

## **BAVARIAN AUTO GROUP**

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**COMMUNICATION ON PROGRESS**

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# **INTRODUCTION**

## **Statement of Continued Support**

Dear stakeholders,

At Bavarian Auto Group, we have a vision to become the region's leading entrepreneur in the automotive industry. Over time, we have earned our customers' enthusiasm and respect through continuous improvements driven by the persistence, teamwork, and innovation of our employees. It is this combination of elements that helps us present our customers with the highest quality service and, ultimately, ensure customer satisfaction.



We strive to offer customers the best quality of service, while also ensuring that our employees have a positive work environment and our business operates as effectively, efficiently, and ethically as possible. Our commitment to serve with excellence extends far beyond the automotive field and our own business. As an institution with a wealth of knowledge and skilled individuals, we take seriously our responsibility to share our experiences with the wider community and support the next generation. For this reason, social responsibility is an integral part of Bavarian Auto Group's business model.

As a main pillar of our social responsibility efforts, I am pleased to confirm the continued commitment of the Bavarian Auto Group to the United Nations Global Compact and to upholding its 10 principles. We also work to further advance the four issue areas of human rights, labour, environment, and anti-corruption. Bavarian Auto Group remains committed to publicly sharing progress made in terms of social responsibility in the form of its annual report.

Sincerely,  
Farid El Tobgui  
Chairman and CEO

# **Overview of Bavarian Auto Group**

## **History**

The Bavarian Auto Group (BAG) was established in March 2003. It operates in the automotive industry through import, assembly, manufacturing, distribution, sales, and after sales activities.

## **Companies**

- Bavarian Auto Manufacturing Company
- Bavarian Auto Trading Company
- Bavarian Automotive Company
- Royal Auto Trading Company
- Bavarian Auto Distribution Company
- Bavarian for Financial Investment Company S.A.E. (Suez Public Free Zone)
- Bavarian Development and Services in Sudan
- Bavarian for Trading and Investment (Free Zone) in Sudan

## **Brands**

- BMW
- MINI

## **BAG in Numbers**

- 1 state-of-the-art factory in Egypt
- 6 service centres in Egypt
- 7 BMW showrooms and 1 MINI showroom in Egypt
- 1 showroom and service centre in Sudan
- 3 Training Academy centres in Egypt and 1 in Sudan
- 1704 employees (as of December 1, 2015)

## **Social Responsibility**

At BAG, a socially responsible approach to conducting business envisages the following:

- Strict compliance with legislation in all areas
- Highest level of customer satisfaction
- Protecting and empowering employees in the workplace
- Investing in education and training of employees and non-employees in the industry
- Minimising potential impacts on the environment
- Taking into consideration the expectations and opinions of key stakeholders by building trustworthy and mutually beneficial relationships based on ethical requirements
- Contributing to development of local communities, in particular through mutually beneficial social partnerships

# HUMAN RIGHTS

## Quality Management System

BAG takes seriously its responsibility to comply with Egyptian laws, international guidelines, and industry standards when it comes to manufacturing products. In accordance with this commitment, the Bavarian Auto Manufacturing Company is certified with ISO/TS 16949:2009, which is an international automotive technical specification and quality management system standard. It increases operational process efficiency and effectiveness, thereby reducing waste and preventing defects that could harm or threaten human life and health. This is achieved through enhanced process and risk management approaches. The system is one of continuous improvement and works to ensure customer satisfaction and protection.



During the reporting period, two internal audits and two external audits (one by TÜV SÜD Egypt and one by BMW AG) were conducted with regard to this certification. Results were used to create follow up actions and plans as needed in order to continue improving performance.

## **Health and Safety**

BAG, along with its employees, takes all necessary measures to identify and control health and safety risks, create the best possible working conditions, and improve operational performance. There are a number of policies and procedures implemented at BAG with the aim of safeguarding the health and wellbeing of employees, customers, and anyone else who may be on the premises. This includes policies on alcohol, illegal drugs, smoking, as well as procedures addressing risk assessment and emergency preparedness.

The policies strictly prohibit alcohol consumption and illegal drug use or possession during working hours and on any BAG premises. BAG has the right to conduct random drug testing of all of its employees. A positive result or refusal to take this test will lead to disciplinary action up to and including termination. BAG has also established a smoke-free work environment. Smoking is not permitted on any BAG premises in order to protect employees, customers, and anyone else present from the hazardous effects of smoking and passive smoking.

## **Occupational Health and Safety Management System**

BAG has a strong health and safety system in place to guarantee implementation of and improvement upon its policies, procedures, and performance regarding this topic. The Bavarian Auto Manufacturing Company is certified with OHSAS 18001:2007, which is an international occupational health and safety management system standard. It covers the following topics: minimising risk to employees, identifying and managing hazards, reducing workplace accidents and illness, and legal compliance.





There were two rounds of internal audits for the OHSAS 18001:2007 requirements and one external audit by TÜV SÜD Egypt during the reporting period. Actions were applied and verified according to the audit findings and action plan.

## Health and Safety Training

BAG ensures that all employees have the necessary training to safely perform their jobs and respond in case of accidents or emergencies, especially employees at the manufacturing plant. A training matrix is used there to increase the knowledge and skills of all employees. By ensuring that employees are trained to work on multiple stations, there is flexibility when employees are absent and no employee is put at risk. An accurate record is kept of who has been trained for

specific duties, including health and safety procedures and the use of personal protective equipment. BAG is committed to ensuring that employees use the personal protective equipment provided and understanding why it is necessary to use it.

## **Employee Involvement in Health and Safety**

At the BAG manufacturing site, there is a health and safety monthly committee attended by members of management and employee representatives. Health and safety issues are discussed and key performance indicators are displayed. Both managers and employees can bring up new issues or make suggestions. Any topics brought up are then followed up on at the next meeting. There are also morning meetings with employees to discuss any problems that may have occurred on the previous day. This includes any incidents or health and safety issues.

## **Health and Safety Indicators**

Incident reports are available to document near misses, incidents, and accidents. The event that took place is described in detail, so is its cause and its impact on the individual or individuals concerned and the surrounding area. All such events are investigated and actions are taken to prevent recurrences. Data from these reports is aggregated and culminates in the production of a monthly incident report. Weekly violation reports are also created to record any violations related to personal protective equipment requirements, exposure to potential accidents, fire safety precautions, or any other such infraction. This data is also presented in the aggregate in order to better evaluate performance over time and in specific areas of the manufacturing plant. All aggregate data is displayed and is easily accessible to all.

## **Fair Treatment**

### **Non-Harassment**

BAG is further concerned with the protection and safety of employees from others in the workplace and takes measures to ensure that no individual harms another at BAG. The BAG Code of Ethics and Conduct Policy dictates the expected behaviour of all employees in the workplace. This policy prohibits harassment in all of its forms and for any reason. BAG encourages any employee who experiences harassment to report the incident. The policy includes the steps employees should follow to report any such incident, including the party equipped to receive these specific types of reports. As with all violations of the BAG Code of Ethics and Conduct Policy, any report of harassment will be promptly and thoroughly investigated, and disciplinary action will be taken as needed.

### **Complaints and Suggestions Boxes**

At all BAG premises, boxes have been installed where employees can submit any suggestion, complaint, or grievance. These submissions can be made anonymously if that is deemed more appropriate by the employee. This mechanism exists in addition to the more typical approach of making a suggestion or complaint in person in order to get the most honest and open feedback possible from employees. BAG makes every effort to protect employee rights to fair treatment and empower them to speak up when those rights have been infringed upon.

## **Community Engagement**

In addition to BAG taking steps to protect its customers and employees, it also engages with the larger community. A significant part of BAG's social responsibility commitment is cooperating with organisations to plan and implement social development and charitable activities. BAG has contributed to many worthwhile causes throughout the reporting period, and it continually strives to find new and innovative programs and projects. BAG contributed towards initiatives focused

on food security, orphanages and single-mother households, treating communicable and noncommunicable diseases, building infrastructure and providing access to services in slum areas, and empowering persons with disabilities.

One example of BAG's commitment is its cooperation with and support of Awliaa El Galeel organisation. Awliaa El Galeel conducts charitable and societal development activities in support of the basic needs of the community. The organisation covers healthcare and medical expenses for surgical cases and chronic diseases for individuals from all over the Greater Cairo area. The organisation also provides food security assistance to families in the Greater Cairo area that are at risk for malnutrition and deprivation, particularly single mothers with young children. Awliaa El Galeel works with other institutions on projects related to basic infrastructure, education, healthcare, and the environment.

BAG also cooperates with many other non-profit organisations, as well as United Nations agencies and government entities, in order to fulfil its social responsibility vision and contribute to the development of the wider community in which it operates. Below is a sample of the initiatives BAG supported during this reporting period.

### **National Council on Disability Affairs Celebration**

In cooperation with the National Council on Disability Affairs, BAG organized an event to honour the champions of the Paralympic Games held in Rio de Janeiro, Brazil in September 2016. These men and women defied the odds and became champions, proving that with hard work and determination, anything is possible. They were also able to represent themselves, their teams, and their country in a positive light in the international arena.



During this event, the warden of Samalut railway was also honoured for his courage. He had succeeded in separating a train carriage that had caught on fire from the remainder of the train. This prevented further damage to the train, individuals in the surrounding area, and the entire Samalut environment.



## **Cairo 2016: A City for All Conference**

BAG sponsored Egypt's first biennial conference on accessibility for persons with disabilities, entitled Cairo 2016: A City for All. The two-day conference was organized by Helm, a non-profit organisation dedicated to promoting the inclusion of persons with disabilities in all parts of society and life, with a specific focus on employment and creating infrastructure to allow accessibility for persons with disabilities in all private and public spaces. The conference addressed improving the quality of life of persons with disabilities and their inclusion, especially in terms of accessibility, employment, and tourism. It featured experts in this field and presented best practices regarding infrastructure and tools that can improve accessibility for persons with disabilities. In attendance were various stakeholders, such as companies, persons with disabilities' organisations, government officials, and policy makers, who were there to share national and global best practices regarding this critical topic.

## **Helm Sports Talent Program**

Helm, a non-profit organisation dedicated to promoting the inclusion of persons with disabilities in all parts of society and life, has a program in place to support athletes with disabilities and develop their talents in order to help them fulfil their dreams and further their careers. Through this program, Helm identified three individuals in need of customized wheelchairs. BAG contributed to the program by providing the funds required to purchase the three customized wheelchairs, each tailored to the specific needs of its respective recipient.

Alhassan Foundation provided the connection to the producer of the wheelchairs, so BAG was able to purchase them through this organisation. Alhassan Foundation aims to provide tailored solutions and re-habilitation opportunities for people who require wheelchairs. The organisation works to empower wheelchair users and their families and helps them overcome obstacles to make the best possible use of their different abilities. It is committed to changing perceptions in Egypt and the Middle East about physical disability.

The wheelchairs that Alhassan Foundation was able to provide were created for two Egyptian tennis champions and one swimming champion. The wheelchairs for the two tennis champions will allow them to become independent tennis players and assist them in their successful athletic careers. The wheelchair for the swimming champion is used for daily life, allowing for this athlete's independent movement and inclusion in all aspects of life.

The three wheelchairs were presented to their recipients at the Equal for a Better Living Conference, which was held in May 2016. This conference discussed the obstacles faced by persons with disabilities and created measurable goals and actions to tackle them. This conference provided a suitable opportunity to recognize and support individuals who had success stories in terms of overcoming the obstacles being discussed. It also showed a tangible example of action that can be taken to address these obstacles when multiple organisations and companies pool their resources and work towards achieving the same goal.



## **Children’s Cancer Hospital 57357**

BAG provided an in-kind donation in the form of children’s cars to the Children’s Cancer Hospital 57357. These cars help children being treated at the hospital feel more welcome and less intimidated by their surroundings. They also provide a much-needed opportunity for children to play and enjoy their time. Studies show that a patient’s mindset and overall mood can have an impact on the effectiveness of treatment, so having activities and toys at the hospital is beneficial for the patients.



## **Shefaa El Orman Hospital**

The Shefaa Charity Foundation is an organisation with the purpose of providing free medical treatment to cancer patients in need. The organisation alleviates the financial burden from families that are going through a difficult time period and gives patients who cannot afford treatment a chance of survival.





BAG made a contribution to the Shefaa El Orman Hospital in Luxor, which was built by the Shefaa Charity Foundation. This hospital is dedicated to the free treatment of cancer patients in Luxor and the surrounding communities. It includes facilities equipped for specialized cancer treatments, clinics, labs, a pharmacy, and other related services. The hospital began its operations in 2016 with an inauguration event.



## **LABOUR**

### **Forced and Compulsory Labour**

All employees show their willingness to work at BAG by signing contracts at the start of employment and periodically renewing their contracts. By agreeing to the job description and employment contract, each individual accepts the existing working conditions and his or her expected tasks and duties at BAG. The job description is available to individuals prior to employment, so employees are fully aware of their role from the beginning of their time at BAG.

Employees at BAG can freely give notice and leave employment in accordance with Egyptian labour law. For every employment contract renewal, all employees are required to sign a document detailing the procedure that must be followed should an employee wish to resign and leave employment, including the required length of the notice period based on the number of years they have worked at the company. This means that all employees are fully aware of the requirements for leaving employment before they start working at BAG. Further, BAG is sometimes able to work with an employee to give him or her the opportunity to leave employment within a shorter period of time. This occurs on a case-by-case basis and depends on the particular circumstances.

BAG only requests documents from employees that are needed to provide them with the proper employment status, as well as the relevant benefits package. Providing this information to BAG in no way hinders an employee's ability to leave BAG at a later date. In the case where an employee does choose to leave BAG, all relevant documents will be released to him or her in a timely manner. This is provided that the employee has followed the BAG procedure for resignation, which is clearly stated in its Separation of Employment Policy. At the end of this process, employees receive their original documents, a certificate of discharge, and a certificate of experience in accordance with Egyptian labour law.

## **Child Labour**

BAG complies with minimum age standards and does not employ any children. No employee may be hired at BAG without reviewing his or her national identification card to confirm that the individual is not a minor according to the Egyptian legal definition of the term.

## **Employee Benefits**

BAG provides its employees with comprehensive family health insurance and life insurance coverage. All employees are given access to healthcare through private health insurance. Employees are also entitled to add one spouse and two children to their health insurance plan as part of the benefits package. All BAG employees also receive life insurance benefits. This protects the families of BAG employees in the case of the employee's death.

## **Non-Discrimination**

### **Job Descriptions and Grade Structure**

Both job descriptions and the BAG grade structure minimise the possibility of discriminatory practices when it comes to hiring, establishing salaries, and opportunities for promotion. These systems ensure that those hired for a job must meet specific requirements, such as education and years of experience. Jobs are, in turn, assigned to particular grade and salary categories based on determined criteria. These criteria include details about the seniority of the employee and the type of role he or she must undertake. For example, a factor such as the approximate number of subordinates can distinguish between different grades or categories. This mechanism is used to manage all employee compensation in a fair and equitable manner by relying on objective criteria.

## **Performance Appraisals**

BAG has created performance appraisal forms to help standardize the approach to employee evaluations. Different types of jobs have their own forms, so all who perform similar functions receive performance appraisals in the same format. Every employee's performance is measured against pre-determined objectives and the set of competencies relevant to their role. The result of performance appraisals impacts an employee's opportunities for training and advancement at BAG. The standardization of this process, its results, and its impact on employees ensures that performance is evaluated as objectively as possible for all employees and that this procedure promotes non-discriminatory practices regarding employment and future opportunities for all. BAG conducts performance appraisals once annually.

## **Employment of Persons with Disabilities**

At BAG, every effort is made for inclusive employment and providing decent work opportunities for persons with disabilities. In addition, BAG conducts activities in the larger community regarding this issue. BAG has organized, sponsored, and participated in conferences, events, and meetings on the topic of employment of persons with disabilities. These initiatives provide opportunities to raise awareness and better facilitate the employment of persons with disabilities at all companies, institutions, and organisations. Below is a sample of the activities conducted by BAG during the reporting period concerning the employment of persons with disabilities.

## Equal for a Better Living Conference

Under the auspices of His Excellency the President of Egypt Abdel Fatah El Sisi, the Equal for a Better Living Conference took place in May 2016. BAG was a platinum sponsor of this conference, which discussed the obstacles faced by persons with disabilities and avenues for addressing them through measurable goals and action plans. The main target of the conference was to launch an initiative to train and find employment for 1000 persons with disabilities in the private sector.



## Egypt Business and Disability Network

BAG is a member of the Egypt Business and Disability Network (Network). The Network is supported by the International Labour Organisation and is concerned with the participation of persons with disabilities in the workforce. It is committed to creating a culture of equality, diversity, and inclusion. Participants know that persons with disabilities provide great contributions to companies and the economy as a whole and work towards increasing awareness about this important issue. The Network also attempts to build the capacities of institutions to better accommodate persons with disabilities and collaborates with other organisations to evaluate and develop services and tools that can help accomplish this goal. Finally, members of the Network and relevant stakeholders exchange best practices and assist one another in finding solutions to the obstacles they face as inclusive employers.

Throughout the reporting period, BAG participated in Egypt Business and Disability Network discussions and events. One such occasion was the Awareness Raising Event. The International Labour Organisation, in collaboration with Helm, organized the Awareness Raising Event to promote the rights of persons with disabilities, especially as they relate to inclusive employment. This one-day event was attended by three BAG representatives who were able to share their experiences and increase their knowledge about this topic.



## German University in Cairo Catering Service

BAG supports inclusive employment at its own premises and at other companies, institutions, and organisations. For this reason, BAG has a cooperation agreement with the German University in Cairo (GUC) regarding the latter's catering service, which is staffed by persons with disabilities. After visiting the catering service team at GUC, BAG committed to ordering from this service for its daily catering needs at all BAG locations.



## Professional Development

BAG is committed to investment in the education and training of employees and people in the wider community in order to help them achieve their full potential and contribute to their work to the best of their abilities. For BAG employees, training requirements and goals are determined by the Human Resources Department and given to the BAG Training Academy for implementation as necessary. The Training Academy provides professional development opportunities for employees and non-employees. BAG also provides such opportunities to non-employees through its internship programs and sponsorships of student activities and projects.

## **Employee Training and Education**

The BAG Training and Development Policy establishes the guidelines and procedures for providing employees with the professional training and development programs needed for them to complete their jobs as efficiently and effectively as possible. It covers the professional development opportunities available to employees at BAG, including: general and technical induction training, on-the-job training, opportunities available through the BAG Training Academy, courses provided by institutions outside BAG, training abroad, and education assistance. As a result, BAG employees are trained on a wide variety of topics and through a diverse range of training avenues.

Training procedures are applied uniformly through the Human Resources Department. It determines employee training needs through probation appraisals, performance appraisals, and job needs analyses. It also forms training plans and organises sessions and programs as needed. All plans are made in coordination with supervisors, managers, and heads of departments based on business requirements. Employees are also encouraged to take initiative and request training, which must then be approved in consultation with the existing plans. After training programs are completed, employees and direct supervisors evaluate training effectiveness and its impact on employee performance. During the reporting period, 715 employees participated in technical training and 1091 employees participated in non-technical training.

### **BAG Training Academy**

In 2004, BAG established a Training Academy to provide many types of training and education opportunities in support of the automotive industry in Egypt and the region. It provides technical and soft skills training to BAG employees and non-employees. The BAG Training Academy has three centres in Egypt and one in Sudan. It has more than 100 accredited courses on the following topics: sales and marketing, services and operations, manufacturing operations, soft skills and management, information systems, and financial management. BAG Training Academy also provides consultation services and tailor-made programs as needed. In terms of its history, it has long-standing cooperation and projects with governmental entities and other



institutions, such as agreements with the Ministry of Education and involvement in an initiative with the German-Arab Chamber of Commerce and others to train and employ 4000 Egyptian young people. In this way, BAG is able to share its knowledge and experience in the automotive field with the larger community and develop the industry on a wide scale.

Apart from meeting the training needs of employees at BAG, the BAG Training Academy has developed its strategy to help connect education and training with market needs, keeping in mind the importance of society as a stakeholder. BAG hosts specific training and education programs for high school age students. One of the most prominent programs that operated during the reporting period is the Bavarian Technical School. It caters to students from grades 10 to 12 who learn automotive technical studies while being in direct contact with the BAG manufacturing site. The program provides two units of theoretical instruction and one unit of practical preparation. This vocational school serves as a prototype for this type of training to be directly connected to businesses.

BAG also works with institutions to create specialized programs. As one of the Future University in Egypt's corporate partners, the two entities have an agreement on academic and scientific cooperation to better integrate theoretical instruction with practical experience. This type of coordination increases the chances that academic learning will lead to jobs and that graduates will have the knowledge and skills needed in the marketplace. BAG created an automotive management program with the Future University in Egypt for undergraduate students. It teaches them how to run an automotive business, including strategic planning, sales and marketing, finance, and many other topics. During the reporting period, BAG also conducted a technical session for the Future University in Egypt students as part of their continuing cooperation.

## **Internship Programs and Sponsorships**

BAG also offers training and development opportunities to young people outside BAG in the form of internships. It provides a wide range of opportunities differing in content and length. These types of programs give young people with relevant academic backgrounds a chance to develop their skills for the job market and increase their chances of employability in the future.

This is an investment by BAG in the community and those young individuals pursuing an education in a field relevant to BAG's activities. The Human Resources Department ensures that interns are matched to the most suitable department based on business needs and the qualifications of applicants in order to create the most beneficial experience possible for both parties involved.

The BAG Training and Development Policy addresses the topic of internship opportunities. Most internship programs are designed for undergraduate students and recent graduates. BAG ensures that no internship interferes with an individual's education. Many of these programs are conducted in conjunction with academic institutions. For example, BAG has an agreement with the Future University in Egypt to arrange summer internships for their students. Internships arranged individually (through applications and an interview process) usually occur in the summer months, when students do not have any courses or examinations. All students are required to provide a letter from their academic institution prior to their start date in order to confirm their eligibility to participate in such a program. At the end of the programs, interns and direct supervisors complete evaluation forms to assess program effectiveness and assist in the continuous improvement of opportunities provided by BAG. During the reporting period, 138 internships were completed at BAG.

BAG also sponsors a number of student activities and projects at various universities. For instance, BAG has an established commitment to supporting graduation projects for students in the Faculty of Engineering at Ain Shams University, Cairo University, and Helwan University. With this type of sponsorship, BAG is able to share its knowledge and experience with young people at the beginning of their careers and encourage them to explore and innovate in their fields of interest.

# ENVIRONMENT

## Environmental Management System

BAG is committed to environmental responsibility and complying with relevant Egyptian laws, international guidelines, and industry standards. The Bavarian Auto Manufacturing Company is certified with ISO 14001:2004, which is an international standard for environmental management systems. It provides guidance for forming and maintaining policies and procedures that help improve overall environmental performance, address risks and opportunities, and fulfil legal obligations. Topics under consideration include: resource and energy use management, pollution prevention, waste reduction, and measuring environmental indicators. This ensures sustainable business growth and increased efficiency, while minimising environmental impact.



During the reporting period, there were two rounds of internal audits to cover the ISO 14001:2004 requirements and one external audit by TÜV SÜD Egypt. Relevant actions were taken and verified according to the audit findings and action plan.

## **Emergency Response**

BAG has emergency procedures in place to prevent and address accidents affecting the environment and human health. One such procedure is in place at the manufacturing plant to respond to emergencies, such as a fire, if they occur. The procedure involves four teams of selected individuals: evacuation team, firefighting team, electricity team, mechanic team, and first aid team. The evacuation team is responsible for notifying the relevant person in charge about accidents and unusual situations, directing employees to emergency exits, checking and counting their group at the emergency assembly area, and guiding employees back after the emergency situation. The firefighting team aims to control a fire, if one has occurred, remove any flammable materials, and follow the instructions of the relevant Egyptian authorities. Individuals in the electric and mechanic teams are responsible for ensuring that certain systems are switched off or isolated in order to prevent further escalation of the emergency. The first aid team attends to any injuries on-site until those injured can be transferred to the medical clinic on the premises where the nurse can further assist them. All other employees must evacuate through the nearest emergency exit to their designated emergency assembly area once they hear the continuous emergency alarm. Emergency assembly areas are clearly marked with a letter matching the letter assigned to the group of people that must gather there in an emergency.



BAG trains employees to respond to accidents and emergencies, such as in the procedure described above, including carrying out emergency drills once a year involving everyone who works on the premises. The purpose of the emergency drill is to practice the procedure that prevents and mitigates any harmful effect on the environment and employee health and safety. It also ensures that everyone who works in the building knows the procedure and is properly prepared for how he or she should act, including any responsibilities he or she may have. During an emergency drill, emergency exits are confirmed to be clearly marked and free from obstruction, and emergency tools are confirmed to be in good working order. Also, indicators, such as evacuation time and firefighting response, are monitored and compared to target values. Following the emergency drill conducted this year, the emergency response procedure was adjusted and improved upon accordingly.

## **Responsibility and Performance**

### **Energy Consumption and Environmentally Friendly Technologies**

BAG is committed to the reduction of energy consumption and the use of environmentally friendly technologies. In an effort to put this commitment into action, LED lights have been installed at BAG premises during the reporting period. BAG's approach has been to use LED

lights in all locations that are newly acquired and designed from scratch. The new manufacturing plant extension, opened in July 2016, uses only LED lights throughout the premises. There have also been efforts to use LED lights in existing BAG structures. In the main manufacturing plant, some areas are now equipped with LED lights. This resulted in a 62.5% decrease in power consumption for lighting purposes in the areas where LED lights have replaced regular light bulbs in the main plant.

In order to further reduce energy consumption, the manufacturing plant uses photocells triggered by daylight to switch on and off the lights on the exterior of the plant. This controls the duration that power is used for this purpose and ensures that the lights are not on for longer than required. The mechanism also accounts for variation in daylight hours throughout the year and eliminates the need for manual manipulation of the system as this variation occurs.

## **Reduce, Reuse, Recycle**

The first approach to eliminating waste at BAG is to use resources responsibly. Paper consumption is reduced through the increased use of electronic systems. Also, forms have been changed to fit up to four on one sheet of paper and other paperwork is structured in such a way that it takes up the smallest amount of space possible. So, if paperwork must be printed, it will use less printing resources. In addition, maintenance on all water outlets is performed to prevent any leakages. Ongoing maintenance activities are also conducted for all equipment, such as air filter changes, equipment vibration checks, greasing moving parts, and belt changes. This ensures that efficiency is maintained, which reduces excess resource use, air emissions, and loss of power.

The second technique used to manage waste is reuse. At the manufacturing plant, there is an initiative to reuse packaging in the production process. Some parts arrive at the plant in packaging that used to be removed and discarded before taking the parts it contained and using them in the production process. After being treated, these same parts would then be moved along the production line in a different container. The new initiative ensures that the original packaging

of these parts is not discarded and no new container is required. Instead, the original packaging is used in the line delivery process.

Finally, BAG recycles many waste products through licensed contractors in order to reduce the environmental impact of waste production. Some paper and paper products are recycled, including cardboard boxes, cartons, and other such items. Oils are also recycled. The quantities of waste recycling increased during the reporting period due to higher production rate. The quantity of oil, for example, increased from 1.3 tons to 2.3 tons.

## **Environmental Innovation**

As part of BAG's commitment to environmental preservation and raising awareness about this critical issue, BAG supports environmentally conscious events and students interested in pursuing fields related to renewable energy and sustainable development. BAG is particularly interested in supporting research and development efforts and encouraging innovation in this field. Below are a sample of related programs that BAG supported during the reporting period.

### **International Conference on New Energy and Environmental Engineering**

BAG was a platinum sponsor of the Future University in Egypt's first International Conference on New Energy and Environmental Engineering, which took place in April 2016. The main purpose of the conference was to discuss the latest research conducted by participants and exchange views on the direction of future research endeavours in this field. It brought together those working on this topic from different sectors, such as researchers, educators, government officials, companies, international organisations, and civil society.

## Global Hybrid-Electric Challenge in Soma Bay, Egypt

In March 2016, Global EEE organized the Global Hybrid-Electric Challenge held in Soma Bay, Egypt. Global EEE is a non-profit organisation that helps establish student competitions around the world that promote education, energy efficiency, and environmental consciousness. The Global Hybrid-Electric Challenge is a hands-on educational opportunity for students to construct and race full-size electric and hybrid-electric cars and improve their understanding of renewable energy technologies. It also teaches students how to work as a team and helps them gain project management skills.

BAG contributed to this event in two ways. First, it sponsored the team from the Faculty of Engineering at Helwan University that would participate in this competition. Second, it sponsored the Grand Prize for the winning team of this competition, which was the travel expenses of the trip to attend the Global Hybrid-Electric Challenge in Abu Dhabi, United Arab Emirates in April 2016.





The Helwan University team won the awards for Fastest Qualifying Time and Best Photo. The Fastest Qualifying Time award is given to the team with the fastest time during the qualifying sessions held on the first day. The Best Photo award is given to the most creative and well-executed photograph submitted by a team.



## **Global Hybrid-Electric Challenge in Abu Dhabi, United Arab Emirates**

BAG sponsored the winning team from the Global Hybrid-Electric Challenge held in Soma Bay, Egypt so that they can travel and compete in the Global Hybrid-Electric Challenge held in Abu Dhabi, United Arab Emirates. This event was organized by Global EEE, an organisation that helps establish student competitions that promote education, energy efficiency, and environmental consciousness. The winning team was from the Faculty of Engineering at Ain Shams University. This team was given an additional opportunity to participate in an event that allows engineering students to get practical experience building and driving electric and hybrid-electric cars in a competitive environment. They were also rewarded for their excellence in a previous competition and given a chance to continue learning and growing from these experiences.

The Ain Shams University team came in third place in the final overall championship standings, as determined by the weighted sum of both days. They had come in third place in the races on both Day 1 and Day 2. The Ain Shams University team also won the award for Team Safety, which is given to the team that conducts the race with the highest safety standard in the design of the vehicle, following track race rules, and managing the pit stops.

## **ANTI-CORRUPTION**

### **Signalling a Non-Corrupt Environment**

BAG rejects corruption in all of its forms and requires all employees to behave ethically and in conformity with the law. Further, BAG expects every employee to act with honesty and integrity, to exercise independent professional judgment, and to deter wrongdoing in the conduct of all duties and responsibilities on behalf of BAG. In order to communicate this commitment to its employees, BAG has a number of clear policies detailing its approach to the fight against corruption and the consequences of violating these policies.

### **Code of Ethics and Conduct Policy**

BAG has taken a clear stand against corruption in its Code of Ethics and Conduct Policy in order to ensure the highest standard of integrity in the workplace. All employees are expected to comply with this policy, and employees in leadership roles must provide guidance to their subordinates with regard to the issues outlined in this policy. They should also assist employees in recognizing and dealing with ethical issues, as well as helping to foster a culture of honesty and accountability.

The policy covers conflicts of interest, circumstances in which they may occur, and how they can corrupt business practices. Situations that involve, or may reasonably be expected to involve, a conflict of interest must immediately be disclosed to BAG by following the relevant procedure. The policy stipulates the need for fair dealing practices and the prohibition of manipulation, concealment, abuse of privileged information, and misrepresentation of material facts. The policy also provides guidance on the issue of dealing with business gifts. Accurate record keeping and reporting is another main concern of the policy, highlighting that falsification of any records is strictly prohibited.

Finally, the policy details the mechanisms available to report illegal or unethical conduct or suspicion of such activity, including the individuals within BAG who should be notified. Reports of BAG Code of Ethics and Conduct Policy violations will be promptly and thoroughly

investigated. Any employee found to have engaged in any violation will be subject to immediate disciplinary action up to and including termination, as well as reporting the offense to the relevant authorities.

## **Anti-Corruption Policy**

At BAG, there is a zero tolerance policy when it comes to bribery and corruption. The BAG Anti-Corruption Policy sets out BAG's responsibilities and the responsibilities of its employees in upholding this commitment. The policy assists employees in fighting against corruption in all of its forms by providing clear definitions and practical guidelines for acceptable and unacceptable behaviour in the workplace.

The policy begins by clearly defining many of the terms used when discussing this topic, such as corruption, bribery, and facilitation payments. This ensures that all employees understand the issue at hand, use one shared definition of these terms, and can better recognize the problem if they face it in the future. The policy also explains in general terms what is and is not deemed appropriate in these situations, then moves to a discussion of these issues within BAG's specific context. It covers the following topics: gifts, hospitality and entertainment, provision of vehicles, discounts and allowances, event sponsorships, and donations and corporate social responsibility projects. There is also a section dedicated to identifying high-risk situations and detailing how to deal with them, i.e. recognizing, stopping, and reporting on bribery and corruption. Finally, the BAG Anti-Corruption Policy details the disciplinary action that may be used in cases where an employee has violated this policy.

## **Whistle Blowing Policy**

The purpose of the BAG Whistle Blowing Policy is to create a mechanism whereby confidential and anonymous reports can be made regarding possible acts of corruption. It ensures that complaints and concerns by any BAG employee concerning corruption will be heard and addressed. The policy establishes procedures for receiving, retaining, and addressing complaints

about accounting irregularities, internal accounting controls, audit matters, and illegal or unethical behaviour. It also covers reporting on failures to comply with the law, regulations, or the two other BAG policies related to this topic: the BAG Code of Ethics and Conduct Policy and the BAG Anti-Corruption Policy. Further, the BAG Whistle Blowing Policy explains the procedure for investigation of claims received through this system. It goes on to mention disciplinary and corrective action that can be taken as a result of the conclusion of investigations, as well as the required reporting about this mechanism and its use.

The BAG Whistle Blowing Policy reinforces the need for honest and ethical conduct, as well as compliance with applicable laws, rules, and regulations. It provides a method for prompt internal reporting of any violations of the above requirements. There is also an increased emphasis on existing BAG internal policies regarding this issue and the importance of accountability and adherence to them.

## **Awareness Raising**

In addition to establishing the above policies, BAG also takes steps to ensure that employees are aware of the existence of the policies and that they fully understand them. During the reporting period, all newly hired employees at BAG participated in orientation training sessions about the need to comply with Egyptian law and internal governance at BAG, including the policies explained above. Any communication on the matter is presented in a language and form easily understood by all employees. Further, the BAG Code of Ethics and Conduct Policy is easily accessible to newly hired and existing employees at all times on the BAG intranet portal.

## **Anti-Corruption Procedures**

As the BAG Code of Ethics and Conduct Policy, the BAG Anti-Corruption Policy, and the BAG Whistle Blowing Policy stipulate, all employees must comply with the laws, rules, and regulations applicable to their duties and responsibilities. BAG has a department dedicated to

internal audit and compliance responsibilities with a clear strategy and operating procedures presented in its manual. This department ensures that all relevant laws and regulations are being followed and calls attention to any irregularities. It also works with the Human Resources Department to create and update relevant policies and procedures. The department reviews BAG's operations with reference to such policies and identifies any violations and room for improvement. All findings are reported to management and follow up action is taken if necessary. Further, an external audit of BAG is conducted annually, including several visits throughout the year, in accordance with Egyptian law. This allows an entity completely separate from BAG to assess BAG's performance in this area and provide relevant feedback. These checks and controls ensure that all BAG employees abide by Egyptian law and BAG policies and procedures so that no type of corruption occurs at BAG.