



REPORT ON
SUSTAINABLE DEVELOPMENT
2010

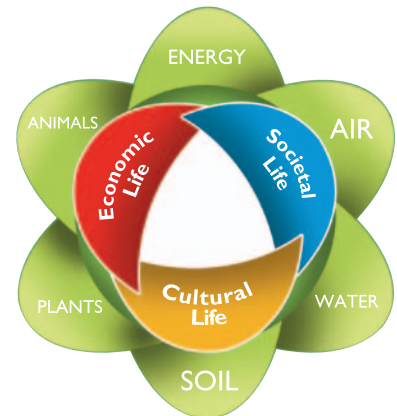
The Concept of the Sustainability Flower

What is the Sustainability Flower?

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

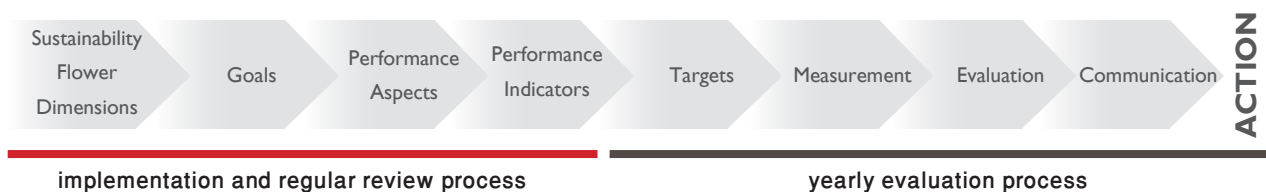
Each dimension has several Performance Aspects which themselves have different Performance Indicators (based on the GRI G3 of the Global Reporting Initiative) with specific targets.

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. Currently, we are adapting the Sustainability Flower framework according to our learnings, so that also other companies can make better use of the tool. From next year on we are going to report correspondingly.



Why does SEKEM use the Sustainability Flower?

- As an information source for all stakeholders of SEKEM (clients, employees, customers, investors, business partners, media etc.), the Sustainability Flower helps 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.
- As a strategic management tool for collecting data on SEKEM's economic, social, cultural and ecological performance, the SF helps aligning the organization to its vision, mission and policies. Most importantly, it supports management in setting targets, measuring progress, and identifying room for improvement. The performance of SEKEM is summarized in the Sustainable Development Scorecard (SDC, see page 7). The evaluation of the reached levels follows the methodology described on page 84ff.
- The contribution of the individual SEKEM companies to the overall sustainable development of the SEKEM Holding becomes more clear and transparent after applying the Sustainable Development Scorecard also on company level (see page 64ff).



Profile of SEKEM's Report on Sustainable Development 2010

The reporting period of the Report on Sustainable Development 2010 embraces January to December 2010 and thus continues the Sustainable Development story of the 2009 report that had been published July 2010. SEKEM uses the report for communicating on all four dimensions of the Sustainability Flower including the financial statement.

If not other stated, the scope includes all SEKEM companies as of page 14-15 excluding SEKEM Europe. The data basis for this report is mainly deduced from certified management and quality management systems. We have 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. The main difference to the data basis of last year is the inclusion of SEKEM for Land Reclamation and LOTUS Upper Egypt.

A detailed index of the information requested by the GRI G3 and the Communication on Progress (CoP) of the UN Global Compact is provided at page 90 to 95.

Table of Contents

I	The Concept of the Sustainability Flower
I	Report Profile

2	CEO Statement
3	The SEKEM Idea

APPROACH

4	Our Vision, Mission, Values
4	Timeline
5	Our Goals within the Sustainability Flower Framework
6	Corporate Sustainability Organization
7	The Sustainable Development Scorecard
8	Impact, Risks and Opportunities

ECONOMIC LIFE

9	Management Approach
10	Focus: Growth through Desert Reclamation
12	Status and Target Overview
14	The SEKEM Group of Companies
16	Supply Chain Management
17	Value Creation
19	Consolidated Financial Statement
20	Product and Customer Responsibility

SOCIETAL LIFE

23	Management Approach
24	Focus: Policy Work to Counter Food Insecurity
26	Status and Target Overview
27	Organizational Structure of the SEKEM Group of Companies
28	Organizational Governance and Compliance
30	Code of Conduct of SEKEM
30	Anti-Bribery and Anti-Corruption
30	Public Policy Engagement and Networks
31	Memberships and Awards
32	Stakeholder Approach
34	Employee Loyalty and Motivation
35	Fair Working Environment
38	Impact on the Community

CULTURAL LIFE

39	Management Approach
40	Focus: Building Capacity and Awareness
42	Status and Target Overview
43	The SEKEM Cultural Institutions
44	Children and Youth Education
46	Employee Training
51	Religious and Spiritual Activities
51	Health of the Employees and Broader Community
52	Scientific Research Engagement

ECOLOGY

53	Management Approach
54	Focus: Resource Efficiency of Biodynamic Agriculture
56	Soil
57	Plants
58	Animals
59	Energy
60	Air
61	Water

62	Chairman's Epilogue
64	Company profiles: ATOS, ISIS, LIBRA, LOTUS, LOTUS Upper Egypt, MIZAN, NATURETEX, SEKEM for Land Reclamation
80	Corporate Carbon Assessment 2010
82	Independent Auditor's Report
84	SEKEM's Advisory Board
85	Sustainable Development Scorecard Evaluation Methodology
88	GRI Indicator Overview
93	UN Global Compact: Communication on Progress
94	Glossary
95	Abbreviations
96	Imprint

CEO Statement

Dear Readers,

Through the Egyptian Revolution of January 25th 2011, the whole environment around SEKEM has changed. Although this will demand challenging adjustments on many different levels from our side, we are happy and excited about the coming time. SEKEM has dreamed of a better Egypt since the beginning. Now, Egyptians throughout the whole country are willing and full of enthusiasm to bring about change, longing for a better life and a promising future. Our goal will be to fill the current vacuum of disorientation, another effect of the sudden uprising, with a strong vision for sustainable development.

What makes us so confident facing these new developments is an extremely successful business year 2010 that clearly shows the pay-off of our constant efforts in the field of sustainable development. With this fourth Report on Sustainable Development, we would like to share with you our progress, as well as our challenges, in relation to each of the four dimensions of sustainable development: Economic Life, Societal Life and Cultural Life, embedded in our planet's Ecology. Given our experience in the field of sustainability reporting we focus much more on our weaknesses this year.



We perceive 2010 as an important milestone in our sustainable development reporting activities as the first three-year cycle of target setting has come to an end. We definitely learned how to improve our target setting process and will apply this in the upcoming period. We succeeded in matching our Sustainability Flower with the GRI standard as well as with the ten principles of the UN Global Compact. For the year 2011, we are planning to focus on further developing and revising our reporting in accordance with the Sustainability Flower. Also we want to explore further potential to align our reporting to the recently published ISO 26000 guidelines.

We have made big steps in 2010 in all of the four sustainability dimensions. Our economic performance has improved: sales reached the target and increased by 15.7% with a profit margin of 7.9%. Besides of that, we have developed our sustainability risk assessment and gap analysis on a company level, as well as monitoring and strict alignment to our sustainability strategy. Our cultural activities were highlighted by the first bachelor graduates in eurhythmy in the whole of Egypt. Moreover, we have 17 running R&D projects in various different topics such as phyto-pharmaceuticals, soil-born pathogens and the development of educational materials for Egyptian schools. We are additionally facing the challenge of enhancing a fully implemented one-year training plan for every single employee. Our societal and political involvement has focused on the empowerment of social workers in all companies, as well as continuous gender empowerment. As for our ecological impact, we are strictly adhering to the Demeter standard of cultivation and keeping animals. Furthermore, we succeeded in starting our own seed and seedling production and sales; these are extremely resistant to pests and the like and decrease the need for pesticides and chemical fertilizers in conventional agriculture. Although our ecological footprint is – compared to conventional agricultural cultivation and companies – relatively low, we are still aiming to decrease it further, mostly through assessment, monitoring and evaluation of our full impact in order to implement comprehensive long-term solutions that adhere to best-practice standards.

This is the beginning of a new era in Egypt; our country will change and we in SEKEM will do our very best to steer this change towards a more sustainable future and provide a living example for long-term competitiveness.

Cairo, 25th of March 2011
Helmy Abouleish
Managing Director of SEKEM Group

A handwritten signature in black ink, which appears to read 'Helmy Abouleish'. The signature is fluid and cursive, with a long horizontal line extending from the end.

The SEKEM Idea

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. 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 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 foundation is currently engaged in establishing the Heliopolis University for sustainable development. SEKEM's approach of sustainable development unites social, cultural and economic components interacting in harmony with nature.

Cultural Life

- The SEKEM Development Foundation (SDF) operates a broad range of educational institutions, provides health services and supports the cultural and artistic development of SEKEM employees and members of the surrounding communities
- To spread knowledge about biodynamic agriculture, SEKEM established the Egyptian Biodynamic Association (EBDA)
- SEKEM established the Heliopolis Academy for Sustainable Development to foster research & development

Societal Life

- SEKEM engages with all its stakeholders in a holistic and transparent way
- In 2010, the SEKEM Companies and Foundation employed 1,856 and 271 people respectively
- SEKEM actively endorses the UN Global Compact principles and promotes human rights together with the Cooperative of SEKEM Employees (CSE)
- SEKEM was awarded by UniFem to provide all its female employees with equal opportunities
- SEKEM is at the forefront of national and international initiatives for sustainable development

Economic Life

- The core businesses of the SEKEM Group are land reclamation, organic farming, food, phyto-pharmaceutical and textile production
- The SEKEM companies include the largest producer of organic tea and the leading producer of organic herbs in the Middle East
- The SEKEM companies are compliant with 14 international standards and certificates (Demeter, Fairtrade, ISO, etc.)
- The SEKEM Group has implemented a comprehensive management system, integrating the four dimensions of sustainable development and annually reports on progress and achievements

Ecology

- SEKEM cultivates 1,628 feddan (ca. 684 ha) of farmland and its suppliers from the EBDA cultivate more than 7,200 feddan (ca. 3,000 ha)
- Roughly 30 percent of raw materials used in processing come from SEKEM firms
- SEKEM constantly monitors and improves the efficiency of water usage and energy consumption
- One of the major priorities of SEKEM is caring about the fertility of soil and the biodiversity of plants and the related ecosystem
- Animal husbandry at SEKEM includes cattle, sheep, chicken, bees and pigeons, all living according to Demeter standards



Approach to Sustainable Development

SEKEM was founded with the idea of sustainable development and giving back to the community. 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, our vision, mission and values guide us in the everyday work in all SEKEM companies. The Code of Conduct of SEKEM builds the ruling framework (see page 30).

Our Vision

Sustainable development towards a future where every human being can unfold his or her individual potential; where mankind 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 21st century.

...we support individual development through holistic education and medical care.

...we create workplaces reflecting human dignity and supporting employee development.

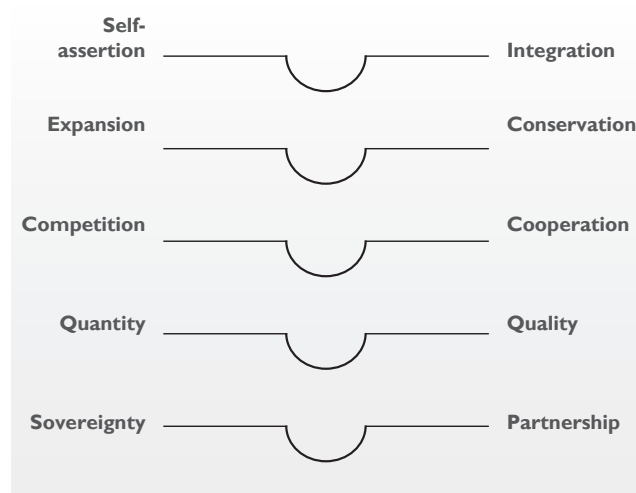
...we build successful business models in accordance with ecological and ethical principles.

...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:



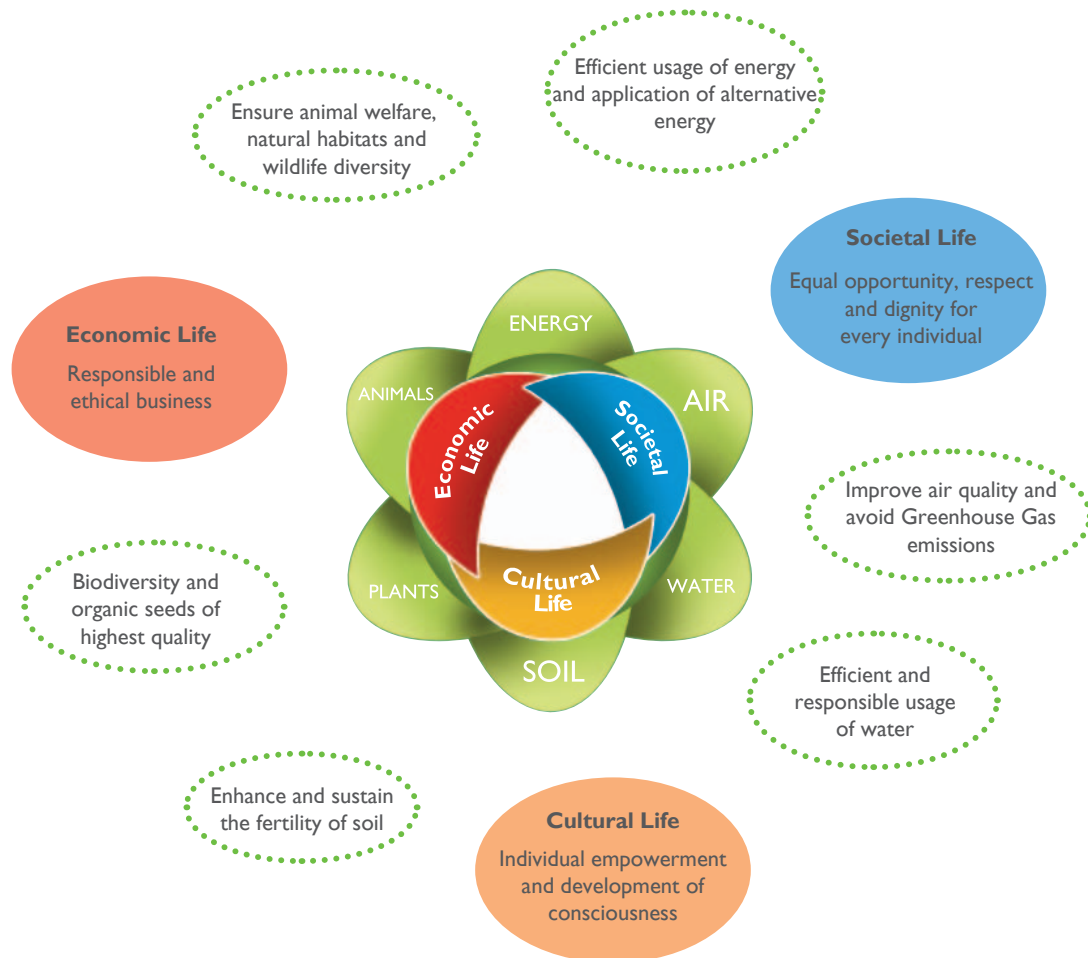
Timeline

- 1977 Dr. Ibrahim Abouleish establishes SEKEM (on an area of 70 hectares of desert sand)
- 1981 First shipment of medicinal herbs and food ingredients to the U.S.A.
- 1983 Establishment of ISIS and SEKEM HERBS
- 1983 ASSOCIATION FOR CULTURAL DEVELOPMENT IN EGYPT
- 1984 Employee training in arts and science (under the umbrella of The EGYPTIAN SOCIETY FOR CULTURAL DEVELOPMENT (SCD))
- 1986 Establishment of ATOS PHARMA
- 1988 Establishment of LIBRA EGYPT
- 1989 Primary and secondary SEKEM school
- 1990 Export of organic fresh produce to Europe (LIBRA EGYPT); SEKEM encourages foundation of the CENTRE OF ORGANIC AGRICULTURE IN EGYPT (COAE), an independent certification body
- 1993 Establishment of LIBRA for Organic Cultivation

Our Goals within the Sustainability Flower framework

The Sustainability Flower (also see “The concept of the Sustainability Flower”) 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.



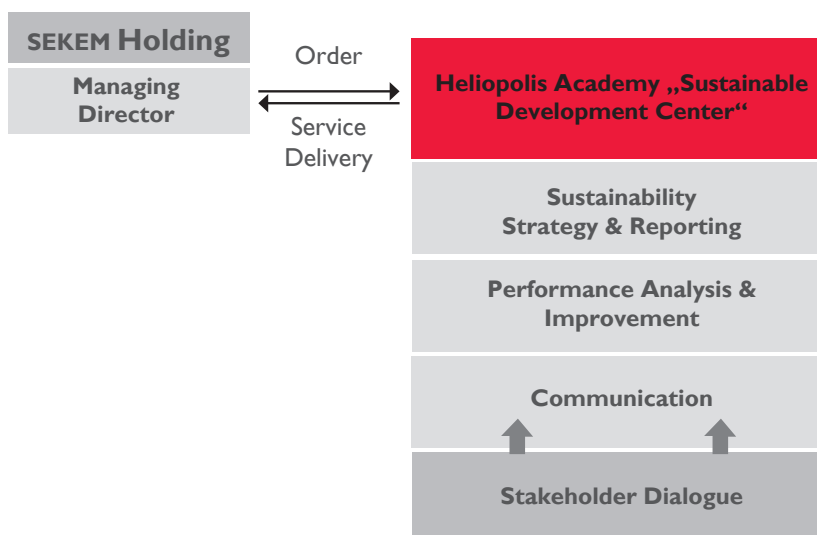
- 1994 Establishment of CONYTEX (later NATURETEX); foundation of EGYPTIAN BIODYNAMIC ASSOCIATION (EBDA)
- 1996 Establishment of HATOR; opening of Nature's Best Shops in Cairo, SCD opened the SEKEM Medical Centre, the INTERNATIONAL ASSOCIATION OF PARTNERSHIP (IAP) was established by SEKEM and many of its business partners.
- 1997 ISO 9001 certification for SEKEM, ATOS PHARMA, CONYTEX and HATOR; SCD opens SEKEM VOCATIONAL TRAINING CENTRE (VTC) and ART SCHOOL; Literacy Program for disadvantaged children
- 2000 Foundation of SEKEM ACADEMY FOR APPLIED ARTS AND SCIENCE (medicine, pharmacy, agriculture and arts, later HELIOPOLIS ACADEMY) and COOPERATIVE OF SEKEM EMPLOYEES (CSE)
- 2001 Establishment of SEKEM Holding
- 2003 SEKEM and Dr. Ibrahim Abouleish received the Right Livelihood Award; SEKEM Academy introduces Eurhythmy training at the workplace

Corporate Sustainability Organization

The Sustainable Development Center (SDC, former Sustainable Entrepreneurship Center (SEC)) supports the internal sustainability management of the SEKEM Group. 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 which together with the relevant departments measures the performance of SEKEM and its companies and translates the results into the Performance Evaluation Framework for Sustainable Development. 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.

Organizational Structure



- 2004 Dr. Ibrahim Abouleish was selected as an «Outstanding Social Entrepreneur» by the Schwab Foundation; Starting point of higher education activities with participation in EU project "DOPSE-TEMPUS"
- 2005 Establishment of LOTUS and SEKEM Europe
- 2006 Establishment of MIZAN
- 2007 Establishment of LOTUS Upper Egypt and of the Water Research Department at SEKEM ACADEMY; LOTUS cooperates with Soil & More Egypt for producing compost from organic matter (later also in Alexandria)
- 2008 Establishment of SEKEM for land reclamation (North Sinai, Bahareya Oasis and Minia each with 2000 feddan [= 840 ha]); HELOPOLIS ACADEMY establishes Sustainable Entrepreneurship Center
- 2009 Heliopolis University for Sustainable Development receives its acknowledgement by the Presidential Decree No. 298; First "Heliopolis Academy Innovation Award"
- 2010 Foundation of the joint venture "PREDATORS" (for breeding insects for organic pest control)

The Sustainable Development Scorecard

The multidimensional framework shows the performance of SEKEM with regard to sustainable development. The logic of the Sustainable Development Scorecard follows traffic light colors – green stands for excellence, red for no action / negative impact and yellow means that awareness exists and actions have been taken, but there is room for improvement. The concrete explanation for the classification and some re-evaluations of last year's performance are presented in the Annex.

In comparison to last year's performance, improvements were made in the aspects of economic development and growth. Challenges occurred in the aspects of R&D and innovation as well as employee training. In all of these areas improvements in the implementation of a comprehensive strategy are needed. The section Ecology still represents many challenges that are all depending on a comprehensive measurement that is still missing in some areas.

		2008	2009	2010
ECONOMIC LIFE	• Sustainability strategy performance management.....			
	• Economic development and growth.....			
	• Innovation.....			
	• Supply chain management.....			
	• Eco-friendly products.....			
	• Socio-friendly products.....			
	• Customer responsibility.....			
	• Eco-effective packaging and transportation.....			
	• Sustainable waste management.....			
SOCIETAL LIFE	• Corporate governance and compliance.....			
	• Human Rights adherence and impact over the company's value chain			
	• Work force and the company's impact on labor conditions and health & safety.....			
	• Work force diversity and equal treatment.....			
	• Employee loyalty and motivation.....			
	• Support employee community organization.....			
	• Policy work for sustainable development and world challenges.....			
CULTURAL LIFE	• Company's cultural development strategy.....			
	• Employee training and awareness building in different spheres of education.....			
	• Scientific research engagement.....			
	• Health of the employees and broader community.....			
	• Religious and spiritual activities.....			
ECOLOGY	• Soil quality.....			
	• Impact on soil quality and fertility.....			
	• Environmental compatibility.....			
	• Impact on non-renewable mineral resources.....			
	• Seed development.....			
	• Biodiversity.....			
	• Species-appropriate treatment.....			
	• Impact on animal diversity and habitats.....			
	• Energy usage.....			
	• Energy saving.....			
	• Proportion of clean(er) / renewable resource usage in the energy mix.....			
	• Emissions.....			
	• Reduction of imperiling emissions.....			
	• Emission offsetting.....			
	• Water usage.....			
	• Reduction of water usage and improvement of water life cycle.....			
	• Sustaining of water sources.....			
		20	27	26
		18	11	12
		0	0	0

Impact, Risks and Opportunities

ECONOMIC LIFE

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 Demeter 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 direct control by each company and support of the EBDA (our pool of suppliers) that helps its members to assure compliance. We expect the global demand for organic products to increase, especially in Egypt due to a general increase of health awareness and a growing customer base. To satisfy that demand, we extended our farm lands by three further sites, where we started to reclaim over 6000 feddan (=2,630 ha) of desert land. The responsible and efficient use of water and energy is not only in our interest because of reduced costs, the reduced negative impact on the environment is rather the basis for our competitive advantage.

SOCIETAL LIFE

Cherishing human relations is essential for all of our activities and part of SEKEM's vision for sustainable development and our Code of Conduct. Therefore, the adherence to the principles of human rights is substantial to our business and thus governs all our operations. To apply transparency and enforcement of human rights throughout our value chain is challenging but a very important task. 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 aimed towards sustainable development. We see it as our duty and opportunity to get involved in this momentum on national and international levels.

CULTURAL LIFE

SEKEM is exposed to a multitude of different cultural and religious influences and therefore supports cultural and spiritual diversity. With our artistic activities we stimulate human development of people and the consciousness of people as being integrated into the community and the nature. A free and educated mind is aware of its responsibilities and understands the concept of sustainable development, which is essential for SEKEM. We want to have a culture of learning that leads to innovation, the main driver for growth and development both for us and for Egypt. We focus on a multitude of 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.

ECOLOGY

Based on a biodynamic approach of cultivation we constantly monitor our impact on soil, 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 effects harvest patterns due to gradual shifts in heat and cold periods. This can lead to higher cost 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 CO₂ emissions and water consumption in the long run 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.

ECONOMIC LIFE

Modern societies worldwide are characterized mainly by the division of labor in economic activity. Through cooperation, values are created and exchanged as products and services. In this exchange, it is essential that those creating these values are rewarded for their effort with a fair income enabling them to achieve and to improve such results also in the future. Therefore, the establishment of a worldwide cooperative network of value creation, accumulating values for fair interchange relations, is fundamental for sustainable development of the economy.


Management Approach

All SEKEM companies conduct their businesses in a responsible and ethical way.

We aim for the highest product quality based exclusively on organic raw materials. We always take a long-term perspective towards our development and give a high priority to the preservation of nature for future generations. Our strong goals can only be achieved by building long-lasting partnerships throughout our supply chain. That's why we are committed to supporting our suppliers in satisfying our qualitative, social and environmental requirements so that they may therefore receive their appropriate share in the value creation.

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 quality

control and of all qualitatively relevant processes, as well as the enhancement of customer satisfaction. More on the product level, we comply with a range of standards like Fairtrade, International Demeter Standards and Global Gap. Our currency is not reduced to financial figures. We measure success throughout all dimensions of the Sustainability Flower. This extensive performance evaluation framework with all the Performance Aspects and related monitoring of key performance indicators is our way to address the precautionary approach (Article 15 of the Rio Principles) and is part of our risk 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 the companies.



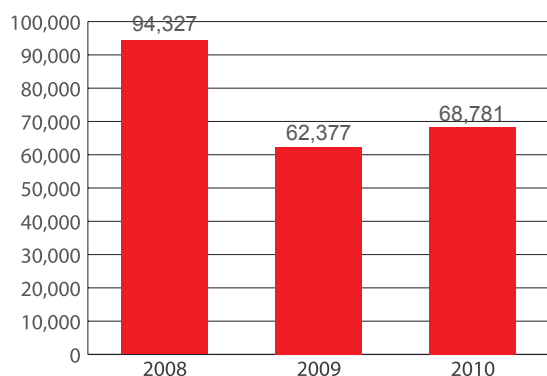
How can we make our value chain sustainable?
How can we be economically self-sufficient and competitive?
How can we design sustainable products and services?
How can we grow without necessarily increasing resource consumption and pollution?

Growth through Desert Reclamation

The acquisition of new desert lands in Sinai, Bahareya and Minya were important elements of our long-term strategy. It goes hand in hand with our rationale to focus on our own growth through supply security and further improved quality. That is why the overall investments over the last three years exceeded 200 mio EGP. About 100 mio EGP were invested in acquiring the estates for the new farms, which means into SEKEM for Land Reclamation.

By the end of 2010, SEKEM has cultivated in total 1,628 feddan (684 hectares) of fertile soils of which 86% belongs to new farmland. The most essential investments in 2010 went into new land and the further reclamation of desert land.

Overall Investments of SEKEM, EGP ('000)



Note: In addition to the scope of the report the investment figures also include the SEKEM laboratories that are mainly relevant for the management of land.

SEKEM's long-term success is only viable through the constant pursuance and integration of sustainable development in all its activities and initiatives. Biodynamic agriculture is the basis of SEKEM's approach to sustainable development.

Without sustainable agriculture, common agricultural practice in the world will deprive nature from its natural resources, consume all its nutrients and will leave exhausted land behind. Indirect consequences are intensified climate change, increased poverty and thereby increased food insecurity. Biodynamic agriculture however builds up solid matter in soils and closes the nutrient cycle to counter leaching, erosion and soil degradation. Consequently, soil can be cultivated endlessly which provides jobs and thereby incomes, counters climate change through



Farm in Minya.



Farm in Bahareya.



Sinai farm in January 2008

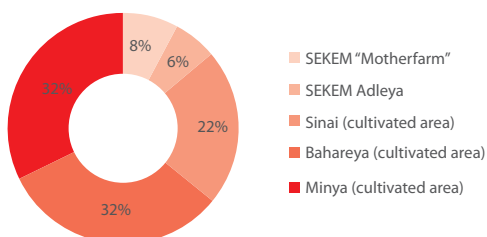
Sinai farm in June 2009

soil carbon sequestration, guarantees food supply and thereby food security and livelihoods. Biodynamic agriculture therefore guarantees the long-term existence of SEKEM and its surrounding communities. Agriculture however cannot be reduced solely to its economic basis. The term "culture" in agriculture is a very important element as it points to the human



aspect in agriculture, meaning the social fabric, values and the relation between humans and nature. Human development is very important for sustainable agriculture, particularly in the desert, as rural areas just began to develop. It is often neglected or overlooked that this essential part of sustainable agriculture also needs a lot of financial resources.

SEKEM cultivated area of agricultural land by farm



Mother farm and Adleya (263 feddan = 110.46 ha):

At the mother farm clover, verbascum, chamomile and wheat have been cultivated on the open field. There are also palm trees for dates.

In Adleya clover, tomatoes, eggplants, green beans, rye, kitchen herbs, oat and medical herbs have been cultivate on the open field. In the green house, green peppers, cherry tomatoes, green beans, kitchen herbs and cucumbers are grown. There are also vines and trees for limes and oranges.

Sinai (350 feddan = 147 ha):

In Sinai potatoes, tomatoes, small cucumbers and beans have been cultivated on the open field. Additionally there are orange trees.

Bahareya (500 feddan = 210 ha):

In Bahareya mint, coriander, fennel, chamomile, dill, parsley, coriander, onions and broccoli have been cultivated.

Minya (515 feddan = 216 ha):

In Minya spearmint, clover and coriander seeds have been grown. Additionally, there are palm trees for dates.

“ Desert land reclamation in Egypt

Egypt consists of over 95% desert which leaves less than 0.02 feddan (= 84 m²) arable land per person for over 85 million people. The population grows annually by 2% on average, which raises the question of future food security in Egypt. The situation is further exacerbated by the fact that, according to the latest World Bank figures, approx. 20% of the Egyptian population lives below the national poverty line.

Desert land reclamation is, therefore, not only an option but a necessary strategic approach of Egypt to increase Egypt's resources of arable land. The SEKEM farms in Sinai, Bahareya and Minya are our contribution to ensure future security while creating jobs to sustain the farms.

”

Status and Target Overview

ECONOMIC LIFE 2010

ID	Scorecard Classification	Performance Aspect	Status 2009	Status 2010	Targets 2010 (Set in 2007)	Target Achievement Evaluation
Eco01.1		Sustainability strategy performance management	Launch of the Sustainable Development Scorecard on company level	100% strict alignment and permanent monitoring reached	To reach 100% alignment and permanent monitoring	✓
Eco01.2			Sustainability-based risk assessment implemented	Sustainability-based risk assessment implemented	To implement a sustainability-based risk assessment	✓
Eco01.3			Gap-improvements on group level as well as gap-analysis on company level	Gap-improvements on group level as well as gap-analysis on company level	To implement gap-improvements on group level as well as gap-analysis on company level	✓
Eco02.1		Economic development and growth	-1.3% sales decrease	21.5% sales increase	15-20% sales increase	✓
Eco02.2			Profit (before tax) margin of 3.6%	Profit (before tax) margin of 7.3%	Increase of profit (before tax) margin up to 10%	✗
Eco02.3			Total investment of EGP 62.4 mio (excluding Heliopolis University investments)	Total investment of EGP 56.11 mio (excluding Heliopolis University investments)	Total investment of EGP 85 mio (from 2007 to 2010)	✓
Eco02.4			First harvest on new farmlands (Sinai, Bahareya and Minya)	Gaining some harvests on the new farms	Gaining some harvests on the new farms of highest quality	✓
Eco03.1		Innovation	30.9% of sales from new products	4.8% of sales from new products	15% of sales from new products	✗
Eco03.2			Comprehensive market needs analysis and coverage	Status quo maintained	Comprehensive market needs analysis and coverage	✓
Eco04.1		Supply chain management	Compliance Manager with duty for comprehensive monitoring and improvement	Status quo maintained	Compliance Manager with duty for comprehensive monitoring and improvement	✓
Eco04.2			Supplier management on company level and further vertical integration via new farms and own supermarket	Status quo maintained	Enforcement of further standard application of subcontractors and suppliers	✓

Eco05.1		Eco-friendly products	Nine product carbon emission assessments in progress; assessment of packaging input material on company level	Product carbon assessment for three products; status quo maintained	Full impact assessment of all products; carbon-neutral products; improved material and packaging usage	✗
Eco06.1		Socio-friendly products	Social standards status quo and health and customer needs maintained; increased number of Fairtrade certified suppliers	Theoretical research on how to measure social impact of products started	Starting to apply social footprinting methodology with systematic measurement	✗
Eco06.2			"True cost pricing", i.e. internalization of environmental costs	Status quo maintained	Pricing based on comprehensive product impact assessment (economical, social, cultural, environmental)	✓
Eco07.1		Customer responsibility	Good product quality, product information usually above legal requirements	Status quo maintained	Product quality improvement to reach excellence	✗
Eco07.2			Own organic retail channel with awareness campaigns for sustainable development and organic food	Status quo maintained	Improvement of product availability, information and marketing of healthy products	✓
Eco07.3			Customer Relationship Management maintained and customer hotline for some companies	Single issue assessment of customer satisfaction; customer hotline for some companies	Customer Relationship Management improvement	✓
Eco08.1		Eco-effective packaging and transportation	Recycled packaging material ratio: 11.4%; no assessment for output material	Recycled input packaging material ratio: 16.1%; no assessment for output material	100% recycled input and 100% reusable or biodegradable output material	✗
Eco08.2			Less than 5 % air freight in food	Status quo maintained	5% air freight in food export (by quantity)	✓
Eco09.1		Sustainable waste management	Further capacity increase of waste recycling facility with non-organic waste recycling ratio of 47%	Status quo maintained with non-organic waste recycling ratio of 42%	Support full waste recycling capacity and 100% non-organic waste recycling	✗

SEKEM has reached 100% strict alignment and permanent monitoring for the sustainability strategy performance management and has implemented sustainability-based risk assessment, both big steps towards our vision for sustainable development. After the global financial crisis, SEKEM achieved the target of having between 15 and 20% growth in sales and (although not achieving the target of 10% profit margin) and has achieved to almost double its increase in profit margin. Innovation

continues to be a main focus of SEKEM and it still requires a lot of attention to reach the targets that were set in 2007. As for the eco-friendliness and socio-friendliness of the products, apart from an already implemented external-cost inclusion pricing, they have still some challenges to face, especially with the availability of eco-friendly packaging in Egypt. Customer relationships were improved through an implemented company hotline and improved management.

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
- EU regulation on organic farming
- ISO 9001 and 14001
- ISO 17025 (Laboratory)
- OHSAS 18001

ATOS Pharma, founded in 1986, as the phytopharmaceutical branch of SEKEM, manufactures and markets an array of natural medicines and health care products of superior quality for effective causal treatment combined with maximum tolerability. ATOS products are marketed and distributed nationally as well as in the MENA region.



- Fairtrade criteria by FLO (Fairtrade Labelling Organization)
- International Demeter Standards
- Global Gap
- National Organic Program of the USA
- ISO 9001 and 14001
- EU regulation on organic farming
- 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. With its operating branch named HATOR, ISIS also sells biodynamically grown fresh produce to local and international markets, mainly in Europe.



- Fairtrade criteria by FLO
- International Demeter Standards
- Global Gap
- EU regulation on organic farming
- ISO 9001 and 14001
- OHSAS 18001
- TÜV CO₂ Footprint

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. From 2010 on, 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
- ISO 9001 and 14001
- OHSAS 18001
- EU regulation on organic farming
- International Demeter Standard
- Kosher
- Hand-in-Hand by Rapunzel
- 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 and thus natural and chemical free, herbs, spices and seeds for its sister companies ISIS and ATOS, as well as for the export market according to International Demeter Processing Guidelines. Taste, aroma and their natural medicinal effectiveness are the highest priorities.



- ISO 9001 and 14001
- OHSAS 18001
- International Demeter Standard
- Bio Suisse
- National Organic Program of the USA

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



- Fairtrade criteria by FLO
- International Demeter Standards
- EU regulation on organic farming
- ISO 9001 and 14001
- OHSAS 18001
- Global Organic Textile Standard
- National Organic Program of the USA



- Management according to ISO 9001, ISO 14001
- Management according to OHSAS



- All farms are Demeter certified
- Farms in Sinai and Adleya are additionally certified for
- Global Gap
- National Organic Program of the USA



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 “Alnatura”.

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.

SEKEM for Land Reclamation (SRL), 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.

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.

Organic & More is the first organic supermarket chain in Egypt, operating since September 2009 and selling more than 1,500 organic products. These products are supplied by about 20 different suppliers in Egypt and Europe, which allows ORGANIC & MORE to have a huge and exclusive product portfolio so that customers can buy everything they need from one place in excellent organic quality. Due to its recent foundation, the shop is not yet quantitatively assessed within the scope of this report.

Supply Chain Management

The reliability of SEKEM's production depends, next to 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. Approximately 70% of all raw materials come from external sources (Egyptian Biodynamic Association (EBDA) totals 7,215 feddan = 3030.3 ha).

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 partnerships with the farmers.



Members of the EBDA at work

As our own companies, all our suppliers are Demeter certified or in transition. In 1990 the Demeter Association, IMO Switzerland and EBDA jointly established the Center of Organic Agriculture in Egypt (COAE) as an independent inspection and certification body. COAE ensures and guarantees that the International Demeter and EU standards for organic production are fulfilled. COAE is responsible for the certification process in SEKEM. Next to the International Demeter Standard, we ask for compliance with additional standards depending on the product and on clients' orders (e.g. EU regulations on organic farming, Kosher, Hand-in-Hand by Rapunzel, Bio Suisse, Global Gap and US National Organic Program).

After being inspected by technical engineers

the raw materials are processed by ATOS, ISIS, LOTUS, LOTUS Upper Egypt or NATURETEX. The SEKEM Group Compliance Manager works in close cooperation with the different companies' quality departments. It is under his responsibility that the SEKEM companies are all certified according to the standards mentioned before, or 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 returns.

Following the principles of transparency, we are searching for honest and fair collaboration throughout the whole supply chain. 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. For some of our products, customers ask for a Fairtrade certification of the oranges, potatoes, rice, hibiscus, chamomile, mint, lemon grass and cotton.

Our supply chain management approach ensures that we not only achieve long-term business relationships, but also contribute to the improvement of living conditions and the development of our supplying farmers throughout Egypt. 1990, we established the Egyptian Biodynamic Association (EBDA) which offers, among other things, training and consultancy on biodynamic agriculture.

We have succeeded in building associations along our supply chain – fair collaborations characterized by understanding each others needs. Our focus lies on cultivating these relationships in our direct neighborhood in order to develop the rural area. Our suppliers are becoming more and more aware of the advantages of biodynamic agriculture and promote it within their own community. The United Nations Food and Agriculture Organization states that organic agriculture can provide more than 30% more jobs per hectare than non-organic farms and, thus, create employment opportunities. But also with our European partners we follow the approach of close partnership as the example of co-financed orange cultivation with the IAP member Voekel illustrates. This form of cooperation creates a win-win situation.

Value Creation

Over the last 33 years, SEKEM has built up eight main companies along its value chain. The interrelation of our core businesses shows SEKEM's strength. Our unique skills allow us to cultivate organically and turn desert into fertile land. These soils are the very basis for SEKEMs organic products (such as food, textiles and pharmaceuticals).

Economic Development and Growth

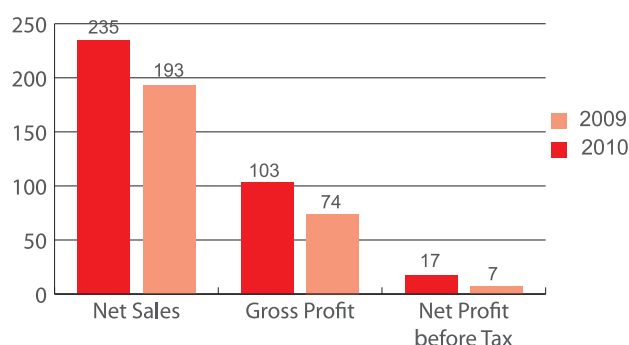
After the impact of the global recession in 2009, SEKEM recovered well in 2010 and increased its sales by 15.7% to 224 mio EGP. We therefore succeeded in achieving our goal to grow by 15 to 20% as stated in the last year's report. A rising request in the local market watered down the consequences of the financial crises that are slightly reflected in the export share of 31.1%*.

While the fixed assets increased by another 13% compared to 2009, the overall gross profit increased by 35%. The increased return on sales from 2.7% in 2009 to 7.9% in 2010 illustrates best the positive performance of the SEKEM Group in 2010.

Though growth is not a goal of the SEKEM group in and of itself, we need growth in order to realize our business concept of continuous innovation and sustainable development in the form of desert land reclamation. At the same time, we want to demonstrate that a holistic business approach for sustainable development is not just one possibility among many, but the best to stay competitive in the long run.

*Export markets: USA, Canada, Australia, New Zealand, South Africa, Germany, Austria, Switzerland, The Netherlands, Belgium, United Kingdom, Norway, Sweden, France, Italy, Greece, Hungary, Slovenia, Japan, South Korea, China, United Arab Emirates, Kuwait, Qatar, Oman, Kingdom of Saudia Arabia.

Financial Highlights SEKEM Group
(consolidated) (mio EGP)



“ National Economy

Egypt's economy grew by 5.3% in 2010. Even though Egypt's economy was not strongly affected by the financial crisis, as it grew by 4.4% in 2009, this growth in 2010 confirmed the robust economy.

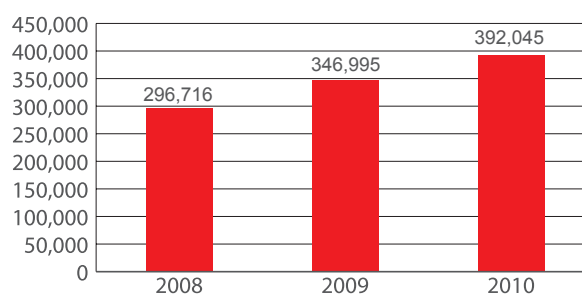
The dwindling impact of the financial crisis on global demand in 2010 helped SEKEM to increase export sales by 33.4%. SEKEM also continued to grow in the local market. The 9.1% growth in the local market was significantly lower than 28% in 2009, but underlines the continuous success of SEKEM's marketing and the introduction of new products. In this light, our financial help and knowledge transfer to our suppliers paid off and will continue in the anticipation of a further growing local market. We will also stay flexible in our investment strategy to act quickly on future developments. This strategy was very conducive in regard to successfully revitalizing our export sales.

”

Financial Assistance from the Government

During 2010, the SEKEM Group received 2,900,000 EGP export subsidies from the Egyptian government, representing a decrease of 600,000 EGP or 5.8% compared to 2009.

Fixed Assets (Property, Plants & Equipment
and Biological Assets; EGP ('000))

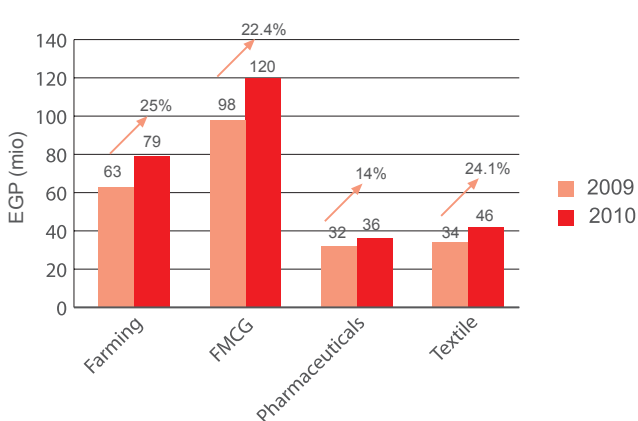


Investments

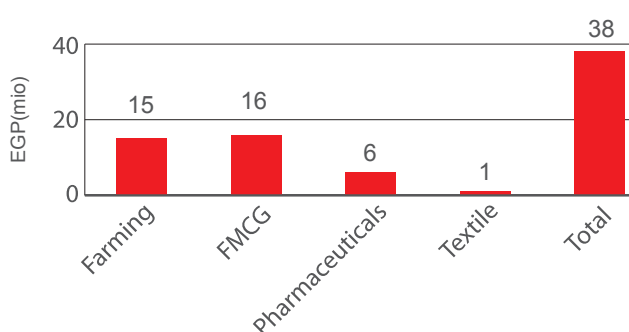
In 2010 SEKEM invested in total 68.7 mio EGP, mainly into new infrastructure for the companies. More than half of the amount (>34 mio EGP) went into the development of SEKEM for Land Reclamation to develop further the SEKEM farms and secure the supply of high quality raw material in the long-run. As can be seen in the graph below, SEKEM plans to continue investing and will spend more than 38 mio EGP in total to develop the companies.

ATOS increased significantly its innovation share from 0.6% to 4.8%, mainly due to the fact that products like Tomex Gold (capsules based on garlic powder) or new medical herbs mixtures like winter herbs could be launched. ISIS drastically reduced its innovation share from 21.8% to 4.5% because the planned launch of bottled water was postponed to 2011 due to delays in the construction of the water production line and the licensing process that has taken longer than expected. LIBRA's main innovation, the compost business, which made up 53.9% of sales, was not considered an innovation anymore as the introduction dates back more than three years. The same applies to MIZAN. LOTUS' and NATURETEX' innovation share remained quite stable at around 1.6% and 4.4% respectively.

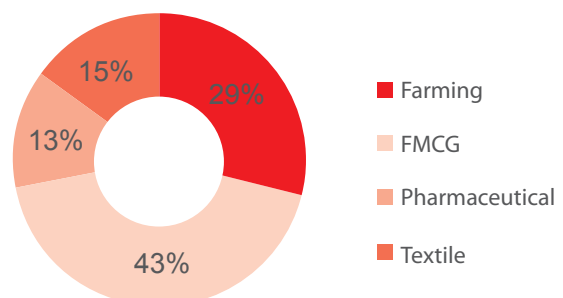
Net Sales by Business Sector



Planned Investment Amount by Business Sector for 2011



Net Sales Share by Business Sector in 2010



Update on ATOS

ATOS started to upgrade its production factory in order to fulfill requirements for receiving the GMP (Good Manufacturing Practice) certificate for its products. The GMP standard issued a new regulation, which triggered the need for adjustment. This GMP certificate is especially important for the continuation of export of products. Therefore, ATOS considers these investments as necessary for their exporting strategy to increase the export share in total sales. The production site upgrade will continue in 2011 and needs altogether more than 7 mio EGP. During this time of construction ATOS has to outsource some of its production to other external factories. Furthermore, ATOS has purchased a new machine for packing tablets and has integrated it into the production process in order to increase production next year.



ISIS distribution vehicles

Consolidated Financial Statement

Income Statement SEKEM Holding for Investment Company S.A.E. for the year ended 31st December 2010*

	2010 EGP	2009 EGP
CURRENT ASSETS		
Cash and bank balances	34,155,681	2,556,121
Other assets	62,538,850	34,155,784
Trade and other receivables	72,889,242	40,813,727
Trade inventories	121,478,310	110,435,490
Biological assets inventory	5,221,824	1,429,285
Total current assets	296,283,907	189,390,407
CURRENT LIABILITIES		
Trade and notes payable	26,936,078	16,316,094
Bank overdrafts	244,694,048	190,359,091
Current portion of long-term loans	4,318,163	35,970,000
Other liabilities	18,457,005	23,092,818
Current portion of obligations under finance lease	11,873,987	4,093,038
Provisions	8,009,063	3,689,841
Total current liabilities	314,288,344	273,520,882
Working capital	(18,004,437)	(84,130,475)
NON-CURRENT ASSETS		
Fixed assets	382,695,500	342,546,197
Biological assets	5,005,458	4,449,047
Held to maturity investments	-	48,975,000
Investments available for sale	93,500	93,500
Goodwill	53,867,282	53,867,282
Total non-current assets	441,661,740	449,931,026
TOTAL INVESTMENT	423,657,303	365,800,551
Financed as follows:		
NON-CURRENT LIABILITIES		
Term loans	144,417,668	137,637,647
Other long-term liabilities	24,838,479	4,216,428
Obligations under finance lease	35,138,306	14,124,507
Deferred tax	7,118,320	6,622,188
Total non-current liabilities	211,512,773	162,600,770
EQUITY		
Share capital	149,509,000	149,509,000
Legal reserve	9,089,613	8,499,375
Foreign currency translation reserve	(69,314)	(60,416)
Retained earnings	40,893,570	33,414,445
Total equity attributable to equity holders of the company	199,422,869	191,362,404
Non-controlling interest	12,721,661	11,837,377
Total equity	212,144,530	203,199,781
TOTAL FINANCING	423,657,303	365,800,551

*changes in the wording and calculation basis in comparison to the Report on Sustainable Development 2009 are due to the change of the external assurance company

Balance Sheet SEKEM Holding for Investment Company S.A.E. at 31st December 2010*

	2010 EGP	2009 EGP
Revenue	235,024,991	193,463,325
Export subsidy – incentive on export sales	4,717,014	2,457,405
Cost of sales	(136,980,106)	(121,894,648)
Gross profit	102,761,899	74,026,082
Investments income	1,001,815	5,137,401
(Loss) / Gain on disposal of fixed assets	(618,961)	80,491
Marketing and distribution expenses	(36,877,295)	(28,738,837)
Administration expenses	(25,893,154)	(21,228,618)
Finance cost	(25,386,735)	(23,283,132)
Foreign exchange losses	(5,053,591)	(1,245,231)
Provisions	(4,903,575)	(519,842)
Reversal of provisions	-	41,569
Fair value gain/(loss) arising on forward foreign exchange contracts	6,463,186	(974,971)
Realized losses from finished goods burnings	(3,828,524)	-
Other income	9,417,143	3,641,785
Profit before tax	17,082,208	6,936,697
Income tax	(842,924)	(400,975)
Deferred tax	(496,132)	(1,369,377)
Profit for the year	15,743,152	5,166,345
Profit for the year attributable to:		
Equity holders of the company	15,169,507	4,943,978
Non-controlling interest	573,645	222,367
	15,743,152	5,166,345
Earnings per share	10.15	3.31

*changes in the wording and calculation basis in comparison to the Report on Sustainable Development 2009 are due to the change of the external assurance company

Product and Customer Responsibility

SEKEM has the goal of providing high-quality, environmentally and socially beneficial products and of educating its customers about these benefits. Our promise is that all of our products can be enjoyed with a clear conscience concerning health, environment and the supply chain.

Socially-beneficial products

The facets of socially acceptable products are manifold. They start with fair prices for suppliers and the environment (externalized costs), but also for customers. Human Rights have to be respected at all stages of the value chain, e.g. employees expect secured and safe workplaces. Customers' needs for reasonable benefits must also be met with safe products.

We are aware of the higher prices of our organic products compared to conventionally produced ones. Through our commitment to eco-beneficial products, we face extra costs that do not accrue directly for conventional producers. They ignore 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 and the burden for future generations.

By taking factors like regional purchasing power into consideration, we strive to adapt our pricing policy. We have different products in different price categories. That way, customers of all income groups can afford at least some SEKEM products. ISIS tea is one example of an affordable product that is famous among all Egyptians.

Our strong commitment to the UN Global Compact underlines the respect we pay to basic human and labor rights in our operations and along our supply chain (see “Code of Conduct”, page 30 and “Fair working environment”, page 35).

The most tangible benefits of our products are their healthiness, 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. During production, we do not use additives like preserving agents or flavor enhancers. 90% of our production is compliant with Demeter standards and therefore fulfills one of the highest organic standards world-wide. The remaining 10% comes from conventional sources. This remains limited to our honey production or results from shortages in organic raw material supply for spices or teas and nuts. Of course we state this on the package, which motivates us even more to enlarge the capacity for our own raw material production.

Eco-beneficial products

The eco-friendliness of a product depends on its green house gas emissions and the amount of water consumption during its complete life-cycle, as well as on its impact on biodiversity. By following the International Demeter Standards, SEKEM succeeds and continuously improves its operations in all three

categories.

We apply biodynamic agriculture methods, with compost being the major force in turning desert land into living and healthy soils. The application of resilient (not genetically modified) crops and natural predators prevents the introduction of external inputs such as chemical fertilizers and pesticides. Biodynamic agriculture means closed nutrient cycles, including livestock, to produce SEKEM's own compost, growing cereals to feed the livestock and crop rotation to enhance the soil fertility. Healthy soils with a high content of solid organic matter increase the water holding capacity as well as carbon sequestration capacity and protect the soils from erosion (see “Resource efficiency of biodynamic agriculture“, page 54). By recognizing the effect of sun, moon, planets and the signs of the zodiac on the plant development, farming operations can be optimized in harmony with the environment.

The supplying farmers of SEKEM use biodynamic growing methods as well and hence prove an increase in productivity and superior food quality from season to season.

Customer and Consumer Responsibility

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 on products. The establishment of Organic & More as an organic retail chain in Cairo gave us room to educate customers about the origin and the benefits of organic products and their link to sustainable development. Furthermore, our product information and labeling is complying at least with country-specific regulations or beyond.

A customer service hotline from ISIS and ATOS is available in case of questions or complaints. 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.

Differentiating between local and export customers, the topics quality, communication, annual planning, deliveries, prices and financials are analyzed.

Eco-effective Packaging and Transportation

For the packaging of our products, we strive to solely use materials which can either be reused or recycled. Thus, we continuously maximize the share of recycled input material.

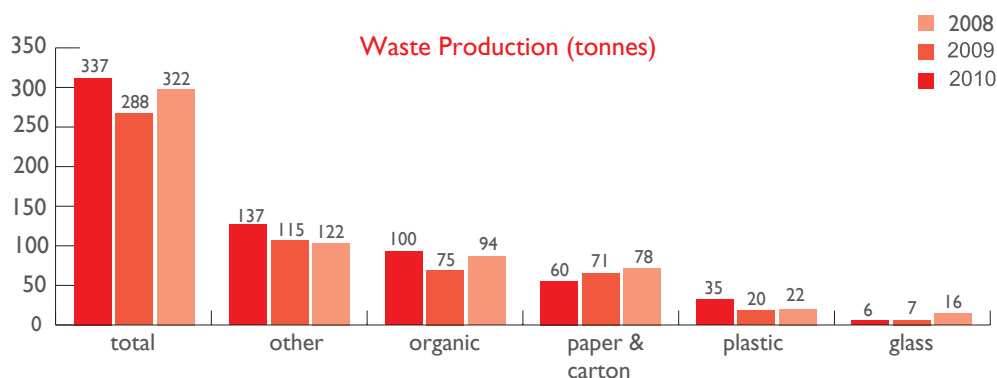
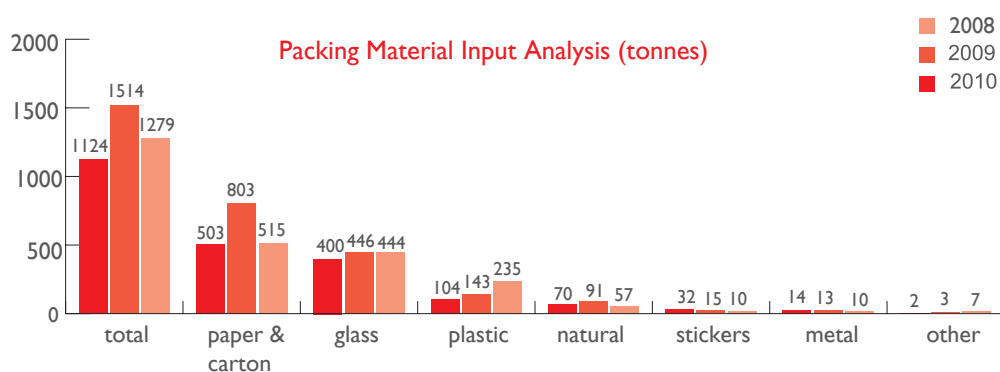
Cartons used for packaging consist of recycled materials and make up 15.4% of total material use in 2010, compared to 10.9% in 2009. The largest amount of packaging comes from boxes and paper that offer the possibility for recycling. Due to the missing infrastructure in Egypt, the introduction of a refund system for bottles or the establishment of a recycling system cannot be practiced at the moment. SEKEM plans to cooperate with major customers in order to improve the situation.

The distribution fleet of SEKEM consists of 80 vehicles, mainly transportation cars. They distribute mainly ISIS products to grocery stores and supermarket but also deliver ATOS 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%.

Sustainable Waste Management

At its main site close to Belbeis, SEKEM has set up a waste sorting facility processing the companies' output of waste materials as well as servicing surrounding village communities. 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. Including the surrounding villages, approximately one tonne of waste is processed in the waste-sorting facilities on the SEKEM farm every day, from which 600 kilos are resold and thus reused or recycled. Without taking the Medical Center and lab waste into consideration, the non-organic recycling rate is around 47%. The aim is to increase this rate and to maximize the amount of waste that is recyclable.

* 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' lab waste results from the manufacture of rivets or chemical materials.



SOCIETAL LIFE

The position 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 as having human 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, for today as well as for the future.

Management Approach

Providing 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 the strict adherence to and enforcement of the international standards for human rights, health and safety regulations and general working conditions as a basic necessity. Moreover, we strive to raise and create awareness of individual learning and development activities, equal treatment (especially regarding women's rights) and the improvement of health care in the sphere of corporate life, the surrounding communities and the broader national and international society.

The requirements of the OHSAS 18001 and the ten principles of the UN Global Compact, incorporated in our Code of Conduct, guide us through everyday's challenges.

**Side note: If not explicitly mentioned, SEKEM for Land Reclamation (SLR) and LOTUS Upper Egypt are not included in the data in this section. This is mainly because of the fact that 2009 data has not been collected and, therefore, a comparison is not possible and would distort the overall comparison. In total, this does not cause major problems because in 2010 SLR had only 123 employees and LOTUS Upper Egypt had only 9 employees. These are solely male employees and make up only 7% of total employees.*



How can we assure equal opportunities for all stakeholders?
How can we give respect and assure human dignity for all stakeholders?

Policy Work to Counter Food Insecurity

Land cultivation is not possible without arable land. Arable land is particularly scarce in Egypt where the country consists of over 95% degraded desert land. A rapid and constant population growth of about 2% per year also decreased the agricultural land per person in Egypt from 926m² in 1960 to 456m² in 2005 (worldwide: 4,307m² arable land/person in 1961 and 2,137m² in 2007).

The most obvious and only possible option to increase the area of arable land in arid countries like Egypt is land reclamation. However, desert land reclamation often appears rather unattractive when you take the huge financial resources into account that are needed for this particularly difficult form of land reclamation. Especially, sustainable approaches frequently encounter difficulties in their financing as they face disadvantages compared to business-as-usual with regard to policy regulations such as subsidies (see infobox, page 25). Politics and the society have to balance unequal support mechanisms for different kinds of business models. Social businesses, focusing on sustainability, serve the society and therefore need to be protected from distorted market mechanisms which blur their original competitive advantage.

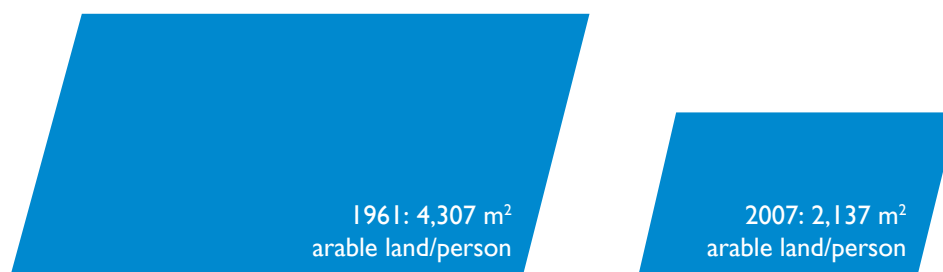
It is the role of politics and the society to support

business models which promote food security, poverty reduction and human development in a sustainable and long-term manner. Here, the development aid is necessary enabling countries with a limited arable land size, like Egypt, to contribute more to food security for its growing population. The demand for a high return on investment has to fade into the background as it could not be applied for sustainable solutions. Governments have to re-evaluate their policies and asking themselves which business models they really want to promote to meet the global challenges such as food insecurity, poverty and climate change.

SEKEM supports national and international initiatives fostering sustainable business models. SEKEM works together with relevant stakeholders setting the right incentives to acquire desert land in order to transform it into fertile, agricultural land. In the long run, only through an increased area of arable land, food availability can be sustained at a sufficient level.

The relevance of desert land reclamation is not restricted to food security and its inherent health benefits for the people but it also directly influences Egypt's competitiveness. Some products have to be imported because of the climatic conditions in Egypt.

Egypt's Arable Land Projected Requirements vs. Supply



Source: FAO

“ Subsidies

In Egypt, water and energy are heavily subsidized. In order to get access to water, farmers have to pay a fee to maintain the water pipes. Besides this fee, water is practically free of charge. According to the World Bank online database the energy price is kept artificially even lower as these subsidies constitute almost 5% of GDP. Both subsidies support the inefficient use of water and energy while it hides the efficiency advantages of biodynamic agriculture due to its better soil structure and the use of organic instead of chemical, energy-intensive fertilizers and pesticides.

The subsidies, in combination with the problem to reclaim desert land, are serious threats for food security in Egypt. An increase of the area of arable land is prevented while conventional agriculture is artificially preferred to organic agriculture although only organic agriculture can provide enough food in the long-term (see “Resource efficiency of biodynamic agriculture”, page 54).

”



Trial field in Adleya farm

Others can be grown in Egypt, particularly the crops of staple food. Being dependent on importing, an increasing share of our food supplies also affects the Egyptian economy. While complete self-sufficiency cannot and should not be the aim due to market prices and climatic conditions, Egypt nonetheless has to retain current levels of self-sufficiency to prevent dependency on exchange rates and the volatile international food markets.



Helmy Abouleish in a fennel field at Minya farm

“ Further Public Policy Engagement and Networks

“Agriculture has the potential to change the world’s climate problems within 12 years when shifting from a conventional to an organic system on a global scale.” (Helmy Abouleish)

From the early beginning of the SEKEM Initiative, political involvement was a part of its existence. Today, SEKEM is actively contributing to political decisions and policies, raising awareness and enforcing the sustainable development on a national as well as international level. SEKEM participates in a variety of activities, always advocating sustainable development, with topics such as: sustainable agriculture and its effect on climate change, social entrepreneurship, research and innovation, responsible competitiveness, renewable energy and a national sustainable development strategy (more on page 30).

”

Status and Target Overview

SOCIETAL LIFE 2010

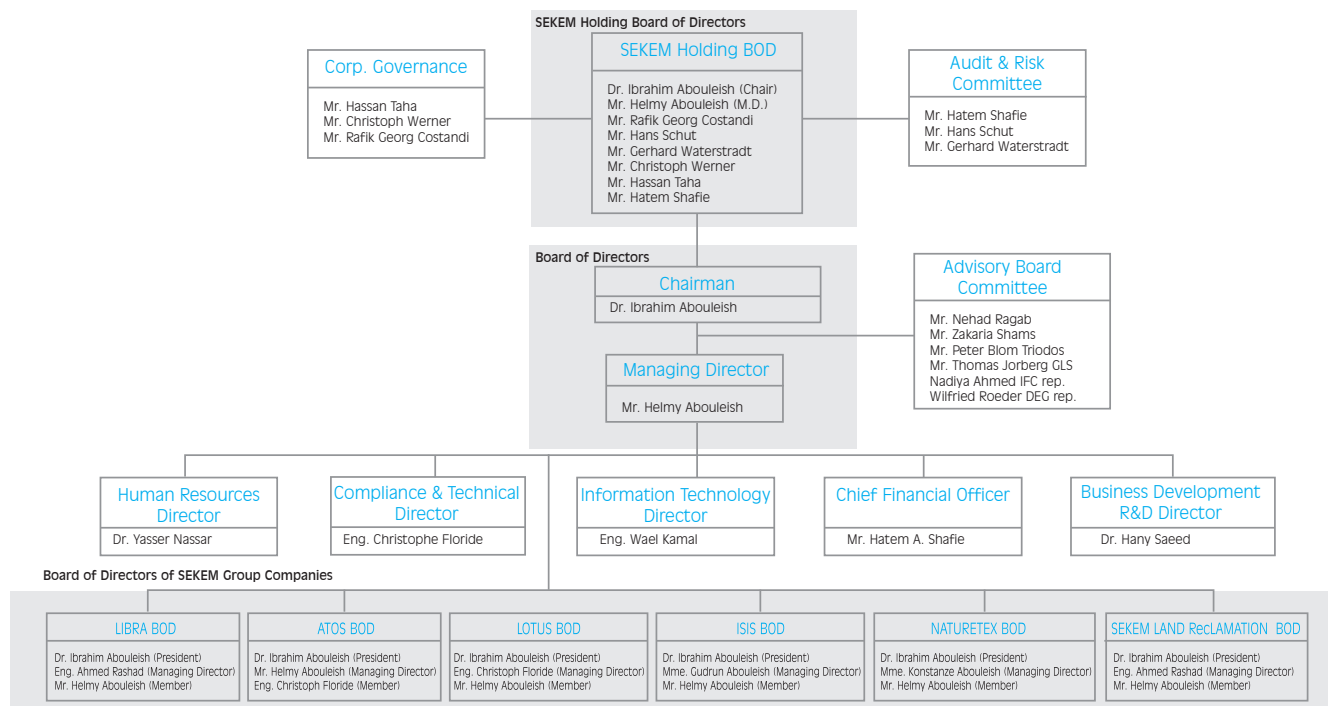
ID	Scorecard Classification	Performance Aspect	Status 2009	Status 2010	Targets 2010 (Set in 2007)	Target Achievement Evaluation
Soc01.1		Corporate governance and compliance	Corporate Governance Codex and Code of Conduct implemented	Corporate Governance Codex and Code of Conduct implemented	A "living" Code of Conduct and an implemented Corporate Governance Codex	✓
Soc02.1		Human rights adherence and impact over the companies' value chain	Active membership of UN Global Compact and adhering to International Labor Organization standards	Status quo maintained	Enforcement of UN Global Compact and other human rights standards throughout the supply chain	✓
Soc02.2			Empowerment of social workers in all SEKEM companies	Status quo maintained	Empowerment of social workers in all SEKEM companies	✓
Soc03.1		Work force and the company's impact on labor conditions and health and safety	Number of injuries: zero	Number of injuries: 26	Improve data availability and monitoring on injuries, absentee rate and other health indicators of employees	✓
Soc03.2			OHSAS certificate on company level	Status quo maintained	Reporting on employees' health and safety	✓
Soc04.1		Work force diversity and equal treatment	Share of female employees: 21%; Gender Equality award for ISIS	Share of female employees: 20%; ongoing Gender Equality activities	Share of female employees: 30%	✗
Soc04.2			Women in managerial positions: 22	Women in managerial positions: 17	Women in managerial positions: 20	✗
Soc05.1		Employee loyalty and motivation	1,549 employees	1,856 employees	At least 1,500 employees	✓
Soc05.2			21% employee-turnover	18.5% employee-turnover	10% employee-turnover	✗
Soc05.3			Provision of certain non-monetary benefits to full-time employees (free healthy meal, individual life and health insurance plans, etc.)	Status quo maintained	Increasing transparency on non-monetary benefits	✓
Soc06.1		Support employee community organization	Family support, ongoing activities of 13 villages project and renovation of schools in surrounding community by students from SEKEM School	Successful completion of 13 villages project; school renovation; activities of SEKEM Environmental Science Center; etc.	Increase capacity for long-term community projects	✓

Soc07.1		Policy work for sustainable development and world challenges	Significant engagement on climate change and sustainability issues such as for example the UNFCCC negotiations in Copenhagen; active in the fields of Egyptian National Competitiveness and Green Transformation etc.	Status quo maintained	Significant engagement to impact outcomes of the Conferences of the Parties (COP15+16) and Egyptian national competitiveness	✓
---------	--	--	---	-----------------------	--	---

SEKEM has continued to work towards its goals of equality and empowerment through civic engagement among SEKEM employees and the surrounding community. Social workers have been empowered and are active in all SEKEM entities whenever and wherever they see necessity or the opportunity for a project. The data availability and monitoring of employee issues, such as health and safety, have been implemented and are being updated continuously. The employee's turnover was decreased but still

demands SEKEM's attention for improvement and the non-monetary benefits of SEKEM's activities provided to employees are transparently presented to all stakeholders. A milestone of this year was the completion of the 13 villages project, yet, ongoing projects aim to replace this one. As for the policy work, SEKEM has maintained its reputation of pushing things forward and has engaged actively in the formulation of the Egyptian National Competitiveness Strategy.

Organizational Structure of the SEKEM Group of Companies



Organizational Governance and Compliance

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.

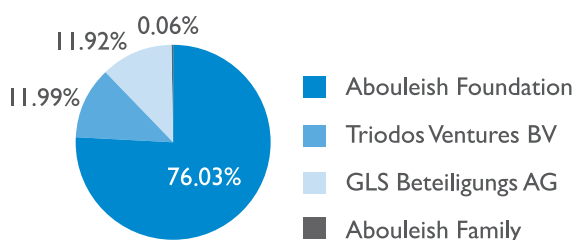
The Board of Directors (BoD) advises and supervises the SEKEM Group Management in regards to sustainable economic prosperity, business development and strategy. The composition, current members, voting rights, access to information, responsibilities, meeting procedures, duties and tasks are defined in 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, whereupon 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 from Dr. Ibrahim Abouleish and Helmy Abouleish, are nonexecutive members; three are totally independent from SEKEM's operations.



SEKEM Board of Directors (from left to right), Top: Hany Bahy (Head of Treasury), Hatem Shafie, Ragnar Gerig; Middle: Christophe Floride, Hans Schutt, Helmy Abouleish, Thomas Jorberg, Gerhard Waterstradt; Bottom: Dr. Ibrahim Abouleish, Madame Abouleish, Christoph Werner; Not on the picture: Rafik Constandi, Hasan Taha

Distribution of SEKEM Holding Shares



Financial Ownership

Compared to last year, there have been no changes in the structure of financial ownership. The majority of the 1.5 mio shares are owned by the Abouleish family. Since 2007, the GLS Bank and the Triodos Bank, each hold a share of 2.5 mio EUR. The Abouleish Foundation was established to hold the Abouleish family capital of SEKEM in the future.

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 Academy for Sustainable Development and the Egyptian Biodynamic Association. Furthermore he is member of the World Economic Forum and was chosen as Outstanding Social Entrepreneur by the Schwab Foundation in 2003.

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 Chairman of the Egyptian National Competitiveness Council (ENCC), as well as of the Management Council of the Industrial Modernization Center (IMC) and the Organic Agriculture Committee of the Agricultural Export Council. 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. Rafik George Costandi

Member

Since 1989 Rafik Costandi (*1960) has been Head Teacher and founding member of the SEKEM school on the premises of the SEKEM farm. Before that he worked as a Training and Human Resources Manager at ATOS Pharma for three years.

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. Hans Schut

Member

Hans Schut (*1953) is a Managing Director of Triodos Investment Management, part of the European Triodos Bank. He is responsible for investment funds for renewable energy. Before joining Triodos, Mr. Schut worked at industrial companies and an energy utility company. He holds a M.Sc. in industrial design at the Delft Technical University of the Netherlands.

Mr. Christoph Werner

Member

Christoph Werner (*1972) worked in Marketing at GlaxoSmithKline Consumer Health Care in France until end of 2010. Before joining GlaxoSmithKline, he worked for four years in Marketing at L'Oréal in France. He holds an International Executive MBA from the University of Pittsburgh (USA). In 2011 Christoph Werner joins the retail chain dm established by his father; for the time being as Head of Marketing and Procurement.

Mr. Hatem Ahmed Shafie

Member

Hatem Ahmed Shafie (*1961) came back to SEKEM Group in 2009 to be the Chief Financial Officer, a position he held already from 2004 to 2007. Between 2007 and 2009, Mr. Shafie was the assistant to the Chairman of Cairo & Alexandria stock exchange. Before joining SEKEM, Mr. Shafie served in several positions such as General Manager Corporate Finance in White House Securities and Senior Manager Marketing and Credit in Arab African International Bank.

Mr. Hassan Taha

Member

Founder and President of First Capital, LLC, a boutique financial advisory firm specialising in M&A and corporate finance activities. First Capital, LLC was involved as a sell-side advisor in the largest private equity transaction in the corporate history of Egypt involving the sale of a prestigious pharmaceutical company for over 3 billion EGP. Mr. Taha was also Chief Financial/Investment Officer in AWF/Lokma and International Partner in Price Waterhouse Coopers, Cairo, Egypt.

Mr. Cristophe 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/Karsruhe, Germany.

Code of Conduct of SEKEM

The SEKEM Code of Conduct (CoC) forms, together with the Corporate Governance index, the framework of values guiding the operations of the SEKEM group. 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 UN and ILO conventions, e.g. ILO Labor Standards and the International Declaration for Human Rights. 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.

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 noncompliance, 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) and is openly displayed on all working premises.

Anti-Bribery and Anti-Corruption

SEKEM is aware that it operates in a country where corruption and bribery unfortunately pose a real threat for doing sound business and for engaging with all stakeholders in an ethical, responsible manner (Egypt is ranked 98th of 178 countries on Transparency International's Corruption Perception Index 2010). Our membership in the United Nations Global Compact illustrates that the principles of anti-bribery and anti-corruption are part of our core beliefs. This is why we have explicitly formulated a strict zero-tolerance policy regarding corruption and bribery of all forms in the SEKEM Code of Conduct.

Public Policy Engagement and Networks

From June 2005 to December 2006 Helmy Abouleish was the Chairman of the Industrial Modernization Center (IMC), a public development fund. Equipped by the European Union and the Egyptian government with a total 450 mio EUR, the fund provided support for the Egyptian economy with a focus on training and modernization measures in industrial companies, as well as political consulting.

Being Chairman, Helmy Abouleish contributed significantly to the success of the IMC program, which reached almost 15,000 companies. Helmy Abouleish helped to realize forward-looking development impulses and principals of good practice – for example, in the cases of anti corruption and energy efficiency. Helmy Abouleish is the founder and chairman of the Egyptian National Competitiveness Council (ENCC). In his position, he works closely together with different governmental authorities and ministries to drive agendas and priorities into the direction of sustainable development. The ENCC has created a National Competitiveness Strategy for Egypt, with the pillars of Innovation, Green Transformation and Education, as focus topics.

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

Together with the International Association of Partnership (IAP), 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", page 5).

Memberships and Awards

In 2010 Dr. Ibrahim Abouleish received the Honorary Doctorate awarded by Technical University of Graz. Helmy Abouleish won for SEKEM the “One World Award” and the Arabia CSR Awards (1st runner-up 2010).

Overview of most important Memberships (selection)

Chairman of (Helmy Abouleish)

- Chair of Managing Council of Industrial Modernization Center Egypt (IMC)
- Chair of the Egyptian National Competitiveness Council (ENCC)
- Chair of Industrial Law Committee in the Federation of Egyptian Industries (FEI)

Board of Trustees: (Helmy Abouleish)

The Egyptian Junior Business Association (EJB)

Board member in (Helmy Abouleish)

- 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)
- World Economic Forum (WEF)
- World Future Council
- 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; Communication on Progress on page 93)
- United Nations University via the Regional Center of Expertise (RCE) on Education for Sustainable Development within Heliopolis University



United Nations University

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"> Feeling of respect and esteem through organizational culture Clear job framework and job-related contact point for personal development Contact point for social issues A forum to discuss grievances and possible remedies 	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"> Weekly meetings Regular dialogue between managers and social workers of all companies
Farmers	<ul style="list-style-type: none"> Fair and reliable contracting conditions and prices Cooperative future planning of companies' needs Training enabling to apply the organic and biodynamic agricultural method 	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 single suppliers by regular ratings and reviews.	Weekly meetings and regular dialogue with the FDA and the EBDA
Sub-contractors	<ul style="list-style-type: none"> Fair and reliable contracting conditions and prices Cooperative future planning of companies' needs Support in applying technical and quality standards 	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"> Regular planning meetings Regular quality certification process



Stakeholder group	Needs	Our management approach	Ways of engagement
Share-holders	<ul style="list-style-type: none"> • Excellent performance to ensure a profitable investment • Reliable forecasting and long-term sustainable development of the company 	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
Retailers & Wholesalers	<ul style="list-style-type: none"> • Excellent quality meeting the customers' standards • On-time and on demand delivery • A story to tell the consumer 	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"> • Excellent quality of healthy product with benefits for social and environmental development • Easy availability and access 	In order to react to our consumer 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 note complaints for adjacent improvement.	Customer satisfaction surveys every 1-2 years
Broader community	<ul style="list-style-type: none"> • Benefit from the companies' profits through in kind contribution • Support of deficient areas like education, health care and other development needs 	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"> • Dialogue through service provision • Weekly meetings • Outreach programs
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"> • Regular engagement in conferences • Strategic cooperation



Employee loyalty and motivation

SEKEM highly respects its employees. Our goal is to establish a long-term relationship with them through treating the people fairly and satisfying their needs. In return, we receive their loyalty. Motivation is fostered mainly by providing secure workplaces, career advancement opportunities and the employee's pride in working at SEKEM. In the end, employees' loyalty and motivation play an important factor in productivity and quality.

SEKEM aims to continuously nourish a vital community spirit among its workforce. Each morning, the employees of each company meet in a circle for a collective start. Each Thursday afternoon all 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. Standing in a circle shows that all participants are equal- an equality that stands for the dignity of the human being.

Cultural activities, like eurythmy, support team building. Professional training develops further skills and increases the chances of the employee's advancement (see more in "Cultural Life", page 39 ff.). We give regular feedback to our employees defining the performance-based variable part of the employee's salary. Our managers and supervisors, whom are 10% of our 1,856 employees, receive a Personal Performance Appraisal (PPA), which includes regular performance review meetings in which individual goals and yearly training needs are discussed. PPAs went down to 21% compared to a high level of 64% in 2009 as PPA evaluation was not restricted



Employees at SEKEM farm

to managers previously. Other employees receive a similar evaluation called incentives. The process is even more detailed, as employees have to deliver reports on their own performances.

The overall employee turnover is 18.5% (2009: 21.1%) taking into account those employees that have worked for SEKEM for more than one year. The rate decreased 2.6% in comparison to the preceding year due to several reasons. Firstly, the HR department together with SEKEM Management introduced a five-days-week for the head-office employees instead of to a six-days-week before. Secondly, another round of salary increases, including entry salaries, were implemented which motivated more employees to stay.

Employee groups that typically face a higher rate of turnover, like the sales department from ATOS 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.

Turnover rates Entity	2010 # employees	2010 turnover
ATOS	240	21%
ISIS (incl. HATOR)	639	22%
LIBRA	107	28%
LOTUS	91	10%
LOTUS U.E.	9	22%
MIZAN	52	10%
NATURETEX	378	18%
SEKEM L.R.	123	14%
Holding	217	12%

Support Employee Community Organization

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 objectives are to provide integrated health and social care services in cooperation with social workers and the Medical Centre. Amongst others these activities involve the establishment of nurseries, retirement homes and libraries, the organization of cultural field trips, the transfer of workers to and from the companies and the protection of the environment. The current activities of the CSE are basically 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.

Each company has put up suggestions boxes for employees, for both 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. The social worker 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.

Fair Working Environment

As stated in the preceding subchapter, SEKEM employees are motivated through fair treatment. This is not the only reason why we pay attention to the employees' role in the company. Human dignity is precious. Our daily mission is to cherish the dignity of each of our employees and those who are working for us indirectly in the supply chain.

International Human Rights Adherence along our Value Chain

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 (See "Code of Conduct of SEKEM", page 30). In all the steps of our value chain we strive to provide and support fair salaries, as well as a healthy and safe work places. To ensure human rights adherence along our supply chain, we strictly apply Fairtrade principles within our supply chain management (see "Supply Chain Management", page 16). In our own group of companies we have started a community school to prevent child labor (see „Children and youth education", page 46). Furthermore, together with our project partners and our main investors, we monitor human rights adherence and consider human rights clauses in our investment decisions.

Employees and Diversity

In our firms, we employ 1,856 people mainly from the region of Sharkeya.

A group of hiring procedures that applies for all companies secures equal rights during the recruiting process. 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.

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 our weekly morning lectures with Dr. Ibrahim Abouleish or in some of our Monday forums. In Egypt, the population consists of 90% Muslims (mostly Sunni), 9% Copts and 1% Christians. At SEKEM, 1,804 Muslim

(97.7%) and 43 employees of other persuasions (2.3%), mainly Christians, are working hand in hand.

In 2010, the SEKEM Group had 17 women in managerial positions, a decrease by 50% compared to last year in absolute figures. The relative share of women among management decreased even more and went down from 1.4 to 0.6% because of a shortage of qualified female employees on the job market that could replace those women who left SEKEM. The overall share of female employees grew proportionally with the growth of the workforce. 373 women were employed, with a decrease in their share only slightly from 21.6% in 2009 to 20.1% in 2010. MIZAN is, with 44.2%, by far the company with the highest share of female employees.

To support womens' 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 hand, we strengthen the womens' position

“ Gender Equity Program

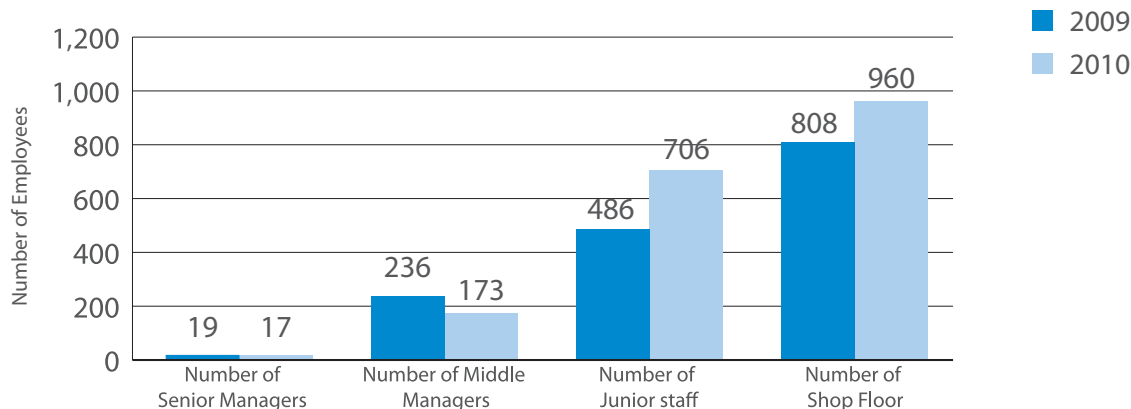
In 2010 the achievements of the preceding year in the project “One Business Community...equal opportunity” have been followed up. The gender equity committee continued its work and two further inspections took place.

At the beginning of 2009, SEKEM evaluated its existing corporate policies through an approach based on the guidelines of the project “One Business Community...equal opportunity”. It was aimed at improving awareness of the right to equal treatment among employees and advanced professional equality of women in the workplace through hands-on training. As a result of a conducted assessment during the program the SEKEM company ISIS was honored with the “Gender Equality Award 2009”, scoring 98 out of 100 points ahead of all other Egyptian contestants.



Teacher helping a student in the school for special needs

Employee Distribution by Category



in the outer community through microcredit and education programs.

At SEKEM, handicapped people are integrated into the workplace. Altogether, 35 handicapped people work in all different SEKEM companies. After completion of the educational level which takes six years, the student's capabilities and the state of health are evaluated. According to the results, one of the workshops offers a job opportunity, for example making toys, remanufacturing paper or supporting agricultural rehabilitation. The student remains at the workshop for three years, during which he learns skills and experience besides the continual educational process. After the completion of this stage, the student receives a certificate of qualification from Dr. Ibrahim Abouleish during a graduation ceremony.

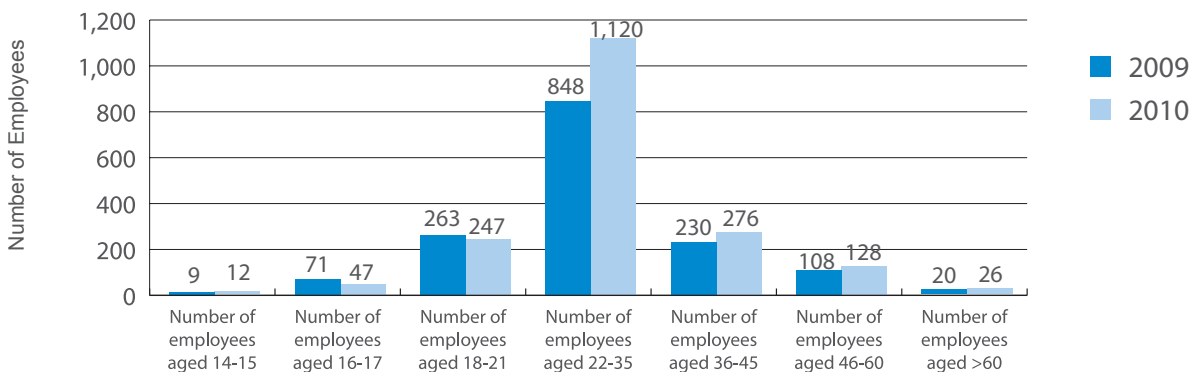
During the first weeks of work, a teacher accompanies the student in his new environment. The amount of work will be gradually increased until the student feels confident in the new work. The types of work that the students are usually nominated to are at the chicken farm, cattle farm, nursery, or paint and sanding workshop, because they are particularly safe spaces.

Employee Health and Safety

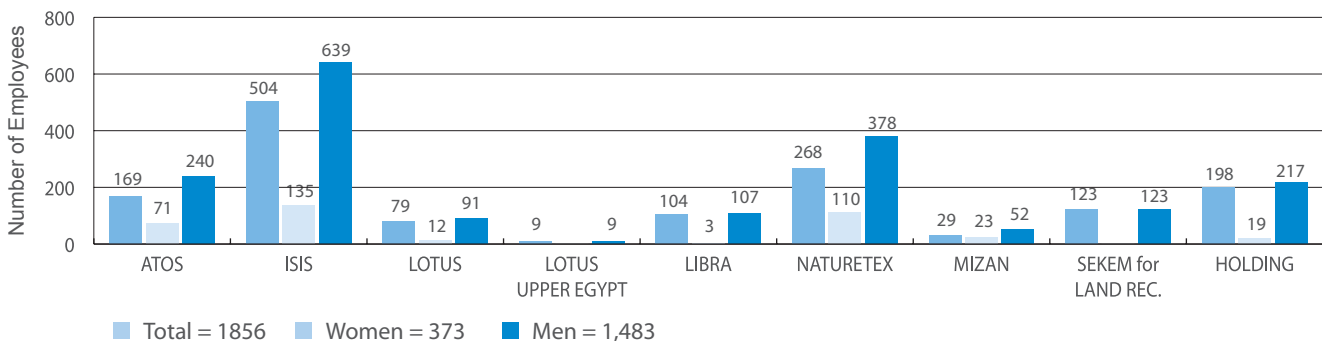
SEKEM aims to lead in Egypt by providing a safe working environment to all of its employees along with health insurance and medical services. All SEKEM companies are applying a Health and Safety Management System certified according to OHSAS 18001.

The well-equipped SEKEM Medical Center offers its medical services to all employees and inhabitants of the surrounding villages and regions (see "Health of the employees and broader community", page 51). In every company, a Health and Safety team is responsible for ensuring that standards are met. The team meets quarterly to discuss the related firm statistics and to formulate action plans for prevention if needed. In 2010, there were 26 injuries in all SEKEM companies. All of these injuries were classified as light injuries and they differed from one company to another depending on the working conditions. All injuries were treated immediately at the Medical Center by providing necessary first aid and further medication, or at the work place by using the first aid boxes that are available at all factories.

Employees by Age



Employee Distribution by Company



Salary for Decent Living

The official minimum wage in Egypt is too low to ensure living wages and, therefore, it does not serve SEKEM as a guidance for its compensation policy. A National Wage Council was created some years ago to address this issue. Yet, as long as there is no fair national wage policy, SEKEM assures that salaries above a legal minimum will be paid.

The minimum entry level salaries at SEKEM vary between 550 and 800 EGP per month, depending on the educational background of the person and based on individual performance.

At SEKEM, the average female salary lies below the average male salary (female: 14,144 EGP annually vs. male: 18,305 EGP annually). The increase from last year for male and female salary averages was 7% and 1%, respectively. 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 marry early and concentrate on family life. The distribution of age among females shows that females older than 21 are under-proportionally represented compared to male employees. NATURETEX offers the opportunity for female employees to continue their work at home. This allows married women to contribute to the family income and keep their independence.

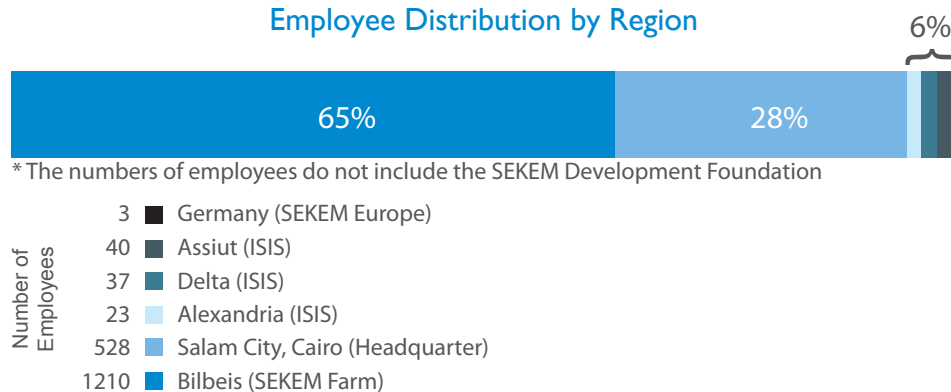
SEKEM provides all full-time employees with benefits, including medical insurance, life insurance in case of disability and retirement plans. The medical insurance can be extended to the family of the employee. Contribution to retirement plans and life insurance

each amount to 2% of the wage, paid equally by one of the SEKEM companies and its employees. The employee's contribution to medical insurance depends on the level of the individual wage.

Impact on the Community

One positive contribution comes from the economic value that SEKEM has for the region. SEKEM is the major provider of jobs and a huge corporate tax payer. Beyond that, SEKEM schools and the Vocational Training Center (see "Children and Youth Education", page 46) are central elements of our community development strategy. We offer education to many children and increase their chances of finding jobs. Another aspect of our impact is that we create infrastructure, especially with the new farmlands. Roads are created, houses are constructed, people are settled and our ethical principles and values give an impulse for community building. Also, waste sorting facilities are provided to introduce the concept of sustainable waste and product life-cycle management in order to establish a source for value creation. All of this leads to enhanced awareness and effect of sustainable development.

Employee Distribution by Region



CULTURAL LIFE

Man creates the world from his ideas. All learning, researching, inventing and all kinds of artistic activity is ideally free and not influenced by considerations of material benefits. Only through holistic thinking and acting can a materialistic society be transformed into a cultural society guided by meaningful values. Therefore, free education and the spiritual development of all human beings on earth must be of the highest priority.

Management Approach

The advancement of every individual is a continuous challenge in the fields of education, science, art and religion. Children who have been given the opportunity to receive a good education are likely to become free-spirited and responsible individuals. Continuous learning throughout life and good health enable people to improve their living conditions and contribute to the development of the community and

country. Therefore, SEKEM's approach to sustainable development 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 institutions and projects in all different fields.

How can we develop consciousness for sustainable development?
What are our values that guide our actions and beliefs?
What capacities do we need to foster individual empowerment?

Building Capacity and Awareness

SEKEM applies biodynamic agricultural methods on the fields in order to not only sustain the richness of the land but also to further build them up and increase them. Proliferation of organic agriculture, particularly biodynamic agriculture, is an inherent and major goal of SEKEM. Reasons are not only to secure our own supply chain but also to develop Egypt's land sustainably in order to enhance food security, to counter environmental degradation and to secure rural livelihoods.

However, the use of the biodynamic calendar, the different preparations, bio-fertilization and biological pest and disease control, which are all main elements of biodynamic agriculture, is rather complex and therefore needs sufficient training. It is therefore a major concern to build up capacity to apply these methods and to raise awareness of its advantages for the farmers and consumers and the environment itself.

The farmers in Egypt that are interested in biodynamic agriculture are trained by the Egyptian Biodynamic Association (EBDA). To increase the number of interested farmers and therefore to secure external suppliers, the SEKEM companies set incentives such as long-term contracts and help in pre-financing.

The Egyptian Biodynamic Association

The EBDA, established in 1990, is one of many SEKEM initiatives. It aims to promote the organic agriculture movement in Egypt and in the region. In 1996 it has been registered as a non-governmental non-profit

organization providing training, research and advisory services in the field of organic/biodynamic farming to farmers all over Egypt.

EBDA provides the training and expertise needed to enable farmers to have their land inspected and certified as organic according to EU standards, or as biodynamic according to Demeter standard.

Building on SEKEM's experience, expertise and success in the biodynamic cultivation of herbs, cereals and vegetables and through multilateral cooperation with other organizations, EBDA raises awareness of the organic agricultural method that works actively with the life giving forces of nature. EBDA was the first in the world to cultivate and harvest biodynamic cotton in 1991, both on an experimental and a commercial scale. Since 1994 the Egyptian government has been supporting farmers to cultivate organic cotton. A direct result was the landmark achievement of reducing the use of synthetic pesticides on cotton in Egypt by over 90%, from over 35,000 tonnes per year to about 3,000 tonnes. At the same time, the average yield of raw cotton increased by almost 30%.

Awareness Raising

The biodynamic agriculture model is rather unknown compared to common practice – despite numerous benefits. It builds up soil and, therefore, is perfectly suitable for desert land reclamation. The improved soil structure decreases water consumption and increases the water-holding capacity which is crucial in an arid country such as Egypt. It mitigates climate



Chamomile harvesting in Minya farm



Cotton plant



Training of an agricultural engineer

change as more carbon can be sequestered in the soil. It increases the yields, not only in the long-term. It is health-promoting for the farmers as no chemicals are sprayed and for the consumers as no chemicals residues are on the foodstuffs. The absence of toxins increases biodiversity. Lastly, in the mid- and long-term, the true costs of biodynamic agricultural products are lower than those of common practice whose current cost do not reflect externalities such as health issues and environmental degradation.

Capacity building through the EBDA is one form of raising awareness about biodynamic agriculture. Another form is consumer education. Through marketing and information campaigns, SEKEM raised consumer awareness among the Egyptian people by pointing to the positive effects of organic agriculture such as health issues and fairtrade. SEKEM also initiated so called one-price-shops which offer organic foodstuffs at a reduced price for people with a low income.

The overall message is that culture is an essential part of agriculture. Agriculture is not only about cultivating land but also promoting human development. In turn, the people will give back to nature due to a deeper understanding of nature and cultivating land. Nature thereby profits from cultural activities and results in higher yields and increased ecological stability. People and nature are seen as integral parts of a system which reflects the foundation for the SEKEM business model.

“ Establishment of the Organic Market in Egypt

In 1977 Dr. Ibrahim Abouleish founded the SEKEM Initiative on a piece of desert land about 60 km northeast of Cairo. From the beginning, the land was cultivated according to biodynamic agricultural methods. Thereby SEKEM introduced organic agriculture not only in Egypt but the whole region.

The land size of SEKEM and its suppliers grew to around 20,000 feddan (= 8,400 ha) today. Overall, due to the pioneering work of SEKEM 75.000 feddan (= 31,500 ha) have been converted to arable land where organic agricultural methods are applied. While this happened mainly through desert land reclamation, the overall organic acreage constitutes about 1 % of the total agricultural area in Egypt.

SEKEM is well placed in the organic market in Egypt. For example, the market share of SEKEM regarding enjoyable herbal tea is 80%. On the organic juice and milk market, there are not even any major organic competitors. The organic market share of SEKEM for fresh vegetables constitutes around 85%.

The success derives not least from the broad distributional system which guarantees access to a wide range of healthy food products for millions of people in Egypt. SEKEM supplies all supermarkets (344), all large groceries (8,784), about 50% of all small groceries (over 20 m²; about 45,000) with food products as well as about 15,000 pharmacies with tea and honey. Regionally, about 50% of all SEKEM foodstuffs are sold in the Greater Cairo area, 15% in the area around Alexandria, 15% in Upper Egypt and 20% in the Nile Delta.

”

Status and Target Overview

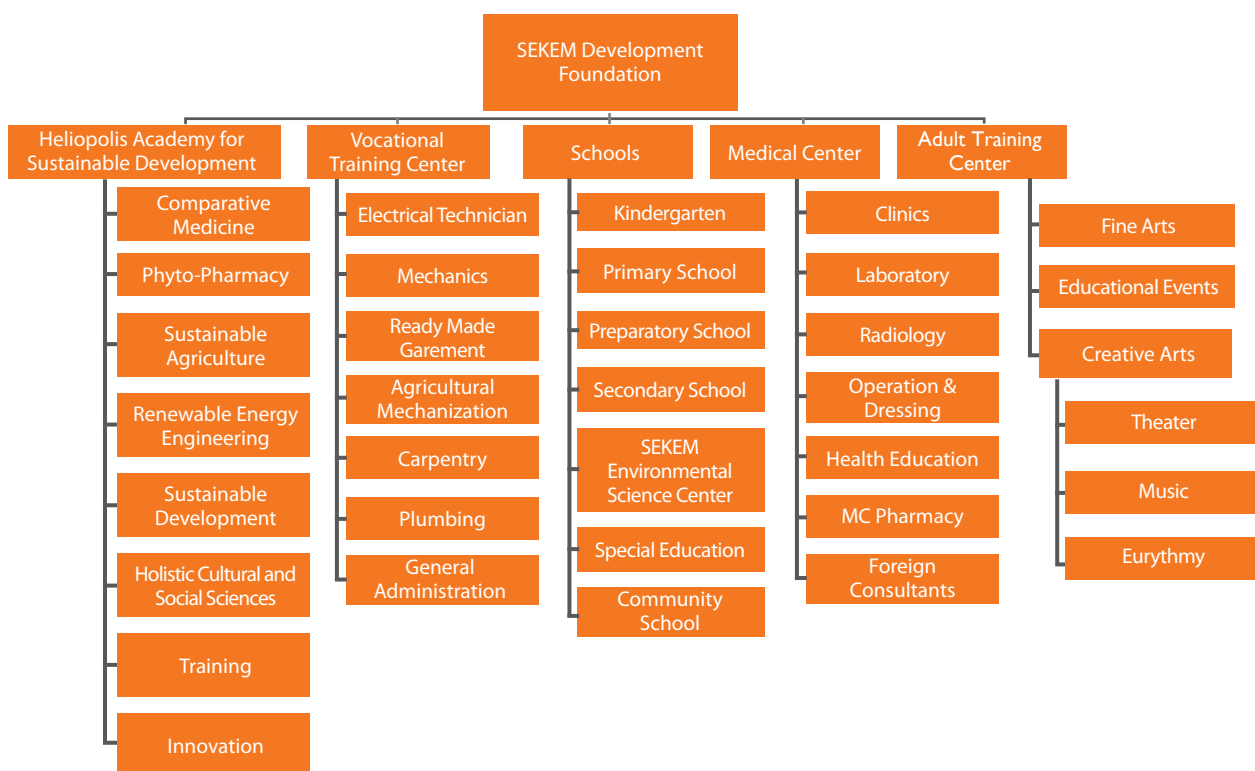
CULTURAL LIFE 2010

ID	Scorecard Classification	Performance Aspect	Status 2009	Status 2010	Targets 2010 (Set in 2007)	Target Achievement Evaluation
Cul01.1		Company's cultural development strategy	Continuous extension of engagement in all fields of broader community development and development of centralized project organization, monitoring and impact assessment	Status quo maintained	Professionalized project monitoring and impact assessment	✓
Cul01.2			Company spending EGP 0.8 mio	Company spending: EGP 1.7 mio	Company spending: 10% of profits	✓
Cul02.1		Employee training and awareness building in different spheres of education	One-year training plan for each company	Status quo maintained	Fully implemented one-year training plan for every employee	✓
Cul03.1		Scientific research engagement	23 ongoing R&D projects in different fields	17 ongoing R&D projects in different fields	20 running projects	✗
Cul03.2			Alignment of R&D projects through long-term vision of SEKEM	Status quo maintained	Alignment of acquisition of projects to defined strategy	✓
Cul03.3			Acquisition strategy and project monitoring maintained and centrally coordinated by Special and Sponsored Programs department (SSP)	Status quo maintained	Comprehensive project monitoring	✓
Cul04.1		Health of the employees and broader community	Offering a wide range of medical services and employee health insurance with an option to cover also family members; Enlargement of medical services portfolio; Encouragement of use of available services; Public Health awareness projects;	Status quo maintained	Further develop consciousness for individual health	✓
Cul04.2			Awareness campaigns on company level in Egypt; support of international awareness creating activities	Status quo maintained	Improve Medical Center monitoring and evaluation	✓
Cul05.1		Religious and spiritual activities	Free practicing of religious activities, integration into daily work	Status quo maintained	Free practicing of religious activities, integration into daily work	✓

Another great year of SEKEM's cultural activities, varying from numerous different employee trainings coupled with about 17 ongoing R&D projects, to awareness campaigns for hygiene and preventive medicine, has come to an end. Although many desired achievements were accomplished, there are still some target

sets that SEKEM is working on such as further scientific research engagement. SEKEM has continued to be an oasis, welcoming all different religions and spiritual people and activities with the same respect and dignity.

The SEKEM Cultural Institutions



In the year 2010 SEKEM continued its cultural work with its employees and the surrounding communities. All institutions involved in providing cultural services act under the umbrella of the SEKEM Development Foundation (SDF): the Heliopolis Academy, the Vocational Training Center, the Schools, the Medical Center and the Adult Training Center. There are 66 employees working for the SDF at the Head Quarters and 205 at the farm. The total expenses of the SDF in 2010 were 9.3 mio EGP.

The range of activities reaches from music, theater and fine arts to education and teacher trainings. Education is the very foundation of holistic human development. Without education from an early stage on, a human being cannot flourish in his later life. Without a sound understanding of the world around us, there can be no sustainable development in unity with nature and our fellow human beings. Our approach is based on the belief that only through combining feeling, willing and thinking all senses of human being can be addressed and developed properly.

Children and Youth Education

In the 2010 school year, 36 infants were enrolled in the SDF Kindergarten and 282 pupils in the SEKEM School. The Special Education Program “Fassl el Fagr” (class of dawn) had 28 children and young adults. The SEKEM Community School provided education for 25 children and more than 200 trainees were enrolled at the Vocational Training Center (VTC). Around 60 full-time and 4 part-time teachers, who receive training and are enrolled in awareness raising workshops and seminars, teach at our facilities. These educational institutions are embedded in the rest of the SEKEM Community with its societal, economical 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 SEKEM School is accredited by the Egyptian Ministry of Education and adheres to the Egyptian state curriculum. Nonetheless, education consists for

us not only to teach abstract knowledge, but also to train students in practical skills, crafts and artistic exercises such as eurythmy, painting and playing music. The aim is to awaken pupils’ creativity and critical thinking and through this 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.

SEKEM Community School

Child labor is a widespread social problem in Egypt and other developing countries. Many poor families cannot afford to live without the income children bring into the family and, hence, many children are taken out of school far too early if they join at all. To alleviate the child labor problem and to provide as many children as possible with the most essential skills, the SEKEM Community School was designed to stimulate creativity and thinking as a basis for further vocational training such as carpentry and mechanics. The educational part is coupled with an opportunity to gain income through adequate work, mainly related to the chamomile harvest (which is why those children are called “Chamomile Children”). This program is officially approved by the Egyptian government and covered by the Egyptian law that allows light work for children between 12 and 14, especially in the agricultural sector, if it is coupled with adequate training and the right working conditions.

The children also have the option to enroll at the SEKEM Preparatory School, although this path is rarely chosen due to the need to gain an early income. The curriculum at the Community School in SEKEM encompasses subjects like English, Mathematics, Arabic and Religion. To improve health care and hygiene the SEKEM Medical Center conducts awareness programs and offers medical services free of charge. Warm, nutritious meals and adequate clothing are provided for the children as well. Later on, our Chamomile Children are able to join the Vocational Training Center in order to receive practical training.

In 2010, 25 children were enrolled at our Community School. This is a strong decrease from 75 children in 2009 and has its reason in the higher amount of money that companies offer young children for work.



Children in the SEKEM Kindergarten



Students learning in the Vocational Training Center

SEKEM Environmental Science Center (SESC)

The SEKEM Environmental Science Center offers interactive science classes on environmental topics to pupils from the SEKEM Community, as well as from local and international schools. The one-day field trips encompassing practical activities cover a wide variety of subjects including chemistry, biology, physics and geography. A number of 32 different groups have participated in field trips offered by SESC.

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 Mubarak-Kohl Initiative, which is 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.

SEKEM Special Education

The SEKEM Special Education 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 pupils win 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.

Heliopolis University Egypt

To ensure that we meet high quality standards of academic excellence, the core establishing team of Heliopolis University Egypt (HUE) decided to postpone the opening to 2012. This decision is in line with the recommendations of our consulting company, which suggested that it will give us enough time to position HUE as an innovative and unique university for sustainable development within the Egyptian market.

Employee Training

In addition to the cultural development activities offered to employees in the form of artistic courses or its weekly presentations, the SEKEM Holding takes care of the personal development of its employees. On the one hand, the employees participate in weekly meetings to discuss critical issues about their work-life, which are joined by the founder of the SEKEM Initiative Dr. Ibrahim Abouleish in order to portray, explain and forward the basic vision of holistic development. On the other hand, the employees are involved in constant development and specific trainings directly related to their work tasks and challenges. The Human Relations department works closely together with the Adult Training Center from the Heliopolis Academy for Sustainable Development to optimize appropriate means for the employee's career development. The Heliopolis Academy offers trainings and personality development programs to those people who aim to learn, research and/or work within the framework of sustainable and holistic development.

The Academy also works together with international partners; in 2010, the Heliopolis Academy for Sustainable Development, in collaboration with the NGO Management School in Switzerland, has established a professional training course titled "Project Cycle Management". International participants from different countries such as Albania, Tajikistan and Iraq in addition to three employees from SEKEM attended the course, which emphasized case studies for humanitarian projects worldwide.



Training of employees in the Heliopolis Academy

Summer Courses

40 teachers from SEKEM School and the Vocational Training Center participated in a four week English language training (9 hours/week). Another ten teachers from SEKEM School participated in an eight week training (9 hours/week).

Fine Arts – Perceiving and Painting

Colors have an immediate effect on a person's soul and mood (either positive or negative); be it during perceiving an artist's work or during painting oneself. In all SEKEM offices, along the corridors and in public areas of SEKEM we display fine arts from different artists, some of whom are our friends or employees. 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.

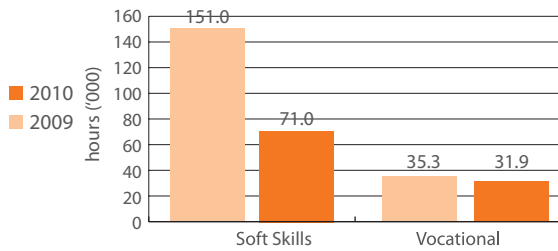
Regular exhibitions from different artists train the perception for colors. The eyes learn to admire the colors and through that the beauty in nature and the environment.

Apart from the regular painting classes for SEKEM School students, there was also a painting training for teachers with some 20 participants. As we do every year, SEKEM welcomed some international artists who produced 50 new paintings to fill and beautify SEKEM's new buildings and remix the existing ones.

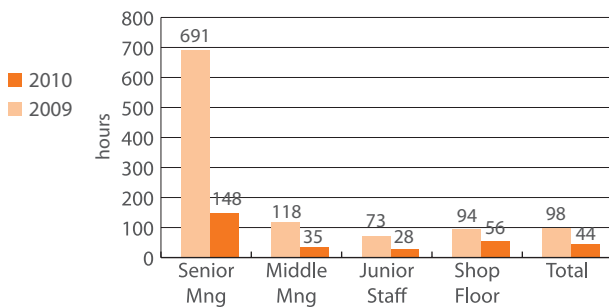


Heliopolis Academy building

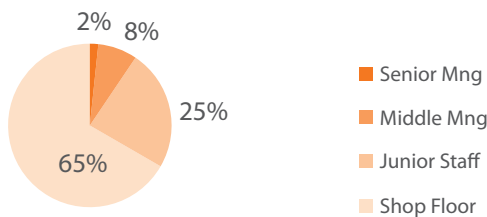
Training Man-hours p. a. ('000)



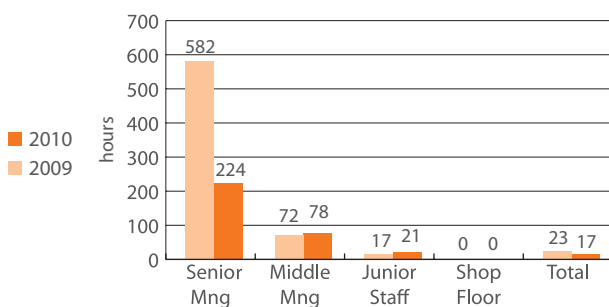
Average Training Hours per Employee by Category - Vocational Training



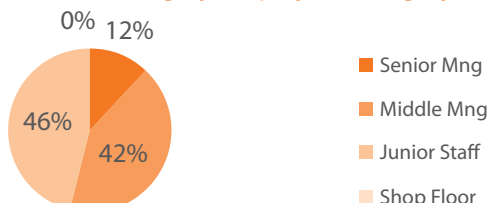
Share of Total Man Hours of Vocational Training by Employee Category 2010



Average Training hours per Employee by Category - Soft Skills



Share of Total Man Hours of Soft Training by Employee Category 2010



Professional Training

SEKEM Holding takes care of the personal development of its employees. According to a Personal Performance Agreement (PPA), management receives constant development opportunities directly related to their work tasks and challenges. Our managers and supervisors, which are 10% of our 1,856 employees, receive such a PPA which includes regular performance review meetings, in which individual goals and yearly training needs are discussed. PPA's went down to 21% compared to a high level of 80% in 2009 as PPA evaluation focused before also on other employee groups. These groups continue to get a similar evaluation and incentives.

At SEKEM we differentiate between training for soft skills, such as presentation and communication skills, and vocational skills that are more tailored to the practical needs of each company, such as production standards and procedures.

In fact, the distribution of training hours varies among the companies. Also, the targeted employee category is different depending on whether it is about soft or vocational skills. It differs also between the various companies, depending on the current need and nature of industry. The overall picture shows that soft skills are focused on management and sales people and the vocational training is foremost directed towards manual labor workers.

Compared to 2009, soft training decreased significantly for senior managers so that the relative share of training hours of senior managers decreased from 30% to 12% this year.

The average vocational training hours went down from 98 to 44 hours. All groups of employees experienced drastic reduction of training hours. In general the plan is to reduce external training and provide more effective inhouse training from the Heliopolis Academy. Manual workers still receive the bulk of total training hours, with a total of 65%.

Music is Joyful – Smart – Healthy

Music is a storage and treasure for cultural heritage. Making music and especially singing leads to the roots of people's culture. 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. It promotes a new kind of intelligence, transfers knowledge and social skills.

Thus, SEKEM incorporates music into everyday life and into all special occasions. We also host frequently international orchestras and choirs to realize intercultural exchange.

In cultural as well as in economic institutions, all major meetings, lectures and festivals open either with classical European music or traditional Arabic 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 majority of employees and teachers of SEKEM practice their voice or an instrument in an active music program. The employees sing songs related

to their religious feasts or local tradition. A choir for advanced voices performs on stage during many internal celebrations.

The focus of music lessons lies on teachers. It is important that they sing in tune and learn an instrument, so that they can pass on these skills to their students.

Each summer, young students from different countries, including students from SEKEM School, supported by professional musicians from Cairo, come together for one week to intensively work on a hand-picked program. Afterwards, the group performs at some of our companies such as LOTUS, ISIS, NATURETEX, at the Adleya Farm and in the Heliopolis Academy. 15 students of the SEKEM School joined the summer orchestra in 2010.

The teachers' choir, which consists of around 20 people, held several performances at several different occasions at the SEKEM School and the Heliopolis Academy.

“Musical Events 2010

A highlight of the SEKEM Festival in March was the impressive Cello Orchestra with 12 Celli from Germany, directed by Hans Erik Deckert. Performances took place in the amphitheater and in Heliopolis Academy, as well as at the workplaces in several SEKEM companies.

In October 2010, 70 young Germans from the orchestra of the Rudolf-Steiner-School Schopfheim visited the SEKEM Farm for a week-long orchestra project with their conductor, Elfriede Hochweber. This great performance was held - amongst three other performances - for SEKEM's 33rd anniversary celebrations. The performance was magnificent and far surpassed any expectations; this was also triggered through the participation of several 14 year-old Egyptian students from the SEKEM School. Each of the four performances took place in locations marked by strong contrasts: The festive Heliopolis Academy, the urban "El Sawy", the packed SEKEM school and the open sky of the SEKEM amphitheater.

Five Egyptian teachers and students, who joined the performance of the piece "Orpheus and Eurydike" (by Grieg) by an Austrian secondary school, had the chance to travel to Austria for a concert. The involved Austrian school kids also visited SEKEM and performed this musical piece, conducted by Friederike Hansen from Hamburg, Germany. Further teachers and students from SEKEM School joined the rehearsal and performances, making it an extraordinary event for the audience. Performances took place at SEKEM School and at Heliopolis Academy. This event was of a highly impressive, intercultural approach for all participants.

”



A child playing the violin at SEKEM school



Eurythmy class for NATURETEX employees

Eurythmy - Integrated in the Social Life

Eurythmy is a performance art, a philosophy of expressive movements. It aims to assist the development impulses for the human being, the society and the world in all areas through specifically applied exercises. Eurythmy moves the body in such a way that it may create a sense of solidarity with the fellow human beings, amplifies the personality and develops innovative and social skills. Eurythmy is a basic performing art. It can be applied in different areas of life, such as education, therapy, in the working place and on stage.

Eurythmy at the workplace helps to create awareness for the surrounding environment and supports the development of social skills. This improves the concentration and the endurance of the employees. Furthermore, it cultivates their communication and cooperation skills, as well as their team and management abilities.

In addition to the voluntary involvement in the development of cultural skills like singing or playing an instrument, all employees receive training in eurythmy and gymnastics at their workplace. These trainings are specially designed to relax them from the typical movements at work or to bring their attention and team-working abilities to a certain focus. We evaluate these courses with some feedback questionnaires in order to understand better the impact of the courses on their work. This year, 560 eurythmy lessons were provided to about 600 employees, adding up to almost 15,000 man-hours of eurythmy.

“ Eurythmy Events 2010 ”

Several eurythmy performances took place at SEKEM School and Heliopolis Academy such as the fairytale “The Green Snake and the Beautiful Lily” by Goethe and “Secrets of the Hearths” based on tales of Khalil Gibran and other Arabic poets.

A very special event was the show of the oriental story “Al Baticha” in which 80 school children of different ages performed together with a number of adults during the SEKEM Festival in the amphitheater in March.

”

In May, the Art School of the Heliopolis Academy awarded the first Egyptian student a diploma in eurythmy, a day SEKEM had looked forward to for many years. Additionally, each year eurythmy teachers have the possibility to participate in an international training for eurythmy at the workplace.

Furthermore, SEKEM employees can regularly enjoy performances on stage. School kids and students show the latest studies and plays during the school celebration on Thursdays or on occasional special events.

Theater, Storytelling, Recitation, Literature

Theater and storytelling stimulate the imagination and, thus, the creativity of both narrator and audience. We continued to work with the Magnum Opus of Goethe in several lectures. We were happy to welcome experts in the field of literature, such as Katharina Mommsen, an expert of Goethe with a focus on his relationship to the orient, who shared with us some insights of their work and stimulate vivid discussions in our weekly evening circles. Furthermore, our program comprised training for fairy tales and poetry recital.



A theater piece performed by the Community School

Monday Forum at Heliopolis Academy

Each Monday, the Heliopolis Academy offers a cultural program for all employees at the head office. 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. A five to ten minute music recital opens the one-hour program. In 2010, the event took place 40 times with programs varying from an Egyptian coptic youth choir and a youth band from Holland, to speeches and discussions about SEKEM's and Egypt's future.



An artist painting at the SEKEM School



A eurythmy course at ATOS



A student of grade eight at SEKEM School



The mosque at SEKEM farm

Religious and Spiritual Activities

Religion and spirituality are recognized in SEKEM as a central pillar of personal development, while tolerance, reflection and dialogue are furthered throughout SEKEM's institutions. This includes, for instance, a mosque on the farm grounds and the communal celebration of religious holidays. 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.

Health of the Employees and Broader Community

The SEKEM Medical Center is part of a comprehensive plan for community development. Patient education and health awareness programs are designed to meet the needs of the local community. The Medical Center offers health care services for the SEKEM employees and the general public. Employees have the choice to opt for a basic governmental health care insurance policy, or to join a private insurance provider that is jointly paid by SEKEM and the employees. The ratio of cost share depends on the salary level. It is also an option to cover family members in this insurance.

Our service portfolio encompasses: Internal Medicine, Pediatrics, ENT (ear, nose and throat), Ophthalmology, Gynecology, Urology, Dermatology, Neurology, Orthopedy, Dentistry and Cardiology. In our radiology department, we offer X-Rays and Ultrasonic examinations. In 2009, we worked with 25 international specialists in the fields of respiratory, digestive and parasitic diseases.

For the children in our SEKEM School, the health care services are free of charge. Our team consists of 23 doctors, nine nurses, five administrators, four technicians and several chemists. In 2010, we treated 6,954 cases from SEKEM employees and 31,593 cases from people of the surrounding communities.



A doctor talking about hygiene to a group of patients



A doctor taking care of a patient

Scientific Research Engagement

Heliopolis Academy for Sustainable Development

The SEKEM Development Foundation (SDF) established the Heliopolis Academy for Sustainable Development. Its aim is to improve the capacity to conduct, publish and disseminate relevant social and scientific research in the strategic focus areas of medicine, pharmacy, renewable energy, biodynamic agriculture, arts and social sciences.

Its demand driven research is designed to meet the future requirements of the Egyptian community and builds on national and international collaboration. In 2010, 33 full-time employees and 13 part-time researchers conducted 17 ongoing research projects in all fields.



The Heliopolis Academy laboratory

Research Activities

The close ties to the SEKEM companies enables the different science centers to come up with practical and marketable innovations.

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

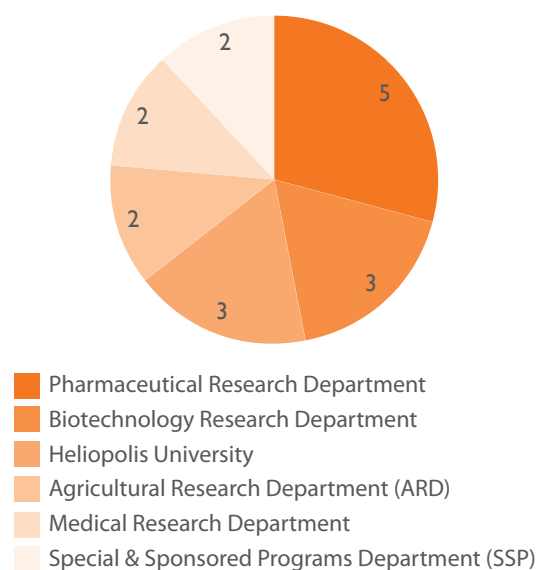
strategic alignment of research activities. Our target for the total number of R&D projects in 2010 has been almost achieved and will be redefined next year.

Heliopolis University Green Innovation Award (INNOVA 2)

In 2009, the Academy launched the INNOVA Award (also called Heliopolis Academy Innovation Award) for outstanding research projects in all fields related to sustainable development through three competitive calls for proposals. The aim of this award was to underline the commitment of the academy to foster research and innovation as a tool for sustainable development.

In 2010, The Heliopolis University sustained this innovation award via launching the INNOVA II "Heliopolis University Green Innovation Award". INNOVA II is a green award that can be conferred on individual researchers, universities, small and medium-sized enterprises, as well as secondary school students having ambitious, green, and innovative ideas.

Number of Research & Development projects by department



Management Approach

All major religions share the idea that man is appointed as a steward on earth and must work to sustain and develop it. In accordance with this approach, our governing principle is not only to reduce our 'ecological footprint', but rather 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 almost seven billion people. This stated, we commit ourselves to sustaining and further developing all ecological elements. Through quality standards and efficiency improvements, the application of new

technologies and education of all our stakeholders, we wish to gain "eco-literacy." This means keeping the environment in balance and taking the scarcity of all resources into consideration.

For assuring 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.



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?

Resource Efficiency of Biodynamic Agriculture

The business model of SEKEM is based on biodynamic agriculture, a specific form of organic agriculture which views the farm as a self-contained, self-sustaining ecosystem responsible for creating and maintaining its individual health and vitality without any external or unnatural additions. Soil, plants, animals and humans together create this image of a holistic living organism. SEKEM applies biodynamic agricultural methods, with compost being the major component in turning desert land into living and healthy soils. The application of resilient crops and natural predators prevent the introduction of external inputs such as chemical fertilizers and pesticides. Biodynamic agriculture means closed nutrient cycles, including raising livestock to produce SEKEM's own compost, growing cereals to feed the livestock and crop rotation to enhance soil fertility.

The holistic design of biodynamic agriculture with closed nutrient cycles, where the whole is more than the sum of its parts, represents the systemic logic of SEKEM being an ecological company. In a world with finite resources and growing demand through population growth and welfare growth, only such sustainable, systemic approaches will be competitive in the long run.

Advantages over Industrial Agriculture

The benefits of sustainable farming systems such as biodynamic agriculture are numerous. Healthy soils with a high content of solid organic matter increase the water holding capacity (up to 70%), decrease water consumption (20 to 40%) and protect the soils from erosion. Through diversification methods such as agroforestry (intercropping including trees) and crop rotation, the risk of crop failure is minimized. Intercropping and the abstinence from chemical inputs increase biodiversity. Moreover, fewer expenses for external inputs make financial resources available to cover the costs for higher employment, thus promoting rural livelihoods.

Biodynamic agricultural methods are healthier as they don't expose farmers, animals, soils, air and surface waters to hazardous chemicals. Lastly, compared to common practice, increased energy efficiency, lower

greenhouse gas emissions and increased soil carbon sequestration make biodynamic agriculture a superb tool to mitigate climate change.

Industrial agriculture, which is still common practice in global agriculture, has therefore significant disadvantages compared to biodynamic agriculture. Critics of organic agriculture, however, often refute that only industrial agriculture is able to feed the world with its growing population.

Biodynamic Agriculture and Food Security

Resource efficiency is crucial for food security. Only a sustainable handling of our natural resources and biodiversity will allow us to sustain fertile arable land, which is the basis for growing food and is becoming scarcer and scarcer. Organic and therefore biodynamic agriculture is the only way how our planet can feed to world sustainably.

Without responsible and sustainable soil stewardship, a crucial difference between industrial (chemical) agriculture and organic agriculture, arable land will decrease and yields will decline. This is all the more important as climate change puts further pressure on our arable land.

In 2050, mankind will have to produce enough food for nine billion people. The availability of, access to and affordability of sufficient nutrients are the defining criteria of food security that have to be taken into consideration when choosing the farming system of tomorrow.

Availability: Contradicting the long-established belief that external inputs such as chemical fertilizers are necessary in order to substantially increase food production, an increasing number of scientists, policy panels and experts, such as the United Nations' Special Rapporteur on the Right to Food, are now claiming that resource-conserving and low external input techniques have a proven potential to significantly improve yields. In traditional farming systems in developing countries and in regions where soils are degraded, yields can be increased up to 200%. Desert land reclamation represents by far the most challenging forms of exploring new agricultural land. To increase yields, eco-intensification methods such as

agroforestry or crop rotation are very important. The combination of desert land reclamation and eco-intensification makes SEKEM a considerable contributor to food security in Egypt, where arable land is scarce and the population grows rapidly.

Access and affordability: The rural areas, where the greatest yield increases could be achieved through eco-intensification methods, are often the same regions where poverty and hunger are widespread. Increased yields therefore directly tackle access to food and nourish the farming population. As sustainable farming systems are more labor intensive, a substantial amount of jobs would be created which, in turn, would enable many more people to buy foodstuffs for their families.

The SEKEM farms are all located in rather poor rural areas. With the employment of thousands of workers and tens of thousands of seasonal workers, SEKEM and its suppliers alleviate poverty, which is an important aspect of food security.



Typical sandy desert soil at year 0

30 years later - arable land evolved

“ What if 100% organic agriculture on a global scale?

Agriculture has significant climate change mitigation potential. The most widely discussed way to do so is through soil carbon sequestration. The soil sequestration potential depends greatly on the initial carbon levels of the soil and on management practices including the intensity of organic inputs. This is why carbon depleted soils like the desert have outstandingly high carbon sequestration potential.

Organic agriculture has particularly high soil carbon sequestration rates. The optimum scenario of an FAO (Food and Agriculture Organization)-estimation mirrors the result of organic farming, with reduced tillage on arable land with an additional sequestration rate of 500kg C/ha/year compared to a business-as-usual conventional agricultural production. Long-term comparative field trials in temperate regions of the USA have shown carbon sequestration rates of 1000kg and 2000kg C/ha/year – notably, additional to conventional agriculture. These rates are achieved when high levels of cover crops and compost are used in conjunction with appropriate tillage operations. SEKEM carbon sequestration levels are around 1000kg C/ha/year.

A study by IFOAM in 2004 estimated the sequestration potential of agricultural soils under various organic agriculture management practices. The impressive result is, that with the highest standards for soil fertility building and conservation (respectively 2000kg C/ha/year) and 100% conversion of all agricultural land to organic agriculture, 32% of the total global greenhouse gas emissions can be sequestered – notably, above business as usual conventional agricultural production. While this seems to be a utopian number and an unrealistic goal, it, nonetheless, is an aspiration level that has to be known in climate politics so that appropriate policies can be taken which might include the desirable wide-reaching political and economic support of organic agriculture.

”

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. The global surface can only produce enough food for all human beings in the future if we preserve its fertility, avoid erosion and enable an adequate water storage capacity.

Status and Target Overview

ID	Scorecard Classification	Performance Aspect	Status 2009	Status 2010	Targets 2010 (Set in 2007)	Target Achievement Evaluation
Soi01.I		Soil quality	Ongoing soil analysis regarding physical, chemical and micro-biological indicators on all farms	Status quo maintained	Ongoing monitoring of various, well-defined soil parameters on all SEKEM farms	✓
Soi02.I		Impact on soil quality & fertility	Positive impact through biodynamic agriculture and composting	Positive impact through biodynamic agriculture and composting	Continuous improvements and definition of realistic long-term targets	✓
Soi03.I		Environmental compatibility	Identification and monitoring of potential risks on SEKEM's land (related R&D projects)	Positive impact on cultivated land through high quality compost and biodynamic cultivation; identification and monitoring of potential risks on SEKEM's land	Setting goals and continuous measurement to minimize risks	✓
Soi04.I		Impact on non-renewable natural resources	Starting to identify potential impacts	Continuing to identify potential impacts and taking counter measurements	Full assessment and strategy for balanced usage	✓

SEKEM made improvements in the soil field. The soil quality is being examined on a regular basis in the soil and water lab of SEKEM, the positive effect of bio-dynamically growing plants is evident and the staff is working on making these services accessible to the new SEKEM farms as well.

Soil Assessment

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

The aim is to produce valuable substances from microorganisms and their metabolites, which include bio-fuel, bio-control agents, bio-fertilizers, bio-treatment environmental pollutants, bio-stimulants for plant growth, pro-biotic microorganisms and many more for different purposes.

During 2010, the so-called Bio-lab worked on three major projects: the soil-borne pathogens project, the bio-fertilizer project and the bio-fuel project. There have also been some other activities that were mainly driven by ad-hoc needs coming from our agricultural production, such as the successful bio-treatment of grapes in Adleya farm in summer of 2010 using

Aurobasidium and Rhodotorula for bio-control of grey rot (*Botrytes cinerea*) during harvesting.

Composting at SEKEM

SEKEM uses controlled microbial composting. The composting site is owned 100% by LIBRA. It consists of two sites, one in Adleya and the other one nearby Alexandria. LIBRA has a total of 20 feddan (= 8 ha) of composting area and three feddan (=1 ha) of storage area. 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.

Each of LIBRA's composting facilities has a capacity of approximately 200 tonnes of input material per day. In 2010, SEKEM produced 66,916 tonnes of compost compared to 63,107 tonnes in 2009.

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. Through their fruits, 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.

Status and Target Overview

ID	Scorecard Classification	Performance Aspect	Status 2009	Status 2010	Targets 2010 (Set in 2007)	Target Achievement Evaluation
Pla01.I		Seed development	First test-harvest of fruits and vegetables from own seeds	Continuous production of own seeds and seedlings	In-house production of more seed types and higher quantity in each category	✓
Pla01.I		Biodiversity	Continuous increase of species; botanical garden planned	Continuous increase of species; botanical garden on hold	Building up a botanical garden to sustain seeds and train people on different species	✗

Thanks to the continuous efforts of the MIZAN employees and support from Holland, SEKEM has succeeded in the production and selling of organic seedlings to Egyptian organic as well as conventional farmers, greatly reducing the use of pesticides and chemical fertilizers of the respective farmers. SEKEM is also putting efforts into sustaining species and creating the conditions for biodiversity to flourish, with the goal of having a botanical garden at the Heliopolis University.

Predators Instead of Pesticides

In the beginning of 2010 a partnership between SEKEM and the Danish companies EWH Bio Production and Envision made it possible to start the mass-production of beneficial microorganisms under the name "Predators Production Company".

Extensive studies of the predominate types of pests on Egyptian arable land have been carried out. The microorganisms are being used on SEKEM's own fields, but are also sold on general agricultural markets as an efficient alternative to regular pesticides or other artificial chemical products harmful to plants and humans. The program encompasses:

- Chrysoperla carne and ladybird (to control aphids)
- Orius and amplyseius cucumeris (to control thrips)
- Trichogramma (to control butterfly eggs)
- Phytoseiulus persimilis (to control spider mites)

SEKEM used the predators on the Sinai and the Adleya farm for potato and tomato plants, in total 140 feddan

(= 58 ha). In 2011 SEKEM will enlarge the production to serve also external farms. Furthermore, the research for avoiding tuta absoluta with trichogramma evanase and other microorganisms will go on.



A ladybird eating a greenfly

ANIMALS

Animals populate and enliven the earth with multiple 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 behaviour 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.

Status and Target Overview

ID	Scorecard Classification	Performance Aspect	Status 2009	Status 2010	Targets 2010 (Set in 2007)	Target Achievement Evaluation
Ani01.I		Species-appropriate treatment	Compliant with Demeter standard	Status quo maintained	Compliant with Demeter standard	✓
Ani02.I		Impact on animal welfare, diversity and habitats	Positive contribution and continuous improvements in all fields	Status quo maintained	Continuous improvements in all fields	✓

SEKEM is following strict Demeter standards in the treatment of animals, also investing a great deal of time into training and awareness raising among its employees. Although expanding greatly in this field, SEKEM strictly pays attention to maintaining the degree of awareness and knowledge of all new employees.

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. From 2010 on, LIBRA concentrates its operations fully on the cattle management and leaves all its agricultural activities to SEKEM for Land Reclamation.

The cattle lives in an open space covered by a shade-roof. Cattle nutrition consists of maize-silage, clover, straw, fodder beat and orange zests. The average milk production of a cow per day is approximately 21-22 litres (one litre less than last year). The sheep nutrition consists of silage and regularly grazing, with

a production of around 738 kg of wool in 2010. For the chickens, no antibiotics are used in the entire management and treatment of the chickens. Their nutrition consists of maize and soya silage and greens. In average, seven chickens live on one m² indoor and additionally they have access to a free chicken-run outside. Even though we had much more hens compared to the previous years, we recorded a drastic decrease in the egg production from 3.3 mio in 2009 to 939,478 eggs in 2010 due to hen disease and the resulting contamination of a large number of eggs.

Number of animals (husbandry) on the farm	2008	2009	2010
Fattening bulls	57	29	64
Dairy cows	236	276	403
Calves	220	189	63
Sheep	464	396	492
Laying hens	27,000	25,000	35,500
Broilers	0	12,000	0
Pigeons	600	600	600
Bees	45	65	82

ENERGY

The sun lights life and grants the human being his 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. However, the human way of using energy contributes substantially to climate change. Through carbon-neutral power generation from renewable energies, the emission of dangerous greenhouse gases can be reduced significantly.

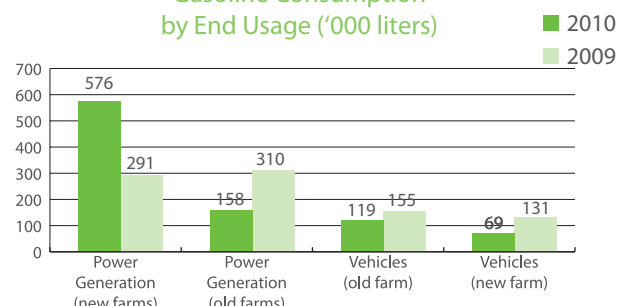
Status and Target Overview

ID	Scorecard Classification	Performance Aspect	Status 2009	Status 2010	Targets 2010 (Set in 2007)	Target Achievement Evaluation
Eng01.1		Energy usage	Total electricity consumption: 4,156,187 kWh	Total electricity consumption: 4,620,127 kWh	Aggregated measurement and evaluation	✓
Eng01.2			Single issue initiatives to further implement energy efficiency strategy	Single action implementation	Energy efficiency strategy implemented	✗
Eng02.1		Energy saving	Estimated 0.9% energy saving (minimum)	No comprehensive assessment	> 1% energy saving	✗
Eng03.1		Proportion of clean(er) / renewable resource usage in the energy mix	Improvement and further application of different renewable-sources	Maintenance of status quo; no significant source of renewable energy	Comprehensive renewable energy mix implemented and monitored	✗

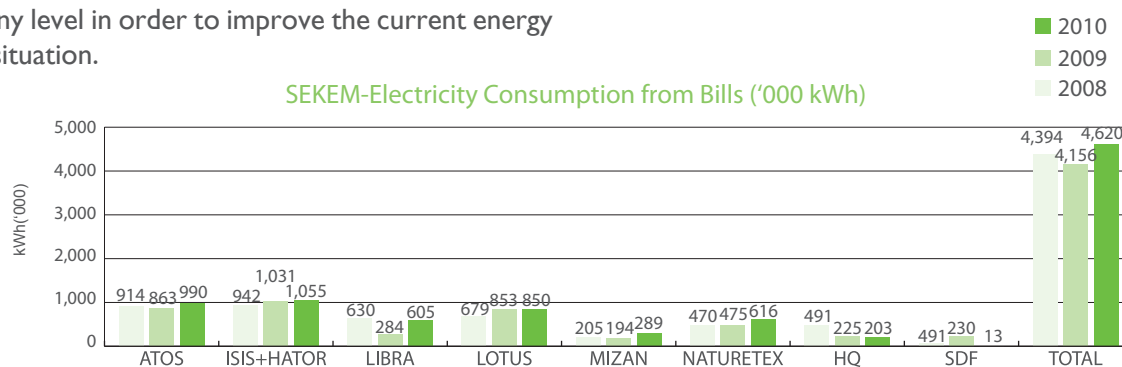
Full assessment and measurement of energy consumption is now possible on an aggregated company level but not within each company. This makes clear evaluation of reduction measurements difficult. Decreasing total electricity consumption is also challenging due to the expansion of several SEKEM companies. SEKEM is still working on developing and implementing a comprehensive energy efficiency strategy and continues to maintain its small-scale renewable energy projects.

SEKEM continues to have on-going small scale renewable energy projects, such as a small photovoltaic station at the headquarters, several hybrid solar dryer for herbal production, two Sheffler mirrors producing steam for production processes at the main farm and several solar water heaters on the roof of production sites. It is planned to engage with larger scale projects in the upcoming years. 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.

Gasoline Consumption by End Usage ('000 liters)



SEKEM-Electricity Consumption from Bills ('000 kWh)



AIR

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

Status and Target Overview

ID	Scorecard Classification	Performance Aspect	Status 2009	Status 2010	Targets 2010 (Set in 2007)	Target Achievement Evaluation
Air01.I		Emissions	Total emissions: 5,264,210 kg CO ₂ and carbon emission assessment for 9 products of 3 companies	Total emissions (scope extension): 7,056,432 kg CO ₂ ; no further product assessment	Aggregated assessment of emissions and CO ₂ product assessment of all food products	✗
Air02.I		Reduction of imperiling emissions	Estimated 0.4% of emission reduction	No comprehensive assessment of reduction	> 0.1% of emission reduction	✗
Air03.I		Emission offsetting	Business flights offsetting, main transportation fleet offsetting, Organic & More shops offsetting	Status quo maintained	Zero CO ₂ company & food products	✗

The most time- and resource consuming aspect is developing the awareness of our employees and surrounding community so that they understand the harmfulness of the matter. No further product assessments were implemented and no comprehensive assessment for a GHG emission reduction strategy have been implemented, although great efforts have already paved the way for future activities in that field.

By processing the green waste of SEKEM and surrounding farms into compost (as opposed to conventional waste management methods), CO₂ emissions can be decreased substantially. In 2010, a total amount of 80,001 VERs (Verified Emissions Reductions) has been issued by TUEV certification body due to the composting activities that can be

traded as carbon credits. Generally, one credit can offset one tonnes of CO₂e emissions.

Again this year, parts of carbon credits generated by LIBRA have been used to offset emissions caused by SEKEM operations such as the ISIS delivery fleet, the Organic & More Shop and all business flights.

Entity	Electricity	Diesel	Commuting	Waste	Total	
	tCO ₂ e	tCO ₂ e	tCO ₂ e	tCO ₂ e	tCO ₂ e	
ATOS	557.3	89.8	215.4	12.7	875.3	12.4%
HATOR and ISIS	593.9	346.7	478.6	13.0	1,432.2	20.3%
LIBRA and farms	340.4	54.9	100.9	11.1	507.3	7.2%
LOTUS	478.8	77.2	92.7	10.8	659.5	9.3%
LOTUS Upper Egypt	0.0	95.6	9.2	10.8	115.6	1.6%
MIZAN	162.6	26.2	52.9	10.8	252.6	3.6%
NATURETEX	346.9	55.9	382.1	16.1	801.1	11.4%
SEKEM for Land Reclamation	0.0	1,688.1	125.2	11.1	1,824.4	25.9%
Holding (Headquarter)	114.5	18.4	176.7	10.8	320.5	4.5%
SEKEM Development Foundation	6.7	1.1	249.4	10.8	268.0	3.8%
total	2,601.1	2,453.8	1,883.1	118.4	7,056.4	100%

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 that way. 71% of the surface of the earth is covered by water, mainly salt-water. However, potable water is a scarce resource and must neither be wasted nor polluted any further.

Status and Target Overview

ID	Scorecard Classification	Performance Aspect	Status 2009	Status 2010	Targets 2010 (Set in 2007)	Target Achievement Evaluation
Wat01.1		Water usage	Assessment for companies, SDF and SEKEM motherfarm	Additional assessment for private housing and new farms	Full assessment, permanent monitoring and efficiency improvement of usage	✗
Wat02.1		Reduction of water usage and improvement of water life-cycle	No comprehensive assessment	No comprehensive assessment	Total water use reduction of 20%	✗
Wat02.2			Reusage of waste water for irrigation of trees	Status quo maintained	Implemented water lifecycle systems	✗
Wat02.3			Projects on going for permanently improvement	Status quo maintained	Implemented policy on water usage for all farms	✗
Wat02.4			No policy on company level	Status quo maintained	Implemented policy on water usage for all companies	✗
Wat03.1		Sustaining of water-sources	No significant impact on ground water (new reservoir at Adleya to use also Nile water)	Status quo maintained	No significant impact	✓

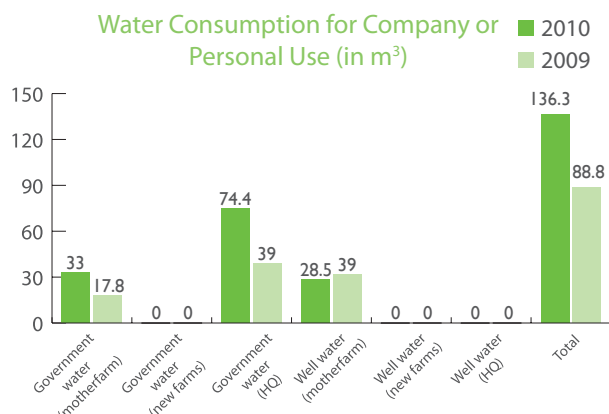
Water usage reduction projects have been implemented already, although it is still a challenge to measure comprehensively their impact on SEKEM's total water consumption. The main potential lies in the application of drip and sub-surface irrigation. Despite some challenges at the installation of the tubes under ground, we plan to continue with trials in order to scale up this technology.

Water Management

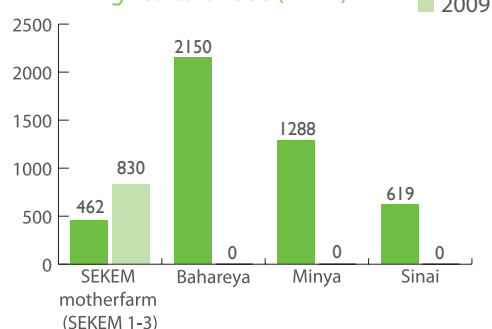
With our water strategy, we demonstrate ongoing support of the CEO Water Mandate, a UN Global Compact initiative. Step by step we implement actions in all areas of commitment, taking this report as a starting point with clearly defined long-term aims and short-term targets according to the Global Reporting

Initiative G3 Indicators. 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.

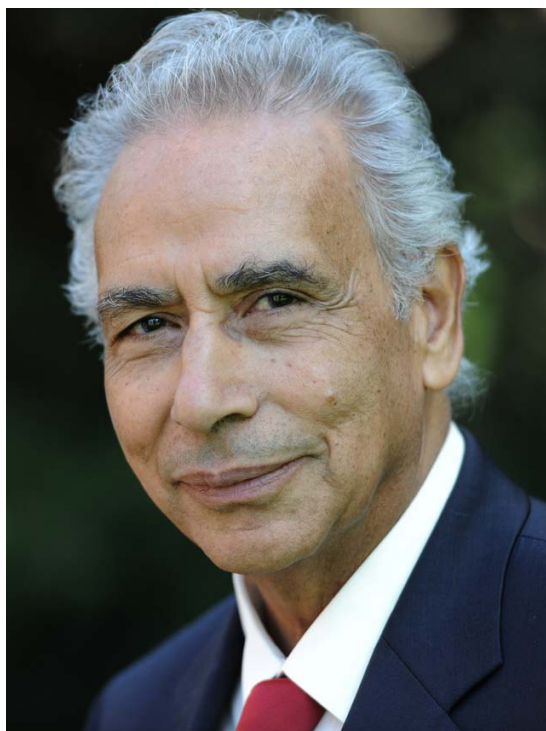
Water Consumption for Company or Personal Use (in m³)



Water Consumption for Agricultural Use (in m³)



Chairman`s Epilogue



Dear Readers,

The consequences of our vision for sustainable development reach further into the future than ever before. The principles of sustainable development now prevail in all areas of our life. It is a question of survival – our survival and the survival of future generations. There can be no improvement of living standards in ruined environments. The year 2010 was the “last of its kind” as we are now in an era “after the Egyptian Rebellion”. Not only the external circumstances will change for SEKEM, but also internally, adjustments and compromises have to be made to adapt to the new environment.

2010 was an extremely successful and in this regard encouraging year and this report shows that we are more and more managing to live up to our standards of being a sustainable development initiative through and through.

But the 25th of January also showed us what we all theoretically know but tend to forget in a generally professionalized and efficiency-oriented business life: that there are historical events that cannot be grasped by any however sustainably and holistically oriented gap analysis or risk assessment; and that nevertheless this unexpected and still in various regards inconceivable event might enable the biggest shift towards sustainable development, much more influential than any company-internal reporting procedure could ever be.

During the last decade academics, poets and philosophers from the Arab world have created with their works a spiritual and intellectual basis for a change that starts with a new way of thinking. Also what SEKEM provides as a model for sustainable development is seen as an important element for inspiration and hope for future generations.

The critical discussion of our current circumstances and future perspectives are the foundation of this rebellion and were lead by those minds that expressed their discomfort about the existing situation in our societies. Many of these writers from different Arab countries have lived in Europe. The connection to and the discourse with the European culture and language build a fruitful soil for new ideas.

What we now experience is a drastic change that touches all spheres of life of the Arab societies. It is a process of transformation and lavation that is indispensable and regards every societal class. The

processes of transformation and change must be understood, respected and supported.

A positive spiritual complement is important. Therefore, it is essential that philosophers, poets and thinker continue to play the role of a “catalyst” for the process of awakening and are therefore integrated. We can also rely on the contribution of the spiritual world while implementing ideals on earth.

The old circumstances will never come back again. The movement is too big and advanced already. Young people are now aware of ethical questions and social change. Even though this does not show concrete results at this stage in the future it will be an indicator of progress. The basic precondition is an adequate human education and training that allows young people to develop the force of fantasy and creativity to get the inspiration they need to handle the upcoming challenges and questions.

Sincerely,



Prof. Dr Ibrahim Abouleish
Chairman of the Board of Directors

ATOS at a Glance



ATOS, founded in 1986, produces an array of natural medicines and health care products of superior quality for effective causal treatment

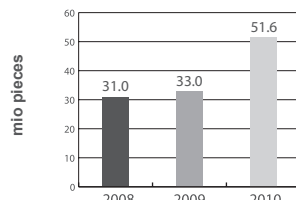
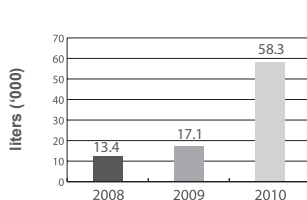
combined with maximum tolerability. Products can be bought in Egypt and other countries from the Middle East, such as Saudi Arabia. The company has 53 different products in the categories syrups, drops, capsules, tablets and tea bags. The Egyptian pharmaceutical market grew 14% in 2010, having a total value of approximately 17.1 billion EGP, and is estimated to continue growing between 10-15% in the next years. ATOS has only a very small market share of 0.2%.

ATOS sales grew 14% while production was increased in all main product areas. For the majority of medical products, prices are fixed by the Ministry of Health; whereas the price for over-the-counter products (no prescription needed) can be influenced by the company. In the future, stronger growth will be stimulated through higher emphasis on export and the introduction of new product categories, such as cosmetic products or new biotechnology product lines. The challenges for ATOS lie in bringing existing inventions from the R&D pipeline through the registration process to the market. The Egyptian pharma industry has, in general, a low innovation rate; however, ATOS improved its innovation rate from 0.6% to 4.8%.

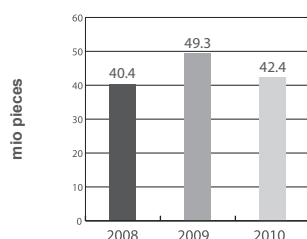
At the end of 2010, ATOS had a total number of 240 employees. The operations are less production intensive (only 20% of the employees work in production and support functions related to infra-

structure and distribution), however this sector requires a huge sales force. About 57% of the employees can be classified as junior staff, of which the bulk is involved with direct customer relations and sales. This is necessary to deal with the high number of individual doctors and pharmacists who represent the most important distribution channel to the end-customer. The turnover of employees working for more than one year was 50%, whereas the turnover including also employees that leave in the first year amounted to 56%. Fluctuations in the sales force were the main reason for the higher turnover rates compared to the Group's average. In 2010, a total of 7,314.5 training man-hours were devoted to ATOS employees, which represents 23% of the Group's total training hours. From these training hours a share of 0% was distributed to senior management, which represents 1% of the total work force. No time was devoted to train employees from production and support functions; a share of 54% was devoted to train middle management and 46% to train junior staff. ATOS generates 15% of the Group Companies' total sales, with a workforce that makes up 13% of the total employees. In addition, the company is responsible for 12% of total emissions and only 6% of the total water consumption of SEKEM operations and activities (excluding agricultural consumption). The waste-water of ATOS is used to irrigate the plants and trees that grow around the production site and are not dedicated for agricultural use. Further potential to reduce water consumption in the production processes has been identified. ATOS offsets all business flights of its employees to reduce its GHG emissions.

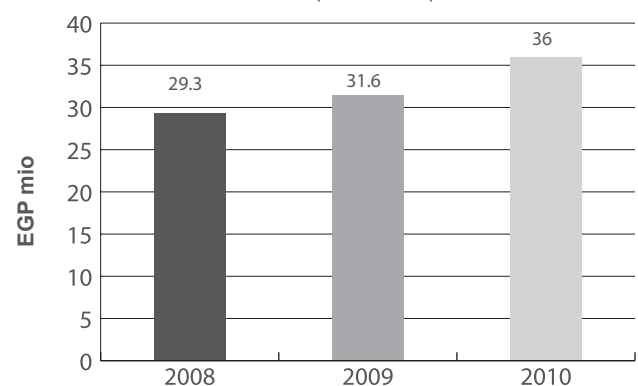
Sirup and Drops (liters) Medical Teabages (pieces)



Capsules and Tablets (mio pieces)



Sales History
(mio EGP)



Sustainable Development Scorecard

The performance evaluation and self-assessment of ATOS, based on the IAP Sustainability Flower, is illustrated below. Some Performance Aspects are not in the direct zone of influence of the company. The policy work, for instance, is covered centrally on the Group level. The Ecological dimension is mainly influenced by the supply chain, where ATOS asks for compliance with Demeter standards and organic regulations. The Biodiversity dimension, however, is

directly influenced by ATOS due to the company's research concerning the use and cultivation of medical plants in Egypt. Scientific research, together with innovation, is the key to expanding ATOS' product portfolio and increasing development. As a company operating in the health industry, the aspects of consumer responsibility and compliance are also highly important. Therefore, national health authorities strictly regulate the industry.

		2009	2010
ECONOMIC LIFE	• Sustainability strategy performance management.....		
	• Economic development and growth.....		
	• Innovation.....		
	• Supply chain management.....		
	• Eco-friendly products.....		
	• Socio-friendly products.....		
	• Customer responsibility.....		
	• Eco-effective packaging and transportation.....		
	• Sustainable waste management.....		
SOCIETAL LIFE	• Corporate governance and compliance.....		
	• Human Rights adherence and impact over the company's value chain		
	• Work force and the company's impact on labor conditions and health & safety.....		
	• Work force diversity and equal treatment.....		
	• Employee loyalty and motivation.....		
	• Support employee community organization.....		
	• Policy work for sustainable development and world challenges.....		
CULTURAL LIFE	• Company's cultural development strategy.....		
	• Employee training and awareness building in different spheres of education.....		
	• Scientific research engagement.....		
	• Health of the employees and broader community.....		
	• Religious and spiritual activities.....		
ECOLOGY	• Soil quality.....		
	• Impact on soil quality and fertility.....		
	• Environmental compatibility.....		
	• Impact on non-renewable mineral resources.....		
	• Seed development.....		
	• Biodiversity.....		
	• Species-appropriate treatment.....		
	• Impact on animal diversity and habitats.....		
	• Energy usage.....		
	• Energy saving.....		
	• Proportion of clean(er) / renewable resource usage in the energy mix.....		
	• Emissions.....		
	• Reduction of imperiling emissions.....		
	• Emission offsetting.....		
	• Water usage.....		
	• Reduction of water usage and improvement of water life cycle.....		
	• Sustaining of water sources.....		
		22	22
		12	12
		0	0

ISIS at a Glance



ISIS, founded in 1997, produces wholesome, nutritious and tasty food from carefully selected raw materials, free of any artificial additives or preservatives. Today, ISIS herbal teas can be found in homes all over Egypt and ISIS foodstuff or beverages are found in every food shop or super market in Cairo. ISIS has a wide range of more than 270 different products, including beverages, food, fruits and vegetables and herbs (which includes tea bags). Some product examples are organically grown cereals, rice, vegetables, pasta, honey, jams, dates, spices, herbs, edible oils, herbal teas, coffee and juices. In 2010 alone, ISIS produced more than 320 mio tea bags.

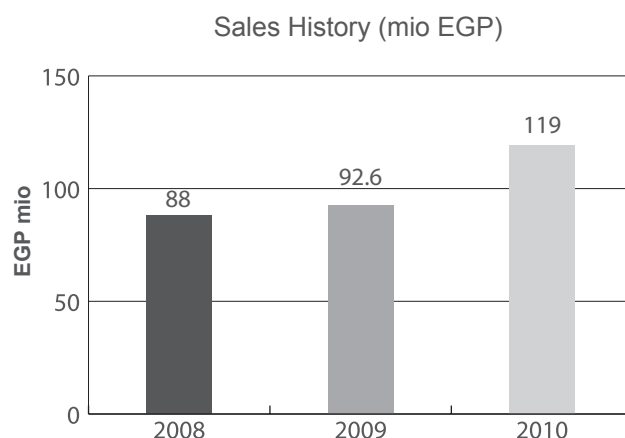
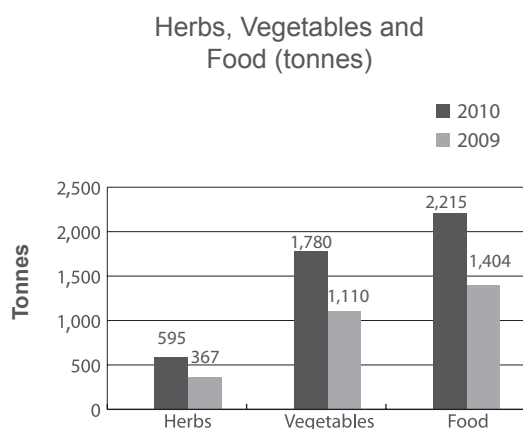
To further streamline its production and to realize efficiency gains with regard to support functions, ISIS continued to merge its operations with HATOR (also a SEKEM company focused on fresh vegetables and fruits). This did not lead to an employee lay-off because it is common practice between the SEKEM companies to offer alternative job positions within the Group. Financially, ISIS (including HATOR), has a strong sales performance of 118.8 mio EGP with 28% growth mainly due to an increase of demand on the local market. The sales of ISIS makes up 51% of the Group's total sales.

According to a study of Organic Monitor, the global market of organic food and drinks is estimated to grow from \$83 billion in 2010 to \$518 billion in 2020. We hope to capitalize on this growth of local and international markets and therefore strive to maintain a high innovation rate. Currently, the products that have been introduced over the last three years generate around 4.5% of our total sales (5.4 mio EGP) in 2010.

Future plans include introducing bottled table water next year, as well as working with an Indian partner to develop black tea as a strategic product.

At the end of 2010, ISIS, together with HATOR, had a total number of 639 employees of which 21% were women. Almost 44% of all employees work in production and support functions related to infrastructure and distribution. The turnover of employees working for more than one year was 21.6% and the turnover including employees that left in the first year totalled 37.2%. This was mainly due to fluctuations of sales representatives and drivers for distribution, which is not very unusual for the industry in Egypt. In 2010, a total of 14,994 training hours were devoted to ISIS employees, which represent 47% of the Group's total training hours. From these training hours a relatively high share of 15% was distributed to senior management, which represent 0.5% of the total work force.

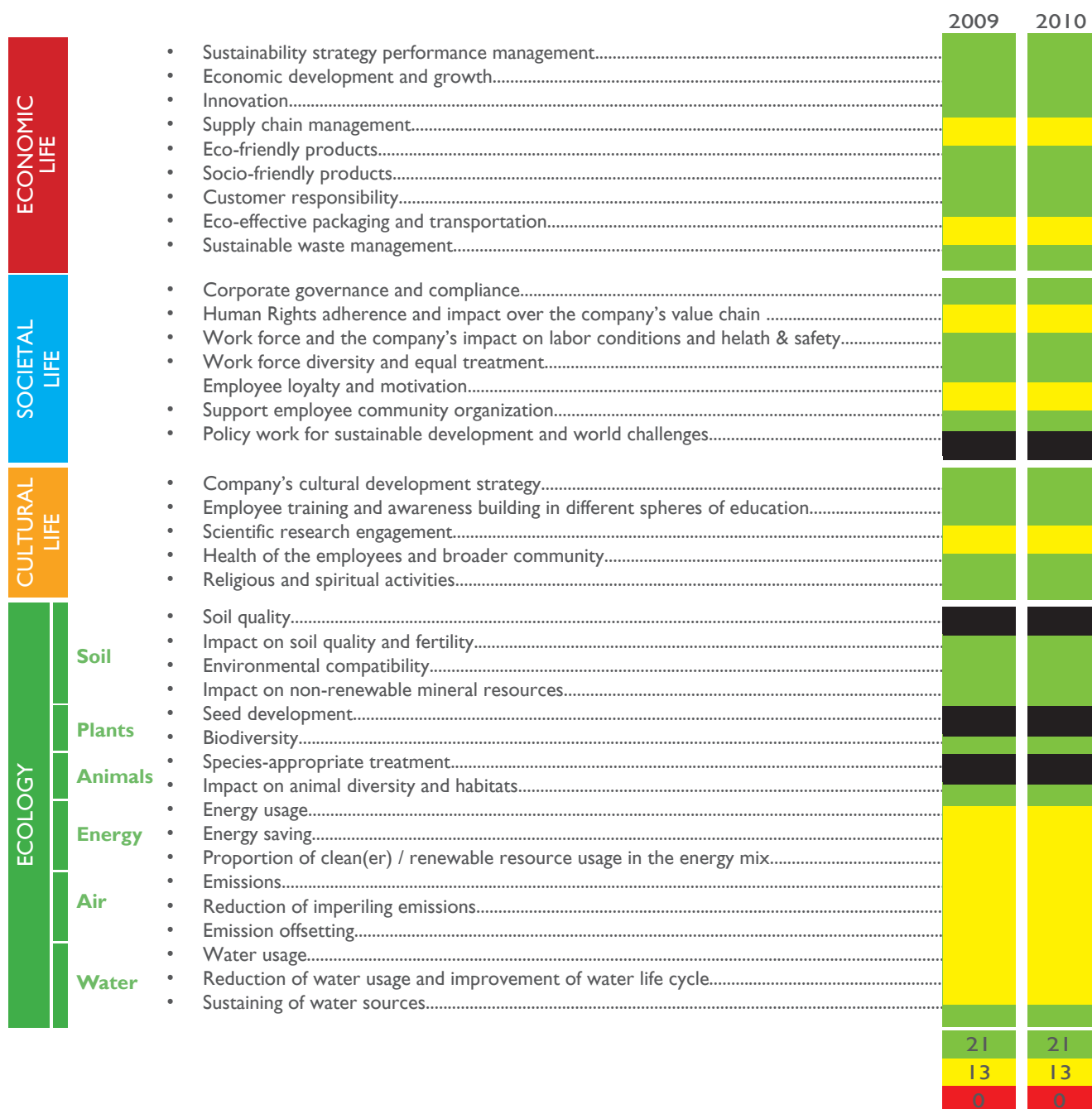
ISIS has a workforce that makes up 34% of the total employees of the Group. In addition, the company is responsible for 20.3% of total emissions and 19% of the total water consumption (mainly from wells) for SEKEM operations and activities (excluding agricultural consumption). ISIS improved its ecological footprint by offsetting its whole distribution fleet, further striving towards carbon neutrality. Furthermore, all business flights were offsetted and therefore the negative impact on the environment due to emissions was reduced. ISIS identified a potential to increase energy efficiency in some production processes and to improve eco-friendly packaging, although this is still an extremely challenging issue in Egypt. The waste water of ISIS is used to irrigate the plants and trees that grow around the production site and is not dedicated to agricultural use.



Sustainable Development Scorecard

The performance evaluation of ISIS based on a self-assessment according to the IAP Sustainability Flower is illustrated below. Some Performance Aspects are not relevant on company level because they are not in the direct zone of influence of the company. The policy work, for instance, is covered centrally on the Group level. The Ecological dimension is mainly influenced by the supply chain. Here, ISIS asks for Demeter standards and compliance to organic regulations. As a company for consumer products, the performance aspects of consumer responsibility and socio-friendly products are

very important. The contribution of ISIS to the overall Group's economic performance puts strong emphasis on the respective performance aspect. In comparison to the aggregated performance of SEKEM Group, ISIS performs better in exactly this aspect of economic development and growth, but less well on the aspects of scientific research engagement. The share of innovative products of total sales went down drastically but did not cause any substantial risk for the company. In the contrary, ISIS plans to consolidate the number of its total products.



LIBRA at a Glance



LIBRA was founded in 1988. The company produces milk, eggs, meat, fodder and began producing compost three years ago. Altogether, LIBRA

has five different products. All products serve solely as raw materials for the other SEKEM companies, which process them - except for compost and the related carbon credits, which are sold and traded on the open market.

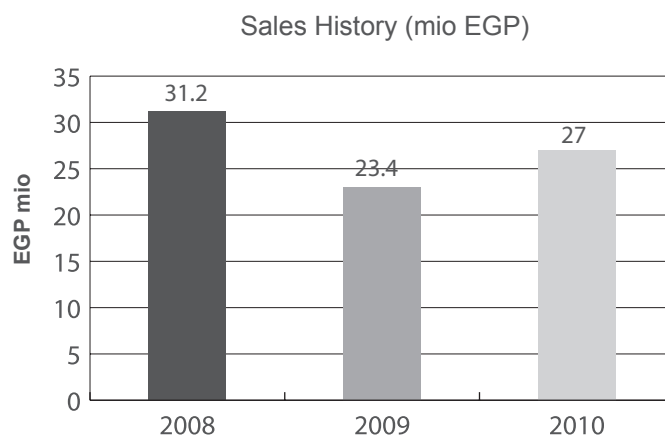
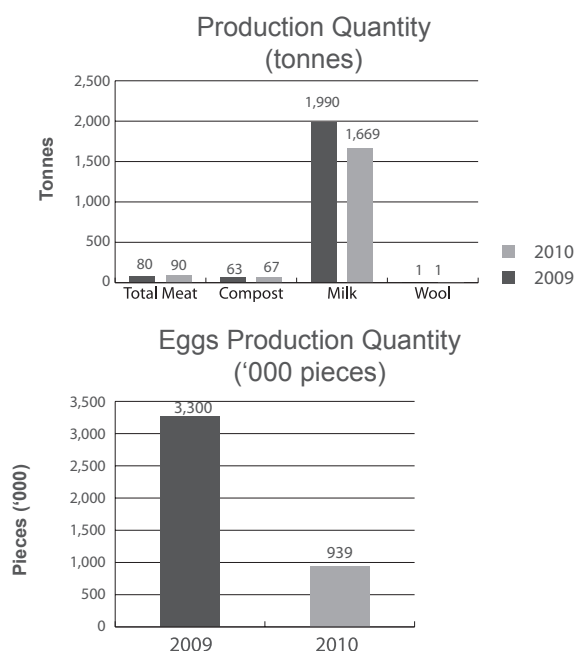
LIBRA takes care of SEKEM's animals (for details see chapter "Animals", page 58). The new composting activities, which take place on an additional 20 feddan (= 8.4 ha), close the value creation cycle by using the agricultural and organic waste from production and provide significant potential to offset CO₂ emissions. In a short time period, composting boosted LIBRA's revenues significantly. In 2010, LIBRA produced 66,916 tonnes of compost compared to 63,107 in 2009. In 2010, almost 70% of all revenues came from composting, which is positively influencing the performance on the innovation aspect of the company as well.

In 2010, total yearly milk production increased from 1,606,000 liter to 1,669,088 liter. The average milk production per cow per day increased from 22 liter/day to 23 liter/day. Unfortunately, LIBRA has experienced a huge decrease in egg production (from 2,724,035 eggs in 2009 to 939,478 in 2010) due to

severe hen disease and the resulting contamination of a large number of eggs. However, the overall decline in sales was mainly caused by a reduction of vegetable production due to a major decrease of vegetable export from LIBRA's main customer ISIS. The main contribution to sales remained composting and the related business of carbon credit generation.

At the end of 2010, LIBRA had a total number of 107 employees, only two of which were women. This does not include the seasonal workers that are contracted by the company directly. Egyptian tradition makes agricultural production foremost a male domain. A typical high share of 65% of all employees work in the production. That means they are either directly involved in the animal husbandry or on the field. The turnover of employees working for more than one year was 28% and the turnover including employees that left in the first year amounted to 14%. In 2010, a relatively high share of 945 training hours were devoted to LIBRA, which represents 3% of the Group's total training hours. From these training hours the large shares of 20% and 47% were distributed to senior and middle management respectively.

LIBRA has a workforce that makes up 6% of the total employees. In addition, the company is responsible for 7.2% of total emissions. With the yearly consumption of 2,818 m³ the company uses 2% of the total water consumption for SEKEM operations and activities (excluding agricultural consumption).



Sustainable Development Scorecard

The performance evaluation of LIBRA based on a self-assessment according to the IAP Sustainability Flower is illustrated below. Some Performance Aspects are not relevant on the company level, as they are not in the direct zone of influence of the company. The policy work, for instance, is covered centrally on the Group level. Due to the shift of its operational focus on animals LIBRA has received even more aspects that are not relevant anymore, like seed development.

Through its composting activities, LIBRA sees its integrative relation to soil as a core competence. In comparison to the aggregated performance of SEKEM Group, LIBRA has performed better in many respects. Due to its drastic fall of innovative products management decided to put a red evaluation in order to create a sense of urgency to focus on the reflection of the current and future product portfolio.



LOTUS at a Glance

LOTUS

Organic Herbs & Spices

LOTUS, founded in 1977, was the first company of the SEKEM Group and was named SEKEM until 2005. It produces natural and organic herbs, spices, seeds and cereals.

LOTUS mainly exports its products to intermediate customers, which then produce the final product to be delivered to end-consumers. Approximately half of LOTUS' local production is sold to its sister companies ATOS and ISIS. Altogether, LOTUS has 103 different products.

LOTUS has few competitors in Egypt, as it is specialized in organic products. LOTUS is the strongest producer of organic herbs, spices and cereals in the Middle East and Africa. There are no distributors involved because an export team is responsible for dealing with the customers directly.

The growth of the global market of organic food is the main driver for LOTUS' expansion. The company depends on a number of farmers who supply raw herbs, spices and cereals. LOTUS has a resident engineer on the farms to supervise the accuracy and commitment to organic agriculture regulations during the production process. Recently, SEKEM for Land Reclamation also started to deliver raw materials. For its quality compliance, regular external audits of quality standards from national and international certifiers are conducted. Also, regular internal audits from the SEKEM Group quality audit team are performed.

In 2010, only 1.6% of total sales (approximately 695,464 EGP) were generated from products that were introduced in the last three years. It is worth

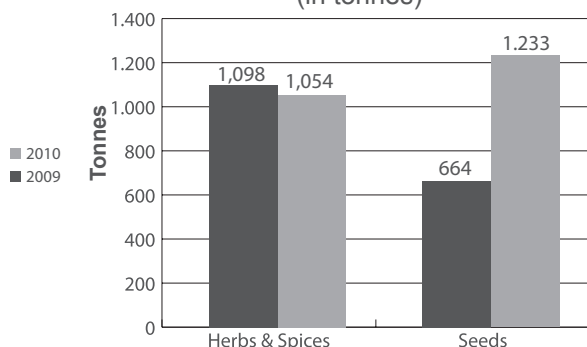
mentioning however that nevertheless, LOTUS has about twice as much products in its portfolio as the industry average.

Two years ago, the production capacity was the limiting factor for growth. The huge expansion of the production site in 2007 showed positive results but still has not reached its full production capacity.

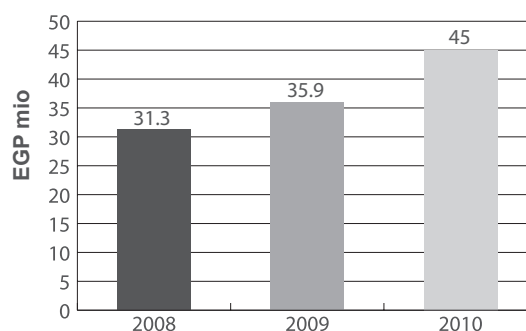
At the end of 2010, LOTUS had a total number of 91 employees. Out of all employees, a typical share of 59% work in the production and support functions related to production or infrastructure. The turnover of employees working for more than one year was 9.9%, the lowest rate among the SEKEM companies, whereas the turnover including also employees that leave in the first year amounted to 9%. The main cause for this is the fluctuation of employees in production. In 2010, a total of 462 training hours were devoted to LOTUS, which represents 1% of the Group's total training hours. From these training hours relatively high shares of 27% and 64% were distributed to senior and middle management respectively.

LOTUS generates 57% of the farming business at SEKEM, which made up 16% of total sales in 2010, with a workforce that makes up only 5% of the total employees. In addition, the company is responsible for 9.3% of total emissions and only 2% out of the total water consumption for SEKEM operations and activities (excluding agricultural consumption). Recently, LOTUS started to use a solar dryer for processing herbs.

Production Quality
(in tonnes)



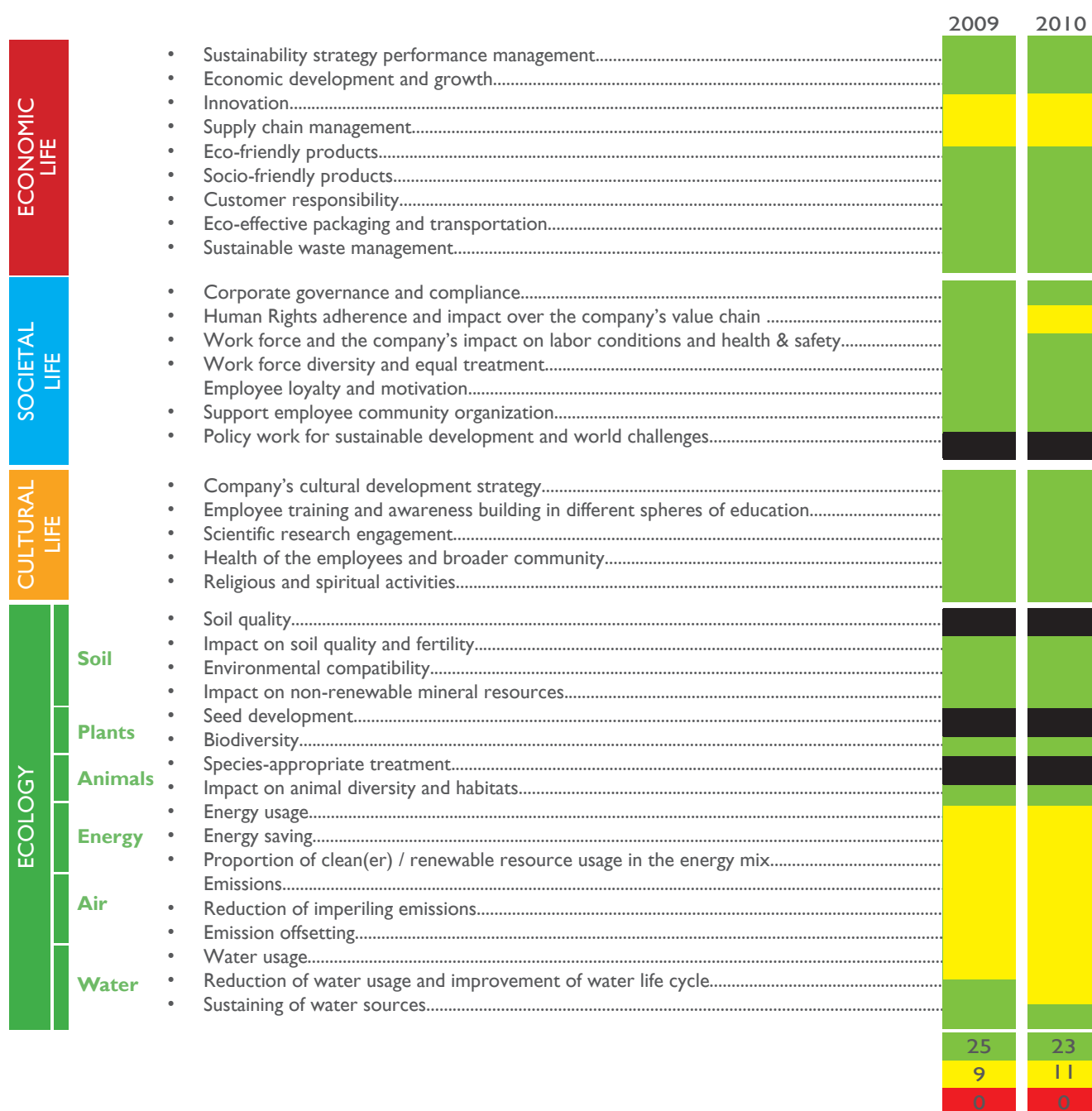
Sales History (in mio EGP)



Sustainable Development Scorecard

The performance evaluation of LOTUS based on a self-assessment according to the IAP Sustainability Flower is illustrated below. Some Performance Aspects are not relevant on the company level, as they are not in the direct zone of influence of the company. The policy work, for instance, is covered centrally on the Group level. LOTUS processes raw material from its suppliers. Much effort is put into scientific research and development in order to solve the problem of

water scarcity. With increasing exports, consumer responsibility also gains much more importance and focuses mainly on B2B relations in other MENA countries. In comparison to the aggregated performance of SEKEM Group, LOTUS has a better evaluation in the aspect of economic development and growth as well as employee loyalty, but performs less well on the aspects of innovation, and proportion of renewable energy in the energy mix.



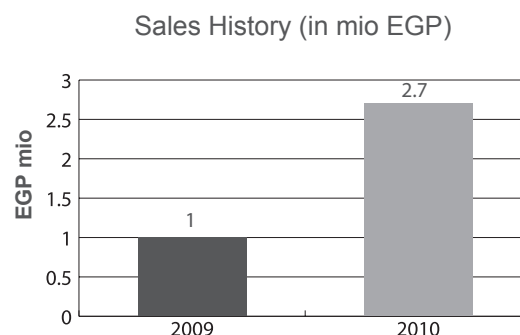
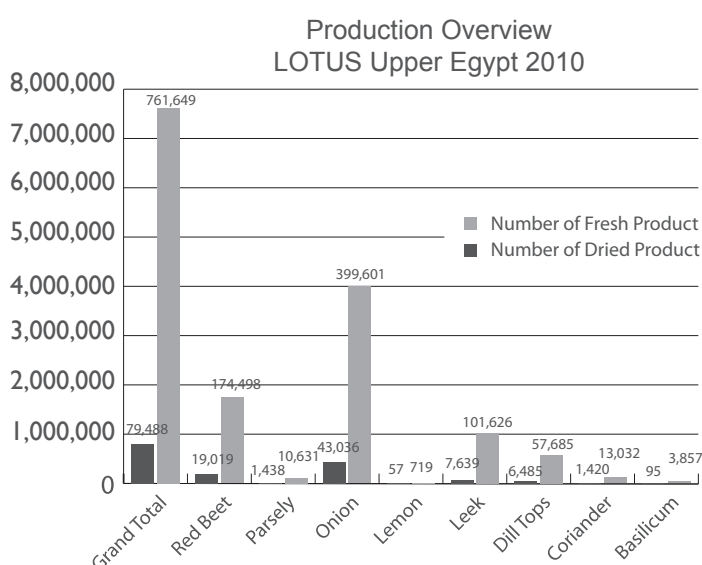
LOTUS Upper Egypt at a Glance

LOTUS Upper Egypt was established in 2007. It is a processing company for all kinds of organic herbs and spices from organically cultivated plants. It is located in Upper Egypt near the new farm of SEKEM in Minya and was established in order to guarantee quality of processed raw materials (mainly drying herbs and spices) that were cultivated in Upper Egypt. It was established to avoid the long distance transportation from the south of Egypt to LOTUS, which is located on the SEKEM mother farm in the north of the country. All products serve solely as raw materials for the other SEKEM companies that process them.

Herbs and spices are cleaned and classified through different processes according to the needs of the customers and the international Demeter processing guidelines with greatest care towards their taste, aroma and their natural medicinal effectiveness.

At the end of 2010, LOTUS Upper Egypt had a total number of 9 employees. This does not include the seasonal workers that are contracted by the company directly. The turnover of employees working for more than one year was 22%. In 2010 training started in LOTUS Upper Egypt.

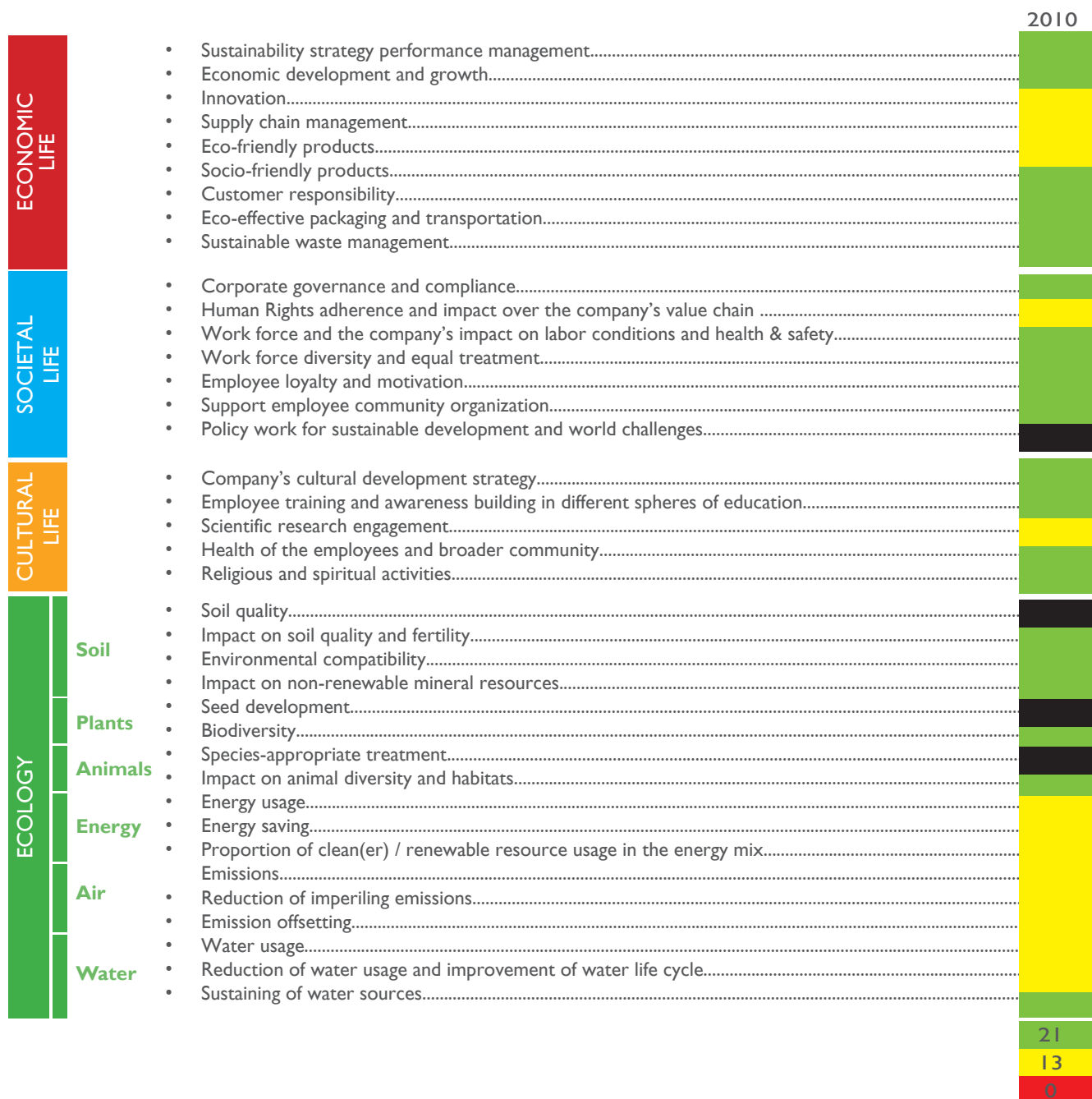
LOTUS Upper Egypt is generating 3% out of the farming produce at SEKEM that makes up 16% of total sales in 2010. LOTUS Upper Egypt has a workforce that makes up 0.5% of the total employees. Besides that, the company is responsible for 1.6% of total emissions. The company's water consumption for production has not been assessed yet.



Sustainable Development Scorecard

The performance evaluation of LOTUS Upper Egypt based on a self-assessment according to the IAP Sustainability Flower is illustrated below. The assessment has been done for the first time. Some Performance Aspects are not relevant on company level like policy work for sustainable development or soil quality as LOTUS Upper Egypt is a processing company for the raw materials coming from the Minya

farm. These aspects are covered centrally on the Group level or at SEKEM for Land Reclamation. Much effort is put in optimizing the production process. With increasing exports customer responsibility also gains much more importance.



MIZAN at a Glance

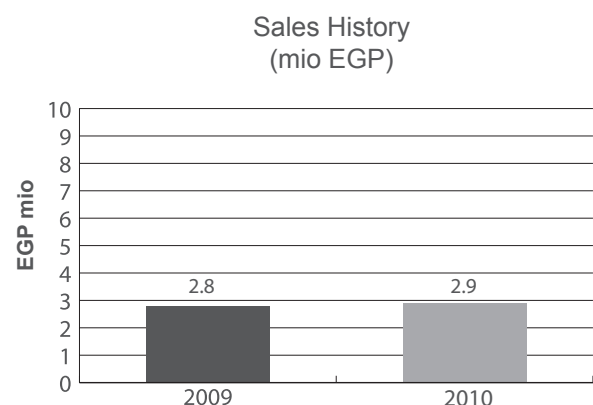
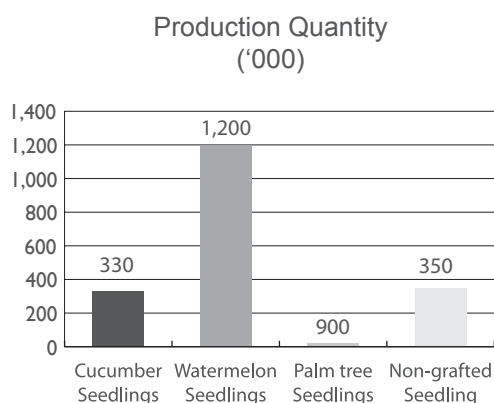
El-MIZAN, also referred to as MIZAN, was founded in 2006. MIZAN is a plant raising company aiming at providing Egypt's vegetable producers with healthy and profitable in-and-outdoor seedlings and grafted seedlings. MIZAN is a joint venture company between Grow Group Holland and SEKEM Group Egypt. The principle of grafting is to use a vigorous rootstock with high absorbing and transporting capacities, to provide the chosen plant variety with its needed water and nutrients.

This combination of a vigorous rootstock and a strong variety leads to an increase in production of up to 10%. Grafted plants are more resistant against soil diseases like root rot, viruses, fusarium and are better adoptable to extreme climates. Grafting means lower cost per plant due to higher production and lower cost per area, especially seeds through lower plant density; grafting also means less input cost due to a healthier, more resistant plant.

MIZAN will graft and raise your plants in modern green houses under the supervision of Dutch experts. Through following the latest phytosanitarian and agricultural standards and implementing grafting technology, MIZAN provides more profitable plants. MIZAN currently offers grafting and plant raising service for organic and conventional tomato, cucumber, cantaloupe, watermelon, squash, pepper and eggplant.

At the end of 2010, MIZAN had a total number of 52 employees. This does not include the seasonal workers that are contracted by the company directly. From the total employee number, a share of 69% work in the production. The turnover of employees working for more than one year was 9.6%. In 2010, a share of 686 training hours were devoted to both SEKEM for Land Reclamation and MIZAN together which represents 2% of the group's total training hours. From these training hours an amount of 1% and 6% was distributed to senior and middle management respectively.

MIZAN is generating 4% out of the farming produce at SEKEM that makes up 16% of total sales in 2010. MIZAN has a workforce that is making up 2.8% of the total employees. Besides that, the company is responsible for 3.6% of total emissions. Besides that, the company is responsible for only 4% of the total water consumption of SEKEM operations and activities (excluding agricultural consumption).



to directly reduce GHG emissions through providing its conventionally cultivating customers with a more resistant plant, decreasing the amount of pesticides and chemical fertilizers needed. Accordingly, the products of MIZAN score high when it comes to eco-friendliness and the soil.



NATURETEX at a Glance



NATURETEX, founded in 1998, has a wide range different products in the categories fashion wear, home textiles,

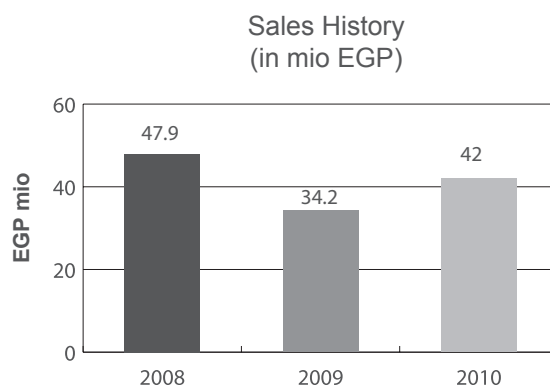
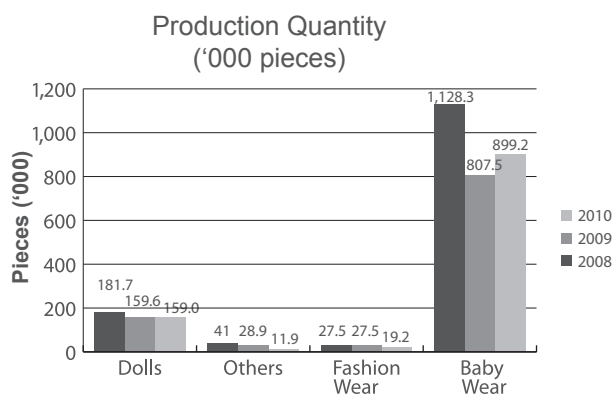
baby wear (which is the most prominent and strong in export under different brand names) and others, such as small dolls.

The global market for organic textiles is constantly rising. At the same time, competition is also becoming more and more fierce. This will make it necessary for NATURETEX to diversify further into new market segments in order to strengthen its position in the baby wear segment. Currently, the products that have been introduced over the last three years generate 5% of our total sales (1.9 mio EGP) in 2010. NATURETEX plans to enter the production of bed sheets and women's wear in the next years. Typically, customer relations do not take place directly with the end-customer but rather through B2B relations.

At the end of 2010, NATURETEX had a total number of 378 employees, around 20% of the total workforce of the SEKEM Group. Almost 73% of all employees work in production and support functions related to infrastructure and distribution. The turnover of employees working for more than one year was 18%, whereas the turnover including employees that leave in the first year amounted to 22%. In 2010, a total of 2,436 training hours were devoted to NATURETEX employees, which represents 8% of the Group's total training hours. Although middle management only represents 2% of the workforce, their training counts for 66% of the total man-hours used.

NATURETEX generates 18% of the Group's total sales with a workforce that makes up 20.4% of the total employees. Besides that, the company is responsible for 11.4% of total emissions and 2% out of the total water consumption for SEKEM operations and activities (excluding agricultural consumption).

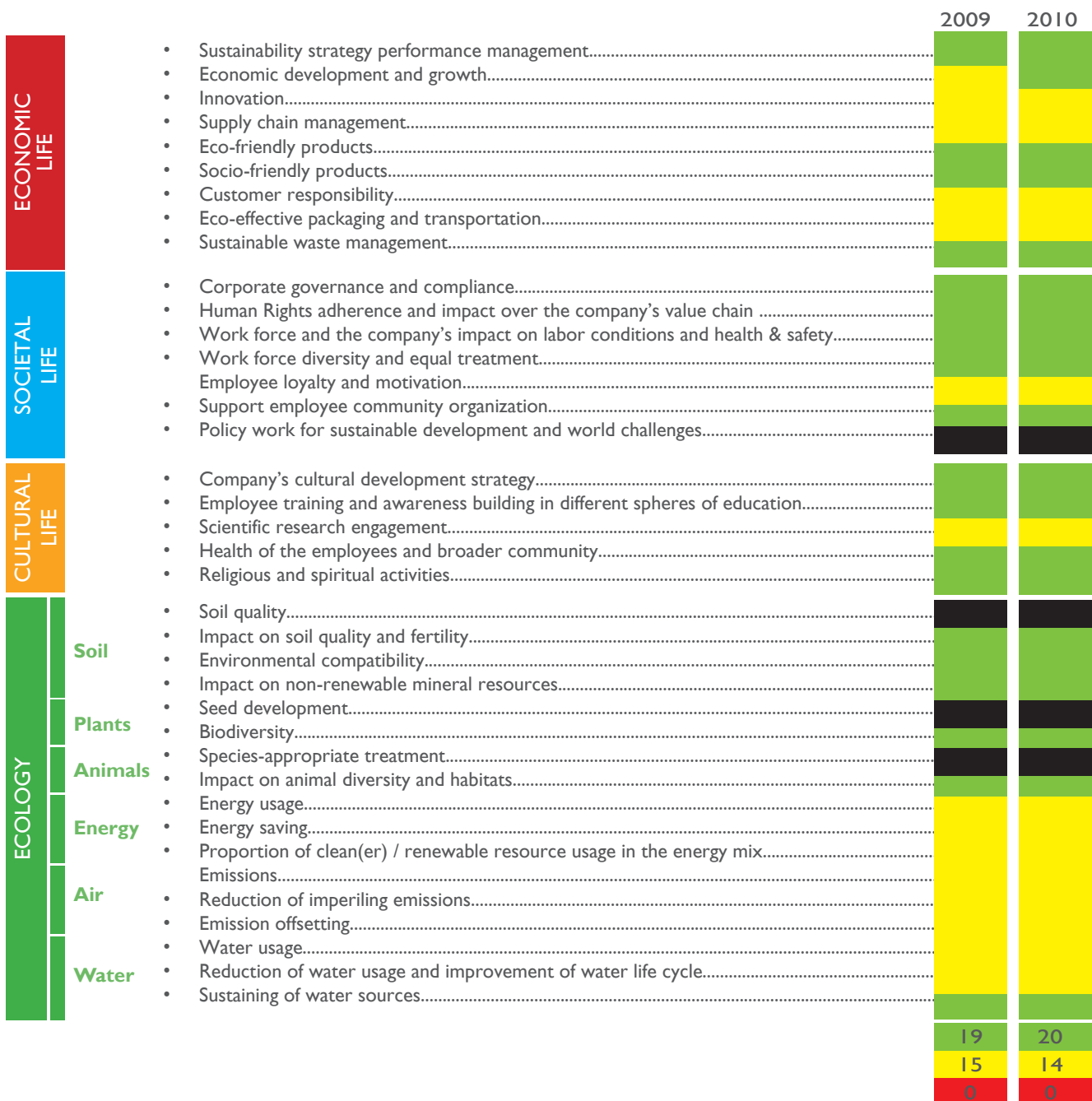
NATURETEX offsets all business flights to reduce its negative impact on the environment. The waste water of the company is used to irrigate the plants and trees that grow around the production site and are not dedicated for agricultural use.



Sustainable Development Scorecard

The performance evaluation of NATURETEX based on a self-assessment according to the IAP Sustainability Flower is illustrated below. Some performance aspects are not relevant on company level, as they are not in the direct zone of influence of the company. The policy work, for instance, is covered centrally on the Group level. The Ecological dimension is mainly influenced by the supply chain. Here, NATURETEX asks for compliance with Demeter standards, GOTS (Global Organic Textile Standard) and organic regulations. As a textile company, the health and labor conditions of

employees are among the top priorities. Furthermore, supply chain relations are crucial to the quality of the product, which must clearly not have a negative impact on the end-consumer's health (part of the socio-friendliness). In addition to that, the strong focus on exports makes corporate governance and compliance a crucial element of the success of NATURETEX. In comparison to the aggregated performance of SEKEM Group, NATURETEX performs less well on the aspects of scientific research engagement, customer responsibility and reduction of water usage.



SEKEM for Land Reclamation at a Glance

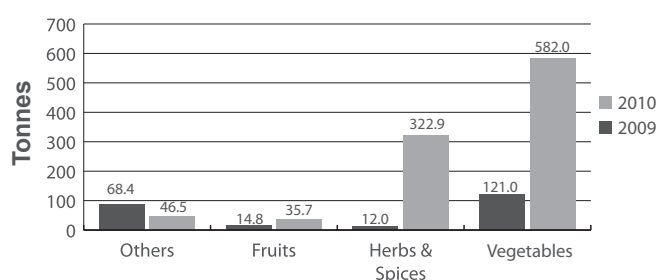
SEKEM for Land Reclamation was founded in 2008 for agricultural crop production. All products serve solely as raw materials (herbs, vegetables and fruits) for the other SEKEM companies that process them.

At the end of 2010, SEKEM for Land Reclamation had a total number of 123 employees. This does not include the seasonal workers that are contracted by the company directly. Out of all employees, a share of 53% work in the production, which means that they are directly involved with the field. The turnover of employees working for more than one year was 14%. SEKEM for Land Reclamation generates 3% of the farming produce at SEKEM, making up 16% of total sales in 2010.” to “SEKEM for Land Reclamation generates 16% of total sales in 2010.

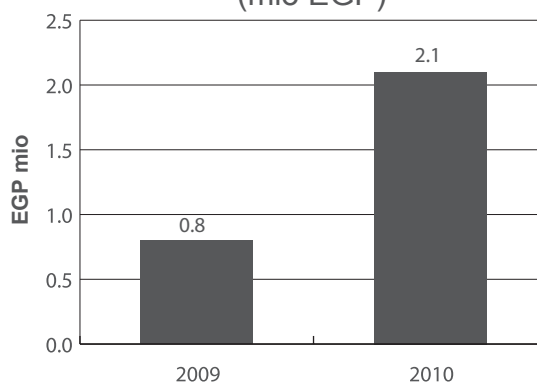
In 2010, a share of 686 training hours were devoted to SEKEM for Land Reclamation and MIZAN, which represents 2% of the Group’s total training hours. From these training hours the amounts of 1% and 6% were distributed to senior and middle management respectively.

SEKEM for Land Reclamation generates 3% of the farming produce at SEKEM, making up 16% of total sales in 2010. SEKEM for Land Reclamation has a workforce that makes up 6.6% of the total employees of the Group. Besides that, the company is responsible for 25.9% of total emissions. With the yearly consumption of 4.5 mio m³, the company is using up 100% of the total water consumption for agricultural use.

Production Quantity
(tonnes)



Sales History
(mio EGP)

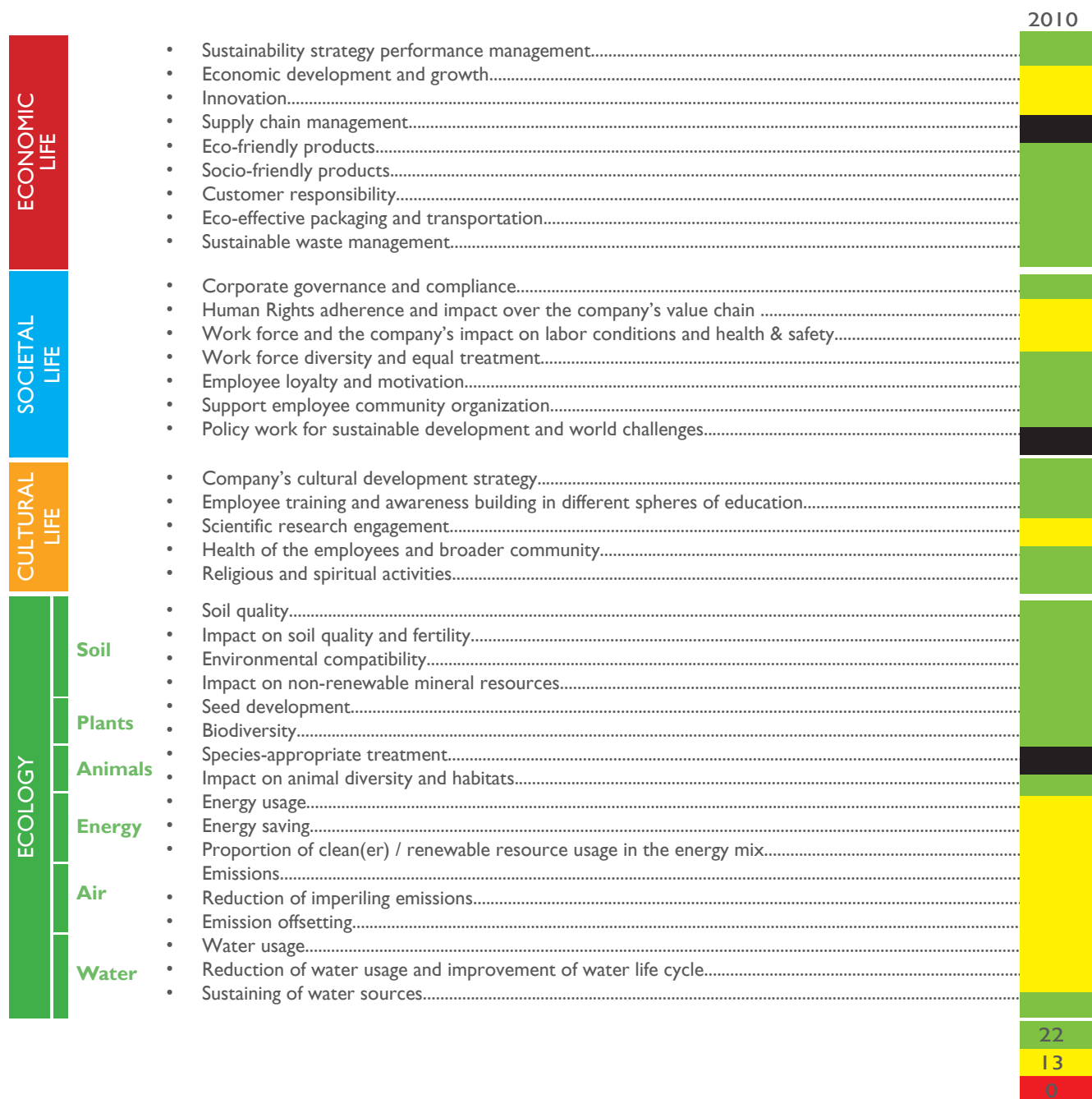


Sustainable Development Scorecard

The performance evaluation of SEKEM for Land Reclamation based on a self-assessment according to the IAP Sustainability Flower is illustrated below. Some Performance Aspects are not relevant on the company level, as they are not in the direct zone of influence of the company. SEKEM for Land Reclamation has its focus on agriculture and therefore puts much emphasis on soil and plants as well as

resource consumption in general. That is why an accurate measuring is quite important and needs still more support in order to come up with concrete figure of energy efficiency for example.

Due to its young age and the reclamation of desert land the company still needs some years to be able to enter into the green economic development and growth level.



Corporate Carbon Assessment 2010



Electricity Consumption Related Greenhouse Gas Emissions

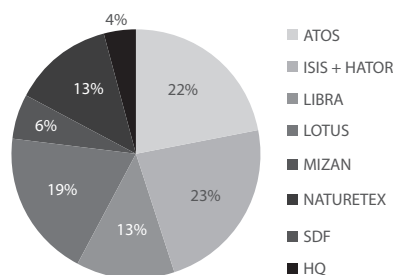
In order to calculate the Greenhouse Gas (GHG) emissions related to the electricity consumption at the SEKEM Holding's facilities (factories, farms and offices), the documented consumed kWh's for the period from January

1st to December 31st 2010 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 kgCO₂e

2010	kWh	KgCO ₂ e
ATOS	989,920	557,325
ISIS +HATOR	1,054,900	593,909
LIBRA	604,548	340,361
LOTUS	850,479	478,820
MIZAN	288,840	162,617
NATURETEX	616,240	346,943
SDF	11,913	6,707
HQ	203,287	114,451
Total	4,620,127	2,601,132

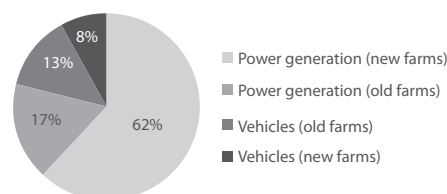
Electricity Consumption by Company



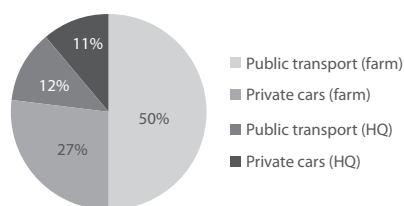
Fuel consumption related GHG emissions incl. employee commuting.

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 2010 were collected and multiplied with the generic fuel specific emission factor, as provided by the IPCC.

Emissions from Diesel Consumption by Area of Use



Share of Fuel Related Emissions of Employee Commuting by Type



Fuel Consumption by end use

	Diesel (Liters)	kgCO ₂
Power Generation (new farms)	576,200	1,532,691
Power Generation (old farms)	157,587	419,181
Vehicles (old farm)	119,203	317,080
Vehicles (new farm)	69,481	184,819
Total	922,470	2,453,771

To calculate the employee commute the following assumptions were taken into account: 1,224 employees at SEKEM Farm, 703 employees in the head office (this includes 271 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 per vehicle type were taken into account.

Total Travel/Commuting of Employees

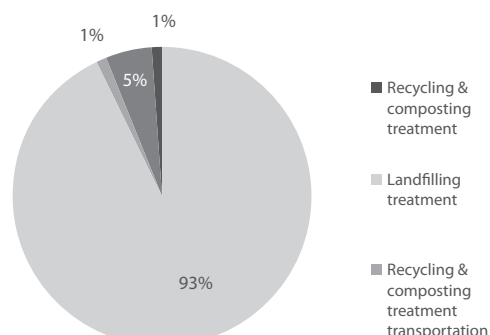
	Total km travelled	Total fuel consumption (l)	Total emissions (kgCO ₂ e)
SEKEM Farm			
public transport (farm)	1,790,171	353,966	941,549
Private cars (farm)	2,136,000	213,600	508,368
total	3,926,171	567,566	1,449,917
	Total km travelled	Total fuel consumption (l)	Total emissions (kgCO ₂ e)
SEKEM HQ			
public transport (HQ)	441,886	353,966	941,549
Private cars (HQ)	843,600	213,600	508,368
total	1,285,486	171,733	433,189
Total	5,211,657	739,299	1,883,105

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 1st to December 31st 2010 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.

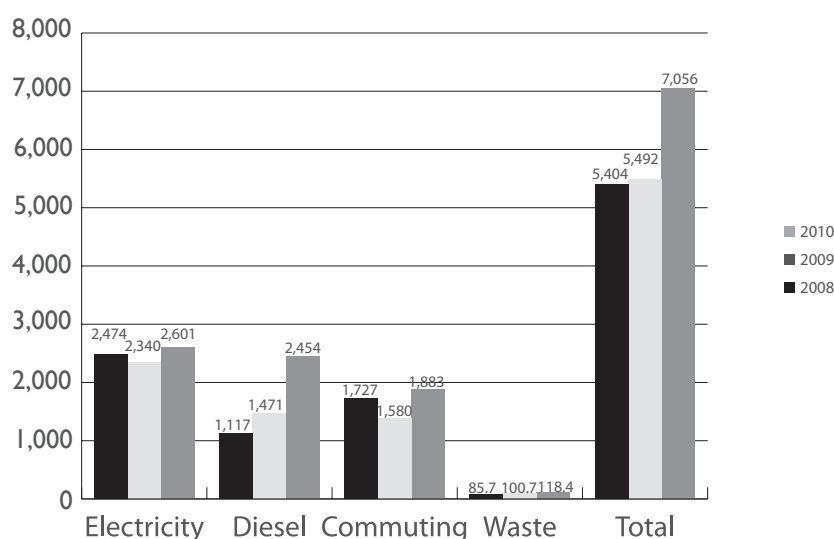
	Tonnes of Waste	Waste Treatment emission (kgCO ₂ e)	Waste Transport emission (kgCO ₂ e)	Total Emission (kgCO ₂ e)
Treatment				
Recycling & composting	200,570.00	870.00	1,388.52	2,258.52
Landfilling	136,760.00	110,420.02	5,745.60	116,165.62
total	337,330.00	111,290.02	7,134.12	118,424.14

Emission Related to Waste Treatment and Transport



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 (tCO₂e)



History of SEKEM CO₂ footprints (2008-2010. In tCO₂e)

kWh-Consumption and kgCO₂e

tCO ₂ e	2008	2009	2010
ATOS	828.2	840.5	875.3
ISIS+HATOR	1,681.1	1,962.6	1,432.2
LIBRA	638.2	390.4	507.3
LOTUS	599.5	769.3	659.5
LOTUS Upper Egypt	n.a.	n.a.	115.6
MIZAN	190.9	194.0	252.6
NATURETEX	765.4	648.0	801.1
SEKEM for land Reclamation Holding (HQ)	n.a.	n.a.	1,824.4
SDF	334.2	280.3	320.5
Total	5,403.3	5,491.6	7,056.4

Independent Auditor's Report



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 2010, 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. Except as mentioned in the basis of qualification paragraph (a), 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 misstatements.

The consolidated financial statements of the company for the year ended 31. December 2009 were audited by another auditor whose report dated 30. April 2010 expressed a qualified opinion on these consolidated financial statements, regarding inability to obtain appropriate and sufficient audit evidence to assess the adequacy of provisions for probable obligations. Also, two subsidiaries of the Group (ISIS for food processing Co., LOTUS for organic products Co.) applied the international accounting standard No. 17 "Leases" instead of the Egyptian Accounting Standard No. 20 "Accounting for Finance Leases", which constitutes a departure from the Egyptian Accounting Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statement. 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.

A handwritten signature in blue ink, appearing to be 'Khaled'.

BDO Khaled& Co



Basis of qualified opinion

- a) As mentioned in Note (11) to the consolidated financial statements, although seven of the subsidiary companies “SEKEM Holding for Investment Company, SEKEM Laboratories for Organic Products, NATURETEX for Clothes Company, ATOS Company for Herbal Medicine Manufacturing, LIBRA Organic Cultivation, ISIS for Food Processing, and LOTUS for Organic Products Company” provided for claim provisions by L.E. 7,842,810 as of 31 December 2010 (2009: 3,365,225), however we do not have sufficient information to determine the nature of the provision for and whether it is adequate or not.
- b) As mentioned in Note (17) to the consolidated financial statements, four of the subsidiary companies “ISIS for Food Processing, and LOTUS for Organic Products Company, NATURETEX for Clothes Company, ATOS Company for Herbal Medicine Manufacturing” account for the sale and lease-back arrangements in accordance with the International Accounting Standard No. 17 Leases, which constitutes a departure from the Egyptian Accounting Standard No. 20 “Accounting for Finance Leases”, which require that all lease arrangements to be accounts for, by the lessee, as operating leases. As such had EAS 20 been applied from the date those arrangements were entered into, net profits for the year ended 31. December 2010 would have been reduces by L.E. 1.8 million (2009: L.E. 2.4 million) while the beginning balance of retained earnings would have been reduced by L.E. 4.3 million (2009: L.E. 1.8 million).

Qualified Opinion

In our opinion, except for the effect of the matters 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 2010, and its consolidated financial performance and its cash flows for the year then ended in accordance with Egyptian Accountint Standards and the light of relevant Egyptian laws and regulations.

Emphasis of Matter

Without qualifying our opinion, we draw attention that two subsidiaries of the Group “LOTUS Upper Egypt for Organic Products Co., and Organic & More Egypt Co.” had accumulated losses amounting to L.E 4.5 million as of 31. December 2010 which exceeded 50% of their paid up capital resulting in a deficiency of assets amounting to L.E. 2.8 million, which indicates that these subsidiaries will not be able to meet their liabilities as they fall due. However, the financial statements have been prepared under the going concern concept. According to Article No. 69 of the Companies Law No. 159 of 1981, an Extraordinary General Assembly Meeting is required to be held to decide on the continuity of the two subsidiary companies.

Taha M. Khaled
Chartered Accountant
R.A.A. 5136

Cairo, 20 June 2011

SEKEM's Advisory Board



The International Finance Corporation represented by Nadiya Ahmed, is a member of the World Bank group. The IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets and providing advisory services to businesses and governments.



Wilfried Roeder is representing the DEG, member of KfW Bankengruppe (KfW banking group), 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.



Thomas Jorberg represents the GLS Bank, 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.



The European Triodos Bank, represented by its CEO Mr Peter Blom, 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.



Nehad Ragab, Chair of SIAC, Industrial Construction & Engineering Company, which was established in 1986 to be a leading construction firm.



Zakaria Shams, Chair of Al Shams agro group 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.

Sustainable Development Scorecard - 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.



International Association for Partnership

ECONOMIC LIFE

Performance Aspect	No Action /Negative Impact	Initiatives for Positive Impact (below: min. requirements)	Comprehensive Positive Impact
Sustainability strategy performance management	No performance management	Sustainability strategy mapped/ developed, indicators for performance measurement selected	Implemented sustainability performance measurement with improving results
Economic development and growth	Negative economic development without good reason	Economic growth (unclear if healthy or unhealthy)	Healthy economic growth and plan for next 20 years
Innovation	No innovation, rather business-as-usual technologies	Random innovations without a specific strategy and process	Comprehensive innovation strategy and process which does not set the company at risk
Supply chain management	No specific management of supply chain	Single issue management improvement	Comprehensive and cooperative management of supply chain
Eco-friendly products	No assessment / Negative eco-effect of products	First single issue initiatives to improve eco-friendliness of some products	Eco-friendly product portfolio proven by labels and certifications
Socio-friendly products	No assessment / Negative socio-effect of products	First single issue initiatives to improve socio-friendliness of some products	Socio-friendly product portfolio proven by labels and certifications
Consumer responsibility	Basic product information but no engagement in CRM	Single issue CRM and consumer research	Comprehensive CRM and consumer research – responsible to demands quality
Eco-effective packaging and transportation	No assessment of packaging / transportation impact	Single issue eco-effective packaging and transportation, plans for improvement	Complete eco-effective, state-of-the-art packaging and transportation
Sustainable waste management	No waste management	Single issue waste management	Complete, continuous management of waste life cycle

SOCIETAL LIFE

Performance Aspect	No Action /Negative Impact	Initiatives for Positive Impact (below: min. requirements)	Comprehensive Positive Impact
Corporate governance and compliance	Anti-compliance issues recorded	Code of Conduct development / efforts to minimize anti-compliance issues	Implemented value management system; anti-corruption organizational culture; no anti-compliance issues
Assessment of human rights adherence and impact over the company's value chain	No human rights consideration or assessment	Single issue human rights initiatives implementation	Full compliance with ILO and UN Global Compact requirements
Assessment of the work force and the company's impact on labour conditions and health & safety	No consideration of labour conditions and health risks	Assessment and action plan for the reduction of risks	Labour conditions support employees' development, fully implemented and reviewed H&S strategy (according to standards)
Work force diversity and equal treatment	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
Employee loyalty and motivation	No support	Single issue support	Deeply-seated community support for self-organization and enforcement of their rights
Policy engagement for sustainable development and world challenges on different regional levels	No activities	Awareness and slight involvement	Heavy involvement

CULTURAL LIFE

Performance Aspect	No Action /Negative Impact	Initiatives for Positive Impact (below: min. requirements)	Comprehensive Positive Impact
Assessment of company's cultural development strategy	No strategy	Single issue initiatives on cultural development	Comprehensive strategy on cultural development
Employee training and awareness building in different spheres of education (arts, music, skills, etc.)	No training	Single issue training initiatives for some employees	Comprehensive training goals and implemented training plan for every employee with performance improvement review on individual & corporate level
Scientific research engagement	No research activities	Single issue research activities	Comprehensive and long-term research goals and implementation
Health of the employees and broader community	No health care services	Basic health insurance services	Advanced health insurance services
Religious and spiritual activities	Forbidding religious activities	Tolerating religious practices	Religion integrated and supported in the employee's work environment

ECOLOGY

Performance Aspect	No Action /Negative Impact	Initiatives for Positive Impact (below: min. requirements)	Comprehensive Positive Impact
Soil			
Assessment of soil quality	No assessment	Testing single criteria for soil quality	Testing comprehensive criteria catalogue for soil quality
Impact on soil quality & fertility	Negative impact on soils	No impact on soil quality	Positive impact on soil quality
Environmental compatibility	No risk assessment	Single issue risk assessment	Comprehensive risk assessment
Assessment of impact on nonrenewable mineral resources	Depletion/Usage without assessment	Single issue initiatives for replacement	Long-term action plan for replacement alternatives
Plants			
Seed development	GMOs	No action	Participation in seed banking
Biodiversity	Negative impact / no assessment on plant biodiversity	Assessment / No impact	Positive contribution (enhancing types of plants)
Animals			
Assessment of species-appropriate treatment	Inappropriate treatment	Improvement initiatives	Completely species-appropriate treatment
Impact on animal diversity and habitats	Negative impact / no assessment	Neutral	Positive contribution
Energy			
Assessment of energy usage	No assessment	First pilot assessments	Full assessment
Energy saving	No action	Single issue projects	Comprehensive saving goals and implementation
Proportion of clean(er)/renewable resource usage in the energy mix	No action	First single issue initiatives	Comprehensive goals and implementation for greener energy mix
Air			
Assessment of emissions	No assessment	First pilot assessments	Full assessment on company and product level
Reduction of imperilling emissions	No action	First single issue initiatives	Comprehensive reduction goals and implementation
Emission offsetting	No offsetting	First single issue offsets	Carbon neutral company
Water			
Assessment of water usage	No assessment	First pilot assessments	Full assessment on company and product level
Reduction of water usage and improvement of water life cycle	No action	First single issue initiatives	Comprehensive reduction and re-usage goals and action plan
Sustaining of water sources	No assessment and action / potential depletion	First single source analysis and action	Comprehensive analysis, goals and implemented action plan

GRI Indicator Overview

The Report on Sustainable Development 2010 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 in 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.

With regard to the application of GRI's G3 guidelines the Report on Sustainable Development 2010 of the SEKEM Group of Companies attains Level B, checked also by the GRI. Please, find the GRI Application Level Check online at www.sekem.com.

PROFILE		COMMENT	STATUS	REF.
I. Strategy and Analysis				
1.1	CEO Statement		■■■	2
1.2	Description of key impacts, risks and opportunities		■■■	8
II. Organisational Profile				
2.1	Name		■■■	FC, BC
2.2	Primary brands, products and services		■■■	14-15
2.3	Operational structure		■■■	27
2.4	Headquarters		■■■	BC
2.5	Countries where the organisation operates		■■■	17
2.6	Nature of ownership and legal form		■■■	28
2.7	Markets served		■■■	14-15, 17
2.8	Scale of the organisation		■■■	17-20, 35
2.9	Significant changes during the reporting period regarding size, structure or ownership		■■■	14-15
2.10	Awards		■■■	31
III. Report Parameters				
3.1	Reporting period	January-December 2010	■■■	FC
3.2	Date of most recent previous report	July 1st, 2010	■■■	FC
3.3	Reporting cycle	Yearly	■■■	FC
3.4	Contact point for questions regarding the report		■■■	96
3.5	Process for defining report content		■■■	FC
3.6	Scope of the report		■■■	FC
3.7	Specific limitations on the scope or boundary of the report		■■■	23
3.8	Basis for reporting on enterprise entities with significant affect on comparability		■■■	FC
3.9	Data measurement techniques and bases of calculations		■■■	FC
3.10	Explanation of the effect of any re-statements of information		■■■	19-20
3.11	Significant changes from previous reporting periods		■■■	FC, 19-20, 23
3.12	GRI content index		■■■	88f.
3.13	External assurance for the report	Audit only of Financial Statement	■■■	82-83

PROFILE		COMMENT	STATUS	REF.
II. Corporate Governance, Commitments and Engagement				
4.1	Governance structure		■ ■ ■	28
4.2	Indicate whether the Chairman of the Supervisory Board is also an executive officer		■ ■ ■	27
4.3	Number of independent members of the highest governance body		■ ■ ■	29
4.4	Mechanisms for shareholders and employees to provide recommendations		■ ■ ■	32-33
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		■ ■ ■	28
4.7	Qualifications and experience of members of the highest governance body		■ ■ ■	29
4.8	Internal mission or value statements, codes of conduct and principles		■ ■ ■	4-5, 30
4.9	Procedures of the highest governance body for overseeing the organization's sustainability performance		■ ■ ■	FC, 28
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		■ ■ ■	9
4.12	Externally developed sustainability charters, principles or other initiatives		■ ■ ■	31
4.13	Memberships in associations and advocacy organizations		■ ■ ■	31
4.14	List of stakeholder groups engaged		■ ■ ■	32-33
4.15	Basis for identification and selection of stakeholders		■ ■ ■	32-33
4.16	Approaches to stakeholder engagement		■ ■ ■	32-33
4.17	Topics and concerns raised through stakeholder dialogue		■ ■ ■	FC, 32-33

Management Approach and Performance Indicators

EC: Economic Performance Indicators				
Management Approach			■ ■ ■	9, 17
EC1	Direct economic value generated and distributed		■ ■ ■	17-20
EC2	Financial implications for the organization's activities due to climate change		■ ■ ■	8, 54
EC3	Organization's defined benefit plan obligations		■ ■ ■	38
EC4	Significant financial assistance received from government		■ ■ ■	17
EC5	Local minimum wage		■ ■ ■	38
EC6	Locally-based suppliers		■ ■ ■	16
EC7	Locally-based employees		■ ■ ■	35, 37
EC8	Infrastructure investments and services provided primarily for public benefit		■ ■ ■	38, 46, 51
EC9	Indirect economic impacts		■ ■ □	38

GRI Indicator Overview, Part 2

PERFORMANCE INDICATOR		COMMENT	STATUS	REF.
EN: Environmental Performance Indicators				
Management Approach			■ ■	53
EN1	Materials used		■ ■	22
EN2	Materials used that are recycled input materials		■ □	22
EN3	Direct energy consumption		■ ■	59, 80
EN4	Indirect energy consumption		■ □	59, 80
EN5	Energy saved and energy efficiency		■ ■	59
EN6	Energy-efficient or renewable energy-based products and services		■ □	21, 54-55, 59
EN7	Initiatives to reduce indirect energy consumption		■ ■	54-55
EN8	Total water withdrawal		■ ■	61
EN9	Water sources significantly affected by withdrawal of water		■ ■	61
EN10	Percentage and total volume of water recycled and reused		■ □	61
EN11	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	■ ■	
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		■ ■	60, 80
EN17	Other relevant indirect greenhouse gas emissions		■ ■	60, 80
EN18	Initiatives to reduce greenhouse gas emissions		■ □	60
EN19	Emissions of ozone-depleting substances	Not relevant as no ozone-depleting substances are released	■ ■	
EN20	NO _x , SO _x and other significant air emissions	Not relevant as no NO _x , SO _x and other significant air emissions are released	■ ■	
EN 21	Total water discharge		■ ■	
EN 22	Waste by type and disposal method		■ □	
EN 23	Significant spills	No significant spills	■ ■	
EN 24	Waste deemed hazardous transported		■ ■	22
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		■ ■	21
EN 27	Percentage of products sold and their packaging materials that are reclaimed		■ □	22
EN 28	Significant fines and sanctions for noncompliance with environmental laws and regulations	No fines	■ ■	

PERFORMANCE INDICATOR		COMMENT	STATUS	REF.
EN 29	Environmental impacts of transport activities		■□	80
EN 30	Total environmental protection expenditures		□□	

PR: Product Responsibility Performance Indicators

Management Approach			■■	9,23,39,53
PR1	Life cycle stages in which health and safety impacts of products are assessed		■■	21-22
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		■■	21
PR4	Incidents of non-compliance with regulations concerning product and service information	No incidents	■■	
PR5	Practices related to customer satisfaction		■□	22, 32-33
PR 6	Responsible advertising	Only engagement in general advertisement	■■	
PR 7	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	■■	

LA: Labor Practices and Decent Work Performance Indicators

Management Approach			■■	23, 35
LA1	Total workforce		■■	37
LA2	Total number and rate of employee turnover		■■	34
LA3	Benefits provided to full-time employees only		■■	38
LA4	Percentage of employees covered by collective bargaining agreements		■□	32,34,35
LA5	Minimum notice period(s) regarding operational changes		■□	32,34,35
LA6	Percentage of total workforce represented in management-worker health and safety committees		■■	35
LA7	Injuries, occupational diseases, lost days and absenteeism		■□	37
LA8	Health care and consulting		■■	35, 37, 51
LA9	Health and safety agreements with trade unions	No agreements existing	□□	
LA10	Average hours of training per year per employee		■■	47
LA11	Programmes for skills management and lifelong learning		■■	46-50

GRI Indicator Overview, Part 3

PERFORMANCE INDICATOR		COMMENT	STATUS	REF.
LA: Labor Practices and Decent Work Performance Indicators				
LA12	Percentage of employees receiving regular performance and career development reviews		■ ■	34
LA13	Diversity in the workforce and governance bodies		■ ■	35
LA14	Ratio of basic salary of men to women		■ ■	38

HR: Human Rights Performance Indicator				
Management Approach			■ ■	35
HR1	Investment agreements that include human rights clauses		■ □	35
HR2	Suppliers and contractors that have undergone screening on human rights		□ □	
HR3	Employee training on aspects of human rights		□ □	
HR4	Total number of incidents of discrimination and actions taken	No incidents	■ ■	35
HR5	Right to exercise freedom of association and collective bargaining may be at risk	No operations identified	■ ■	35
HR6	Child labor		■ ■	44
HR7	Compulsory labor		■ ■	44
HR8	Security personnel trained in aspects of human rights		■ □	30
HR9	Incidents of violations of the rights of indigenous people	No incidents	■ ■	

SO: Society Performance Indicators				
Management Approach			■ ■	23
SO1	Programmes and practices that assess and manage the impacts of operations on communities	No comprehensive impact assessment of operation in the community	■ □	16, 38
SO2	Business units analysed for risks related to corruption	No risk analysis	■ □	30
SO3	Employees trained in anti-corruption policies/procedures	No training	■ □	46
SO4	Actions taken in response to incidents of corruption	No corruption incidents	■ ■	
SO5	Participation in public policy development and lobbying		■ ■	30
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	■ ■	

Legend

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

FC: Front Cover
 BC: Back Cover
 REF.: Reference to site number

Black: Core Indicator
 Grey: Added Indicator

UN Global Compact: Communication on Progress 2010

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, labour standards, environment protection as well as anti-corruption and their implementation in all business processes.

Since its foundation in the year 2000 the UN Global Compact has been and continues to be an international leadership network for business, government, labour 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 United Nations Convention Against Corruption

The Report on Sustainable Development 2010 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
HUMAN RIGHTS		
Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights	<ul style="list-style-type: none"> • International human rights adherence along our value chain including risk and impact assessments 	35
Principle 2 – Businesses should make sure they are not complicit in human rights abuses	<ul style="list-style-type: none"> • Code of Conduct of SEKEM; refers to international conventions and other international instruments (e.g. the Universal Declaration of Human Rights (UDHR)) • Employee Health and Safety • Inclusion of minimum human rights standards in contracts with suppliers and other relevant business partners • Process for dealing with incidents 	30 37 35 27, 35
LABOUR		
Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<ul style="list-style-type: none"> • Support employee community organization • Reflection on the relevance of the labour principles for the company 	26, 35 8, 21
Principle 4 – Businesses should uphold the elimination of all forms of forced and compulsory labour	<ul style="list-style-type: none"> • International human rights adherence along our value chain • Impact on the community • Performance related to adherence of the International Labor Organization Standards 	35 38 26
Principle 5 – Businesses should uphold the effective abolition of child labour		
Principle 6 – Businesses should uphold the elimination of discrimination in respect of employment and occupation	<ul style="list-style-type: none"> • Performance related to work force diversity and equal treatment • Salary for decent living and benefits • Hiring procedure that secures equal rights • Rate of employee turnover 	26 38 35 34
ENVIRONMENT		
Principle 7 – Businesses should support a precautionary approach to environmental challenges	<ul style="list-style-type: none"> • Biodynamic agriculture, environmental stewardship and biodiversity • Environmental risk and impact assessments 	54ff 8
Principle 8 – Businesses should undertake initiatives to promote greater environmental responsibility	<ul style="list-style-type: none"> • Product and customer responsibility • Saving of natural resources • Membership in initiatives for environment protection • Audits/screenings for compliance in the value chain 	20 56ff 31 16
Principle 9 – Businesses should encourage the development and diffusion of environmentally-friendly technologies		
ANTI-CORRUPTION		
Principle 10 – Businesses should work against corruption in all its forms, including extortion and bribery	<ul style="list-style-type: none"> • Code of Conduct of SEKEM; refers to Anti-Corruption and Anti-Bribery • Risk and impact assessments in the area of anti-corruption 	30 8

Glossary

AA1000

The AA1000 Framework is a standard for the 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 (CO₂e).

CO₂ equivalent emissions (CO₂e)

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.

I3-villages project

The I3-villages project was an EU-funded social development project for the I3 villages in the surrounding area of SEKEM including trainings on hygiene, medical services and waste management.

Abbreviations

BoD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO ₂	Carbon dioxide
COO	Chief Operating Officer
CPO	Cotton People Organic
COP15	15th Conference of the Parties to the United Nations Framework Convention on Climate Change
CSE	Cooperative of SEKEM Employees
DEG	Deutsche Entwicklungsgesellschaft
EBDA	The Egyptian Biodynamic Association
EGP	Egyptian Pound
ENCC	Egyptian National Competitiveness Council
EU	European Union
Expolink	Egyptian Exporters Association
FAO	Food and Agriculture Organization of the United Nations
FDA	Famers Development Association
Feddan	1 feddan = 0.42 hectare
FLO	Fairtrade Labeling Organization
GA	General Assembly
GDP	Gross Domestic Product
GERPI	Genetic Resources Policy Initiative Egypt
GMP	Good Manufacturing Practice
GRI	Global Reporting Initiative
Gt	Giga tonnes
HQ	Headquarters
HR	Human Relations
IAP	International Association for Partnership
IMC	Industrial Modernization Center
ISO	International Organization for Standardization
IT	Information Technology
kg	Kilogram
kWh	Kilowatt hour
MENA	Middle East North Africa
mio	Million
NGO	Non-Governmental Organization
NOP	National Organic Program
NREA	New & Renewable Energy Authority
OHSAS	Occupational Health & Safety Standards
PR	Public Relations
R&D	Research & Development
SDF	SEKEM Development Foundation
SESC	SEKEM Environmental Science Center
TUEV	Technischer Überwachungsverein / Technical Inspection Association
UNIDO	United Nations Industrial Development Organization
WEF	World Economic Forum
WFC	World Future Council

Imprint

Issuer/Publisher

SEKEM Holding for Investment Company S.A.E.

Responsible for Content

Helmy Abouleish, Managing Director, SEKEM Group

Consultancy Services and Scientific Guidance

Sustainable Development Center
at the Heliopolis Academy for Sustainable Development

Layout

ISIS Graphics Design Studio

Photos

Bijan Kafi, Communications for Civil Society
Anne Mordhorst, Heliopolis Academy
Stephanie Langers, SEKEM Holding
Sandra Poettrich, ISIS
SEKEM Photo Archive

Printing

Printed in Egypt

Publication Date

August 31st, 2011

Contact

SEKEM Group
P.O. Box 2834
11361 El Horreya, Cairo, Egypt
Email: sustainabledevelopment@sekem.com



3 Cairo-Belbeis Desert Road, El-Salam City. P.O. Box: 2834 El-Horreya, 11491 Cairo, Egypt
Tel.: +20 2 265 64 124/5 Fax: +20 2 265 66 123 Email: info@sekem.com
www.sekem.com