100				

CULTURAL LIFE

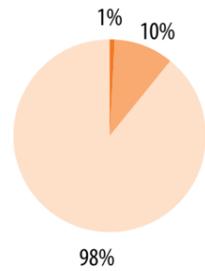
The reason for the strong decrease of training hours can be found in the difficult situation SEKEM found itself in the aftermath of the Egyptian 'revolution' when the staff focused on short-term crisis management instead of improvement of long-term qualifications.

The categories in the graph below refer to the different training types provided to the SEKEM employees.



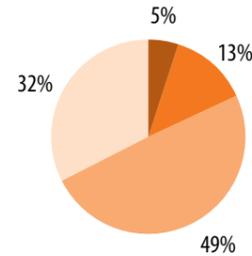
Share of total hours of vocational training by employee category

Legend: Laborer, Specialists, Middle Management, Senior Management



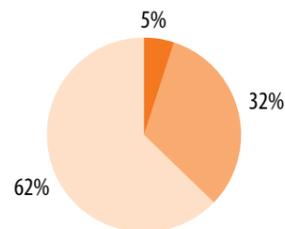
Share of total hours of soft skills training by employee category

Legend: Laborer, Specialists, Middle Management, Senior Management



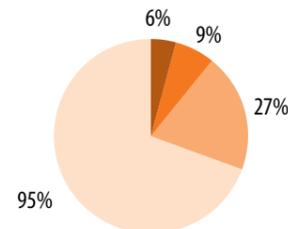
Share of management system training by employee category

Legend: Laborer, Specialists, Middle Management, Senior Management



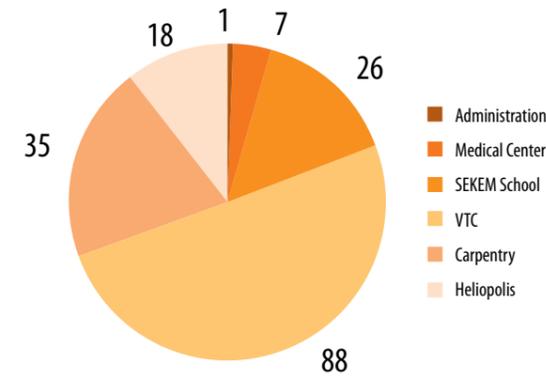
Share of cultural training by employee category

Legend: Laborer, Specialists, Middle Management, Senior Management



CULTURAL LIFE

Number of employees in the SDF



Number of students enrolled in SEKEM Primary School, class size and student/teacher ratios during the period 2003-2012

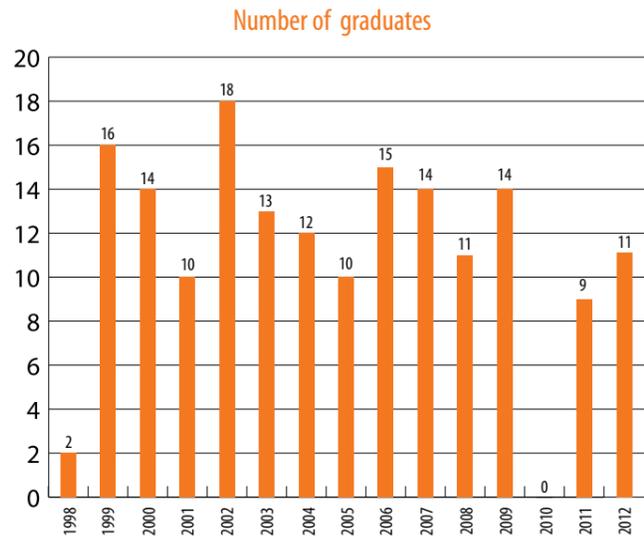
Year	No. of classes	No. of teachers	Number of children			Average class size	Student/Teacher ratio
			Males	Females	Total		
2003	5	10	72	52	124	24.8	12.4 to 1
2004	5	10	71	50	121	24.2	12.1 to 1
2005	6	10	80	72	152	25.3	15.2 to 1
2006	6	10	90	64	154	25.6	15.4 to 1
2007	6	10	89	66	155	25.8	15.5 to 1
2008	6	10	90	70	160	26.6	16 to 1
2009	6	10	90	73	163	27.1	16.3 to 1
2010	6	10	92	73	165	27.5	16.5 to 1
2011	6	11	92	75	167	27	15.1 to 1
2012	6	6	92	73	165	27.5	27.5 to 1

Number of students enrolled in SEKEM Preparatory School, class size, and student/teacher ratio during the period 2003-2012

Year	No. of classes	No. of teachers	Number of students			Average class size	Student/Teacher ratio
			Males	Females	Total		
2003	3	9	20	37	57	28.5	6.3 to 1
2004	3	9	41	30	71	23.6	7.9 to 1
2005	2	9	26	23	49	24.5	5.4 to 1
2006	2	9	27	27	54	27	6.0 to 1
2007	2	9	24	25	49	24	5.4 to 1
2008	3	9	42	33	75	25	8.3 to 1
2009	3	9	41	39	80	26.6	8.8 to 1
2010	3	9	42	43	85	28.3	9.4 to 1
2011	3	9	44	46	90	30	10 to 1
2012	3	9	45	41	86	28.7	9.5 to 1

Number of students enrolled in the SEKEM Secondary School, class size, and student/teacher ratio during the period 2003-2012

Year	No. of classes	No. of teachers	Number of students			Average class size	Student/Teacher ratio
			Males	Females	Total		
2003	3	9	19	15	34	11.3	3.8 to 1
2004	3	9	27	16	43	14.3	4.8 to 1
2005	2	9	28	14	42	14	4.7 to 1
2006	2	9	27	15	42	14	4.7 to 1
2007	2	9	22	23	45	15	5 to 1
2008	3	9	10	17	27	13.5	3 to 1
2009	3	9	12	16	28	14	3.1 to 1
2010	3	9	20	11	31	15.5	3.4 to 1
2011	3	9	21	17	38	12.7	4.2 to 1
2012	3	9	28	27	55	18.3	6.1 to 1

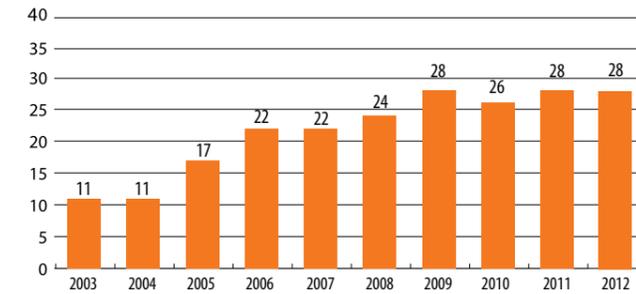


Note on low number of graduates in comparison to total number of students: In general, many students leave the secondary school without graduating and decide to continue vocational training instead. The preparatory school certificate (successful graduation of 9th class) is sufficient for this. In 2010, we had no graduates because the Egyptian primary school was extended by one year in 2004.

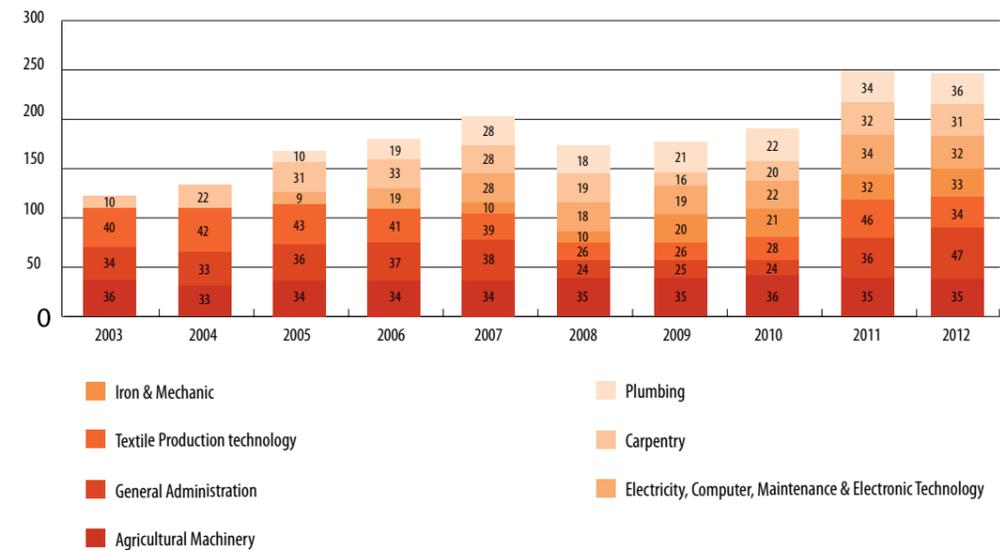
Number of children enrolled in SEKEM Kindergarten from 2003-2012

Year	Number of children		Total
	Males	Females	
2003	22	24	46
2004	23	24	47
2005	22	22	44
2006	21	22	43
2007	21	22	43
2008	23	25	48
2009	22	26	48
2010	24	22	46
2011	30	17	47
2012	33	22	55

Number of children with special needs



Number of students at SEKEM Vocational Training Center in the years 2003-2012



Status and Target Overview for ECOLOGY (1)

Dimension	PA	Performance Indicator	Unit	Total 2012	Total 2011	Evaluation	Comments
				Total Target			
SOIL	Soil Quality	Size of reclaimed land	feddan	1.628	1.628		
		% of reclaimed land of total land owned (6,000 feddan)	%	26	26		
		Target 2013	%	1.628			
		* % Organic matter of farm soils	%	0.3 - 1.6	0.8 - 7.5		Minya: 0.5-1.5% Bahareya: 1.2-1.6% Adleya: 1.01-1.4% Sinai: 0.3-1.2%
		Target 2013	%	1.72 - 5.1			
		* % of soil organic carbon (0-50 cm)	%	0.17 - 0.9	0.43 - 4.4		Minya: 0.2-0.8% Bahareya: 0.6-0.9% Adleya: 0.5-0.8% Sinai: 0.17-0.6%
	Target 2013	%	> 4%				
	Compost Quality	% organic matter of produced compost	%	25-30	30 - 32 %		
		Target 2013	%	25-60			
		Amount of beneficiary nematodes in produced compost	juv/100g	0-10	105 - 300		
		Target 2013	juv/100g	2000 - 3000			
		Amount of micro-organisms per gr of produced compost	CFU/g	2.1x10 <sup>6</sup> - 2.8x10 <sup>7</sup>	1.5x10 <sup>5</sup> - 4.2x10 <sup>7</sup>		
		Target 2013	CFU/g	1.5x10 <sup>3</sup> - 4.2x10 <sup>7</sup>			
	Soil use	Amount of compost produced	tonne	22.298	64847.12		
Target 2013		%	90	81.25			
Non-organic fertilizer application	kg/ha	0	0				
	Target 2013	kg/ha	0				
	Amount and volume of significant spills or other impact on soil	liter	200	0		Diesel spill-over while filling the generator in Minya Farm	
Target 2013		0					
PLANTS (1)	Seeds	% of seeds used by SLR from own production	%	82	73.6		
		Target 2013	%	100			
	% of our seeds varieties that we improved during reporting year	%	30	25		equals approx. 75% of the seed production	
	Target 2013	%	25				
	Number of varieties in own seed bank	number	174	136			
	Target 2013	number	220				
	% of used seeds that are organic and untreated	%	100	100			
Target 2013	%	100					

\* the values reflect an average, but the sample size was not large enough to be representative for all the farms

Dimension	PA	Performance Indicator	Unit	Total 2012	Total 2011	Evaluation	Comments
				Total Target			
PLANTS (2)	Biodiversity	Area not-compliant to planting legume every fifth cycle	%	7.28 - 45.09	10.9 - 15.3		Adleya: 45.09 % Minya: n.a. (3 seasons: 100.0%) Bahareya: n.a. (3 seasons: 7.28%) Sinai: 0%
		Target 2013	%	<10			
		% of reclaimed land not used for cultivation categorized* by increasing biodiversity	%	2.*+4.*=4.62%	SEKEM 1,2,3 Adleya 2.*+ 4.* = 7.6		SEKEM 1,2,3 & Adleya: 7.6% Minya: 0.77% Bahareya: 5.48% Sinai: not yet assessed
		Target 2013	%	7.6			
ANIMALS	Animal Husbandry	% of animals that are kept according to Demeter standards	%	100	100		
		Target 2013	%	100			
		Mortality rate of cows	%	3.23	2.4		Death of many cows due to aphtous fever
		Target 2013	%	1.2			
		Mortality rate of sheeps	%	0.15	0.7		
		Target 2013	%	0.35			
	Natural Habitats	Average number of days between giving birth of cows	number	484.2	420		
		Target 2013	number	400			
		Average number of lambs per mothersheep in two years	number	1.5	3		
		Target 2013	number	3			
ENERGY	Energy Use	Total amount of electricity usage	'000 kWh	4.490	4020		100% of organization entities under full energy assessment and monitoring;
		Relative amount of electricity usage	kWh/1,000 EGP sales	18.9	19.2		
		% of increase of relative electricity usage	%	-1.3	-2.4		
		Target 2013	%	-5			
		Total amount of gasoline consumption	'000 liters	1.237	1.659		Increase mainly due to gasoline use at the new farms. For more details see page 77
		Target 2013	'000 liters	5.2	7.9		
	Energy Sources	Relative amount of gasoline consumption	liters/1,000 EGP sales	5.2	7.9		
		% of increase of relative gasoline consumption	%	-34.3	102		
		Target 2013	%	-5			
		Proportion of clean(er) / renewable resource usage in the energy mix	%	< 1	NA		The performance aspect "Energy Sources" is discussed on page 44.
Target 2013	%	Increase					

\* Categories with increasing biodiversity: 1. green grass, 2. flower and plants, 3. different types of shrubs, 4. trees

### Status and Target Overview for ECOLOGY (2)

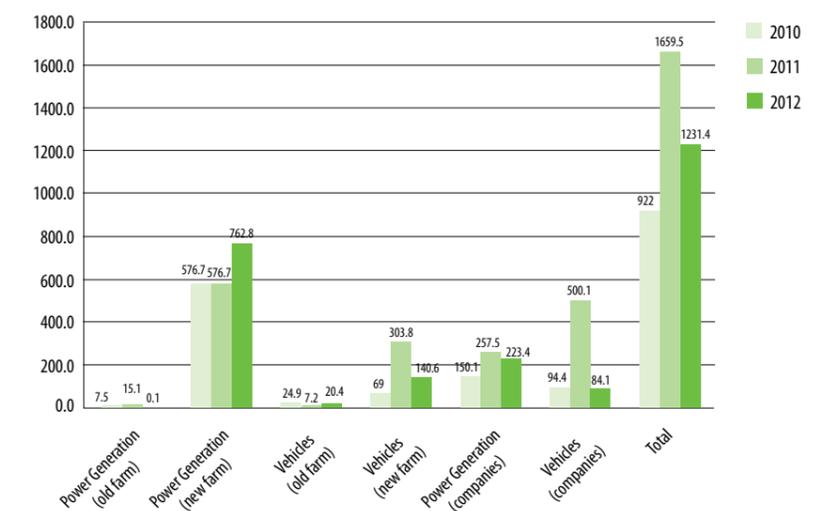
Dimension	PA	Performance Indicator	Unit	Total 2012	Total 2011	Evaluation	Comments
				Total Target			
AIR	Emission reduction	Total amount of emissions	tCO <sub>2</sub> e	7.283	7.896		100% of organization entities under full emission assessment and monitoring
		Relative amount of emissions	kgCO <sub>2</sub> e/1,000 EGP sales	30.7	37.9		
		% of increase of relative emissions	%	-18.9	+ 1.2		
		Target 2013	%	- 5		Detailed carbon footprint on page 81	
		Number of successfully audited carbon credits for compost production	VERs	81.832	79,500		VERs = Verified Emissions Reductions
		Target 2013	VERs	80.000			
WATER	Water Use	Total amount of water usage for company and personal use	'000 m <sup>3</sup>	134	104.3		100% of organization entities under full water usage assessment and monitoring
		Relative amount of water usage for company and personal use	m <sup>3</sup> /1,000 EGP sales	0.14	0.5		
		% of increase of relative water usage	%	-72	- 14.1		
		Target 2013	%	- 5			
		Total amount of water usage for agricultural use	'000 m <sup>3</sup>	4.708	3.334		
		Relative amount of water usage for agricultural use	m <sup>3</sup> /feddan	2892	2048		
		% of increase of relative water usage	%	41	-26		
	Target 2013	%	- 5				
	% recycled water in litres of total water used (as watering for trees)	%	100	100			
	Target 2013	%	100				
	Water Sources	% difference from actual to old level of ground water in last 3 years	%	-3.3*	0		Minya: rise of water level (8.9%**) Bahareya: decrease of water level (-15.5%**)
		Target 2013	%	0			
		Amount of significant spills in litres or other impact on water	liters	0	0		
		Target 2013	liters	0			
Monitoring of salinity of wells		TDS in ppm**	909.69***	863.58		Adleya and main farm wells are analysed regularly; wells in Minya and Bahareya are tested organoleptic	
Target 2013		Improvement of consistency of well water analysis					

\* Figures based on average. Data available only for Minya and Bahareya. Adleya, SEKEM 1,2,3 and Sinai have no analysis on ground water levels implemented.  
 \*\* TDS = Total Dissolved Solids, ppm = parts per million. These units are used to measure the electric conductivity of water from which follows the salinity of water.  
 \*\*\* This figure is based on an average of data on Minya and SEKEM 1,2,3 farms. Sinai, Adleya and Bahareya had no conclusive reporting on the salinity of their wells, because they are mainly fed with Nile water.

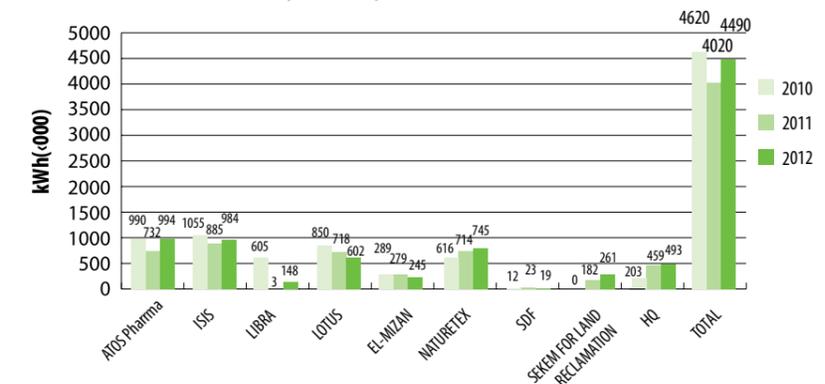
Number of animals (husbandry) on the farm

	2008	2009	2010	2011	2012
Fattening bulls	57	29	64	61	45
Dairy cows	236	276	403	271	280
Calves	220	189	63	59	175
Sheep	464	396	492	423	480
Laying hens	27,000	25,000	35,500	0	0
Broilers	0	12,000	0	0	0
Pigeons	600	600	600	600	600
Bee colonies	45	65	82	85	80

Gasoline consumption by end usage ('000 liters)



Electricity consumption from bills ('000 kWh)

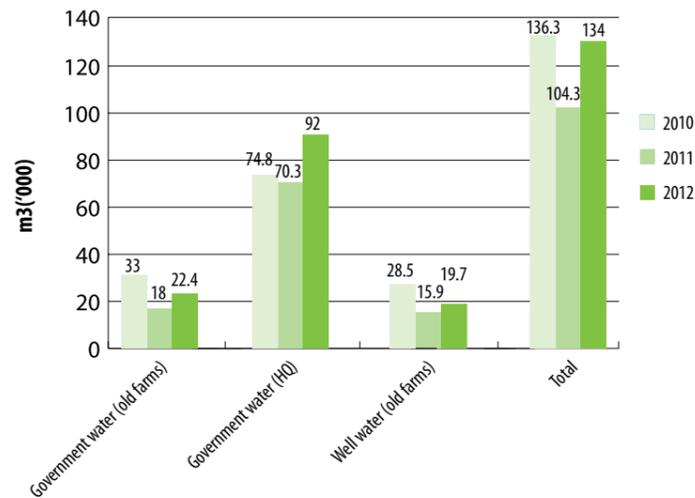




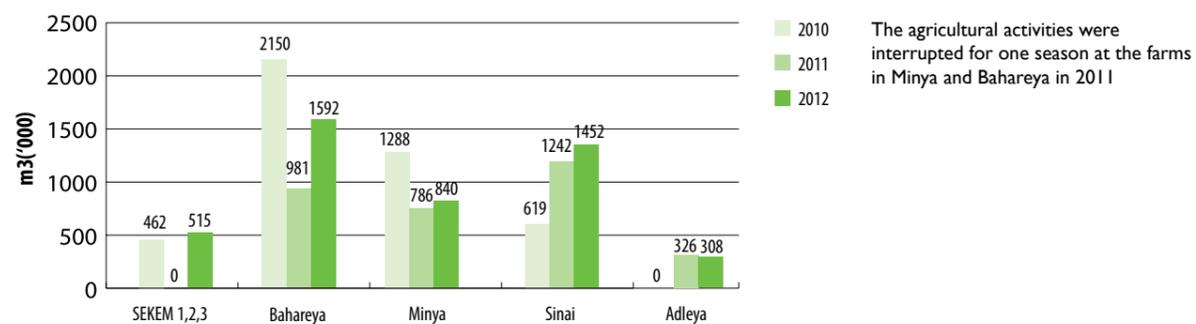
Entity	Electricity	Diesel*	Commuting*	Waste	Total	%
Unit	tCO <sub>2</sub> e**					
ATOS PHARMA	496.800	217.494	169.113	6.642	890.049	12%
ISIS	491.800	215.305	432.363	114.793	1.254.261	17%
LIBRA	73.754	32.289	52.483	4.298	162.824	2%
LOTUS	300.974	131.763	65.812	17.385	515.934	7%
EL-MIZAN	122.520	53.538	20.827	11.038	208.023	3%
NATURETEX	372.300	162.989	283.243	10.749	829.281	11%
SEKEM FOR LAND RECLAMATION	9.528	2.469.842	76.642	152.346	2.708.358	37%
HOLDING (HEADQUARTERS)	130.679	3.192	179.110	-	312.981	5%
SEKEM DEVELOPMENT FOUNDATION	246.680	4.171	139.123	11.701	401.675	6%
<b>Total</b>	<b>2.245.035</b>	<b>3.290.684</b>	<b>1.418.717</b>	<b>328.951</b>	<b>7.283.387</b>	<b>100%</b>

\* Diesel emission factor is 2.66 according to Defra 2009  
 \*\* For an explanation of CO<sub>2</sub>e see Glossary on page 94

Water consumption for company and personal use



Water consumption for agricultural use



## Corporate carbon assessment 2012

### Electricity consumption related Greenhouse Gas emissions

In order to calculate the Greenhouse Gas (GHG) emissions related to the electricity consumption at the SEKEM Holding's facilities (factories, farms and offices), the documented consumed kWh's for the period from January 1st to December

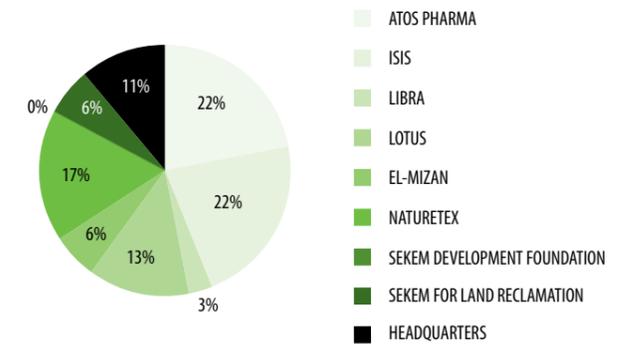
31st 2012 were collected and multiplied with the generic grid emission factor, as provided by UNEP. The individual entity consumption results from a distribution based on head counts.

kWh-consumption and kgCO<sub>2</sub>e\*

2012	kWh	kgCO <sub>2</sub> e*
ATOS PHARMA	993600	496800
ISIS	983600	491800
LIBRA	147508	73754
LOTUS	601948	300974
EL-MIZAN	245040	122520
NATURETEX	744600	372300
SEKEM FOR LAND RECLAMATION**	19056	9528
SEKEM DEVELOPMENT FOUNDATION	261358	130679
HEADQUARTERS	493360	246680
<b>Total</b>	<b>4,490,070</b>	<b>2,245,035</b>

\* For an explanation of CO<sub>2</sub>e see Glossary on page 94.  
 \*\* In 2011 SEKEM for Land Reclamation has been established, which formerly was a part of Libra.

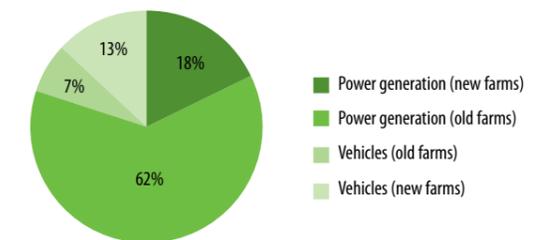
Electricity consumption by company



### Fuel consumption related GHG emissions incl. employee commuting.

In order to calculate the GHG emissions related to the fuel (diesel and petrol) consumption at the SEKEM Holding's facilities (factories, farms and offices) including employee commute, the documented consumed liters of diesel and fuel for the period from January 1st to December 31st 2012 were collected and multiplied with the generic fuel specific emission factor, as provided by the IPCC.

Emissions from diesel and fuel consumption by area of use



Fuel consumption by end use

	Diesel (Liters)	Emissions (kgCO <sub>2</sub> )
Power generation (new farms)	224.446	597.026
Power generation (old farms)	731.004	1.944.470
Vehicles (old farms)	84.141	223.815
Vehicles (new farms)	197.509	525.373
<b>Total</b>	<b>1.237.099</b>	<b>3.290.684</b>

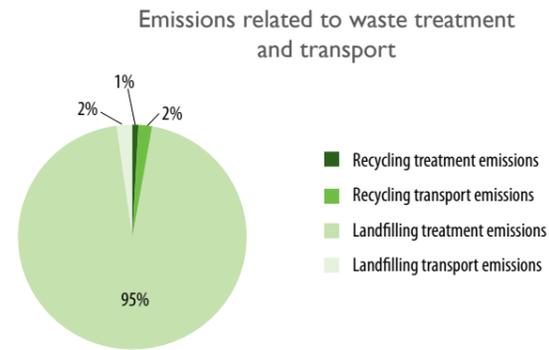
To calculate the employee commute, the following assumptions were taken into account: 1,099 employees at SEKEM Farm, 567 employees in the head office (this includes also employees from the SDF), 300 working days per year, 100 km daily travelled distance (return trip) for farm employees except for 15% of the farm employees who walk to work or come by bike, 50 km daily travelled distance (return trip) for head office employees using public transport and 20 km daily travelled distance (return trip) for head office employees using private cars. The different passenger capacities to use public transport and the different fuel consumption amounts

Total travel/commuting of employees

	Total km travelled	Total fuel consumption (liters)	Total emissions (kgCO <sub>2</sub> e)
<b>SEKEM Farm</b>			
Public transport (farm)	997942.8571	223268.5714	593894.4
Private cars (farm)	1776000	177600	422688
<b>Total</b>	<b>2773942.86</b>	<b>400868.57</b>	<b>1016582.4</b>
<b>SEKEM Headquarters</b>			
Public transport (HQ)	331,789	53,661	142,738
Private cars (HQ)	1,089,900	108,990	259,396
<b>Total</b>	<b>1421689.29</b>	<b>162,651</b>	<b>402134.18</b>
<b>Total</b>	<b>4195632.143</b>	<b>563,519</b>	<b>1418716.58</b>

**Waste treatment and transport related GHG emissions**

To calculate the GHG emissions related to the transport and treatment of waste at the SEKEM Holding's facilities (factories, farms and offices), the total amount of waste occurring during the period from January 1<sup>st</sup> to December 31<sup>st</sup> 2012 was assessed regarding its transport and treatment and the total tonnage was factored in with the applicable emission factors for recycling or solid waste disposal.

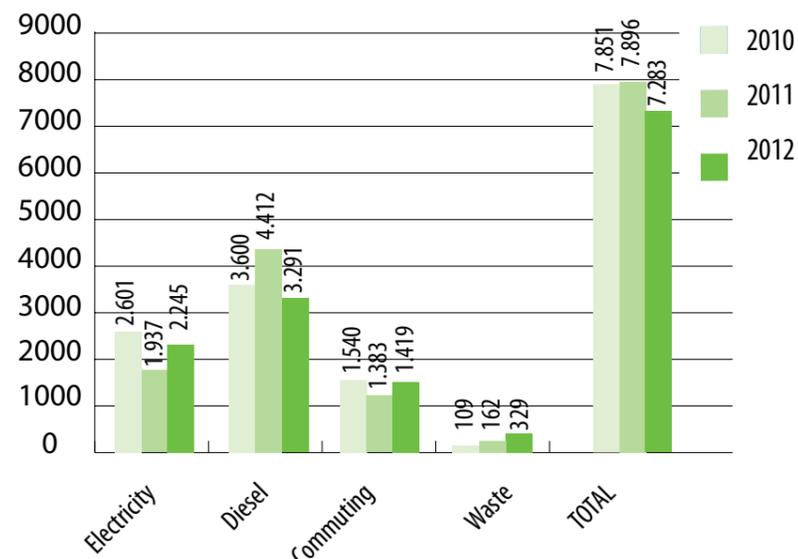


Treatment	Tonnes of Waste	Waste Treatment emission (kgCO <sub>2</sub> e*)	Waste Transport emission (kgCO <sub>2</sub> e*)	Total Emission (kgCO <sub>2</sub> e*)
Recycling & composting	171.02	855	2,849	3703.461
Landfilling	138.26	111,631	2,202	113833.604
<b>Total</b>	<b>309.28</b>	<b>112,486</b>	<b>5,051</b>	<b>117537.065</b>

\* For an explanation of CO<sub>2</sub>e see Glossary on page 94

Note: Recycling has only waste transport related emissions. The waste treatment related emissions from recycling are out of our scope and belong to the subcontractors that do the recycling.

**Overall Carbon Footprint by type (tCO<sub>2</sub>e\*)**



\* For an explanation of CO<sub>2</sub>e see Glossary on page 94

**Sustainable Development Balance Score Card - Evaluation Methodology**

The aim of the Sustainability Flower is to be a facilitating framework for building up a corporate strategy, Key Performance Indicators (KPIs) and a rough measurement tool to classify performance statements according to a red, yellow, green scheme as detailed on the following pages. It is important to know that the criteria given in the tables express minimum requirements for a specific classification. While 'green' stands for excellence, 'yellow' covers a potentially broad range from initial steps up to significant engagement.

The targets presented in the Status and Target Overview sections are related to the SEKEM Sustainable Development Scorecard (SDSC) but are evaluated independently. A 'green' SDSC evaluation does not necessarily mean that we have achieved all our targets and vice versa.

The comments in italic are concerning any changes from the old sustainability flower to the new (more information at the fold-out cover).

Performance Aspect	No Action / Negative Impact	Initiatives for Positive Impact (below: min. requirements)	Comprehensive Positive Impact
<b>ECONOMIC LIFE</b>			
<b>Product Portfolio</b> <i>(merged from "Eco- and Socio-friendly products")</i>	No assessment / negative eco-effect and socio-effect of products	First single issue initiatives to improve eco-and socio-friendliness	Eco- and socio-friendly product portfolio proven by labels and certificates
<b>Responsibility to Customer and Consumer</b> <i>(added end-consumer)</i>	Basic product information but no engagement in Customer Relationship Management (CRM); rather low distribution rates	Single issue CRM (at customer and end-consumer level), consumer research and moderate distribution rates	Comprehensive CRM (at customer and end-consumer level), consumer research and high distribution rates
<b>Innovation</b>	No innovation and therefore no sales revenues from new products	Random innovations without a specific strategy and process	Comprehensive innovation strategy and constant revenues from new products
<b>Organizational Process</b> <i>(was before partly "Eco-effective Packaging and Transportation"; "Sustainable Waste Management"; "Sustainability Strategy Performance Management")</i>	No waste management nor initiatives for efficiency in material use; no proper management systems for quality, environmental, health and safety issues	Single issue waste management and efficiency in material use; management systems implemented	Complete, continuous management of waste; management systems for quality, environmental, health and safety issues implemented
<b>Partnerships</b> <i>(is completely new)</i>	No long-term commitments	Some long-term agreements with suppliers	Long-term commitments towards suppliers
<b>Economic Value Distribution</b> <i>(was before "Economic Development and Growth"; partly "Supply Chain Management"; partly "Company's cultural development strategy")</i>	Negative economic development without good reason, no specific management of supply chain or transparency about fair value distribution	Economic growth, single issue management improvement, fair distribution of value created partly assured	Healthy economic growth and plan for next 20 years, fair distribution of created value along the value chain and within the companies

Performance Aspect	No Action / Negative Impact	Initiatives for Positive Impact (below: min. requirements)	Comprehensive Positive Impact
<b>SOCIETAL LIFE</b>			
<b>Labor Rights</b> <i>(was before Human Rights adherence and impact over the company's value chain)</i>	No social workers at all and no consideration of labor conditions or Fairtrade certification	Few social workers, single issue human rights initiatives implementation partly consideration of Fairtrade certification	Sufficient amount of social workers, full compliance with ILO and UN Global Compact requirements and Fairtrade certification for all products
<b>Health and Safety</b> <i>(before: work force and the company's impact on labor conditions and health &amp; safety)</i>	No consideration of health and safety risks at employee and community level	Assessment and action plan for the reduction of risks for employees	Labor conditions support employees' development, fully implemented and reviewed H&S management. Provision of health services to the community
<b>Diversity</b> <i>(was before Work force diversity and equal treatment)</i>	No diversity, discrimination of certain groups / minorities	Identified lack of diversity, discrimination issues, action plan for improvement	Diversity and tolerance throughout the company regarding all aspects
<b>Employee Loyalty and Motivation</b>	Low employee loyalty with high fluctuation and no intrinsic motivation at employee level	Moderate loyalty with some fluctuation and majority extrinsic employees motivation mechanisms	High loyalty and low fluctuation level with a healthy mix of intrinsic and extrinsic employees motivation mechanisms
<b>Governance and Compliance</b>	Anti-compliance issues recorded	Code of Conduct development / efforts to minimize anticompliance issues	Implemented value management system; no anticompliance issues
<b>Advocacy for Sustainable Development</b> <i>(Policy work for sustainable development and world challenges)</i>	No activities	Awareness and slight involvement	Heavy involvement
<b>CULTURAL LIFE</b>			
<b>Training &amp; Education</b> <i>(was before Company's cultural development strategy)</i>	No training plan; no development in the educational branch of the SDF	Single issue training initiatives with plans for some employees; moderate development in education	Target driven training plans for all employees; good provision of education to the community
<b>Research and Development</b> <i>(was before Scientific research engagement)</i>	No research activities	Single issue research activities	Comprehensive and long-term research goals and implementation
<b>Employee Self-fulfillment and Vitality</b> <i>(is completely new; "Health" was merged in SOCIETAL LIFE)</i>	No assessment	Single activities to enable employees for self-fulfillment	Comprehensive program with measurable success

Performance Aspect	No Action / Negative Impact	Initiatives for Positive Impact (below: min. requirements)	Comprehensive Positive Impact
<b>Values and Spirituality</b> <i>(was before "Religious and Spiritual Activities")</i>	No tolerance of religious activities	Tolerating religious practices	Spiritual work; religion supported in the employee's work environment
<b>ECOLOGY</b>			
<b>SOIL</b>	<b>Soil Quality</b> <i>(includes "Impact on soil quality and fertility")</i>	No assessment of criteria for soil or compost quality; heavy depletion of soils	Testing single criteria for soil and compost quality; No impact on soil quality
	<b>Soil Use</b> <i>(before: "Environmental compatibility" and "Impact on non-renewable mineral resources")</i>	Heavy use of non-organic pesticides and fertilizers; significant spills	Single issue risk assessment; single use of non-organic pesticides and fertilizers
	<b>Seeds</b>	Use of genetically modified (GMO) and/or treated seeds	Commitment not to use GMO and treated seeds
<b>PLANT</b>	<b>Biodiversity</b>	Negative impact / no assessment on plant biodiversity	Single actions for assessment, no visible positive impact
	<b>Animal Husbandry</b> <i>(before: "Species-appropriate treatment")</i>	Inappropriate treatment	Improvement initiatives for appropriate treatment
<b>ANIMALS</b>	<b>Natural Habitats</b> <i>(before: "Impact on animal diversity and habitats")</i>	Negative impact / no assessment	Single actions for assessment, no visible positive impact
	<b>Energy Use</b> <i>(includes "Energy saving")</i>	No assessment; no initiatives to save energy	First pilot assessments, single issue projects
<b>ENERGY</b>	<b>Energy Sources</b> <i>(before: "Proportion of clean(er) / renewable resource usage i. t. energy mix")</i>	No action	First single initiatives to implement carbon reduction; monitoring of energy efficiency in operations and usage of some renewable energy sources
	<b>Emission Reduction</b> <i>(includes "Emission offsetting" and partly "Eco-effective Packaging and Transportation")</i>	No action	First single issue initiatives
<b>AIR</b>			Comprehensive reduction goals, complete carbon footprint of the company at all scope levels
<b>WATER</b>	<b>Water Use</b> <i>(includes "Reduction of Water Usage and Improvement of Water Life Cycle")</i>	No assessment / action	First single issue initiatives
	<b>Water Sources</b> <i>(before: "Sustaining of Water Sources")</i>	No assessment and action / potential depletion	First single source analysis and action

## GRI Indicator Overview

The Report on Sustainable Development 2012 of the SEKEM Group of Companies is guided by the internationally recognized G3 Guidelines of the Global Reporting Initiative (GRI).

These guidelines require the disclosure of information on management approach, strategy and goals with respect to sustainability, as well as of numerous performance indicators in the categories of Economy, Product Responsibility, Labor Practices, Environment, Society and Human Rights. Applying these guidelines boosts

transparency and renders the Group's sustainability performance comparable with that of other companies. Further information can be found on the website at [www.globalreporting.org](http://www.globalreporting.org).

With regard to the application of GRI's G3 guidelines the Report on Sustainable Development 2012 of the SEKEM Group of Companies attains Level B.

PROFILE	COMMENT	STATUS	REF.
<b>I. Strategy and Analysis</b>			
1.1	CEO Statement	■ ■	2
1.2	Description of key impacts, risks and opportunities	■ ■	11, 21, 29, 39
<b>II. Organisational Profile</b>			
2.1	Name	■ ■	96
2.2	Primary brands, products and services	■ ■	14
2.3	Operational structure	■ ■	63
2.4	Headquarters	■ ■	FC
2.5	Countries where the organisation operates	■ ■	FC
2.6	Nature of ownership and legal form	■ ■	24, 63
2.7	Markets served	■ ■	FC
2.8	Scale of the organisation	■ ■	18-19, 56, 64
2.9	Significant changes during the reporting period regarding size, structure or ownership	■ ■	2, 63
2.10	Awards	■ ■	62
<b>III. Report Parameters</b>			
3.1	Reporting period	January-December 2011	■ ■
3.2	Date of most recent previous report	August 31st, 2011	■ ■
3.3	Reporting cycle	Yearly	■ ■
3.4	Contact point for questions regarding the report		■ ■
3.5	Process for defining report content	acc. to Sustainability Flower framework	■ ■
3.6	Scope of the report		■ ■
3.7	Specific limitations on the scope or boundary of the report		■ ■
3.8	Basis for reporting on enterprise entities with significant affect on comparability		■ ■
3.9	Data measurement techniques and bases of calculations		■ ■
3.10	Explanation of the effect of any re-statements of information		■ ■
3.11	Significant changes from previous reporting periods		■ ■
3.12	GRI content index		■ ■
3.13	External assurance for the report	Audit only of Financial Statement	■ ■

### Legend

■ ■ : Fully reported  
 ■ □ : Partially reported  
 □ □ : Not reported

FC: Fold-out Cover  
 BC: Back Cover  
 REF: Reference to site number

Black: Core Indicator  
 Grey: Added Indicator

PROFILE	COMMENT	STATUS	REF.
<b>II. Corporate Governance, Commitments and Engagement</b>			
4.1	Governance structure	■ ■	25, 66 - 67
4.2	Indicate whether the Chairman of the Supervisory Board is also an executive officer	■ ■	25
4.3	Number of independent members of the highest governance body	■ ■	25
4.4	Mechanisms for shareholders and employees to provide recommendations	■ ■	68 - 69
4.5	Linkage between compensation for members of the highest governance body	No general linkage, only in case of distributing dividends by the company	■ ■
4.6	Ensure conflicts of interest are avoided	■ ■	24
4.7	Qualifications and experience of members of the highest governance body	■ ■	64
4.8	Internal mission or value statements, codes of conduct and principles	■ ■	8, 24
4.9	Procedures of the highest governance body for overseeing the organization's sustainability performance	■ ■	FC, 25
4.10	Evaluating the highest governance body's own sustainability performance	No general process in place	■ ■
4.11	Whether and how the precautionary approach or principle is addressed by the organization	■ ■	11
4.12	Externally developed sustainability charters, principles or other initiatives	■ ■	28, 62
4.13	Memberships in associations and advocacy organizations	■ ■	62
4.14	List of stakeholder groups engaged	■ ■	68-69
4.15	Basis for identification and selection of stakeholders	■ ■	68-69
4.16	Approaches to stakeholder engagement	■ ■	68-69
4.17	Topics and concerns raised through stakeholder dialogue	■ ■	68-69

## Management Approach and Performance Indicators

EC: Economic Performance Indicators			
Management Approach		■ ■	11, 14-17
EC1	Direct economic value generated and distributed	■ ■	20, 56-59
EC2	Financial implications for the organization's activities due to climate change	■ ■	39
EC3	Organization's defined benefit plan obligations	■ ■	20
EC4	Significant financial assistance received from government	■ ■	59
EC5	Local minimum wage	■ ■	20
EC6	Locally-based suppliers	■ ■	17, 54
EC7	Locally-based employees	■ ■	26, 64
EC8	Infrastructure investments and services provided primarily for public benefit	■ ■	20, 32, 70-71
EC9	Indirect economic impacts	■ ■	11, 21, 29, 39

### Legend

■ ■ : Fully reported  
 ■ □ : Partially reported  
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FC: Fold-out Cover  
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 REF: Reference to site number

Black: Core Indicator  
 Grey: Added Indicator

## GRI Indicator Overview, Part 2

PERFORMANCE INDICATOR	COMMENT	STATUS	REF.
<b>EN: Environmental Performance Indicators</b>			
<b>Management Approach</b>			
EN 1	Materials used	■ ■	15, 39-45
EN2	Materials used that are recycled input materials	■ □	56
EN3	Direct energy consumption	■ ■	77
EN4	Indirect energy consumption	■ ■	77
EN5	Energy saved and energy efficiency	■ ■	40-41, 44, 77
EN6	Energy-efficient or renewable energy-based products and services	■ □	14, 44, 77
EN7	Initiatives to reduce indirect energy consumption	■ ■	40-41, 77
EN8	Total water withdrawal	■ ■	78
EN9	Water sources significantly affected by withdrawal of water	■ ■	78
EN10	Percentage and total volume of water recycled and reused	■ ■	78
EN 11	Land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value	SEKEM is not situated in or next to protected areas and areas of high biodiversity	■ ■ 77
EN12	Impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity	Not relevant (see EN 11)	■ ■
EN13	Habitats protected or restored	Not relevant (see EN 11)	■ ■
EN14	Strategy, aims and measures for managing impacts on biodiversity	Not relevant (see EN 11)	■ ■
EN15	Endangered species in areas affected by operations	Not relevant (see EN 11), no species at risk	■ ■
EN16	Direct and indirect greenhouse gas emissions	■ ■	44, 79-80
EN17	Other relevant indirect greenhouse gas emissions	■ ■	44, 79-80
EN18	Initiatives to reduce greenhouse gas emissions	■ □	44
EN19	Emissions of ozone-depleting substances	Not relevant as no ozone-depleting substances are released	■ ■
EN20	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions	Not relevant as no NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions are released	■ ■
EN 21	Total water discharge	■ ■	45, 76
EN 22	Waste by type and disposal method	■ ■	15, 53, 56
EN 23	Significant spills	No significant spills	■ ■
EN 24	Waste deemed hazardous transported	■ ■	15, 56
EN 25	Water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	No significantly affected water bodies and habitats through water and runoff	■ ■
EN 26	Mitigate environmental impacts of products and services	■ ■	14-15
EN 27	Percentage of products sold and their packaging materials that are reclaimed	■ □	15
EN 28	Significant fines and sanctions for noncompliance with environmental laws and regulations	No fines	■ ■
EN 29	Environmental impacts of transport activities	■ □	79-80
EN 30	Total environmental protection expenditures	□ □	

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PERFORMANCE INDICATOR	COMMENT	STATUS	REF.
<b>LA: Labor Practices and Decent Work Performance Indicators</b>			
<b>Management Approach</b>			
LA1	Total workforce	■ ■	26-27, 35
LA2	Total number and rate of employee turnover	■ ■	65
LA3	Benefits provided to full-time employees only	■ ■	20, 61
LA4	Percentage of employees covered by collective bargaining agreements	■ □	24, 26, 68
LA5	Minimum notice period(s) regarding operational changes	■ □	26, 68
LA6	Percentage of total workforce represented in management-worker health and safety committees	■ □	28
LA7	Injuries, occupational diseases, lost days and absenteeism	■ ■	60, 67
LA8	Health care and consulting	■ ■	27
LA9	Health and safety agreements with trade unions	No agreements existing	□ □
LA10	Average hours of training per year per employee	■ ■	70, 72
LA11	Programmes for skills management and lifelong learning	■ ■	35, 38
LA12	Percentage of employees receiving regular performance and career development reviews	■ ■	35
LA13	Diversity in the workforce and governance bodies	■ ■	61, 64
LA14	Ratio of basic salary of men to women	■ ■	26, 64

**HR: Human Rights Performance Indicator**

<b>Management Approach</b>			
HR1	Investment agreements that include human rights clauses	■ □	24, 26, 34
HR2	Suppliers and contractors that have undergone screening on human rights	■ ■	17, 54
HR3	Employee training on aspects of human rights	■ ■	24, 61
HR4	Total number of incidents of discrimination and actions taken	No incidents	■ ■ 26
HR5	Right to exercise freedom of association and collective bargaining may be at risk	No operations identified	■ ■ 27
HR6	Child labor	■ ■	17, 24-25, 34
HR7	Compulsory labor	■ ■	17, 24-25, 34
HR8	Security personnel trained in aspects of human rights	■ □	24
HR9	Incidents of violations of the rights of indigenous people	No incidents	■ ■

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### GRI Indicator Overview, Part 3

PERFORMANCE INDICATOR	COMMENT	STATUS	REF.
<b>SO: Society Performance Indicators</b>			
<b>Management Approach</b>			
SO1	Programmes and practices that assess and manage the impacts of operations on communities	No comprehensive impact assessment of operation in the community	17
SO2	Business units analysed for risks related to corruption	No risk analysis	25
SO3	Employees trained in anti-corruption policies/procedures		24, 61
SO4	Actions taken in response to incidents of corruption		2
SO5	Participation in public policy development and lobbying		28, 62
SO6	Contributions to political parties and politicians	No contributions	
SO7	Number of legal actions for anticompetitive behaviour	No relevance for a niche market company, no actions taken	
SO8	Fines and sanctions for noncompliance with laws and regulations	No fines	2

<b>PR: Product Responsibility Performance Indicators</b>			
<b>Management Approach</b>			
PR1	Life cycle stages in which health and safety impacts of products are assessed		17, 52
PR2	Incidents of non-compliance with regulations concerning health and safety impacts of products and services	No incidents	
PR3	Product and service information required by procedures		14-16
PR4	Incidents of non-compliance with regulations concerning product and service information	No incidents	
PR5	Practices related to customer satisfaction		16, 53
PR6	Responsible advertising	Only engagement in general advertisement	
PR7	Incidents of non-compliance with regulations and voluntary codes concerning advertising	No incidents	
PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	No collection of customer data	
PR9	Fines for noncompliance with laws and regulations concerning the provision and use of products	No fines had to be paid	

**Legend**

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### UN Global Compact: Communication on Progress 2012

SEKEM joined the Global Compact initiative of the United Nations (UN) in 2003. The company is committed to the ten principles of the UN Global Compact concerning human rights, labor standards, environmental protection as well as anti-corruption and their implementation in all business processes.



Since its foundation in 2000, the UN Global Compact has been and continues to be an international leadership network for business, government, labor and civil society through a common goal: to realize the implementation of the ten UN Global Compact principles in day-to-day business and to enforce broader UN goals, including the Millennium Development Goals.

The UN Global Compact principles are based on:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development

The Report on Sustainable Development 2012 forms the newest Communication on Progress (CoP) that gives detailed insights into how the UN Global Compact principles are implemented at SEKEM. The table below refers to the relevant pages in this report.

UN Global Compact principles	Relevant content	Page
<b>HUMAN RIGHTS</b>		
Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights	• International human rights adherence along our value chain including risk and impact assessments	17, 24
Principle 2 – Businesses should make sure they are not complicit in human rights abuses	• Code of Conduct of SEKEM; refers to international conventions and other international instruments (e.g. the Universal Declaration of Human Rights (UDHR))	24, 25
	• Employee Health and Safety	27, 66
	• Inclusion of minimum human rights standards in contracts with suppliers and other relevant business partners	24
	• Process for dealing with incidents	24
<b>LABOUR</b>		
Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	• Support employee community organization	24, 27
	• Reflection on the relevance of the labor principles for the company	21-23, 26
Principle 4 – Businesses should uphold the elimination of all forms of forced and compulsory labour	• International human rights adherence along our value chain	24
	• Impact on the community	11, 21, 29, 39
Principle 5 – Businesses should uphold the effective abolition of child labour	• Performance related to adherence of the International Labor Organization Standards	60ff
Principle 6 – Businesses should uphold the elimination of discrimination in respect of employment and occupation	• Performance related to work force diversity and equal treatment	26, 61
	• Salary for decent living and benefits	20, 54
	• Hiring procedure that secures equal rights	26
	• Rate of employee turnover	65
<b>ENVIRONMENT</b>		
Principle 7 – Businesses should support a precautionary approach to environmental challenges	• Biodynamic agriculture, environmental stewardship and biodiversity	39ff
	• Environmental risk and impact assessments	39, 76ff
Principle 8 – Businesses should undertake initiatives to promote greater environmental responsibility	• Product and customer responsibility	14-15
	• Saving of natural resources	42ff
	• Partner- and Membership in initiatives for environment protection	16, 62
Principle 9 – Businesses should encourage the development and diffusion of environmentally-friendly technologies	• Audits/screenings for compliance in the value chain	17
<b>ANTI-CORRUPTION</b>		
Principle 10 – Businesses should work against corruption in all its forms, including extortion and bribery	• Code of Conduct of SEKEM; refers to Anti-Corruption and Anti-Bribery	24, 25
	• Risk and impact assessments in the area of anti-corruption	25

## Independent Auditor's Report



### TO THE SHAREHOLDERS OF SEKEM HOLDING FOR INVESTMENT COMPANY - S.A.E.

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sekem Holding for Investment Company - S.A.E., which comprise the consolidated balance sheet as of 31 December 2012, and the consolidated statements of income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of the Company's Management as Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Egyptian Accounting Standards and in the light of relevant Egyptian laws and regulations. The Management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit; we conducted our audit in accordance with Egyptian Standards on Auditing and in the light of relevant Egyptian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Basis of Qualified Opinion

As mentioned in Note (19) to the consolidated financial statements, the group accounted for the sale and lease back arrangements in accordance with the International Accounting Standard No. 17 Leases, instead of the Egyptian Accounting Standard No. 20 "Accounting for Finance Leases". This resulted in an increase in profits for the current year before tax and retained earnings by an amount of L.E. 6,649,465 (2011: L.E. 4,863,300) and L.E. 14,590,093 (2011: L.E. 7,940,628) respectively.

#### Qualified Opinion

In our opinion, except for the effect of the matter referred to in the preceding paragraph on the consolidated financial statements, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sekem Holding for Investment Company - S.A.E. as of 31 December 2012, and its consolidated financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and in the light of relevant Egyptian laws and regulations.

#### Emphasis of Matter

Without qualifying our opinion, we draw attention to the three subsidiaries of the Group namely "Lotus Upper Egypt for Organic Products Co., Organic and More Co., and Predators Co." had accumulated losses exceeded 50% of their issued capital resulting in a deficiency of assets which indicates that these subsidiaries may not be able to meet their liabilities as they fall due. However, the financial statements have been prepared under the going concern concept as the parent company agreed to provide adequate financial support to the three subsidiaries to meet its liabilities as they fall due.

According to Article No. 69 of the Companies Law No. 159 of 1981, an Extraordinary General Assembly Meeting will be held to decide on the continuity of the subsidiary companies operations.

Taha M. Khaled  
Fellow of ICAEW  
Fellow of ESAA  
RAA No. 5136  
EFSA No. 28

Cairo, 16th of June, 2013

## Glossary

### AA1000

The AA1000 Framework is a standard for measuring and reporting of ethical behaviour in business. It includes the principles of accountability, transparency, materiality, stakeholder engagement and reporting.

### Biodynamic agriculture

Biodynamic agriculture is a method of organic farming that treats farms as unified and individual organisms, with emphasis on balancing the holistic development and interrelationship of the soil, plants, animals as a closed, self-nourishing system.

### Carbon Footprint

The total amount of greenhouse gases produced to directly and indirectly support human activities, usually expressed in equivalent tonnes of carbon dioxide (CO<sub>2</sub>e).

### CO<sub>2</sub> equivalent emissions (CO<sub>2</sub>e)

Carbon dioxide equivalents provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.

### Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide.

### Low-carbon economy

A low-carbon economy is a concept that refers to an economy that has a minimal output of greenhouse gas emissions (e.g. carbon dioxide) into the biosphere.

### Stakeholder

A stakeholder is a person, a group, organization, or system who affects or can be affected by an organization's actions.

### Sustainability Flower

The Sustainability Flower is a framework for a holistic perspective on sustainability performance and communication for food and agriculture-related companies. Its design is based on the GRI principles and was developed in cooperation with the IAP companies.

### Threefold order

The threefold order is a sociological theory developed by Rudolf Steiner. It distinguishes between three realms of society: the economy, politics & human rights and cultural institutions. According to Steiner the three can only function together in harmony if each is granted sufficient independence.

### “True cost” prices

True cost pricing attempts to include negative externalities (e.g. environmental, economic and social costs) of products and services into the price for the consumer and thereby arrive at the “true costs”.

### Turnover (Employment)

Employment turnover is the rate at which an employer gains and loses employees.

### UN Global Compact

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business, as a primary agent driving globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies.

## Abbreviations

BOD	Board of Directors
CEO	Chief Executive Officer
CO <sub>2</sub>	Carbon dioxide
CPO	Cotton People Organic
CSE	Cooperative of SEKEM Employees
DEG	Deutsche Entwicklungsgesellschaft
EBDA	The Egyptian Biodynamic Association
EGP	Egyptian Pound
ENCC	Egyptian National Competitiveness Council
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDA	Famers Development Association
Feddan	1 feddan = 0.42 hectare
FLO	Fairtrade Labeling Organization
GDP	Gross Domestic Product
GMP	Good Manufacturing Practice
GRI	Global Reporting Initiative
HQ	Headquarters
HR	Human Relations
IAP	International Association for Partnership
ISO	International Organization for Standardization
IT	Information Technology
kg	Kilogram
kWh	Kilowatt hour
L.E.	Livre égyptienne (Egyptian Pound)
mio	Million
NGO	Non-Governmental Organization
OHSAS	Occupational Health & Safety Standards
PR	Public Relations
R & D	Research & Development
SDF	SEKEM Development Foundation
SDSC	Sustainable Development Balanced Score Card
SESC	SEKEM Environmental Science Center
TUEV	Technischer Überwachungsverein / Technical Inspection Association
UNIDO	United Nations Industrial Development Organization
UNEP	United Nations Environment Programme
WEF	World Economic Forum
WFC	World Future Council

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