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**Strengthening Corporate Social Responsibility
in the MENA Region**

Case Study of Egypt

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by

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Table of Contents

Subject	Page
Introduction.....	4
The Private Sector.....	6
The Economic Environment.....	7
Corporate Sector in Egypt.....	15
Corporat Governance.....	19
How CSR is Institutionalized in Egypt.....	20
CSR Themes.....	28
Matrix of CSR Principles Enforcement Tools in Egypt.....	30
The CSR Cycle.....	31
CSR in Egypt- Over 50 Companies Embrace Global Standards.....	34
Conclusions and Recommendations.....	38
Annexes	40
References.....	70

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Introduction

Egypt is an emerging economy, which has gone through an extensive reform for economic stabilization and structural adjustment. The aim of the reform, which started in 1991, has been of three fold: a) reforming a distorted economy with a view to preparing it for transformation stage; b) redefine the role of the government in a market driven economy; and c) recognize the private sector as the engine of development growth.

Evidence of success is self-explanatory particularly as reflected by recent macro-economic indicators. A major achievement is the creation of an environment which is conducive to private investment, business and entrepreneurship. Through a set of structural incentives, the government role has been instrumental in encouraging and enabling the private sector to reactivate and be responsive to signal given by the government, and thus contribute significantly to the achieved rate of growth.

It is also evident that as a result of the new strategy and economic policy pursuing an aggressive privatization program, the market mechanisms has improved savings mobilization and resource allocation functions thus enabling the private sector to satisfy its medium and long term financial requirements relatively at less cost, and ultimately increase productivity and efficiency.

Meeting the new challenge, the private sector is continuously making the efforts to become competitive and to integrate progressively into the international economy. Liberalization of the economy and the financial markets to attract foreign investments had encouraged the corporate sector to pursue more commitments towards observing and adhering to international standards of corporate and market regulations, corporate organization, and corporate governance. The Corporate Social Responsibility (CSR) became as well an integral part of such a commitment.

World wide, the concept of CSR is still a subject of intensive debate: whether CSR should be based on voluntary initiatives or they should be enforced by regulations. The globalization of the production process have focused attention on the gap between the social and environmental standards which businesses apply to their operations in the advanced economies and those which they apply in developing countries. In Egypt, the CSR has been institutionalized by legislations. The government plays a major role in this respect. In addition to rules and regulation, directives have been issued to help preparing the emerging private sector for its expected role but in the meantime on the basis of modernism and technology. However, this study does not intend to pursue a conceptual discussion but to provide a description of the case in Egypt.

This case study of Egypt examines how enabling the economic environment is to the private sector; how organized is the corporate sector and what is the level of its commitments to the application of governance and other international standards; and finally how the process of CSR was institutionalization, and what is the status of their implementation. Reports by Egyptian corporations which have joined the UN Initiative (Global Compact) in 2004 are analyzed. One of the main conclusions of the analysis is that the ten principles of CSR as defined by the United Nations cannot be followed on “voluntary basis” but rather be compulsory. Human rights, labour standards, environmental safety measures and anti-corruption instruments can hardly depend on voluntary work; they cannot be but legal requirements.

Apart from these basic rights, many other social responsibilities could be implemented on voluntary basis and tabulated as a code of ethics and conduct that can be enforced and monitored by well organized self-regulation modality. Further research efforts are invited to define these responsibilities and help developing countries and emerging economies to meet the challenge.

Finally, a number of conclusions are made and policy recommendations are provided with a view of benefiting future course of action.

The Private Sector

The private sector in Egypt is presently being perceived as a development agent and a leading force for economic growth. Although the current policy is geared to private business development, there remains a great deal more work to be done to enhance the ability of the private sector to lead the economy towards higher rates of growth and development.

Broadly speaking, the growth-enhancing potential of the private sector is to be harnessed through improving the business climate across a broad range of policies while the complementary role of the public sector is to be strengthened by enhancing the provision of public services, such as infrastructure, education, and macroeconomic stability, among others. Key development challenges and reform agenda should help achieving strategic objectives. Central to the emphasis of this agenda is the intended creation of awareness of the corporate sector to implement and comply with the ten principles of Corporate Social Responsibility (CSR) on the basis of the definition “Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development”¹. In order, however, to institutionalize such a movement, the UN declared ten principles were followed.

In facilitating private sector development, efforts are directed to creating a business climate that features lower transaction costs of various business operations. For this growth to be sustainable, the gross domestic investment must rise well above its current level ², and most of it must come from the private sector. Egypt’s strategy continues to move the country towards improved efficiency and bolstered long-term growth prospects. Efforts to this direction started as early as 1991 with the introduction of economic reform and structural adjustment program. The privatization program is the cornerstone of its economic reform program, designed to create a more positive and conducive environment for domestic and international business and enterprises. Throughout the reform period, the government has provided a more conducive business environment through the removal of trade barriers, the relaxation of industrial investment licensing procedures, and the reform of trade and financial markets, as well as of the legal, taxation and regulatory frameworks.

¹ World Bank definition, “**Strengthening Developing Country Governments’ Engagement with Corporate Social Responsibility, December 2003**” .

² Rate of domestic savings is about 14 % resulting in financial gap of about 50 %. Foreign investment is important in order to fill in such a gap.

In this respect, globalization was a stimulating factor. In line with this process, Egypt is devoting efforts to integrate its economy into the world economy. Market liberalization have induced capital inflows and encouraged the country's participation in global production and market networks.

An essential component of this globalization process for Egypt has been the strategic interactions that have occurred between private firms and the government. As new investment opportunities have emerged as a result of the liberalization and deregulation of business activities, the government has increasingly sought to encourage domestic investment and foreign capital and technology transfers. This has called for and necessitated the initiation of economic, institutional and legal reforms.

The Economic Environment

In April 1991, the government launched a comprehensive stabilization and reform program (Economic Reform and Structural Adjustment Program- ERSAP), which consisted of three phases over a period of seven years. This expanded reform program had three main objectives: (i) to achieve rapidly a sustainable macroeconomic equilibrium through a number of stabilization measures; (ii) to lay the foundation for renewed economic growth in the medium-and long-term through fundamental restructuring of the economy, and (iii) to minimize the negative effects of economic reforms on the poor through improvements in social policies. The measures followed in these areas formed a single comprehensive policy package that had to be pursued in total.

A set of structural adjustment measures have been further implemented with a view to laying the foundation for renewed economic growth in the long run through restructuring of the economy. These measures focused on introducing an open, free market-based outward-oriented and non-inflationary economy.

The Institutional Framework

Egypt embarked on several reform actions with a view to bring about necessary key institutional changes. Institutions are primarily responsible for the development of the legal framework, the judiciary system and dispute resolution mechanisms, enforcement of contracts and protection of property rights.

The reform program brought the institutional dimension into focus. The reason is that despite earlier efforts in late 1998's, the legislative mechanism, the deregulation and decentralization processes were incomplete, and have obstructed competition. The delayed or inadequate revision of property rights and especially

the body of laws pertaining to financial markets, incorporation, and employment have inhibited the flow of private investment into the productive sectors of economic activity. Legal and regulatory changes have brought about prudential improvements in favor of the structural reform program and rationalized the regulatory function of the state.

The Legal Framework

Legal reforms have been introduced and regulatory changes covered various economic and other laws including: Company Law, Investment Law, Public Sector Law, Capital Market Law, Intellectual Property Law, and Banking Law. New laws were also promulgated such as Anti-Trust and Competition Law. However, in order to complement the above measures for institutional reforms, a host of additional legislative reforms has been introduced to further enhance the private business environment.

The legislative and institutional reforms can be seen as limiting the role of the government to that of a regulator and provider of an enabling environment for economic growth allowing it to focus on the social and welfare aspects of development and transferring the economic role to the business community.

Effect of Reform Programs

Results indicate that the economic reform program has had its significant effect on the private sector investment and the increasing role of this sector in the national development ³. The private sector contribution to national investment increased from a low level of 21.8 percent prior the reform program to a high level of 86.8 after the reform program; an indication of a liberalized economy.

To reestablish macroeconomic equilibrium, significant adjustments were necessary in three critical policy areas: fiscal, exchange rate and monetary. The reform program particularly addressed major sectors in order to eliminate its serious distortions such as the financial sector, foreign trade, public enterprise sector and the private sector. Central to the success of the structural adjustment program was the reform of the public enterprises and its environment.

The impact on the economy has been profound showing significant indications of improvement from 1991 through 2003. The policy measures adopted have prepared the economy for higher rates of economic growth and development. Key

³ Prior to the reform and during the period 1982/87, the private sector invested about LE 22 billion. After the reform and during the period 1992/2000, this amount increased to nearly LE 90 billion (about 409 percent increase). Ministry of Planning, Five Year Plans (1978-92) and (1993-997).

economic indicators reflect continued prudent management of the macro-economy that is steadily transforming Egypt into a market outward-oriented private sector-led economy.

The emergence of a strong private sector holds potential for the development of the domestic financial markets. Portfolio inflows and new instruments for long term financing are being developed with a view to diversify financial tools and hence deepen the financial markets⁴.

Improved governance entails that the new role of the government be that of a facilitator and a mediator. Hence all government efforts are being redirected to basic services: health, education, and social safety nets. The private sector is being given the lead in the development and growth of the economy.

The Private Sector Activity

As a result of the new strategy, the private sector has been growing faster during the past two decades than the public sector in terms of its levels of investment and output. The relative share of private sector in the gross domestic fixed investment has increased from 30.8 percent in 1981 to 69 percent in 2000 an indication of the diminishing role of the public sector in this respect.

The private sector's relative share in the gross domestic product has also increased from 53 percent in 1982 to 70 percent in 2000 as a result of the economic reform program, which started in early nineties. Both the level of investment and the relative share in gross domestic investment of the private sector have expanded greatly over the last 15 years⁵.

The contribution of private investment to total actual investments from 19883 to date, indicates the preference of the private investment to economic activities rather than the social ones. The public sector investments remain higher in the infrastructure and social services sectors.

Impact of the Institutional Reform

⁴ For example, the capitalization of the securities market increased from LE2.3 billion in 1986 to LE119.8 billion in 2000, Capital Market Authority (CMA), Information Center.

⁵ Private investment increased from LE1.6 billion representing 31 percent of gross domestic investment (GDI) in 1981 to LE31 billion or about 68 percent of GDI in 1997, representing an average annual real growth rate of about 28 percent. This compares with 7 percent of the total investment during the period 1960-1976⁵. Contrary to this trend, the public sector investment increased only from LE3.4 billion (about 69 percent of the total) in 1981 to LE14.3 billion (about 31.6 percent) in 1997. See Central Bank of Egypt, Annual Reports 1990-2000 and Shamseldin, A., "Comparative Analysis of the Role of the Private Sector In ESCWA Member Countries: Case Study-Egypt., February 2001

Despite aggressive reform actions, the private sector initiatives are insufficient to drive Egypt's growth and are behind the private sector contribution to economic activity in other developing countries. Factors of the macroeconomic and institutional environment seem to be responsible for this inadequacy. While the stabilization reforms have been successful by international standards, the structural component of the reform in Egypt is still lagging behind.

As a priority in government policies is the issue of governance which is important for the support of the institution building process. Governance is a process that involves the introduction of four key elements; transparency in economic management, predictability in macro-economic policies and the regulatory system; accountability; enhancing the capacity of public institutions and participation of stakeholders in the decision-making process. The private sector is to lead the development and growth of the economy. First steps towards facilitating the expected role of private sector was the activation of the financial markets and the privatization of public enterprises.

The Capital Market for long-term Finance

In market-based economies, the capital market is an important means of mobilizing savings and allocation of resources; an avenue for domestic and foreign investment promotion; and the source of capital formation and long-term financing⁶. Therefore, a program was initiated to revitalize the capital market as an integral part of the economy. As can be expected, the role of the capital market was instrumental for the success of the economic reform.

According to international experience, a necessary condition for the development of corporate social responsibility will be the active, constructive involvement of financial markets. Financial markets allow for effective exchange of material information, a prerequisite for the efficient allocation of capital. They can also play an important role in providing incentives (or, often, disincentives) for more responsible behavior from companies, as well as governments. In addition, the finance sector can exert leadership by calling for voluntary and regulated disclosure around environmental and social issues.

Financial markets are themselves subject to a rapidly growing number of CR-related initiatives and actions. They include screening by investment funds, research reports by mainstream, and dedicated index families. These efforts aim to help improve the quality of investment decisions by integrating CR issues into

⁶ Shamseldin, A. (1998). This section is based on Chapter 7 "Capital Market Performance in Egypt: Efficiency, Pricing and Market Based Risk", of the publication "Financial Development in Emerging Markets: The Egyptian Experience", by The Egyptian Center for Economic Studies, Cairo, 1998.

mainstream processes because they are considered material to value creation and risk. Capital markets are another key leverage point with enormous potential to advance the CR and sustainable development agendas. Exchanges and exchange bodies are launching awareness campaigns on the Global Compact with listed companies⁷. A pioneering example of systemic change led by a capital market is the ‘Social Stock Exchange’ launched by BOVESPA. The Social Stock Exchange parallels the functioning of a traditional exchange, except that it helps ‘social profit organizations’ (non-profits) raise capital from ‘social investors’ which is paid back in the form of ‘social profit.

The Privatization Program

The privatization program was initiated also in 1991 as part of the economic reform program including the privatization of 314 non-financial affiliate companies, known also as Law 203 companies⁸. The affiliate companies in turn own holdings in 184 joint venture companies, which provide a means of creating partnerships between the private and public sectors.

Starting 1996, while the capital market has been instrumental in accelerating the pace of the privatization program, the latter has provided a good supply of securities to reactivate the securities market. This has been conceived within a strategy for global market investment opening the door for foreign investment

Governance

Governance provides the framework within which governments can be made more efficient and accountable. It can be seen as the exercise of economic, political and administrative authority to manage a country’s affairs at all levels. Good and effective governance is among other things, participatory, transparent, and accountable⁹. It is also effective, equitable and promotes the rule of law. Good governance ensures that political, social, and economic priorities are based on broad consensus in society.

In developed and developing countries the, state is increasingly being compelled to redefine its role in all spheres of social and economic activity to ensure that the policy environment is conducive for sustainable development. Egypt has been proactive in complying with the principals and dimensions of good governance. Efforts towards this goal are manifested in four key areas: transparency;

⁷ One of the recommendations made by an evaluation study of the Global Compact. See SustainAbility, Global Compact (2004), “Gearing Up, From Corporate Responsibility to Good Governance and Scalable Solutions”, United Nations, New York.

⁸ The total number of companies that are intended to be privatized represent 70 percent of Egypt's industrial sector. See : (USAID, International Business Consultants (IBTCI) Egypt, 1998.

⁹ Conclusion of the International Conference on Governance for Sustainable Growth and Equity, United Nations, New York, July 1997.

predictability in macroeconomic policies and the regulatory system; accountability; and enhancing the capacity of public institutions. In particular, Egypt has had successful achievements on various fronts such as:

- 1) Creating an economic environment conducive to private domestic and foreign investments: As part of the institution building process, the legislative environment pertaining to the financial sector has been improved and to a great extent in line with international standards.
- 2) Protecting the vulnerable: The encouragement of private investment to create employment opportunities together with the establishment of the Social Fund to act as a safety net are successful efforts in this direction.
- 3) Improving government efficiency and responsiveness: Through many business associations and fora, the government maintains a dialogue with the business community to seek its views, comments, and suggestions not only with respect to draft laws and regulations but to share concerns as well.
- 4) Empowering people and democratizing the political system: With the recently established many political parties, people have the opportunity to participate actively in the political process.
- 5) Decentralizing the administrative system: Since 1960, the local administration has been responsible for the administrative functions in the localities: and
- 6) Protecting the environment: For this purpose a law was promulgated in 1994 to manage the process and is being enforced by all agencies.

The process has its impact on all aspects of Egypt's economic, social and cultural life. Its economic impact involves consumption, investment, and income growth, the distribution of income, and employment. Its impact also extends to cover aspects of the quality of life that are not economic, but are major determinants of human development such as the quality of the environment, and the limits of state intervention and power.

Egypt is fully recognizing the fact that opening the market for free capital mobility would encourage the pool of international savings to be attracted for investment where opportunities are competitive. There was a sizable increase in the portfolio investment following the reorganization of the securities market in Egypt. The impact of globalization is apparent on the transfer of technology and is extended also to trade. Egypt's economic objective is to gear the production power towards exports with a view to achieving trade balance.

Corporate Sector in Egypt

Corporate governance guidelines and codes of best practice offer one way to respond to poor corporate performance and a perceived lack of effective board oversight. Some governance codes are linked to listing or legally mandated disclosure requirements. Business-driven codes, can be important drivers for change in companies legislations. Others, though purely voluntary in nature, may be designed to help forestall further government or listing body requirements.

Beyond government legislation establishing basic requirements for business organization and corporate accountability through principles of company law, public sector roles have also included negotiation and implementation of international principles, partnership-based code development and engagement in capacity building, and pensions legislation linked to good corporate governance practices.

Study of the Market structure reveals that the corporate sector in Egypt consists of 10,668 joint stock companies and partnerships limited by shares¹⁰. The later being very few and the great majority of these were joint stock companies (10,652). Both corporate forms can be listed on the stock exchange. At the end of 2004, 1079 companies were listed on the stock exchange with a market capitalization of about US\$ 30 billion or about 36% of GDP (about 35 percent of the market capitalization comes from the largest ten listed companies and 90 percent of trading volume comes from 18 companies). Nine companies are traded abroad through Global Depository Receipts (GDRs); eight in London and one in Luxembourg.

Looking at the entire population of joint stock companies in Egypt, the ownership structure, cross-holdings, and Board structure generally reveal that the corporate sector is characterized by the following:

- Many companies are closely held and often controlled by individuals or by "family groups". Few companies could be defined as "widely held" and many listed companies meet the "closely-held" test of having at least one shareholder with more than 20% of the shares. This is considered to be the main barrier to the implementation of corporate governance principles as managers lack autonomy, flexibility, and objectivity to monitor company activities and to achieve its objectives;

¹⁰ As at March 2001. See: World Bank, (2001 and 2004) The Observance of Standards and Codes (ROSC), Corporate Governance, Country Assessment, Arab Republic of Egypt. (Full report can be found on the website [Http:// worldbank. rocs/egypt](http://worldbank.rocs/egypt))

- The dominance of concentrated ownership structure firms and the absence of a system that prevents dominating the decision making process has resulted in poor protection of minority shareholders' rights;
- Many state-owned companies have been privatized ; yet many of these companies tend to have considerable state ownership and thus control ¹¹;
- The free float (shares available for trading) of listed companies on the stock exchanges is small; and most shares are controlled by strategic investors, the state, or other stakeholders ¹²; and
- Small and medium sized companies constitute a majority among companies. Unlike large firms, they do not have the institutional capacity, making it more costly for them to implement corporate governance principles.

The foundation of any corporate governance framework is provided by the basic legal framework, as reflected in the basic company, civil, and securities laws, the regulations of the stock exchange (especially the listing rules), and the basic accounting standards in place. These laws are the basic rules for board and management behavior and in the long term tend to reflect the values of the underlying business culture.

There are four laws under which a company listed on the exchange may be incorporated:

- *The Companies Law* (159/1981) on joint stock companies, partnerships limited by shares & limited liability companies. The “limited liability company” is not allowed to issue negotiable shares.

- *The Investment Law* (8/1997) promotes investment in specific economic sectors or industrial locations by granting income tax exemptions for 5/10/20 years or permanently for tax free zones. In all other respects, the Investment Law 8 refers to Company Law 159.

- *The Public Business Sector Law* (203/1991) identified 314 public sector companies for sale to the private sector. These companies were incorporated as joint stock companies and transferred to affiliates under 27 holding companies as

¹¹ For example, of the 40 large companies listed in 2003, the State held more than 20% of the shares in 21 companies, and more than 50% of the shares in 12 companies. See: Ministry of Public Business Sector, Annual Reports.

¹² Two forms of employees ownership prevails; the established legal vehicle of the Employee Shareholder Association (ESA) and the Employees Stock Option Plans (ESOP). In ESA, they receive shares ("stacks") in the Association, and the Association (as the sole legal shareholder) receives the employee shares in the company. This form of ownership was introduced In Egypt through privatized companies, Ministry of Public Business Sector.

of 1991. Once 51% is privatized, the company becomes subject to company law.

- *The Capital Market Law (95/1992)* regulates the market and the incorporation and operations of securities intermediation companies.

The main laws governing the securities market in Egypt are:

- *The Capital Market Law (95/1992)* : and
- *The Central Depository Law (93/2000)*, which supports shareholder record keeping, clearing and settlement.

The promulgation of the capital market laws has made the legal framework more conducive to corporate governance implementation as they provide the required rules that were missing from the commercial laws or company law.

Basic legal protections appear to be in place and supports many basic shareholder rights. However, effective protection of basic rights depends on how laws are enforced. Enforcement is a key issue in these markets particularly in a new dematerialized environment within good systems of clearing and settlement of traded shares are in place.

In the capital market laws and regulations, almost all of the legal aspects of corporate governance are well articulated. Although these aspects are based on the OECD Principles, they go further to examine many issues that may be specific to the emerging market of Egypt.

1. Basic Organization /Assignment of Responsibilities

The joint stock company is a common type of company where shareholders have limited liability and shares are freely transferable. The company has two main institutional bodies: the shareholders and the Board of Directors. The Board oversees the management of the company, and its members are elected by shareholders who meet in General Assemblies. The Board has a managing director who is the Board member responsible for the Board's detailed oversight of the company.

2. Ownership Registration, Recordkeeping and Settlement

A modern shareholder recordkeeping system has been implemented. The system is able to transfer shares within international norms (e.g. "T +3") and is accountable to the securities regulator. Egypt, have well-organized central depositories which are equipped with proper risk management tools such as Settlement Guarantee Funds (SGF) and, in many cases, swift payment systems.

3. Equitable protection of all shareholders

The laws are relatively clear on the notion that, within a given share class, all shareholders have the same rights (*One-share/one-vote*). Any interference with voting rights within the class is illegal. Insider trading is illegal. Such action is

heavily penalized. The role of custodians and nominee ownership are now recognized, and shareholders can hold their shares with custodians. Minority shareholders are protected. Provisions under the Company Law or the Securities Law provide for this principle.

4. Voting of shares

Although shareholders are explicitly given the right to vote and participate in the general assembly of the company, some practical restrictions are placed on the voting exercise. Shareholders are entitled to attend the general assembly personally or by proxy. Voting by mail or electronically is not allowed or not practiced and in some cases, shares must be blocked before the meeting.

5. Responsibilities of the Annual General Assembly (GA)

As a common practice and by virtue of the governing laws, the GA is supposed to be held once a year, not later than six months after the end of the company's fiscal year. Also, a small group of shareholders (5%) can also call for the meeting to be held. Prior to the GA, the Board must publish the financial statements of the company, the report of the Board, and the report of the company's auditors. In most of the cases, the information can be mailed to shareholders before the GA. Minority shareholders are usually protected in this respect, as those representing more than a certain percentage of the capital can force a specific topic onto the agenda at the GA and call it to a vote, even if it is not already on the agenda.

7. Takeovers

Relatively detailed rules regulate takeovers of listed publicly traded companies are in place. Some consider that regulation are excessive, and may discourage takeovers. The threat of a takeover ensures that companies with widely distributed shareholdings are managed in the public interest.

8. Enforcement

In general, enforcement of company and securities laws is an area that needs continuous strengthening and capacity upgrading. The powers of the regulator are important to support and complement the court system.

Ownership structure

Domestic retail investors represented 51% of the market in Egypt, domestic institutional investors (mainly mutual funds) 22% and foreigners 27%. Public and private pension funds invest only a fraction of their assets in equities. In general, ownership disclosure is insufficient to obtain a clear picture on beneficial ownership which is concentrated. Of the 50 most active companies on the stock exchange, 25 are privatized companies where the state retains its stake through a holding company structure. In such cases board and management structures often

remain identical to pre-privatization. The group is characterized by pyramid structures and cross shareholdings.

Shareholders have the right to inspect a company's balance sheets, profit and loss statement and audit report for the previous three years. Though few companies maintain a specific job titled investor relations' officer, listed companies have a senior officer or executive that answers queries coming from outside entities.

The Role of Stakeholders

Egyptian accounting standards require directors and managers to disclose any material interest in transactions or other matters affecting the company. Disclosure must be made in the notes to the financial statements. The director with a conflict of interest must notify the board and abstain from voting. The board must notify the general assembly about any related party transaction. In practice, there is not sufficient information available on transfer pricing or the movement of assets between subsidiaries of the same holding company. There are no clear rules on the transfer of assets and shareholders do not vote on this issue.

Annual and semi-annual financial statements should be fully audited, while quarterly statements are submitted with a limited review report. The auditor has the right to examine all documents, data and other information necessary and to request support of the board. The auditor is liable for misrepresentation and errors and should compensate the company and/or shareholders for any resulting loss. Currently, there is obligation for companies to establish audit committees or other mechanisms to ensure oversight of the audit function.

The Governing Body: Structure and legal duties

Egyptian companies have one tier boards comprised of an odd number of members, with a minimum of three. The concept of independent director is not well established. Directors must be shareholders or represent companies who are shareholders, except for up to two directors who can be chosen because they are "experts in the field".

The board is the ultimate body governing the corporation and responsible for monitoring the implementation of the company's objectives set by the general assembly. The board is accountable vis-à-vis shareholders and the company and is liable for any misrepresentation or falsification.

The annual general meeting must meet within six months of the previous financial year. Summaries of the financial statements and auditor report must be either published in two daily newspapers or sent to each shareholder 15 days before the date of the meeting. Shareholders representing five percent of capital are permitted

to add items to the agenda until three days before the meeting. Voting is allowed in person or by proxy. Capital structure and beneficial ownership information is not disclosed in the annual report.

It is up to company statutes to determine what level of disclosure relating to the board should be divulged to shareholders at the general meeting. Companies are requested to submit annually a list with the names, nationalities and other pertinent details of board members and senior management. Directors must disclose conflicts of interest and not participate in board decisions involving a conflict. Few companies publish a formal annual report in addition to what is required under law.

Corporate Governance

Egypt's economy, as an economy in transition, is moving towards market-based governance. With the fast development of corporate sector, corporate governance is becoming a must.

Corporate governance in Egypt is best understood through the attitude and behavior of shareholders, the use of modern management techniques in corporate board structure and ability to enforce laws and regulations. The majority of shareholders are not owners in the real sense but rather financial investors. They seldom exercise their shareholding rights, as they tend to be short-term investors who pay no attention to the concepts of governance. The system could be said to work reasonably well at a formal level, i.e. shareholders vote at annual general meetings and boards of directors meetings with little substantive participation.

There is, therefore, a need for corporate governance reform. Although much has been done, still there is a distance to go. A comparison of the present corporate governance practices in the country with present international standards would indicate the level of required reforms. Corporate governance reform attacks the core problem of the economic transition, which is how to convince economic actors to act differently, to become efficient, to look outwards, and to search for new opportunities. Because it involves changing a long history of behavior and tradition, corporate governance reform is bound to be a long-term process.

How CSR are Institutionalized and Promoted in Egypt

In line with the economic and social strategies, the government in Egypt has been pro-active in institutionalizing, promoting and supporting the social role of the corporate sector. Through this role, the government aimed at establishing an

“enabling environment” for corporate so that social responsibility could be largely achieved. The government is viewing corporate social responsibility as cost-effective means to enhance sustainable development strategies, and as a component of their national competitiveness strategies to attract foreign direct investment and position their exports in global markets.

There is a significant opportunity to develop and support business enthusiasm for corporate social responsibility to help achieve its goal of reducing poverty. The challenge in this respect as seen by the parties concerned is to identify CSR priorities and incentives that are meaningful in the national context, and to strengthen appropriate initiatives. Within this context, the role of the government is important and inevitable.

Such a role here could be best understood if the analysis is made following the model¹³ which provides an overall classification of the government engagement in CSR promotion. The model is a relevant analytical approach in the case of Egypt since most, if not all, corporate social responsibilities are legal requirements rather than ethical values.

The classification draws on two axes. The first describes the government role, and the second considers key themes of the contemporary CSR agenda. Table 1 summarizes the approach.

Classification of Government Activities

CSR theme	Government roles			
	Mandating	Facilitating	Partnering	Endorsing
Setting and ensuring	Defining minimum	Tax incentives and penalties; ensuring	Working with	

¹³ World Bank (2002) “Public Sector Roles in Strengthening Corporate Social Responsibility: A Baseline Study. The study states that : “The classification used in this approach/ model has the merits of being relatively simple; that is, holistic in its ability to cover the complete CSR agenda and neutral in that it does not reflect inherent biases toward any particular set of public sector actions. But it is by no means the only way to categorize public sector initiatives. We have not devoted separate headings to distinctive themes such as “business and conflict,” “business and human rights,” “business and environment,” or “business and labor.” Rather, our classification of CSR themes reflects a high level of generality, which has the additional advantage of underscoring the need for integration across themes. The Government or public sector bodies may choose to address different CSR themes through actions reflecting a variety of roles. For example, it is quite feasible for a government to seek to increase and improve the level of corporate sustainability reporting by using any one or a combination of various mandatory (legislative), facilitating (guidelines on content), partnering (engagement with multi-stakeholder processes), and endorsing (publicity) tools. It is also apparent that some public sector activities, such as procurement, have multiple linkages with the contemporary CSR agenda. See also World Bank and IFC (2004) “Public Sector Roles in Strengthening Corporate Social Responsibility: Taking Stock, January 2004

compliance with minimum standards	standards and establishing targets establishment of enforcers and inspectorates; supporting citizen legal action	access to information; facilitating understanding on minimum good practice abroad; naming and shaming poor performers; frameworks for voluntary agreements; supporting civil society	multilateral agencies and civil society to build capacity	
Public policy role of business	Reforming political financing; legislation as policy setting for voluntary action; mandatory disclosure of payments to public bodies	Engaging business in public policy processes; clearly defining societal priorities; including CSR elements in other policy areas	Forums for debating public policy proposals	Including business representatives in policy arenas
Corporate governance	Stock exchange regulations and codes; company law	Implementing international principles	Multi-stakeholder code development	
Responsible investment	Guidelines for FDI; requirements for government loan guarantees	Facilitating legislation; guidelines for public investments; linking investment opportunities to policy	Public-private partnerships	Endorsing metrics and indicators; supporting civil society initiatives
Philanthropy and community development	Mandating corporate contributions	Tax incentives	Public-private partnerships	Publicizing leading corporate givers
Stakeholder engagement	Licensing requirements	Supporting civil society	Facilitating dialogue	Association with

and representation	for stakeholder consultation	engagement; defending key stakeholder interests in key forums	and multi-stakeholder processes	particular multi-stakeholder processes
Pro-CSR production and consumption	Pollution taxes; command and control legislation driving pro-CSR innovation	Pro-CSR export initiatives; capacity building; business advisory services; enterprise development; public procurement; voluntary CSR labels; education and awareness raising; support for civil society action; tax incentives	Joint government-industry investment in capacity; developing sectoral guidelines	Public procurement ; pro-CSR management in public sector bodies; labeling schemes
Pro-CSR certification, “beyond compliance” standards and management systems	Mandatory environmental management systems	Information and capacity building; supporting business-to-business partnering / mentoring; public procurement; tax and regulatory incentives; supporting supply chain initiatives and voluntary certification	Engaging in standards-setting processes	Endorsing specific standards systems and approaches; public procurement and public sector practices
Pro-CSR reporting and transparency	Mandatory reporting	Guidelines for voluntary reporting; informal incentives	Engaging in multi-stakeholder dialogue on guidelines	Supporting instruments for peer pressure; commending reporters
Multilateral processes, guidelines and conventions	Implementing guidelines through legislation	Capacity building and technical support	Negotiating agreements ; shared monitoring	Endorsing guidelines

Four principal government roles have been identified to reflect the overall range of initiatives namely: mandating, facilitating, partnering, and endorsing. There are often no bright lines between these four roles. For example, there may be cases where government acts as partner, but the incentive for partnership derives from the possibility (explicit or implied) that legislation may follow if a partnership is unsuccessful.

The following table summarizes the envisaged roles:

Government Roles			
Mandating	‘Command and control’ legislation	Regulators and inspectorates	Legal and fiscal penalties and rewards
Facilitating	‘Enabling’ legislation	Creating incentives	Capacity building
Funding support		Raising awareness	Stimulating markets
Partnering	Combining resources	Stakeholder engagement	Dialogue

Source: World Bank, “Strengthening Developing Country Governments’ Engagement with Corporate Social Responsibility December 2003” and “ The World Bank Group’s CSR Practice’s Technical Assistance to Business and Education in El Salvador, September 2003”

1 Mandating

In its “mandating” role, the government at different levels define minimum standards for business performance embedded within the legal framework. Rules and regulations governing the industrial sector in Egypt, laws pertaining to companies, environment, industrial safety and many other laws include establishment of emission limit values for particular categories of industrial installations, or requirements for company directors to take particular factors into account in their decision making. Even “mandating activity can drive industrial innovation and best practice. For example, the familiar notions that enterprises should apply the best available techniques, best available technology, or the best practicable environmental option to manage industrial emissions allow for the fact that what is “best” will change over time with technological innovation and technology transfer.

2 Facilitating

In its “facilitating” role, the government agencies enable or provide incentives to companies to engage with the CSR agenda or to drive labour and environmental improvements. In this respect, the government usually plays a catalytic or supporting role. In its role as facilitators, government can stimulate the engagement of key actors in the CSR agenda– (for example, by providing funding for research or by leading campaigns, information collation and dissemination, training, or awareness raising). It helps to develop and support appropriate CSR management tools and mechanisms, including voluntary product labeling schemes, bench-marks, and guidelines for company management systems or reporting. A clear example in this regard could be cited.

The recently established Industrial Modernization Program (IMP) ¹⁴ to renew the industrial sector in Egypt illustrates this role. The program was originated by the government in 1997, and developed by an ad hoc task force representing the private enterprise sector, various ministries, and academic economists. They produced adopted a three –fold strategy based on 1. reform of business environment; 2. strengthening of business service institutions; and 3. modernizing individual enterprises. The private sector is increasingly aware of the need to achieve international standards of competitiveness and it is essential for the private enterprise to increase its productivity and adapt to market liberalization and lower tariff protection. However, the required business skills needed and related support services are often lacking, particularly in the small – medium enterprises private sector, while many policy constraints remain.

The main form of support provided under the programme is technical assistance to satisfy the critical needs of private enterprises during the transition. Significant financing by the way of tranches for budgetary support has been introduced to reflect the institutional and policy reform content of the programme, as well as to ensure its ownership by the Government and to ensure regular budgeting of Egyptian contributions.

Institutionally, an autonomous structure outside government was selected in order to preserve the programmer’s private sector character and operational independence which is essential to its success.

The programme is consistent with the high priority placed on economic transition and business upgrading in the government development plan. According to its objectives, this programme should contribute significantly to the goals of international economic integration, social stability and poverty alleviation.

¹⁴ The program is supported by the EU.

Prospects for generating growth and employment in industry and services are recognized to be much higher than other sectors.

It is complementary to three ongoing programmes of the public enterprise reform and privatization, the financial sector support programme and the social fund for development (which covers micro-enterprise credits and support to workers displaced by privatization). Moreover, the programme provides assistance to private sector through management consulting services to individual enterprises on a smaller scale.

This government program certainly plays an active role to stimulate pro-CSR markets through its fiscal incentives and its public procurement and investment leverage. It demonstrates the “partnering and “endorsing” roles which the government may play. Having the ultimate objective of drawing the government long-term industrial development strategy through the full participation of the private sector, the programme overall objectives is to promote GDP growth and the competitiveness of the private enterprise sector, with special emphasis on small and medium enterprises in the context of economic liberalization and internationalization. The programme would also foster employment and entrepreneurship. The specific objectives of IMP are:

1. to assist private enterprises in their development;
2. to strengthen business associations, support institutions and services;
3. to strengthen the planning, law enforcement, and monitoring capacities of the Ministry of Industry ;
4. to improve the sector policy framework.

The expected results include:

1. Improved competitiveness for about 5000 enterprises, by means of the provision of technical assistance;
2. An improvement in the ability of business associations to represent and serve their members’ interests, by means of the provision of technical assistance;
3. An increase in the effectiveness of about 300 Egyptian business consultants and trainers, by means of training and technical assistance;
4. An improved business environment, by means of the institutional development of the Ministry of Industry and about 20 support institutions, including training and research institutions;
5. An improved legislative / regulatory / administrative environment by means of draft texts, and timetables for their adoption, for at least four legislative / regulatory and institutional reforms affecting the business environment.
6. Improved access to capital for private enterprises, although the programme will not provide capital directly to enterprises.

A special feature of IMP is cost recovery; a share of the direct expenses of providing technical assistance will be charged to enterprises and other non-state recipients. This share will be on average 25 % in the first and second years of IMP duration, rising to 30 % and 40 % in the third and fifth year respectively. The government shall mobilize funds, fixed and variable tranche payments for the following programmes of industrial support:

1. Financial assistance to enterprises
2. Technical Assistance to Enterprises in the form of: Foreign Investment, Exports, Competitiveness, Business Management, and Industrial Training
3. Business Resource Centers
4. Institutional Development

The government is mobilizing funds for private sector investment together with technical support for this strategy. Areas of assistance to private enterprises include:

Foreign Investment

Based on financial restructuring and investment feasibility studies carried out by the program, eligible enterprises will be assisted to find foreign partners and to find financing. It will also be assisted to comply with the rules and procedures of the General Authority for Investment and Free Zones (GAFI). Investment campaigns in Egypt and target countries and media advertising will be additionally organized.

Exports

Individual enterprises will be assisted to develop exports. The program will evaluate enterprise capabilities, design marketing plans and assist in implementing them as needed. For promoting groups of enterprises, participation in fairs and exhibitions, outward seller missions and inward buyer mission will be organized as well. International documentation, database access and complementary studies will be procured for developing an information centre for exporters in priority sector. The government agencies dealing with export promotion will also be assisted to charge its functions and duties through improving the institutional framework.

Competitiveness and Business Management

Enterprises will receive advisory and training services for improving their competitiveness upgrading their overall management efficiency. Consultants will advise on product development, production management, equipment, maintenance, and productivity improvements. They will be assisted in achieving international quality standards. The programme will cover related consulting services, and measuring instruments and certification fees as needed. According

to needs, this assistance may focus on marketing, financial management, organization, and information systems and human resources development.

Industrial Training and Institutional Development

Management staff of enterprises will be offered management courses in quality institutions in Egypt and abroad. Specialized consultants will assist Egyptian training institutes in developing and marketing short courses for professional staff of enterprises.

The program will extend its assistance to business associations to meet the needs of private enterprises. These institutions will be assisted through the organization evaluation, the design of strategic business plans and through implementation as needed. Similar assistance will be extended to selected research institutes with a view to making them commercial and accessible to businesses. In addition, assistance would cover the identification and promotion of local or sectoral clusters of enterprises sharing the same needs, including new SME business associations. Information service and advice provision as well as promotion of quality standards according to international trends will be organized and commissioned.

3 Partnering and Endorsing

The notion of “partnership” is central to the CSR agenda. Strategic partnerships can bring the complementary skills and inputs of the public sector, the private sector, and civil society in tackling complex social and environmental problems. In their partnership role, public sector bodies may also act as conveners, or facilitators. Political support and government endorsement of the concept of CSR and in particular, CSR-related initiatives reflect a fourth role in this typology.

Trade and investment promotion is a key driver of pro-CSR initiatives by government and public sector agencies. The government is recognizing the potential for the CSR agenda to open new market access opportunities for exports of sustainably produced goods and services and to tackle potential exclusion from existing markets as CSR conditions are introduced. The responses include capacity building for domestic producers to enable them to meet CSR standards, and engagement in CSR standard-setting initiatives to ensure they do not create unfair market access barriers.

Examples in Egypt are now beginning to emerge of government activities to build capacity of local producers to meet requirements of export standards such as labeling or certification schemes for hygienic, environmental control, non use of child workers ..., and many other CSRs, the non-compliance with are viewed as barriers to trade development and export promotion. The research and

development centers of the Ministry of Trade and Industries in Egypt is providing advice and prototypes to encourage the enterprises and traders to develop their business.

A good illustration in this respect is the directives issued by a government agency (the Egyptian Environmental Affairs Agency) partnering with private enterprises and tackling complex environmental problems; namely { Egyptian Environmental Policy directives: A Response to Market Access Considerations¹⁵ “Improving environmental standards should be considered as an integral means of maintaining our access to foreign markets in those sectors where we have a comparative advantage, and increasing our ability to compete in new ones. It is in this context that the Egyptian Environmental Affairs Agency through the Egyptian Environmental Policy Program has initiated the ISO 14001 Preparatory Program.”}

The Egyptian Environmental Policy Program (EEPP) is a four-year (1999–2003) sector policy reform program, supported by international technical assistance, to support policy, institutional, and regulatory reforms to address Egypt’s most pressing environmental policy problems. The program is supporting implementation of an Integrated Environmental Management System in a new City. To support implementation of this initiative, the Egyptian Environmental Affairs Agency has designed and initiated a program of activities consisting of an ISO 14001 awareness campaign, an environmental policy workshop, preparatory gap analysis, and implementation workshops.

In a distinct initiative—the Red Sea Sustainable Tourism Initiative’s Environmental Management Systems Program—EEPP has worked to “promote the adoption of best environmental practices in existing hotels and resorts along the Red Sea coast. Its primary focus is to introduce and demonstrate improvements in operational efficiency and environmental performance. This is achieved through a multi-disciplinary approach that combines awareness and training programs, on-site property environmental assessments, and the establishment of operating [environmental management systems], with funding provided for selected demonstration projects.” EEPP is carried out with the collaboration of the Ministry of Petroleum (Organization for Energy Planning) and the Ministry of Tourism (Tourism Development Authority).

¹⁵ A distributed leaflet by the Egyptian Environmental Authorities on “ISO 14001 Preparatory Program”

CSR Themes

The second axis of the table for this classification considers the core themes of the CSR agenda. Taking the broad definition¹⁶ of CSR as a starting point, 7 key CSR themes have been identified that are relevant to the analysis of government roles.

1. Setting and ensuring compliance with minimum standards

There is little need here to illustrate the conventional mandating role of the government in setting and ensuring compliance with minimum standards in mandating role. But minimum standards can also be addressed in other ways, underscoring the dynamic relationship between minimum legislative standards and the growing body of corporate standards on CSR-related issues. Partnership also has a role in setting standards that are regarded as reflecting minimum good practice or performance requirements.

The role of defining minimum legal requirements on environmental or social issues accompanied by access to justice for affected individuals lies within the traditional mandating role of government¹⁷.

As well as defining certain procedures that companies must follow, the government also gives a strong lead to the business community by defining national socio-economic priorities to which companies can contribute. Affirmative action policies include those related to employment practices, private, and public sector procurement and company incorporation. Governments can also seek to engage business in public forums for debating policy proposals, and by involving industry representatives in international policy arenas.

2. Corporate governance

Corporate governance guidelines and codes of best practice offer one way to respond to poor corporate performance and a perceived lack of effective board oversight. Some governance codes are linked to listing or legally mandated disclosure requirements. Business-driven codes, can be important drivers for change in companies legislations.

¹⁶ The World Bank Definition of CSR, “Strengthening Developing Country Governments’ Engagement with Corporate Social Responsibility, December 2003”

¹⁷ New endorsing roles are now emerging. As transnational litigation against parent companies of multinational corporations over environmental or social impacts increases, particularly when it would be difficult or impossible for affected individuals to secure access to justice in their own countries, there are examples of host country governments supporting citizens’ actions in home country courts, and effectively endorsing such action.

Beyond government legislation establishing basic requirements for business organization and corporate accountability through principles of company law, government roles have also included negotiation and implementation of international principles, partnership-based code development and engagement in capacity building, and pensions legislation linked to good corporate governance practices. Financial institutions engaged in money and securities markets in Egypt are required to implement IOSCO Principles of Securities Regulations and Basel Committee Banking Principles as well as Auditing and Accounting International Standards.

3. Responsible investment

The notion of “socially responsible investment” within the CSR agenda is most commonly used to refer to the Socially Responsible Investment movement within the financial services sector. Beyond the financial services sector, a broader view of responsible investment encompasses public sector inward investment policies linked to CSR-friendly practices¹⁸. These may include requirements on technology transfer, local economic linkages, or local community consultation; guidelines for government loan guarantees and public investments; and public-private partnerships that seek to align corporate investment with public sector investments (for example, in infrastructure, education, and health provision).

4. Philanthropy and Community Development

Philanthropy and investment in community development initiatives are common CSR strategies for businesses. Governments can harness the community development potential of corporate philanthropy and social investment through dialogue to optimize their alignment with public sector goals. In many cases in Egypt, corporate contributions and donations are deducted from taxes. Another relatively common intervention is to create incentives for voluntary corporate donations and social investments through reputational mechanisms of public recognition for leading corporate givers.

5. Stakeholder engagement and representation

The government has a key role to play in facilitating meaningful stakeholder dialogue with the business community. In some cases governments require

¹⁸ A small but rapidly growing number of investment funds now screen companies for their corporate environmental practices and how they treat their employees worldwide (a practice usually referred to as ethical or social screening). In the United States, the inflow into ethical investment funds has risen by more than 80% since 1997. In Japan, the first investment trust specializing in firms renowned for good environmental management was introduced last August, and attracted more than 100 trillion yen in just three months. Socially responsible investing has also attracted attention in Canada, the United Kingdom and other European countries. Funds that pick companies on ecological and other ethical criteria have generally performed well, but they seldom show higher returns than unspecialized ones.

companies to enter into stakeholder engagement through mandatory legislation¹⁹. It is becoming a common practice now in Egypt that economic laws cannot be in its final form for submission to the Parliament unless are widely discussed with the private sector, business associations and other stakeholders.

6. Pro-CSR production and consumption

Pro-CSR production practices are promoted through business, technical and advisory services, and research. Government-led export promotion can build international market access opportunities for sustainably produced goods and services. Governments may also choose to include CSR-related requirements in public procurement practices; that is, linking their actions as consumers to promotion of pro-CSR production.

7. Pro-CSR reporting and transparency

The importance of promoting public access to information on environmental and social issues is a familiar part of the sustainable development agenda. Company reporting on nonfinancial policies and impact has become a tool within the CSR agenda. In Egypt, the company law for example requires the company to disclose in its annual reports all relevant non-financial information. Reporting on CSR related environmental, social, and economic impact has attracted some large companies attention. It will take time for others to follow suit. This is, however, a cultural problem in economies in transition.

In Egypt, the participation of the private sector in processes to define and draw relevant policy frameworks and plans for sustainable development have been institutionalized. This is based on the believe that fair and workable development strategies demand input from governments, development agencies, civil society, the research community, and business. Recent discussions on investment-friendly policies in general, and taxation reform, infrastructure funding, and skills-building in particular, are recent examples and have produced tenable, efficient and relevant outcomes. The Government is allocating financial resources in support to and strengthen NGOs for the implementation of activities that fall within the National Action Plan and other national policies.

Matrix of CSR Principles Enforcement Tools in Egypt

Principles	Monitoring and Enforcement Tools
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¹⁹ For example, Governments have also represented the interests of particular stakeholder groups, to make the case within the World Trade Organization (WTO) that CSR initiatives developed by third parties are discriminatory.

	Laws, rules, Regulations	By-Laws & Internal Procedures	Code of ethics	Directives
Human Rights				
1. Respect of Human Rights	x	X		X
2. Human Rights abuses	x	X		X
Labour Standards				
3. Free Association, collective Bargaining	x	X		X
4. Non-Discrimination	x	X		X
5. Child Labour	x	X		X
6. Forced Labour	x	X		X
7. Working Hours	x	X		X
8. Labour Management relations	x	X		X
9. Training & Education	x	X		X
10. Occupational Safety	x	X	x	X
11. Wages, Benefits, Term of Employment	x	X	x	X
Environmental Issues				
12. Precautionary approaches to environmental challenges	X	X		x
13. Promotion of greater responsibilities	x	X		x
14. Environmental Management System	x	x		x
15. Health and Safety Policies	x	x	x	x
16. Corruption	x	x		

As indicated, the CSR principles are basically required by laws, rules and regulations. Few are considered as part of ethical code, as they are actually observed as norms and traditions within the underlying sector. Business associations, chamber of commerce, federations and other forums, are means to promote such values.

The governing laws which address the corporate social responsibilities include: the constitution regarding human rights, the labour law and the child law regarding the child rights, work, and abuse and environment law regarding environmental issues²⁰ .. Relevant national mechanisms have been established for promotion and law enforcement such as The National Council for Motherhood and Childhood, The National Council for Women and The National council for Human Rights as well as others. Nongovernmental Organizations are encourage to activate the civil society's role in promoting social responsibilities. Directives are issued by the government institutions who are designated by law as Regulating Agencies, concerned administrative units and such alike (Ministries, Organizations, Departments) and or by Labour Union, Business Associations and Syndicates. Ethics and norms are usually developed by the underlying industry or sector associations and syndicates.

The CSR Cycle ²¹

The CSR Cycle framework relates to the set of factors that must be in place to ensure that businesses continue to engage in CSR activities. These factors are identified as falling under the following three categories:

- ***Drivers:***

Are the drivers, i.e. the mix of market incentives or potential sanctions, sufficient to motivate companies to undertake CSR?

- ***Capacity and resources:***

Do the companies have the ability to implement CSR in a financially viable manner and are the necessary support institutions in place?

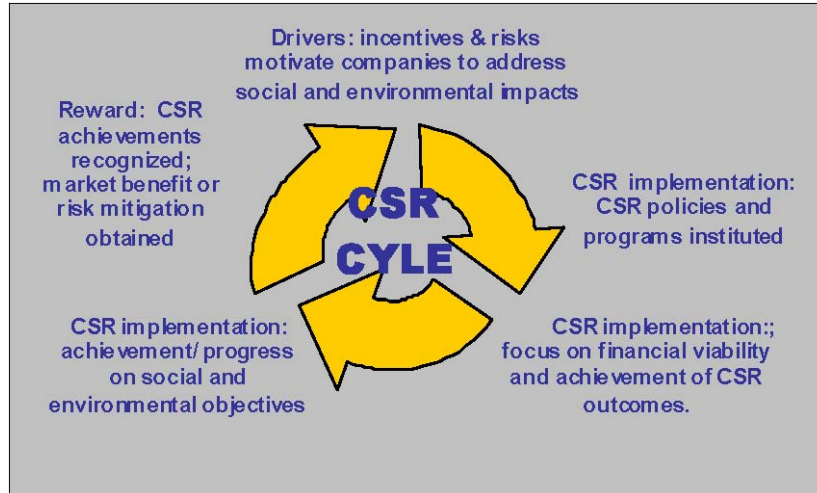
- ***Access to rewards:***

If companies undertake CSR, will they successfully mitigate risk or access the market rewards for their action?

²⁰ Egypt is signatory of the related international and regional conventions, protocols, and agreements.

²¹ The World Bank's CSR Practice advises governments of the developing countries on the roles they can play to best encourage CSR²¹. The CSR Practice utilizes different frameworks of analysis for identifying appropriate public sector roles in strengthening corporate social responsibility - relating to the focus and nature of government intervention. The World Bank's CSR Practice advises governments of the developing countries on the roles they can play to best encourage CSR²¹. The CSR Practice utilizes different frameworks of analysis for identifying appropriate public sector roles in strengthening corporate social responsibility relating to the focus and nature of government intervention.

Diagram 1: CSR Cycle



According to this model, the “Drivers” or the mix of incentives and risks in the Egyptian scenery, as the case in probably many developing countries, are compelling factors since they are legal requirements. It is believed that in the early stages of development and in transformation periods, issues of social responsibilities are best pursued by the private business community if they are legal requirements rather than depending on ethical behavior. It would be difficult by the nature of circumstances to rely on corporate to pursue ethics. Legislation facilitates and insures that the government can influence the CSR issues pursued by the private sector to align with development objectives and polices. The case of the Egyptian Economy during the reform period is a good example and supports this argument. And, as indicated by the analysis of “observance of corporate governance standards”, the corporate sector was strongly prepared to shift quickly from government-owned, centrally planed economy to an active private enterprise sector that can play its role in a free market economy.

The government, through the legal framework and appropriate polices have helped to pursue reform actions. Using the appropriate “drivers”, “capacities and resources” and “rewards” the government have motivated corporations to address and implement their social responsibilities.

The implementation of the CSR as well as other international standards was important and essential in order to bush the economy to integrate with the international economy. To achieve the required and planned rate of growth, it was

imperative to attract foreign and domestic investments to the market. This could only be done through the offering of good investment opportunities by well, high quality and up-to-slandered companies. The economic reform program would not have been able to accomplish its objectives, unless the government and the private sector were committed to implement international standards in almost all fields, foremost of which are the corporate governance and social, environmental and labour standards.

These standards became an integral part of the development strategy which emphasized the role of the private initiatives in production increase. To support the private sector, means of financing were made easy and relatively less costly through the development of financial markets. Financial services have been liberalized to match with the international capital movement requirements. As a result, the securities primary market flourished and the securities supply tremendous increased by the private companies. This would have been difficult and almost impossible had these companies been ill structured and below standards in terms of proper governance.

Corporate Accountability

While incentives are an important tool within the Cycle to encourage corporates to develop CSR, accountability is imperative and crucial to the whole economy. Corporates are fully accountable by virtue of the law enforcement capacity in the country. As the CSR are basically “mandated”, accountability would also be mandated.

CSR in Egypt: Over 50 Egyptian Companies Embrace Global Standards

In early 2004, the Global Compact in Egypt – the UN’s initiative on corporate social responsibility- has been formally launched. The Egyptian private sector, government, and civil society announced the Cairo Declaration on the Global Compact. The Declaration asked the pioneering companies of the Global Compact in Egypt to adopt ten ethical principles in the areas of human rights, labour, the environment and anti-corruption to ensure that these standards become part of their business practices and corporate planning. It also encouraged other companies in Egypt to join the Global Compact²². Egypt is the first Arab country to formally adopt the Global Compact and now joins more than 70 countries which have embraced the initiative.

²² The UN Secretary General launched the Compact in 1999 at the World Economic Forum in Davos, where he called for businesses worldwide to adopt ethical practices and support development.

As declared by the Federation of Egyptian Industries ²³ and many business associations societies, together with efficient and effective governments and rule of law, also need democratic participation by all citizens and this must include a concept of corporate citizenship which encompasses the private sector. In other words modern societies need, more than ever, to be characterized by an active citizenship, imbued with solidarity, civic engagement and social commitment. This is true both for individuals and corporations. The UN's Global Compact is a framework that allows firms to voluntarily reaffirm their corporate social responsibility and adherence to ethical standards, which is much needed for any country wishing to stay on the human development track.

Showcase Companies in Egypt

Seven of the large companies in Egypt, which have joined the Global Compact initiative in 2004, have reported their practices of CSR. These companies have adopted the code of ethics in the areas covered by the social responsibilities. The reporting covered how the member companies integrated the ten "Global Compact" principles in their work. Some companies have succeeded, for example, in addressing the problem of child labour, while others set strict safety measures in work sites or established medical services for their workers and their families. All have reported their compliance with the environmental issues, yet measured by yardstick of their own. Probably, they comply with the Environment Law in Egypt but not necessarily with the three environment principles envisaged by Global Compact. For example, principles 7 and 8 are a case in point²⁴. While principle 9 can be easily measured and tested, principles 7 and 8 are not, particularly in the absence of a referral system or specific evaluation measures or indicators (or even proxy indicators) of compliance. As can be seen, any company can join the network and claim that they are fully observing the ten principles. The Global Compact system does not provide measures or indicators for compliance and observance²⁵. In addition, no business association made an attempt to define a relevant code of ethics ²⁶ that can help companies assess their position.

²³ The Federation of Egyptian Industries established a Global Compact Steering Committee to promote, follow up and monitor the implementation of the event.

²⁴ Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies

²⁵ Similar recommendations are made to the Global Compact Office at the United Nations as follows: "the Global Compact should carry out the following tasks: 1 Impose and enforce clear, time-constrained minimum standards as a requirement for continued association with the Global Compact. 2 Support work on the business case in relation to each Compact principle, while encouraging business leaders to acknowledge and accept the ultimate primacy of the 'moral case' over the business case. 3 Guide signatory companies towards the GRI framework, moving quickly to agree a minimum set of key performance indicators for each Global Compact priority area. 4 Summarize data from signatory companies into a bi-annual Global Compact progress report, including analysis of sector-level and country performance.

²⁶ Corporate Self-Regulation Bodies, who act as corporate regulator, are not common practice in Egypt

Generally speaking, looking at CSR situation in Egypt, some remarks become apparent.

1. The Global Compact was launched in Egypt in early 2004 and some 50 companies joined the initiative, a fraction of total corporate sector in Egypt, or about 0.5 percent of the 10 thousands companies representing the corporate sector.
2. After one year of promotion and creation of awareness, only six companies reported how they integrated the ten principles into their work²⁷. No information is available on the other companies which joined the initiative. Also, there is no detailed information to clearly assess the business community perception of CSR, and how they look at it in terms of needs and usefulness. The poor participation in the conference, which was held in March 2005 to review the progress made by the Egyptian Companies to adopt CSR standards, is an indicator of such perception.
3. The reports submitted by interested companies in this conference, make no reference to the body of laws and regulations in Egypt that address the values of social responsibilities and compel the companies to comply with the principles of human rights, labour standards, environment and corruption fighting. Actually, all these principles are enacted and enforced by virtue of various laws and regulation including the civil code, the company law, labour law, criminal law, environment law, and so many others. It is more likely that the compliance of the companies in Egypt with these principles is due to law enforcement and respect rather than their compliance to the Code of Ethics contemplated by the Global Compact initiative. The showcase reporting is a clear indication.
4. Non of the showcase companies discuss what are their incentives to comply with the ten principles? Apart from the law enforcement, these companies seem to lack clear economic, or commercial incentives to do so, particularly as they are not listed on the Stock exchange nor they are floating in the market.
5. The recent study on corporate governance²⁸ provides an updated assessment of Egypt's corporate governance policy framework,

²⁷ With the exception of the website Egypt Global Compact, no other source of information on the initiative or the companies is available or easily accessible.

²⁸ World Bank, (2001 and 2004) The Observance of Standards and Codes (ROSC), Corporate Governance, Country Assessment, Arab Republic of Egypt. (Full report can be found on the website [Http:// worldbank.rocs/egypt](http://worldbank.rocs/egypt))

enforcement and compliance practices. It highlights improvements in corporate governance regulation and makes policy recommendations, and provides investors with a benchmark against which to measure corporate governance in Egypt²⁹. The assessment clearly indicate that companies are almost in good compliance with governance principles and this positive sign has been very much reflected in the flow of investment, domestic and foreign, into the market.

6. The basic question here is, does it really matter for the investor if the companies in which he can invest, is complying with the ten principles while he is sure that they are well complying with standards of governance? Investors who are looking for viable investment opportunities are more concerned with the large population of companies who are listed on the stock exchange, publicly traded, and complying with governance standards. They are definitely less, if not at all, concerned with those who are joining the Global Compact initiative.
7. In many countries, investors who would more likely be concerned with the concepts of social responsibilities, as defined by the Global Impact, are the institutional investors. Very much less likely concerned are the individual or the small investors (usually speculators and not real long-term investors). In Egypt, the market structure show that the latter are the majority investors who represent slightly more than sixty percent. This target group is obviously neither keen to examine the compliance of companies with CSR standards, nor interested to enforce the issue as company shareholding owner.
8. This situation may change the setting within which one can promote the Global Compact initiative. In Egypt there is a sizable segment of the business community who feels that advocating corporate governance may be more useful to the country's development, at least in the short and medium term.
9. While the Global Compact initiative was promoted in Egypt by the United Nations, it seems that little was explained on the merit of the exercise, the particularity of such an exercise when considering the conditions and

²⁹ Some shortcomings have been identified and areas of improvements were suggested. Out of thirty principles developed by the OECD, 24 principles are largely observed, or in other words it means that only minor shortcomings are observed, which do not raise any questions about the authorities' ability and intent to achieve full observance within a prescribed period of time. The other 6 principles are either materially not observed, which means that, despite progress, the shortcomings are sufficient to raise doubts about the authorities' ability to achieve observance, or not observed, which means that no substantive progress toward observance is being achieved during the period 2001-2004.

circumstances of the country and business society, and the overall context within which these ten principles are interpreted and complied with. Issues related to environment, human rights and labour rights should not be the concern of companies only but the concern of all institutions. As a matter of fact, the ten social responsibility principles in Egypt are complied with equally by the state-owned companies, and by the other entities and institutions irrespective of its legal form, its mandate and activity. These issues are enforced by laws and regulations and supervised and monitored by the government and by other regulating agencies. Therefore the issue is not only addressed to the private sector but it should be addressed to much wider and larger observers who seem to fall behind the domain and concern of the Global Compact.

10. Furthermore, there seems to be a great deal of misconception of the intention behind the Global Compact initiative. Some of the showcase reports indicate that the social responsibility is best practiced by their charity activities, or by the fringe benefits provided to the workers and employees.
11. While no studies or researches have been carried out to sense the opinion of the business community in Egypt on the Global Compact initiative, the corporate governance assessment (ROSC) serve as good tool to reach useful conclusions. The report identifies several key steps that focus on implementation, and it was favorably and widely accepted by the business community and the government as a reflection to their future needs. The key steps and priority actions include (i) building a Center for Directors that can help develop a Code of Corporate Governance on the role, duties, and functions of the board, and create a director training capability; (ii) focused enforcement of the new listing rules and disclosure provisions, with continued emphasis on a review of content, and (iii) implementation of legislative reform to bring the policy framework into greater compliance with the OECD Principles. Together, these measures will help to implement the recent reforms and provide new opportunities for issuers to implement best practices.

Conclusions and Recommendations

Conclusions

1. The United Nations called on business leaders to uphold universally recognized values and ethical principles. Attention has been focused on the gap between the social and environmental standards which businesses apply

to their operations in the advanced economies and those which they apply in developing countries. Under pressure from labour unions, NGOs and, increasingly, the general public, the private sector is adopting a variety of voluntary initiatives to promote socially responsible business practices in many parts of the world.

2. The focus on using self-regulation to enforce minimum standards of corporate conduct on human rights issues and labour and environmental standards is a much more recent development. It has gained momentum over the last five years or so, as businesses have sought to demonstrate that they have a positive impact on the environment and the societies in which they operate.
3. In many emerging economies, as the case in Egypt, the experiences reveal that most of the envisaged standards are being applied by rules and regulations rather than being adopted as voluntary initiatives. As can be expected, the campaign which is promoting the issue of CSR, has caused confusion in the mind of some people. The broad diversity is that all these initiatives are directed at the behavior of enterprises, rather than states, and they are voluntary, not legally binding. However, in other respects, they are very heterogeneous. The issue, therefore, became debatable whether these principles should be instituted on voluntary basis or they should become legally binding? And why?
4. People, who are pro-legal binding approach, argue that human rights, labour standards, environmental safety and health principles cannot be left to discretion, but it should be applied by force of law. However, the private business may be encouraged to identify two indicative lists of those social responsibilities that could be categorized as legally binding and the others as ethically binding.
5. Although most of the corporates in Egypt are in compliance with CSR standards, their reports and data provide no material or empirical evidence whether the application of CSR standards has significant impact on their production and productivity. Apart from being a legal requirement, their compliance is mainly due to their keenness to maintain their “reputation” either to their clients, their stockholders, or to the market in general.
6. The business community needs more information, explanation and guidance on the Global Compact (GC) initiative. The need guidelines, procedure and clear definitions and measurable indicators on how to become signatories, and how to of the assess their situation and report on it.

Recommendations

1. Business associations and relevant centers of excellence in Egypt should carry out a study and detailed survey to understand and assess what is the perception of the private sector (large and small enterprises) of CSR, the prospectus and constraints.
2. The Global Compact should, in association with these business associations in Egypt, launch wider campaign and in depth promotional efforts to create the awareness and encourage the mainstreaming of national companies in the international framework.
3. The business community should create a common and better understanding of the concept and identify and prioritize viable options for addressing challenges to CSR implementation by corporates.
4. The corporate sector should build CSR strategy and clearly define roles and responsibilities of the various stakeholders working on CSR issues.
5. The corporate sector should encourage increased transparency and reporting on activity-focused CSR, including firm-level reporting on core data. Standards should be developed regarding non-financial information that can provide material or empirical results of CSR application. These standards should be part of the corporate governance standards and part of the disclosure requirements. This would help individual firms distinguish themselves in a highly competitive marketplace, and the data could also be aggregated at national level for investment promotion purposes.
6. In general, it would be helpful if the Global Compact could impose and enforce clear, time-constrained minimum standards as a requirement for continued association with the system and develop a minimum set of key performance indicators for each standard.

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Annexes

Annex 1.

The Ten Principles of Corporate Social Responsibility

The Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from: 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 and The United Nations Convention Against Corruption.

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

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

Annex 2.
Company Cases

CASE 1.

**THE HOLDING COMPANY FOR BIOLOGICAL PRODUCTS AND
VACCINES
VACSERA**

PART 1

Our Statement

Kofi Annan
Secretary-General
United Nations
New York, NY 10017
USA

Dear Mr. Secretary-General,

I am pleased to confirm that *Vacsera* (The Holding Company For Biological Products and Vaccines) is committed to the United Nation Global Compact. We believe that collaborative work between counterparts in our industry can lead to remarkable changes and improvement in the work environment. We are aware of our social responsibility and we do apply policies to prevent child labor, discrimination, promote health , preserve the environment and support the anti corruption principle that was added to the framework of the compact.

So we were very pleased to join the Global Compact in order to share our experience with a lot of respectable establishments all over the world, under the supervision of the United Nations, and to expand our commitment to the principles of the Global Compact by learning from the experiences of others and try to spread them in our community.

Sincerely yours,

Dr. Mohamed El-Abadi
Chairman

VACSERA in Brief

*The Holding Company for Biological Products and Vaccines "Vacsera" is the only producer of vaccines and biological products in Egypt.

*Vacsera is a government owned company that works under the umbrella of the Ministry of Health.

*Vacsera has five affiliated companies, which are-

1-The Egyptian Company for production of vaccines, sera and pharmaceuticals.

2-The Egyptian Company for biotech products.

3-The Egyptian Company for Blood services and Products.

4-The Egyptian Company of Diagnostics.

5-The Egyptian Company for veterinary Products.

*While the holding company is an arm of the Ministry of Health as previously stated, all of the affiliated companies are working as private legal entities, they have their own board of directors, which decide their own policies and strategies.

*Vacsera's current institutional structure presents many advantages for the organization, as being both public and private company makes it enjoy the firm support of the Ministry of Health, as well as having all of the incentives of the private sector, and both push it to excel.

*Beside being the only manufacturer of vaccines in Egypt, Vacsera holds the main Egyptian blood bank.

*Vacsera is one of two suppliers of the insulin products nation-wide.

*Vacsera has a large number of laboratories that operate equally to the international standards, among these laboratories comes the regional reference lab for Polio.

*Vacsera is GMP certified, and has received the "SO I 90001 and SOI 14001" certification, and working towards accreditation by the American Association of Blood Banks.

*Vacsera conducts a cooperative projects in collaboration with a lot of organization and companies such as:

WHO such as the regional influenza center,

Glaxo SmithKline

Microbe Institute-Russia

Bioton -Poland

Dongbae- China

Aventis

Pasteur Institute- France

Amersham SNBTS, Tecnedil-Italy

*Furthermore, Vacsera plays an important role in research activities related to the rich historical and cultural heritage of Egypt, as now we participate in project with

other Egyptian research institutes related to DNA sampling of mummies, this project has several objectives such as :-

- 1- Tracing the genealogy of the ancient Egyptian mummies.
- 2- Retrieving the origin of various diseases, and microbial organisms, hoping to help in discovering better cures.

PART 2

Application and Adherence To The Global Compact Principles.

1. Human Rights

*In terms of the Global Compact principles of supporting and protecting human rights, Vacsera's Values and Ethics are at the heart of our relations with our clients, our personnel and the community —and are associated with the international declaration of Human Rights.

*So we were very pleased to join the Global Compact in order to share our experience with a lot of respectable establishments all over the world, under the supervision of the United Nations, and to expand our commitment to the principles of the Global Compact by learning from the experiences of others and then try to spread them in our community.

*In our policy we address human rights, which are often interpreted in the health sphere to mean "a right to better health by embedding it in our mission and goals".

*We apply non-discrimination practices and we are committed to our employees.

*We are committed to respect human rights in both our workplace and our surrounding community.

* We have taken certain measures to adhere to the principles of human rights in both our workplace and our surrounding community.

A. The Human Rights in our Work Place

1- Vacsera protects the right of enjoying better health.

2- Vacsera plays an essential role in the domain of public health in Egypt; it took an obligation to provide better vaccines and other pharmaceutical products at affordable prices to the Egyptian market.

Vacsera is responsible for providing all the Ministry of Health requirements for the National Expanded Immunization Program.

3- Vacsera respects human rights in the health research. We have an Ethics Committee in place to evaluate compliance of the research procedures to ethics especially researches, which involve animal and human subjects.

B. The Human Rights for our Employees

*Vacsera adopts certain policies and strategies that address basic human rights in order to protect our employees' rights, improve the working conditions, and raise human rights awareness.

1. Transportation:

*Vacsera has 33 buses dedicated to transport the employees and workers from their residence to work and vice versa. This service is nearly free.

2. Entertainment

*Vacsera gives its employees and workers the opportunity to have their summer vacations at considerable low costs in company-owned apartments by the sea.

*At week ends Vacsera organizes trips for its employees to places of their own choice.

*Vacsera believes in giving its employees the right to practice sports and encourages them to create teams to play for its name at the companies' leagues in various sports such as handball and football.

*Vacsera participates in the Egyptian companies Olympics and won the gold medal in handball and body building in addition to many silver and bronze medals in various sports.

*Women are encouraged to practice sports as well as men. VACSERA was the first company to create a women's football team and managed to become among the best four companies' teams in Egypt.

*In order to provide the employees and their families with the chance to gather and practice sports Vacsera established "Vacsera sporting club" where the employees are allowed to spend time and practice their favorite sports.

*Vacsera organizes some indoor contests such as chess contests for their staff.

3. Social Services:

*Vacsera established "a committee for social assistance" to give a hand to its employees who face any catastrophe, by providing them with whatever they need to overcome their problems either financially or socially.

*Vacsera has a unique insurance system, which gives its employees or their inheritors the advantage to receive 181-month salary as their retirement reward or death compensation beside their due pension.

4. Health Care:

**Vacsera provides distinguished medical services for their employees.

1- Established clinics in various specialties, which give their service totally free of charge either for the employees or their first-degree relatives.

2- Vacsera has a contract with a hospital where the employees could get the best

healthcare at very low fees.

- 3- Any medical services or vaccines produced by the company are sold for our employees at cost prices.

5. Training Center:

*Vacsera established the training center, which gives the employees the opportunity to take further studies in different fields, which are fully paid by Vacsera, and during the study period, the employee is allowed to have a paid leave of absence to study and attend the exams.

* And here is a list for the number for the employees who had a different degree in the last year.

1. 13 employees obtained (MBA) degree
2. 6 employees obtained (ORACLE) diplomas
3. 93 employees obtained (TQM) degree
4. 3 employees obtained intellectual property degree
5. 3 employees are preparing doctoral degree in GEORGIA UNIVERSITY
6. 2 employees are preparing masters in London.
7. 1 employee is preparing doctoral degree in JAPAN
8. 1 employee is preparing doctoral degree in GERMANY
9. 1 employee is preparing doctoral degree in BELGIUM

*Vacsera managed to eliminate the illiteracy among its workers, by organizing illiteracy eradication classes in the company and giving the workers the educational tools free; and therefore Vacsera community has no illiteracy.

6. Safety Measures For Our Workers

*Establishing a documentation system for safety issues according to the related international specification and guidelines such as WHO, OSHA and CDC.

Examples:

A-Providing a specific safety information manual for each unit at Vacsera that includes all safety notes, guidelines, programs, and standard operating procedures (SOP's) to ensure health and safety for all workers and work environment.

B-Providing the Material Safety Information reference (MSI) specific for all chemicals used in all Vacsera laboratories, referring to the international Material Safety Data Sheet (MSDS) for each chemical.

*Establishing Vacsera safety program to accomplish the following goals:-

A-The protection of our personnel from being exposed to workplace hazards.

B-Providing safe environment for production or high quality research by making available safe practices on facilities.

C-Comply with WHO and CDC applicable standards that suit the local requirements and circumstances.

D- Designating a safety coordinator team that covers all Vacsera units and departments, who are well trained on general and specific safety rules, and also ensuring that all workers comply with all safety rules.

C – Human Rights for our Society

*Vacsera supports the human rights within our sphere of influence, we believe that we have a huge responsibility of our society especially in the medical field; we try to fulfill our concept in providing better health for people.

*Vacsera dedicates all its potentials, expertise and facilities in the favor of the surrounding community in order to achieve our goal in providing better health for the community.

*In order to achieve its goal, Vacsera made major efforts together with the government to contribute in the health field, among which:-

1. The Therapeutic Unit

*Blood transfusion services for the needy patients suffering from Hemophilia and Thalassemia, ranging from 2 months old infant to adults.

*On average, one blood bag is provided for each patient per month, and the quantity varies according to weight and age of the patient.

*Regular monitoring of the hemoglobin percentage in blood for Hemophilia and Thalassemia patients.

*Providing the necessary chelating agents for patients whose condition necessitates so.

*Fresh frozen plasma or CRYO to patient suffering from deficiency in factors 8 & 9, which results in chronic bleeding.

*General check-up for our patients.

*Our blood transfusion services benefit on average 173 Thalassemia patients, 94 Hemophilia patients, and 69 miscellaneous diseases per month.

*Our services are with at considerable prices and we provide free treatment for needy patients.

Free-of-Charge services includes:

*General checkup and first aid for our employees

*Dental check for employees and patients suffering from Hemophilia

*In cooperation with the Hematology department at "Abu El-Reesh Hospital", medical consultants make regular visits to our unit to examine patients and give professional advices.

2. Clinical Pathology Unit

*All types of laboratory medical examination including chemical, bacteriological, immunological and Hemophilological.

*Urine, stool and hormonal analysis.

- *Tumor examination.
- *Prospect employees are subjected to Hepatitis, Syphilis, and AIDS tests.
- *Employees and their relatives are entitled to 25% cost reduction on all laboratory medical examinations.
- *In exception to hormonal analysis, blood bank employees are entitled to 50% cost reduction on all laboratory medical examinations.
- *A lot of needy patients are examined and treated totally free in corporation with the ministry of health.

3. Blood Donation Campaigns

- *On average, 4 campaigns per day and 4,000 to 6,000 blood bags collected per month.
- *Our mobile units for plasma and platelets collection carry out 200 campaigns per month with an average of 2000 plasma bags.
- *Our mobile units for blood collection carries out 100 campaigns covering Cairo and Giza governorates with an average of 5000 blood bags.
- *All these blood bags, plasma and platelets are given nearly free for the individuals as well as hospitals.

4. Genetics Unit

A. Molecular Lab:

- *Gene level diagnosis
- *Carrier detection
- *Duchene muscular dystrophy and spinal atrophy diagnosis
- *Finger prints
- *Early diagnosis of embryo diseases from amniotic fluid.

B. Cytogenetic Lab:

- *Premarital examination
- *Chromosomal abnormalities
- *Mental retardation syndrome
- *Frequent abortion
- *First trimester screening (PAPPA + free beta-sub)
- *Second trimester screening (Free beta-subunit + alpha fetoprotein)

C. Genetic Counseling clinic:

- *Clinical diagnosis for handicapped children
- *Genetic counseling

D. Embryo disease diagnostic clinic:

- *3D Ultrasonography.
- *1st and 2nd trimester screening.

*Amniocent.

5. VACSERA Vaccination Center

*VACSERA has an outstanding vaccination center working 24/7 and it consists of 3 main departments, which offer various services for very low costs or free for the needy patients.

A-Vaccination Department for children:

*All types of essential vaccinations program for children and also optional vaccines such as Hepatitis A and Varicella. Also, this department is accompanied by a pediatric examination unit.

B. Vaccination department for travelers

*All types of vaccines necessary for pilgrims such as meningitis.

*Travelers vaccines for those traveling to countries with endemic diseases.

6. Immuno-Compromised Patients' Department

*All types of vaccines for patients suffering from different kinds of chronic diseases such as (cancer patients, liver and kidney failure...etc), who need to be vaccinated regularly.

*The Center helps in raising the awareness of public health, highlighting the importance of vaccination through giving free lectures in schools, universities....etc.

*Occupational health awareness in areas where certain categories of people are more susceptible to specific diseases for example: workers in petrol fields (due to the work conditions, they are more in need for Anti-snake serum, Anti- scorpion, Rabies....etc)

*The Center has a remarkable contribution in carrying out FREE vaccination campaigns for children in orphanages and for the handicapped.

2. LABOUR

Vacsera adheres strictly to the "ILO's" declaration on fundamental principles and rights at work, which was adopted by the. *International Labour Conference*.

Vacsera has declared a system of regulations which states the terms and condition of duties as well as the penalties and rewarding policy.

Vacsera realizes and protects the right of the workers and employees regarding freedom of association.

80% the employees and workers are members of syndicates according to their specialties and the company strongly supports their participation in various activities in these syndicates

Vacsera hosts a branch of "the syndicate of the workers of the ministry of health". Vacsera recognizes the right to collective bargaining between the board and the workers.

Vacsera established the Think Tank committee in order to form a mechanism of meeting and sharing ideas between the employees and the board, which can be considered as collective bargaining.

Vacsera does not have any kind of discrimination in its hiring policies based on religion, political beliefs, gender or race.

Vacsera is giving an equal treatment and equal pay to both genders, in fact the majority of its staff members are women who hold senior positions in the company.

Vacsera established a specialized data base unit to evaluate the employees' performance, qualifications, skills, and experience without taking into consideration any discrimination of any kind.

Vacsera opposes child labour as there is not even one employee under aged in the company and in our future plans we are willing to take certain measure to monitor our associates and suppliers polices against the child labour.

Vacsera applies the first world standards in child labour policies.

3. Environment

*Respecting the environment preservation practices is the normal attitude in Vacsera.

*Safe & Healthy environment is the policy of all our employees and their commitment is fully achieved.

Vacsera is implanting an Environmental Management System (EMS) which has been assessed and granted registration to ISO 14001:1996 in November 2003, continuance of registration has been confirmed as a result of the surveillance audit that was performed in September 2004. Our Environmental Policy is "Safe & Healthy Environment" It is announced & understood by all our employees to ensure their commitment.

Senior management commitment is the driving force for the continual improvement process of our environmental performance which constitutes our major environmental objective.

Vacsera Environmental Objectives have been achieved by launching the following Environmental Management Programs:

1. Environmental Management System Documentation & Implementation
2. Environmental Aspect-Impact Identification of Processes, Materials, Products, Equipment , Tools & Services
3. Infrastructure Improvement Program
4. Green Technology adoption in our Product & Process Design Innovation
5. Prevention of Pollution & Infection by :
 - Environmental Measurement & Monitoring
 - Preventive Medicine & Occupational Health program
 - Infectious Waste Treatment
 - Sewage treatment.

Green Area Management Program

EMS Training Program

Emergency Preparedness Programs

Compliance with legal regulations & other requirements.

Environmental Management System Audits are periodically executed in accordance with the Audit Annual Plan .Results of the audits are reported to the top management for review and as a basis for improvement of the environmental management system.

7. Anti- Corruption

*VACSERA has a transparent management system which believes in openness as an essential tool for success and conflict resolution on any level.

*Circulation of documents in the company is done under strict official regulations based on transparency and accountability between employees to prevent any illegal practices.

*VACSERA has an established legal department, which oversees personnel behaviour and carries out investigation whenever needed. This is followed by the enforcement of relevant legal penalties according to the company's internal set of regulations.

*Vacsera has a strict system for forbidding bribery and the legal department applies very firm penalties against this action starting with reporting the attorney general office, which applies the national laws.

Protection Measures:

*VACSERA implemented the policy of signing Confidentiality Agreements in various departments. Employees sign this agreement on obligatory basis, especially before being assigned critical projects to work on within the company.

*This kind of agreement helps protect the employees against unintentional disclosure of confidential information.

We are considering the spreading of this kind of awareness in the organization through formal training sessions.

PART 3

The Indicators

I. Human Rights

1-Businesses are asked to support and respect the protection of international human rights within their sphere of influence; (HR1 and HR2)

Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operation, including monitoring mechanisms and results

Evidence of consideration of human rights impact as part of investment and procurement decisions, including supplies and contracts

2-Make sure their own corporations are not complicit in human rights abuses. (HR2)

Evidence of consideration of human rights impact as part of investment and procurement decisions, including suppliers and contractors.

II. Labour

3- Businesses are asked to uphold the freedom of association and the effective recognition of the right to collective bargaining; (HR5, LA3)

Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue.

Percentage of employees represented by independent trade union organizations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken

down by region / country.

4-The elimination of all forms of forced and compulsory labour; (HR7)

Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied as well as description of procedure/programmes to address this issue, including monitoring

5-The effective abolition of child labour;

Description of policy excluding child labour as defined by the ILO convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/ programmes to address this issue, including monitoring systems and results of monitoring.

6-The elimination of discrimination in respect of employment and occupation. (LA 10 , AL 11)

Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring.

Composition of senior management and corporate governance bodies (including the board of directors, including female\male) ration and other indicators of diversity as culturally appropriate.

III. Environment

7-Businesses are asked to support a precautionary approach to environmental challenges (3.13).

Explanation of whether and how the precautionary approach or principle is addressed by the organization.

IV-Anti-Corruption

10- Business should work against corruption in all its forms, including extortion and bribery. (3.13)

Description of the policy, procedure/management systems, and compliance mechanisms for organization and employees addressing bribery and corruption.

CASE 2.

Hashem Brothers Co for Essential Oils and Aromatic Products

Global Compact
Communication on Progress

Presented by Hashem Brothers Co for Essential oils and Aromatic products /

Egypt June 2005

Part I

C O P

Hashem Brothers Co. for essential oils and aromatic products is committed to the United Nations Global Compact. Since the company joined the compact in Feb 2004, the 10 principles of the compact became an integral part of our corporate philosophy. We are aware of our responsibility toward the society and will continue to play an active role in the diffusion of the Global Compact principles within our sphere of influence.

Alaa Hashem
President

Part II

Human rights

1 Business should support and respect the protection of internationally proclaimed human rights.

- Human rights policies are incorporated into Hashem Brothers code of business conduct.

2 – Business should make sure that they are not complicit in human rights abuses.

- All our supply chain is already free from any human right abuses

Labour Standards

3 – The freedom of association and the effective recognition of the right to collective bargaining

- Our company respects the freedom of association and upholds the effective recognition of the right of collective bargaining
- A number of our employees are already members in labour unions; the non-members are encouraged by the top management to join labour unions or syndicates.
- Effective Feb 2005 a new place has been build next to our factory to host all labour gatherings and meetings.

4 – The elimination of all forms of forced and compulsory labour

- The employees of Hashem Brothers co. have freely chosen their employment and are free to leave the company upon due notice.

5 – The effective abolition of child labour

Our company does not use child labour (i.e. children under the age of 15 years in accordance with international labor organization – ILO – convention 138). Shifting into the organic concepts in production and agriculture in the year 2001, Hashem Brothers Company had to ensure that all its supply chain is free from the use of any child labour. This was an easy task to apply in our plantations and factory, as our factory is situated in Kalyoubyea (50 km north of Cairo), where the rate of education and income are rather high if compared to other Egyptian rural areas. Families living in our area in general do not tend to send their children to work in the fields.

Case 1

An integral part of our company philosophy is trying to demolish the phenomena of child labor in Egyptian Agricultural sector and combating the main reasons for this phenomenon. For that purpose, we have hired an independent social consultant who has an extensive experience in the field work research. In order to identify the reasons for this phenomena and to guide us to the proper way to gradually eradicate this problem. The study was based on our previous supply chain of raw materials especially the suppliers who were using child labour. The study showed that working children on our previous supply chain come mostly from the poorest villages of the delta. Most parents were illiterate and suffering from unemployment or in some cases worked as seasonal wage workers in fields.

After identifying the problem, our company thought of several ways to solve this problem. In order not to be disappointed, we have focused on one area or one small village who was among the lowest income and highest parents unemployment rate. Our main target was to economically empower the unemployed parents of the working children and at the same time serving our industry to be more and more environmentally friendly.

It is well known that since time of pharos Palm straw is used for fabrication of many household furnisners.

We sponsored several families in that village to make trays made of the palm twigs to be bought by our company. Thus, providing a new source of income for these families. The remaining leaves are used to make small baskets which the farmers attach to their belts to put in the collected flowers at our farm.

Case 2

Having on top of our Social responsibility agenda the eradication of the phenomena of child labor in Egypt, Hashem Brothers expanded its effort to reach every aspect leading the rise of this phenomena. Illiteracy and Poverty were the main players behind the rise of this phenomena. Economical and Cultural empowerment of people is the focal starting point for developing any society. Therefore, our company has decided to contribute actively in the field of illiteracy eradication.

For that reason we have contacted the Egyptian ministry of Communication and particularly the ITC program for illiteracy eradication (a project funded by the UNDP/Egypt), in order to implement the project at our production site in Kalyoubeya. The program mainly focuses on demolishing illiteracy through the use of technology, i.e. via special CD's tailored to demolish illiteracy of Egyptians. Our company has prepared the place for a small computer lab as a starting point. The program will start next month and we are hoping to be able to serve the biggest number of illiterate people living in the areas surrounding our production site. More details will be available in next year communication on progress report.

Finally, our company will work next year with the global compact committee in Egypt to spread this project among other Egyptian companies.

6 –The elimination of the discrimination in respect of employment an occupation

- In relation to recruitment or conditions of employment, our company does not engage in a support discrimination based on race, caste, national origin, religion, disability, gender, union membership or political affiliation.

Environment:

7- Business should support a precautionary approach to environmental challenges.

8- Business should undertake initiatives to promote greater environmental responsibility

This year, with collaboration with “the Egyptian Association for Environment and Community Services” (Reg. No 1551/2001 Guizeh) an active Egyptian NGO in the field of environment we have launched a campaign for tree cultivation in Cairo (one of the most polluted cities of the world) with the help of the ministry of Agriculture and The Giza Governor. The Egyptian Environmental Association was able to reduce the cost of cultivation for each tree in the streets of Cairo in order to encourage the biggest member of individuals or companies to financially contribute in that important project. Hashem Brothers Co. as an active partner with (the Egyptian Association for Environment and Community services) contributed in the awareness campaign for that project as well as many workshops aiming at building awareness among individuals in Egypt of the importance of green areas inside the crowded cities. As our office is situated in Mohandessin area (Part of greater Cairo) {Cairo, Giza and Parts of Kalyoubyea} we have chosen to plant our trees next to our office area

9- Business should encourage the development and diffusion of environmentally friendly technologies.

We support and promote the diffusion of the organic and Biodynamic concepts in agriculture and production process among other Egyptian companies working in the same business.

10 – Business should work against all forms of corruption, including extortion and bribery.

Hashem Brothers co. support the anti Corruption initiatives through on internal code of business conduct. However, the company intends to organize training program to support this concept, mainly through tailoring workshops for our employees and as well as members from our supply chain.

Part III

“The UN Global Compact is an international initiative that brings together companies, UN agencies and labour and civil society organizations in support of ten principles covering human rights, labour and environment. The ten principles are based on the Universal Declaration of Human Rights; the International Labour Organization’s Declaration of the Fundamental Principles and rights at work; and the Rio Declaration on Environment and Development.”

As a member of the Global Compact, We believe that our business policies incorporate the ten principles since we participate in the Global Compact meetings and workshops.

Below is an index to our performance in living the ten principles. More information and data are available throughout this report and will be shortly published on our website. (www.hashembrothers.com)

Global Compact Principles Corresponding GRI indicators

1. Business should support and respect the protection of international proclaimed human rights within their sphere of influence	HR1, HR2,HR3,HR4
2. Business should make sure that they are not complicit in human rights abuses	HR2, HR3
3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5, LA3, LA4
4. Businesses should uphold the elimination of all forms of forced and compulsory labour	HR7
5. Business should uphold the abolition of child labour.	HR6
6. Business should eliminate discrimination in respect of employment and occupation.	HR4, LA10, LA11
7. Business should support a precautionary approach to environmental challenges.	3.13
8. Business should undertake initiatives to promote greater environmental responsibility	EN1, EN2, EN3, EN4, EN5, EN6
9. Business should encourage the development and diffusion of environmental	EN17
10 – Business should work against all forms of corruption, including extortion and bribery.	

CASE 3.

UN Global Compact

“Towards Corporate Social Responsibility”



Communication on Progress

Mansour Manufacturing and Distribution Group

June 2005

Making a commitment to corporate social responsibility

The most important element in a human being is his principles and his ability to distinguish between right and wrong. That is the first step towards securing a bright future for our coming generations. In order to succeed we must communicate certain principles to multi stakeholders and grasp their engagement, ultimately changing the mind frame of industries and countries worldwide.

Before entering the UN Global Compact, MMD was, and still is a true believer that our company will only prosper with certain values and principles that have to be met in our everyday business.

One of the major objectives of MMD is to make the 10 principles of the Global Compact an integral part of the group’s culture and the general business development, we are also devoted to promoting the compact to all MMD sister companies and other corporations in Egypt. We embrace this initiative, and thank the United Nations for its effort in making this world a better place for us and for the future generations.

This document explains how MMD supports and respects the 10 principles of the United Nations Global Compact initiative.

Human Rights	
Principle 1	Business should support and respect the protection of international human rights within their sphere of influence.
Principle 2	Business should make sure they are not complicit in human rights abuses.

Most of the human rights issues are fully considered and fully respected at MMD. All the employees of the group are well treated, fairly appraised on an annual basis, and compensated financially and morally based on their achievements and work. Therefore they are motivated and are more productive. All safety measures are applied at the work places-offices and factories – and health issues are also taken into consideration. 2 ambulance cars are available at MMD in case of emergencies and all employees are insured health wise.

Internally at MMD, abuses in human rights are not conducted, and no form of any complicity is done. No form of force is conducted with employees at all. Relocations of employees between the different branches of the group geographically are sometimes done whenever the employees are needed there due to their experience. In those cases, the employees are fairly rewarded by having a convenient home to live in and are also financially rewarded. Moreover, the company does not undertake any employment discrimination when it comes to hiring employees and only employs the ones who are most qualified for a job. An internal process is even taken first before looking outside the company when there is a job opening that always keeps the employees motivated (Attached is the employee handbook for details).

Relating human right to CSR projects, MMD works with several orphanages to provide basic food stuff to the children, MMD also works with schools and

universities in the fields of education, and supports several reputable funds in case of disasters (Details of projects are at the end under the CSR section).

There is no formal association of employees in the group but there is an informal system of the employees talking to their managers who in turn raise the issues to Senior Management in order to make decisions. There is also in the Group a second form of association / fund that works for the benefit of the employees and provide services and financial help to them when needed. This association has a number of elected employees who change every year. We also have a direct communication channel between Senior Management and employees through a quarterly news magazine which includes a section that receives employee's suggestions and complaints and directs them to the senior management to take necessary actions. All complaints and suggestions are not printed on the news magazine. MMD does not hire anyone by force or keep any employee by force. Child labour is not used at all. The minimum age of young employees who are used on part time basis is 18 years, and those are usually trainees still at university who can perform small jobs to learn and earn some money. All employees, even part-timers, have contracts and are insured – medically and socially. The hiring and firing policy of the group is based on the Egyptian labour laws. Even when hiring employees for certain reasons, they are well compensated as per the law has indicated. Child labour is not utilized at all within the Mansour Group. As mentioned earlier, the minimum age is 18 years old. Also to avoid child labour, good compensation packages are offered to employees that do not force their children to work. Equal opportunities are given to everyone when hiring for a new position or a vacant one. The only thing that counts is the qualifications and the competencies that are required by and for the job itself. In MMD, there is a tendency to hire more males than females just because of the nature of the job as the group's main focus is on the sales and direct distribution to the Point of Sales, which is a job more suitable for males in this part of the world. Even internally when a job becomes vacant, an internal announcement is made first trying to recruit from within, which motivates people. Equal opportunities are also given for training. There is a system for hiring people, evaluating them, training them, and rewarding them on their achievements. The system applies to everyone ensuring that there are no discriminations at all. Promotions and good work are announced to show the employees how others advance and also to motivate them. Attached is the employee handbook for reference.

In Seclam Food Processing, one of Mansour's Group Distribution companies, we strive to implement environmental friendly policies. In concordance with the necessity and importance of such policies, Seclam works to adhere to international environmental standards. Our production policies preserve the environment and at the same time present to the market the best possible quality.

Seclam Food Processing has been granted several international quality awards such as the Platinum award for Quality and Best Trade Name in October 2003 in Lebanon for Labanita dairy products, this is a unique award for the renowned international quality and best trade name. Also Seclam Factory has been accredited the HACCP and ISO 9001 System in respect to food safety management and their quality management, we are currently applying for the ISO 14001 System.

As pertaining to the three environmental principles in the U.N Global Compact, principal seven, eight, and nine, here is where we stand today:

In our commitment to a high level of social responsibility and in spite of the high costs of waste storage and disposal both in financial as well as in environmental and social terms, Seclam Factory has nevertheless taken what we deem as some necessary precautionary approaches to protect the environment.

Seclam Food Processing has signed a contract with Onyx Alexandria for Complementary Services in Waste Treatment. The contract defines modes and conditions by which Onyx implements a system to collect, transport, and eliminate industrial banal waste produced by Seclam Factory.

Steps by which the system is operated:

A. Bin Replacement: 16 Waste bins are distributed along the perimeter of the factory

B. Waste Removal: Onyx is responsible for the removal of waste using a specific truck.

C. Waste Transport: After removal, waste is transported to a treatment location using transportation means that are adapted to the waste conditions.

D. Waste Treatment: Dividing waste into recyclable and non-recyclable, this treatment and operation is started immediately on what is recyclable. E-Sweeping and Washing: Onyx Company sweeps and washes the main streets inside the factory three days a week.

I. Water Waste treatment

Our water waste treatment container is designed to process 300 cubic meters of water waste daily due to our processing operations

1. Water waste sent to the waste container
2. Oil and grease separation
3. Biological treatment
4. Collection of oil and grease and the residuals as a result of the biological treatment (Sludge) this sludge is compressed in a specific filter to decrease

- its volume and to be easily transported and used for other purposes.
5. Modifying pH in accordance to the standards and then releasing it in the public sewage

COD and POD are determines to make sure that they are within the Egyptian and world standards

II. Preserving Sound Levels:

Another one of Seclam’s achievements in applying environmental friendly policies is our Sound levels that was measured by a Sound Level Meter (Quest Model 2700) and found compared to Governmental standards as follows:

Table showing actual figures of measurements:

Kind of engine	Opened door case	Closed door case	Governmental standards according to the environmental Law no 1944
Caterpillar Diesel engine No 1, with a distance of 5 meters away from room	76.5 Decibels	74.1 Decibels	90 Decibels
Caterpillar Diesel Engine No 2, with a distance of 5 meters away from room	85.3 Decibels	83.7 Decibels	90 Decibels
Mitsubishi Diesel Engine, with a distance of 5 meters away from room	85.9 Decibels	74.5 Decibels	90 Decibels

III. Energy Saving Techniques:

Also Seclam Food Processing applies Energy saving Techniques such as:

Water Consumption Saving

1. Installing regular valves at water hoses.
2. Controlling the water consumption by installing flow meters.

3. Preventive maintenance program to prevent water leakage.
4. Using a closed circuit to save water consumption.

Steam Consumption Saving

1. Steam pipe isolation.
2. Installing steam traps with return lines.
3. Preventive maintenance programs for steam lines that includes regulators, safety valves and steam traps, implemented to prevent steam leakage.
4. Returned steam is used for heating water boiler.

Power Consumption Saving

1. Installing power factor units.
2. Using a capacity control system, particularly in the refrigeration system to decrease the power consumption.
3. Decreasing the power cost by controlling the performance of diesel generator in accordance with the power transformers.
4. Using a frequency inverter system for motors to decrease the power consumption.

In recent years, it has become increasingly imperative for businesses and factories to conduct their activities and operations in an environmentally responsible manner. Regulations and charters have been drawn to that end and international human and environmental organizations erected to presume a role of supervision. At Seclam Food Processing we feel it is our responsibility to maintain an environmentally safe production process. It is part of the code of ethics by which we operate.

According to the IFC “It should also be noted that Seclam’s dairy operation is run by a highly-skilled and knowledgeable management team who are committed to the company’s modernization and expansion plans. The company provides an excellent working environment for their workers with an onsite medical clinic, detailed health and safety procedures, cafeteria, and extensive training programs geared to maintaining the workers focus on quality”.

Fleet Natural Gas Project

Due to the nature of our distribution business and our strategy of directly distributing all our products to make them widely available in the market, we have a big fleet of vehicles. Of course, all the vehicles normally transmit materials that could pollute the environment. Therefore, we have undertaken the initiative of transforming all our distribution fleet from gasoline and diesel into natural gas. We have started the project in April 2005 and have started to convert all our distribution vehicles into natural gas. At the moment we have converted

approximately 15% of the total 900 vehicles at Mansour group and the project will be finished by year end.

“MMD will maintain the highest standards of ethics and integrity in all our dealings. We will work hard to maintain honest and open relationships based on mutual trust. We will honor all our commitments, internal and external whether verbal or written.” – MMD’s values and mission statement.

Internally, MMD has set up an auditing system where all departments and expenditures are audited on an ad-hoc basis to ensure that all the budgets are spent properly according to company’s policies. Externally, MMD does not allow any sort of bribes and believe that transparency is the only way forward for a better economy. Additionally, MMD has put the 10th principle on its website for advocacy.

Corporate Social Responsibility Programs

Strategy:

- Focus the contributions on responding to human need and alleviating suffering.
- Ensure that contributions are sustainable and have measurable impact.
- Work with well recognized charities and associations to ensure support is reaching the intended beneficiaries.

1. ADVANCE School for Autistic Children

Established in 1999, the Egyptian Society for Developing Skills of Children with Special Needs, or Advance as it is known, is a non-profit organization founded by a group of families of children with autism and other related development disorders. The society aims to offer life span services to help children and adults develop their abilities and reach their full potential. Of course such a great endeavor requires proper funding, which the Mansour Group has helped provide, as Advance's sole corporate sponsor.

Advance plans to create an adult program centre where workshops introduce vocational training to develop work skills and prepare students to be productive community members. Supported employment opportunities within the community may even be arranged for adults who have reached a compatible developmental level for carrying out special jobs.

People with special needs require proper staff training, which Advance also provides. The staff is professionally stimulated and challenged, offered the highest quality of service possible and guaranteed a sense of security in their jobs. They are also compensated for their efforts and dedication.

To date, there are seven classes, 20 well-trained teachers and staff members and a maximum of six children per class. The school has 40 students ranging from 2-20 years of age.

The group's objective is to increase the number of students to 100 within three years. It is currently located in a four-storey building in Maadi, but has also purchased land in the Kattameya area to build a new school. This building would include workshops and homes for autistic adults who have no one to live with. While the contractor has agreed to build the village at cost, the design will be chosen via a competition in the Cairo University; a graduation project for the senior year students in the Faculty Of Engineering under the supervision of a prominent architect. The creation and maintenance of such services would not be possible without public support and funding. In the case of Advance, the Mansour Group is the main contributor and sole corporate sponsor of the project. It has underwritten a portion of the value of the development plans and continues to support the Advance village as it grows over the years.

A strategy such as Advance can only give strength to the community and the society as a whole and the Mansour Group intends to continue its contribution over the years. Advance builds on an unexplored field of education in Egypt and helps children become independent, productive adults; enriching themselves and the community at the same time.

2. AUC Scholarship Annual Program

An annual Mansour Group scholarship is given in coordination with the AUC. The funds were allocated to the Centre for Adult and continuing Education (CACE) in the fields of computer studies, English studies, etc on an annual base.

3. Orphanage Houses

MMD works with several orphanage houses whether to supply them with essential foodstuff, milk for the children, or help in any way is needed. MMD is consistently working with those entities over the long-run. MMD also holds annual Ramadan Iftars for orphans in coordination with the Sheraton chain in Egypt, serving more than 100 children daily.

4. Disaster funds of Al-Ahram and Al-Akhbar

An annual donation / contribution is given to the Disaster Fund of Al-Ahram and Al-Akhbar newspapers. Those funds are allocated to help people in need and also used in disastrous situations.

5. The Red Crescent

Similar to the above funds, and annual donation is given to the Egyptian Red Crescent to use them wherever they see fit depending on the general situation of the region. On that field too, MMD contributes also to the Rotary Club whenever projects arise in the field of Health Protection.

6. The UNHCR Fund Raising Program

MMD also works with the UNHCR to raise funds for specific projects that are seen essential by the UNHCR. For example a fund raising campaign was conducted with them to raise funds for the Iraqi refugees after the war.

7. IDSC Training programs:

The Information & Decision Support Centre is a policy think tank affiliated to the Prime Minister's office. IDSC provides programs to develop and identify employment opportunities for Egyptian graduates. IDSC was identified as appropriate institute to undertake a joint training program for new graduates in the different fields of Marketing, Sales, IT...

8. Awareness campaigns

In view that the government can not do everything on its own to improve the levels of living in Egypt, and in view that the private sector has to play a role on that front; MMD decided to adopt two media campaigns related to the problems in Egypt and at the same time promoting the parts of the principles of the Global Compact as a first step. MMD has created two awareness campaigns related to the fields of education (Human rights and child labour) and the protection of the environment. Each campaign consists of 3 spots. All these spots will be placed mainly in local TV channels and some free to air satellite channels, duration for each spot 20-30 seconds, and will also be supported by a press campaign too increase the level of citizens' awareness.

GC Advocacy

The actions taken so far to achieve the above:

- The announcement that MMD has joined the GC on the MMD website.
- A series of press releases about the Global Compact and about its launch in Egypt.
- The announcement of the Global Compact Principles in the MMD internal publication on a quarterly basis.
- Conducted an internal corporate management meeting to brief all managers on the compact, and gained their commitment for its implementation.
- Gained full support of the CEO, VP’s, and all Department Heads.
- Worked closely with the HR, Personnel, and Factory Managers to explain the Compact to them and get their feedback on the status and the planned actions.
- Focused more on the sustainable Societal Contribution Programs and report progress to the Board of Directors on an on-going basis.
- Working with two other Egyptian companies to measure the level of interest for joining the compact amongst non-member GC companies, and also working on finding solutions on how to continue the process of the Compact in Egypt.
- The creation of two awareness campaigns in the Egyptian media related to the Global Compact (Education and Protecting the Environment).

GRI INDICATOR	Indicator #	Social indicators	Location	Rating
Human Rights Principles				
1. Business should support and respect the protection of international human rights within their sphere of influence.	HR1	Description of policies, Guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, Including monitoring mechanisms and results	Employee Handbook	
2. Business should make sure they are not complicit in human rights abuses.	HR4	Description of global policy and procedures/ programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.	E.H Page 23	
Labour Rights Principles				

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue.	Page 23 E.H	
	LA4	Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organization's operations.	Internal Suggestion system E.H Suggestion system "Quarterly newsletter"	
4. Businesses should eliminate all forms of forced and compulsory labour.	HR7	Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied, as well as description of procedures / programmes to address this issue, including monitoring systems and results of monitoring.	Page 13-18 E.H	
5. Businesses should uphold the effective abolition of child labour.	HR6	Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures / programmes to address this issue, including monitoring systems and results of monitoring.	Over 18 years of age	
6. Businesses should eliminate discrimination in respect of employment and occupation.	HR4	Description of global policy and procedures/ programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.	Page 23-25 E.H	
	LA10	Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring.	Page 13-14 E.H	

	LA11	Composition of senior management and corporate governance bodies including the board of directors, including female/ male ratio and other indicators of diversity as culturally appropriate.	COP "Labour standards" Senior management male/female ratio 50/50	
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Environment Rights Principles				
8. Businesses should undertake initiatives to promote greater environmental responsibility.	EN1	Total Materials use other than water, by type. Description: Raw milk 2.1million tons monthly Cheddar cheese 60 tons monthly Natural Butter 80 tons monthly Skimmed milk powder 100 tons monthly Emulsifying salts 10 tons monthly Juice concentrates 25 tons monthly Whey powder 10 tons monthly Sugar 30 tons monthly		
	EN3	Direct energy use segmented by primary source.	500,000 kilowatt/monthly	
	EN4	Indirect energy use.	25,000 kilowatt electricity generator/monthly	
	EN5	Total water use.	25,000 cubic meter/monthly	
	EN10	NOx, Sox, and other significant air emissions by type.	NOx= 147 ml gram/cubic meter –	

			standard (300) Sox 15 ml gram/ cubic meter standard 2500	
	EN11	Total amount of waste by type and destination.	Garbage 7 tons monthly Solid waste 3.6 tons monthly	
	EN12	Significant discharges to water by type.	Liquid whey 100 cubic meter per day Cleaning water 200 cubic meter per day	
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN17	Initiatives to use renewable energy sources and to increase energy efficiency.	Switching our fleet of distributi on cars from diesel to natural gas	
Anti-Corruption Principle				
10. Businesses should work against corruption in all its forms including extortion and bribery.	SO2	Description of the policy, procedures/ management systems, and compliance mechanism for organizations and employees addressing bribery and corruption.	E.H Value statement Page 9	