

UNITED NATIONS GLOBAL COMPACT INITIATIVE

COMMUNICATION ON PROGRESS REPORT 2015/2016

SODIC JULY 2016

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Part 1: Statement of Continued support by the Managing Director

I am pleased to confirm that Sixth of October Development & Investment Co. "SODIC" remains committed to support the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-corruption.

In our annual communication on progress report, we describe how we endeavor to implement and sustain the Ten Principals, reflecting them in the company policies and every day business practices. We believe it is vital to integrate the ten principles to ensure a successful business model.

We are proud to share our progress report with our stakeholders using our primary channels of communication.

Sincerely,

A handwritten signature in blue ink that reads "Magued Sherif".

Magued Sherif
Managing Director, SODIC

Part 2: Communication on Progress

A. Labor

1. Grievance:

- The Company developed an employee grievance policy with grievance defined as an act, omission or occurrence which a permanent employee feels constitutes an injustice and can be established on factual information. It may relate to any condition arising out of the relationship between an employer and an employee, including but not limited to, compensation, working hours, working conditions, and membership in an organization of employees or the interpretation of any law regulation or disagreement. The policy does not include any action resulting from formal implementation of the disciplinary policy. The purpose of this policy is to set guidelines to assist employees in reporting situations in which they feel aggrieved.

2. Employing Children:

- A penalty clause has been applied in procurement contracts with contractors in the case of employing under age children

B. Human Rights

1. Health & Safety:

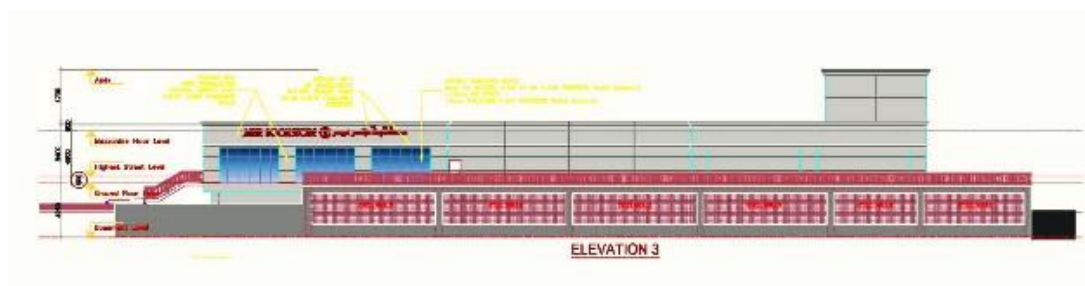
- SODIC is in the process of rolling out trainings to all its employees covering topics of first aid and emergency medical training. By making such a minimal investment in keeping your employees safe and well-trained, you net big returns, keep your people safe and retain a competitive advantage.
- SODIC created a policy and process for handling on site accidents and emergencies through the Facility Management Provider
- Safety workshops are given on accident prevention and safety for site staff and contractors

C. Environment:

1. Renewable Energy & Energy Conservation

- SODIC's newest New Cairo project Villette will now use energy efficient street lighting in all infrastructure with LED lights incorporated in all designs
- SODIC does not supply water heaters, but we have allowed provisions for solar powered water heaters to be installed in all single family units
- SODIC is considering the use of solar lighting panels to generate electricity in residential neighborhoods rather than using electricity generated from non-renewable energy sources.
- SODIC designed double skin cavity walls in Villette to increase heat insulation and reduce the power consumption of A/C units
- A Solar paneled parking study is underway for the Hub parking.
- LED street lights are being gradually changed in SODIC West through the Facility Management Provider

- SODIC has started an initiative called “SODIC Ride” which provides internal transportation within SODIC West (with a plan to roll it out in other developments after it picks up some momentum). This initiative utilizes SODIC branded Golf carts running on batteries which are charged using Solar Energy stations to be strategically located around the development. Customers will download the application on their mobile phones to request the service just like Uber.
- SODIC has proceeded with the design of Jarir Bookstore project with the concept of an elevated basement to allow for natural ventilation against the use of jet fans. Using steel grills that match the façade components, we managed to achieve the target design which shall contribute to the reduction of electricity consumption as well.



2. Waste Management

- SODIC continues asking for receipts demonstrating contractors are taking the disposed waste to authorized dumping sites
- SODIC prepared a written procedure for Westown to prevent contamination in case of broken utilities lines and ensure that the procedure is followed up by the Facility Management provider

3. Pollution prevention, carbon footprint reduction

- On site contractors are mandated to reduce noise of machinery and generators by adding enclosures for machinery sets and silencers
- SODIC is gradually Implementing the replacement of hot applied water proofing material with cold applied to prevent carbon vapor exhaust / emissions in all projects
- Villette is completely designed as a pedestrian mixed use community promoting the use of bicycles and minimizing use of vehicles, making it of low carbon foot print. The development also provides more open spaces to individuals in ways of garden plots and open spaces in lieu of a golf course
- At Caesar, SODIC is encouraging the essence of countryside living style where emissions and noise pollution are minimized to the maximum possible. Accordingly, we have resorted to applying naturally graded roads against the typical asphalt or interlock paving.



- SODIC applied the concept of internal courtyards between buildings in Westown Residences Kattamya Plaza to provide more landscape and outdoor areas.





4. Recycling & Use of Local Materials

- SODIC uses local materials in all its construction to reduce its energy consumption and/or emissions of greenhouse gases as a result of transporting materials
- SODIC is using the natural stone found in Westtown in external cladding of units as well as for hardscaping
- SODIC's coastal project, Caeser, in North Coast maximize the use of structural elements that are made of natural materials like stone fences and stone façade cladding



D. Anti-Corruption

Further to the code of conduct drafted last year, over 580 employees have signed a declaration form as part of their commitment to the company's code of conduct. A copy of the declaration text is as follows:-

I have been provided with a copy of the Code of Conduct of SODIC and I acknowledge that I have read the code, understand my responsibilities under it and agree to abide by its provisions.

I confirm that I was never in breach of such terms. I further acknowledge that I should follow the compliance procedures described in the code if I have any questions or concerns.

Code of Conduct

- 1- ***Improper use of company's funds and assets:*** *The company funds and assets should not be used directly or indirectly for illegal payments, gifts or gratuity of any kind, whether legal or illegal, which directly or indirectly inure to the personal benefit of any agent or employee of any entity with which the company does business, with the following exception:*

- a. *Unless prohibited by the policy of the customer, the company may give, social amenities to customers and employees of non-government customers, normal sales promotional items bearing the Company's name or items of insignificant value, such as flowers and candy.*
- b. *Under no circumstances may the payment of a gratuity or fee (or gift of any kind) be made to a government employee or any other party, whether in recognition of efficient service or otherwise.*

*The company funds and assets shall not be used directly or indirectly for political contributions, whether legal or illegal. The term "political contributions" is used in its broadest sense and includes local, provincial or national fund raising dinners, banquets, raffles or any funds or gifts (including the free or discounted use of property or services) which could be routed directly or indirectly to a political candidate, party, committee or organization. **Example:** The foregoing prohibition of political contributions would be violated if a manager directed any employees to work for a political candidate or party or used Company funds to reimburse employees for political contributions made with their private funds.*

This section is not intended to limit or otherwise restrict the personal political activities of employees or the right of employees to make personal contribution to any company political action committee.

The Company shall not deal with any suppliers, distributors, agents, consultants or firms which:

- a. *Don't comply with the applicable laws of the country or with the laws of any other company that may be involved.*
- b. *Provide for a commission rate or fee that is not reasonable and commensurate with the functions or services to be rendered.*

The company funds and assets & its affiliates must be properly and accurately recorded on the books and records of the Company, in accordance with the generally accepted accounting principles and practices, and no false or artificial entries shall be made in the books, records or accounts of the Company. No payment made on behalf of the company & its affiliates shall be approved or made with the intention or understanding that any of such payment is to be used for any purpose other than that described by the documents supporting the payment.

2- Bribery

SODIC employees shall not accept any payments, gifts or gratuities of any kind. However, in rare circumstances, where the refusal to accept a gift or gratuity may be impossible without injuring the legitimate business interest of SODIC, such gifts may be accepted as long as its amount is within the limit of EGP 600.

In case an employee received such gift in excess of the specified limit (EGP 600), he/she should declare it to the HR Department.

SODIC may unless otherwise prohibited, pay the transportation and lodging expenses incurred by customer, agents or suppliers, prospective or otherwise, in connection with a visit to their facility or product installation for any reasonable business purpose, including on-site examination of equipment, the participation in a training session or contract negotiations with the company under the following conditions:

- a. Written approval for the payment of such expenses has been obtained and whenever practiced, the senior management of the traveler has been informed of the payment of such expenses, or*
- b. SODIC is obligated by contract to pay such expenses and the obligation is specifically delineated.*
- c. SODIC or its affiliates will not employ any individuals known to be related, by blood, marriage or adoption (except relationships more remote than first cousin), to any person having influence over the purchasing decisions of any private or public entity to which SODIC sells any of its products, unless such employment is first disclosed to and approved in writing by the Managing Director.*

3. Conflict of Interest

As we work with brokers, agents, customers, vendors and others who do business with our company, we may be presented with potential conflicts between our own interests and those of the company. Because such conflicts of interest undermine our company's success and its reputation, our code prohibits acting in conflict with the interests of the company, and we manage our business relationships with our responsibility toward SODIC in mind, avoiding even the appearance of conflicts of interest.

A conflict of interest occurs when our personal considerations compete with the purpose, policies or operations of SODIC.

The potential for conflicts of interest doesn't end when we leave our offices, and this policy applies equally to business and personal activities. Even outside the office, we avoid situations that may lead to a conflict—or the appearance of a conflict—with SODIC's interests.

Many actions and behaviors can create conflicts of interest:

- Conducting business with family or personal friends—such as awarding a SODIC contract to your family member or a friend.*
- Owning a significant interest in, or serving in a key role for, outside companies that do or seek to do business with SODIC, or that compete with SODIC for business.*
- Taking advantage of personal investment opportunities afforded to you by virtue of your position with SODIC.*
- Making personal investments in companies that you know are candidates for acquisition or investment by SODIC.*
- Accepting business gifts*

4. Secondary Employment

SODIC employees shall not be employed by any other firm or person, including self-employment.

SODIC employees shall not have any relationship with any other business enterprise which might affect the employee's independence of judgment in transactions between SODIC and other business enterprise or otherwise conflicts with the proper performance of the employee's duties at SODIC.

SODIC employees may not accept any appointment to membership of the Board of Directors, standing committee or similar body of any outside company, organization or government agency (other than charitable, educational, fraternal, political, community or religious organizations or similar groups) without first receiving the prior approval of SODIC's Managing Director, whether or not a possible conflict of interest might result from the acceptance of any such appointment.

5. Personal Financial Interest:

Supplier/Customer Relationships: *SODIC employees may not have any interest in any supplier or customer which could in any respect compromise the employee's loyalty to SODIC.*

Competitor Relationships: *SODIC employees may not have any interest in an enterprise the business of which is similar to that of SODIC except as a stockholder or other security holder in a company unless given formal approval by the Managing Director.*

6. Interest of Associates

The interest of SODIC employees' associates in a supplier, customer or competitor of SODIC may create a conflict of interest depending upon the facts and circumstances of the particular case.

"Associate" for purpose of this policy statement shall mean:

- *Any relative of SODIC employee, any person living in the employee's household or to whom the employee furnishes support or any person having a personal relationship, similar to the above with a SODIC employee.*
- *Any business in which an employee has financial interest, any creditor or debtor of the employees, or any other person benefits to whom could reasonably be expected to relieve the employee of some obligation or obtain for the employee some personal gain or advantage.*

7. Business Involvement of Associates

SODIC employees may not cause or influence SODIC to deal with any business in which the employee or an associate is interested. If an instance occurs where it is to SODIC's advantage to enter into such a transaction, the proposed situation will be submitted in writing to, and receive prior written approval of SODIC's Managing Director before any commitment is made. Such approval will not be granted unless it can be ascertained that the terms of the transaction are to be determined by competitive bidding or established by law or determined under conditions which clearly establish an arm's length fairness of terms.

8. Inside Information

SODIC employees may not disclose confidential information to any person other than in the proper discharge of the employee's duties.

9. How to Report a Violation

As employees, officers and directors of SODIC, we understand our obligation to report violations or possible violations of the SODIC Code of Conduct immediately. To fulfill our obligation to an ethical environment at SODIC, we can speak with our supervisor/ Manager, Department Head, or with a Human Resources, Legal, Compliance or Audit department representative.

E. CSR

SODIC has three different CSR platforms; Education, Rehabilitation and Relief. Since inception SODIC has been committed to giving back to its community and has invested over EGP 40,000,000 in CSR efforts. Our programs are managed against predetermined KPI's and geared towards maximizing impact and reaching eventual financial sustainability.

1- Education: Egypt's sustainable development starts with well- educated children who will eventually reach their potential as productive and capable citizens contributing fully to their families and societies. SODIC invested in four different education projects in 2015/2016.

a. Future Lights Development Organisation (FLDO): Ensuring high quality preschool education in Cairo's slums (2009 – present)

- Future Lights for Development Organisation (FLDO) impacted 1,606 lives through its Montessori based day care center and outreach program and recovered 100% of its cost
- The Egyptian government has contracted FLDO to apply its outreach training program in 15 state nurseries.
- The success of FLDO in recovering its cost, and achieving the major milestone of being financially independent and recognized and contracted by the government marks the end of SODIC's investment in FLDO after six years.
- We are very proud to see FLDO graduate from SODIC's CSR program as a true success story, having achieved all the sustainability KPI's set for the project in 2009.
- FLDO has impacted over 5,000 lives since 2007.



b. Educate Me Community School (Transforming education in Cairo's slums through a Learning Centre in Talbeya (2014 – present))

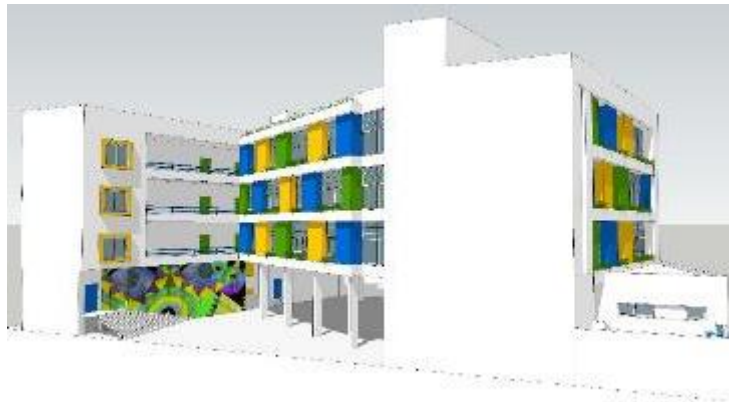
- Educate-Me's community school impacted 80 lives in 2015 and has started employing community members.
- The school is accredited by the Ministry of Education and is currently looking for a location for a new additional school.
- Educate-Me added an income generating component for fee teacher training of their unique approach focused on self-actualization and character building.
- Educate-Me have delivered trainings in over 35 schools reaching over 300 children.
- SODIC has also sponsored the "Sponsor a child campaign" enabling Educate Me to raise the funds necessary to cover the direct cost of education of the children.



c. Tawasol Community School (2013 – present)

- Operating in Stabl Antar in old Cairo since 2008, Tawasol runs a small community school for children who had escaped schooling.
- The school provides children with regular schooling and vocational training including carpentry and carpet hand weaving in addition to access to facilities like a library, computer lab and choir and theatre classes.
- SODIC supports the school through covering its running cost and has contributed to the purchase of a 1000 square metre plot of land in Ezbet Khairallah to build a new school, a few minutes' walk from the original community. The new school will offer primary, preparatory and secondary education.

- The school - which started with 20 students - has today grown to be home to 155 children reaching its full capacity.



d. AUC VENTURE LAB

- 2015 marked the final year for SODIC sponsorship of the AUC Venture Lab, the first university incubator in Egypt.
- The Venture Lab enables high potential start-ups from all over Egypt to capitalize on AUC's world-class facilities, limitless capabilities and networks.
- SODIC partnered with the AUC Venture Lab sponsoring three incubation cycles over three years and has graduated 27 start-ups to date .



2- Rehabilitation

a. SODIC signed a cooperation protocol to connect 1000 homes in Ezbet Khairallah to fresh water

- In July 2015 SODIC signed a cooperation protocol with Cairo Governorate, the Holding Company for Water and Wastewater and the GIZ to connect 1000 houses to the fresh water network in Ezzbet Khair Allah.

- The project entails connecting the chosen homes to the fresh water and waste water networks, installing a fire fighting network, providing the community's youth with vocational training on construction and installation of water and waste water connections, employing the community's youth in the collection of water tariffs, running water consumption awareness programs in the schools of Ezbet Khairallah, as well as creating a community kiosk to engage the community in all aspects of the project.



Ezbet Khairallah:

- 750,000 population, 450 acres
- Water and sewage network exists in many parts
- Water network abused and informal use
- Area not accessible in case of fire
- Unemployment 10% higher than Cairo
- Rich with carpentry workshops



3- SODIC Relief:

SODIC runs a relief program which included blood drives, charity runs, clothing drives and others to engage its employees and offer circumstantial relief in dire situations. This program has affected over 1000 lives in the year 2015/2016.

500 PACKED STAPLE BAGS



2000 Running FOR CANCER



25 BAGS OF BLOOD DONATED



22,000 EGP COLLECTED FOR CANCER

