



شركة سيدى كيرير للبتروكيماويات
Sidi Kerir Petrochemicals Co.

Date : 5/2/2024

Attention: The Egyptian Exchange

greeting,

Please find attached the Board of Directors' report on governance and the auditor's report thereon as of December 31, 2023.

Kind regards.....



Mohamed Fathy Aamer
Financial Control General Manager



Auditor's report

On the corporate governance report

To / Sidi Kerir Petrochemical Company (S.A.E)

To / The Financial Supervisory Authority

Introduction:-

We tested the report on the extent of compliance with the rules of governance prepared by the management of Sidi Kerir Petrochemical Company (S.A.E) for the financial year ending on December 31, 2023.

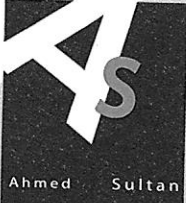
Management responsibility

The company's management is responsible for preparing and presenting the report on the extent of compliance with the rules of governance in accordance with the instructions issued by the Financial Supervisory Authority and the Egyptian Guide to Corporate Governance issued by the Egyptian Directors' Center and the relevant laws and decisions as shown in the report on the extent of compliance with the rules of governance. It is also the responsibility of the management It extends to identifying points of non-compliances and its justification.

Auditor responsibility

Our responsibility is limited to testing the information contained in the report on the extent of compliance with the rules of governance and expressing a conclusion in light of the tests that were performed. We have tested the report on the extent of compliance with the rules of governance in accordance with the Egyptian Standard for Assurance Engagements No. (3000) "Assurance tasks other than reviewing or examining historical financial information." This standard requires compliance with the requirements of professional conduct, including independence requirements, and planning and performing the assurance process to obtain assurance that the report on the extent of compliance with the rules of governance is free of any significant and material misstatements. Testing the report on the extent of compliance with the rules of governance includes obtaining primarily evidence from the reality. Observation and inquiries from the persons responsible for preparing a report on the extent of compliance with governance rules and reviewing documents When it is appropriate, we believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. This report has been prepared for submission to the Financial Regulatory Authority based on the assignment of the company's management, and not for any other purpose. Therefore, it is only suitable for use for the purpose for which it was prepared.

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Accountant & Auditors

EuraAuditInternational

Conclusion:

The report on the extent of compliance with the rules of governance referred to above expresses fairly and clearly in all its important aspects the extent of the company's compliance with the rules of governance during the financial year ending on December 31, 2023, based on the instructions issued by the Financial Supervisory Authority and the Egyptian Guide to Corporate Governance issued by the Egyptian Center of Directors and their Relevant laws and decisions.

Dated: 5 February 2024.

Auditor
A. Sultan
Ahmed Sultan

Member of Egyptian Taxation Society

Ahmed Sultan & Co.

Member of Eura Audit International

Ahmed Sultan & Co.
Eura Audit International

Management Report on Governance

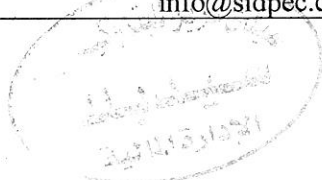
To: Egypt Financial Supervisory Authority

Sid Kerir petrochemical Co's Shareholders

In adherence to the principles of governance, Sidi Kerir Petrochemicals Company is considered one of the pioneers in implementing managerial practices to achieve the highest levels of governance. The Board of Directors endeavors to enhance the confidence of both current and prospective investors through increased transparency and disclosure. Additionally, in fostering the company's culture, governance practices also aim to prioritize internal and external control mechanisms."

Company profile

Company Name	Sidi Kerir petrochemical Co. "Sidpec"		
Company purpose	<ul style="list-style-type: none"> • Establishment of a complex to produce basic, intermediate, and final petrochemicals, along with complementary operations for manufacturing and establishing pipeline networks and importing gas for manufacturing purposes. The company may also undertake other projects or modify its purpose. • Construction, ownership, operation, and management of a power station for internal consumption and selling the surplus electricity to companies and to the national grid of the Arab Republic of Egypt • Selling and marketing all its products, as well as other petrochemical products, including import, export, manufacturing, packaging, and sales of petrochemical products, plastic materials, and all types of polymers. <p>This is subject to compliance with the provisions of applicable laws, regulations, and ongoing decisions, provided that the necessary licenses are obtained to carry out these activities. The company may participate or engage in any form of partnership with companies and others engaged in similar activities or those that may assist it in achieving its purpose in Egypt or abroad.</p>		
Duration of the company	25 years from the date of registration in the commercial registry.	Listing date	19/3/2005
The law under which the company is incorporated	The company was founded on November 16, 1997, in accordance with the provisions of Law No. 8 of 1997, which was later replaced by Law No. 72 of 2017	Stock nominal value	2 EGP
Authorized capital (updated)	5100 million pounds	Issued Capital (updated)	1512 million Pounds
Paid-in Capital (updated)	1512 million Pounds	Commercial registry number & date	145404 In 8/11/1997
contact person	Mr. Mohamed Fathi – Mr. Osama Ramzi		
Head Office	KM 36 Alexandria/Cairo Desert Road El-Amerya - El-Nahda Territory – Alexandria		
Telephone	034770131 01223974704 01223974750	Fax No.	4770126 4770140
Website	www.sidpec.com		
E-mail	info@sidpec.com		



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- Share Holder Structure

The shareholders' structure and the ownership percentage of the board members:

Shareholder of 5% and above	The ultimate beneficiary	The number of shares as of the financial statements date	The approximate percentage
Egyptian Petrochemicals Holding Co	The Same	151200000	20%
Government Sector Employees Trust Fund	The Same	156884212	20.75%
Private Sector Employees Trust Fund.	The Same	92560755	12.24%
Egyptian Petrochemicals Co.	The Same	52338463	6.92%
Ahli Capital Holding.	The Same	52338463	6.92%
National Investment Bank.	The Same	52338463	6.92%
Total		557660356	73.76%

- The board of directors

The formation of the board of directors

The board of directors

The board of directors are elected from among the shareholders of the company in accordance to law 159 for the year 198 and with its articles of association. The board is primarily responsible for managing and overseeing the company's performance. It bears the responsibility for setting the company's strategy and conducting its affairs within the framework of applicable laws, regulations, and company bylaws, to ensure the implementation of executive management's plans in a manner that serves the company's interests, its shareholders, and its responsibilities to the community and the surrounding environment. The current board was elected by the shareholders during the general assembly meeting held on 31/3/2021 for a term of three years until the annual general assembly meeting for the year 2023 (March 2024). The board members include non-executive individuals and entities representing the shareholders (13 members). The performance of the board is reviewed through the company's annual general assembly.

Nineteen board meetings were held during the year 2023.



Below is the latest formation of the board of directors along with a statement of the attendance of members in the sessions:

First: The latest formation of the board of directors

Name	Position	The representation entity	The designation	The number of shares owned by the entity
Eng. / Mohamed Mohamed Ibrahim	CEO and Managing director	Egyptian Petrochemicals Holding Co.	Executive	151200000
Mr. / Helmy Sakr Gad Shalby	Member		Non Executive	
Mr./ Ahmed Mohamed Kamel Moka	Member	Egyptian Petrochemicals Co.	Non Executive	52338463
Mr./ Mohammed Saudi Qutb	Member	Government Sector Employees Trust Fund.	Non Executive	156884212
Mr./ Ihab Khater Younes Mohamed	Member		Non Executive	
Mr./ Samy abdel Hady Mohamed	Member	Private Sector Employees Trust Fund.	Non Executive	92560755
Mr./ Mohammed Abdulnabi Qutb	Member		Non Executive	
Mr./ Abdel Fattah Abdel Moez Ali	Member	National Investment Bank.	Non Executive	52338463
Mr./ Khaled Youssef Abdel Majeed	Member	Ahli Capital Holding.	Non Executive	52338463
Mr./ Reda Abdel-Hafez Abdel-Mawlaa	Member	Misr Insurance Co.	Non Executive	14022342
Mr./ Ehab Hassan El-Leithy	Member	Naser Social Bank	Non Executive	10080000
Mr./ Ahmed Fayeze Abdel Mohsen	Member	General Public Offering	Non Executive	46195
Mrs./ Nahed Mahmoud Badri	Member	General Public Offering	Non Executive	1440
Mr. Khaled Salah El-Deen Al Basomi	The board secretary			



The tasks of the company's board of directors are defined in accordance with the company's articles of association, including:

- Reviewing periodic performance reports and approving financial statements and periodic annual business results after they have been presented to the audit committee.
- Establishing the company's overall strategy and making necessary decisions to manage its resources, diversity, and the rights of its shareholders and stakeholders to maintain the sustainability of its operations and activities.
- Forming committees entrusted with certain responsibilities or specific tasks, especially the Governance Committee.
- Monitoring the status of ongoing investment projects.
- Approving the company's annual planning budgets.
- Ensuring the application of governance principles according to the company's diverse activities while maintaining the rights of its shareholders.
- The board of directors issues an annual report in accordance with the provisions of the Companies Law No. 159 of 1981, its executive regulations, and the requirements of the listing and delisting rules of the Egyptian Exchange, to be presented to the general assembly of shareholders and relevant regulatory authorities.

Chairman of the Board and Managing Director:

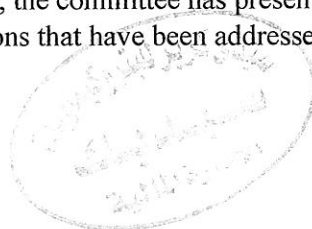
The Chairman of the Board and Managing Director is selected by the board of directors and has the right to represent the company to the judiciary, third parties, all external, governmental, and administrative authorities. He also has the authority to sign all preliminary and final sales contracts for real estate, land, and vehicles, as well as banking facilities agreements and dealings with banks. Furthermore, he has the right to delegate or authorize others to perform some or all the aforementioned duties.

Audit committee:

A) Current structure

Member Name	Title	Entity Represented
Mr./ Ahmed Fayez Abdel Mohsen	Committee Head	General Public Offering
Mr. / Helmy Sakr Gad Shalby	Member	Egyptian Petrochemicals Holding Co.
Mr./ Abdel Fattah Abdel Moez Ali	Member	National Investment Bank.
Mr./ Ehab Hassan El-Leithy	Member	Naser Social Bank
Mr./ Mohammed Abdulnabi Qutb	Member	Private Sector Employees Trust Fund.
Mr./ Samy abdel Hady Mohamed	Rapporteur	Private Sector Employees Trust Fund.
Mrs./ Nahed Mahmoud Badri	Member	General Public Offering
Mr. Khaled Salah El-Deen Al Basomi	Rapporteur	Rapporteur of the Committee

The Audit Committee has fulfilled its responsibilities as stipulated by the listing and delisting rules of the Egyptian Exchange and related instructions, decisions, and governance principles. These responsibilities include ensuring the management's compliance with the policies and decisions of the board of directors, as well as overseeing the proper conduct of business. The committee has spotted numerous important issues and issued necessary recommendations to ensure the proper implementation of all policies and directives of the board of directors. It has also ensured that all employees of the company understand these policies and procedures. Throughout the year, the committee has presented several reports and recommendations containing substantial observations that have been addressed accordingly.



The attendance of board members for the board meetings, committee meetings, and general assembly meetings:

#	Member name	Entity	Board meeting		Audit committee	Technical Committee		Ordinary general assembly meeting
			Att.	Att. by video conf.	Att.	Att.	Att. by video conf.	Attendance
1	Eng. / Mohamed Mohamed Ibrahim	Egyptian Petrochemicals Holding Co.	19/19		8/8	1/1		1/1
2	Mr. / Helmy Sakr Gad Shalby		19/19		8/8			1/1
3	Mr./ Ahmed Mohamed Kamel Mokaa	Egyptian Petrochemicals Co	19/19			1/1		1/1
4	Mr./ Mohammed Saudi Qutb	Government Sector Employees Trust Fund.	19/19			1/1		1/1
5	Mr./ Ihab Khater Younes Mohamed		19/19			1/1		1/1
6	Mr./ Ahmed Fayez Abdel Mohsen	General Public Offering	19/19		8/8			1/1
7	Mrs./ Nahed Mahmoud Badri		19/19		8/8			1/1
8	Mr./ Samy Abdel Hady Mohamed	Private Sector Employees Trust Fund.	19/19		8/8			1/1
9	Mr./ Mohammed Abdulnabi Qutb		18/19	1/19	8/8			1/1
10	Mr./ Khaled Youssef Abdel Majeed	Ahli Capital Holding.	18/19					1/1
11	Mr./ Abdel Fattah Abdel Moez Ali	National Investment Bank.	17/19		8/8			1/1
12	Mr./ Ehab Hassan El-Leithy	Naser Social Bank	19/19		8/8			1/1
13	Mr./ Reda Abdel-Hafez Abdel-Mawlaa	Misr Insurance Co.	19/19					1/1

The General Assembly of the Company

The ordinary annual general meeting of shareholders shall be held within three months from the end of the financial year in accordance with the legal requirements - Law No. 159 of 1981 and its executive regulations, the company's articles of association, and the rules of listing and delisting on the Egyptian Exchange. Notice of this meeting shall be given before its date, which is published for shareholders and financial markets, as well as on the company's website and two widely circulated newspapers. Copies of the annual report and financial statements shall be made available to shareholders at least twenty-one days before the meeting to allow shareholders the opportunity to discuss the company's performance with the chairman of the board of directors and the other board members. Shareholders may exercise their voting rights at the general assembly meeting either in person or through another shareholder voting on their behalf.



Social Responsibility and Environmental Conservation

In recognition of the company's social role in developing the surrounding environment and the importance of the humanitarian role that the company must undertake, the company has continued to implement a protocol for medical treatment for the less fortunate in the villages surrounding the company's premises. It also engages the residents of the Nahda area in various events, donates and contributes to environmental development in many areas, especially public hospitals, and government schools, by providing full support to the Technical Technological School in Borg El Arab and rehabilitating (33) houses in the villages of Karnak and Abu Simbel, as well as rehabilitating the nearby roads. Additionally, it sponsors the Quran competition under the supervision of Al-Azhar Al-Sharif, within the limits set by the company's general assembly.

- The company has maintained a clean and safe environment slogan, ensuring compliance with the standard specifications of quality, energy, and knowledge management systems and successfully passing external audits for ISO 30401:2018 - ISO 9001:2015 - ISO 50001:2019 quality and energy management system.
- Safe disposal of hazardous waste is ensured through the sanitary landfill established by the Alexandria Governorate for this purpose.
- Special experiments on the final emissions from the company's factories and the biological treatment unit have been conducted at the ethylene environment laboratory to meet environmental law requirements.
- Measurements related to environmental law have been taken at the entrances of furnaces and boilers.
- The company participated in World Environment Day and was one of the sponsors in collaboration with the Arab Academy for Science and Technology. The company proposed a media campaign to conduct scientific research on reducing pollution from plastic use.



Committee for Occupational Safety and Health

- Continued review of the HSE systems by international companies and implementation of Process Safety Management requirements.
- Initiation of the development of an electronic maintenance planning system, including linking it to occupational safety and health tasks and converting some tasks into an electronic system, HSE Module-Maximo.
- Preservation of the company's environmental safety through monitoring sewage samples and measuring emissions to confirm compliance with environmental laws, alongside improving unit performance, which has reduced the amount of generated waste.
- Adherence to occupational safety and health procedures resulted in achieving safe operating hours of 2.9 million work hours.
- Commitment to comply with Egyptian environmental laws (Law 4 of 1994 - amended by Law 9 of 2009) regarding waste disposal and regulation of measurement standards for sewage and emissions.
- Safe disposal of hazardous and solid waste by regularly delivering them to the hazardous waste landfill managed by the Alexandria Governorate, alongside improving unit performance.
- Passing external audits for occupational safety and health management systems and environmental protection, with the update of the occupational safety and health management system according to the new standard ISO 45001:2018-ISO.
- Collection of used oil waste and paper waste and selling them to specialized companies.
- Utilization of the company's capabilities and employees' expertise in theoretical and practical fire-fighting training, implementing training programs for company employees, related companies, and for summer interns.
- Securing all operations within the company, inspecting them, and ensuring proper preventive measures are followed.



The Control environment:

Internal control system:

- The organization structure includes a general department for internal auditing, this general department is responsible for reporting the summary of activities, auditing outcome and control report directly to CEO for ensuring a reasonable assuring, controlling, reviewing and setting the directive instructions, regulations and determine the optimal segregation of duties.
- The objectives of internal auditing department are achieving the reasonable assurance about the correctness and completeness of data. As well as keeping, maintaining and safeguarding the assets. The main objective is detecting fraud, collusion or intended material misstatement.
- SIDPEC committed with the annual plan for auditing programs and related reports by applying rules, regulation, policies and systems.
- On behalf of the BOD, the audit committee is responsible for periodic and interim reviews of internal control framework and evaluating the internal procedures and systems. According to the recommendation of this committee, The BOD assuring the internal control activities are efficiently and effectively applied.

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Independent External Auditor:

- The independent external auditor has been annually appointed after nomination by the BOD and confirmed through the ordinary general assembly meeting. The independent external auditor shall have the proficiency requirements and skills to perform the accounting and auditing services, independent from the company management which is reporting directly to BOD and shareholders.
- SIDPEC is taking the necessary procedures and directive instructions according to the Egyptian accounting standards, regulatory rules, by-law, and company policies.
- The audit committee ensuring the independency of the external auditor from senior management intervening and protecting the integrity.
- SIDPEC is governing by the Egyptian accountability state authority as a representative of the public share of the capital structure.

Disclosure and Transparency:

Substantial information and disclosing of financial and non-financial data:

1. SIDPEC is respecting the disclosure and transparency policy by assuring the accurate and timely data through different communication media, which is valuable by the company shareholders and other stakeholders. The main media and tools of disclosing are interim and annual financial statement, interim and annual auditor's reports, BOD's reports, Accounting policies, the budget,





the method of assets valuation, dividends policy and any other financial data published on the Egyptian exchange website and SIDPEC's website to maintain the transparency.

2. As well as non-financial information, which is necessary required by the shareholder, current and potential investors. This non-financial information is presented through the interim and annual reports, financial statement, the disclosure format submitted to the Egyptian exchange authority and SIDPEC's website. The non-financial information as follow:
 - The internal managerial reports which include the Mission, Vision, objectives, nature of the operation, strategic plans and policies.
 - Supporting and improving the efficiency of qualified employees, training, incentives and remuneration systems.
 - The ownership structures of the associates, affiliated companies and subsidiaries.
 - Related party transactions.
 - The threats and risk management framework.
 - The disclosure of treasury stock to shareholder and the supervisory authority.

Investor Relations:

3. The resolutions of BOD regarding the managers of investors relations has been declared. This is one of the main objectives to strengthening and reinforcement the relationship with the current and potential investors.
4. The role of investors relations is submitting the accurate relative information and required data on timely basis to the Egyptian exchange authority and the quick response of investors and financial markets' inquiries.
5. SIDPEC maintains an effective, clear and transparent communication channels with the shareholders. As well as publishes all relative information for investors and related party on regular basis.

The Disclosure channels:

Annual reports:

6. SIDPEC issued the annual reports in Arabic and English languages, which include BOD's report, Financial Statement, Disclosure notes in addition to any relative information may be concern by shareholders, current and potential investors and other stakeholders.

Board of director report:

7. BOD issued the annual report according to the Egyptian corporate law no. 159 for year 1981, its executive regulations and the listing requirements of the Egyptian exchange authority for presenting to the general assembly meeting and the related supervisory authorities.

Disclosure report:

BOD issued the disclosure report quarterly by the cooperation between the senior management and investor relations managers. Sidpec is publically publishing this periodic report on the website and stock exchange market.

Electronic website:

SIDPEC has a secured private website on the world wide web in Arabic and English languages. This website has been presented in simple way the financial and non-financial information, vision, mission statement and objectives.



Sustainability report:

8. SIDPEC issued annually report describing the sustainability activities of the company, which include the three pillars of sustainability (economic, social and environment) to support the tens principles of the charter of the United Nations. As well as the seventeen sustainable development goals. This report has been publically published on the website of UN Global Compact, since 2014.

Sustainability and Corporate Social Responsibilities (CSR):

SIDPEC's policies toward sustainability and corporate social responsibility:

9. SIDPEC believes in the importance of sustainability and its three pillars; economically, environmentally and socially for contributing to Egypt's strategic vision 2030 for sustainable development. This vision aims to maximize the welfare of the citizen and communities.
10. SIDPEC has a developmental, strategic and leading role in the geographical and regional area. SIDPEC is supporting the economic growth, achieving social progressing by contributing in the economic and social development; eliminating poverty, enhance medical services, pollution control, creating employment opportunities to improve the standard of living and keeping up with the rapid changes of all developmental disciplines.
11. SIDPEC has adopted the ten charter of United Nations for human rights, the standards of international labor organization, Rio declaration of environment and development and UN convention against corruption.
12. SIDPEC has started her journey toward sustainability and corporate social responsibility, since 2023 by participating in MENA project sponsored by (SIDA) - Swedish International Development Cooperation Agency to compatible with the specification of ISO 26001, The letter of participation signed and granted the letter of recognition on November 2014.

The significant initiatives of Corporate Social Responsibility (CSR):

13. SIDPEC keens to continue the significant and effective role toward social responsibility by creating a new general department for social responsibility, which has a responsibilities and authorities to be able for achieve a real, significant and effective role for development. The following activities has been carried out by social responsibilities team:

1. Education and scientific research:

- Signing protocol with Engineering faculty – Zagazig university to use the license of Software.
- Participation of “The international communication conference”, which held at air force defense faculty.
- Sponsor the event of the fourth edition of the world youth forum, which held at Sharm El-sheikh

2. Health and Medical care:

- The medical care for the surrounding environment residents at Al-Nahda territory, by bearing all related medical costs.
- Signing protocol with the Urman non-profit organization (charity) to provide medial caring for the surrounding environment residents.





- Donate and support the public hospital at urban area with the new, main and full medical equipment to be able for serving the residents.

3. Charity organization and civil society:

SIDPEC sponsored the charity organization at Nahda territory and Amerya area and providing in-kind aid due to the religious occasions, the aid sourcing from plants and farms of the Egyptian armed forces.

4. The infrastructure:

Rehabilitation of houses at urban area "Aswan"

5. Women empowerment and equity of work rights:

- The agreement between SIDPEC and outsourcing agencies: the priority of hiring the surrounding urban area residents approx. 38.35% of the outsourcing workforce, includes 20% women.
- Holding Honoring ceremony of women (outsourcing workforce) by the mayor of Alexandria governate.

The significant other initiatives related to the sustainable development goals:

- The participation of "SDG Ambition Accelerator" program of the charter of UN to expedite and accelerate the initiatives related to sustainable development goals.
- The participation of "Climate Ambition Accelerator" program to raise the awareness of applying the initiation of SBTi, which aims to reduce carbon emissions to slowdown the climate changes.
- in the framework of social responsibility toward the Egyptian students, Sidpec adopted a training program and internship for energy efficiency and the renewal energy section – Ain shams university. This program has been sponsored by USAID Scholarship Activity.
- In cooperation with the one of the specialized companies in improving energy efficiency filed to exchange the experience. The Strategic review of energy program has been completed, which conducted by KBC company through two stages; first stage has been completed by the end of fourth quarter of year 2020, while the second stage has been completed by the end of second quarter of year 2021. The main outcome of this program is the knowledge acquired by the qualified human capital thorough operation simulation program. As well as Setting the road map includes opportunities for improvement, which has an economical and environmental impact.
- The investing in the capital human by structuring number of awareness seminars and specialized training programs for employees.
- Applying the necessary procedures to maintain the safe and health work environment and executing the methodology of PSM.
- The cooperation with the UNIDO to support peers (Competitors and Customers) in applying the project of improve the energy efficiency.
- Starting the project of replacing the air compressor with other has better environmental impact.
- Starting the project of CHP steam and power unit through the combined stages which characterized by the rational utilization of energy.
- Retain the human capital and knowledge of the company by applying standards of the Knowledge Management System (KMS) – ISO 30401.



Charters and Policies:

Code of Ethics and Professional Conduct:

SIDPEC issued internally charter of Ethics and Professional conduct, which includes of values, core, believes to organize the rules of professional conduct and ethics within the company.

Succession Plan:


SIDPEC has an executive regulations approved by the BOD, these regulations regulate and organize the process of evaluating, selecting, hiring and promotion for the qualified skilled employees in the right positions.

Whistleblowing policy:

SIDPEC has the effective policies, process and procedures which aim to encourage the employee or other related parties to reveal about any illegal and override practices are not comply with the rules of ethical conduct.

Insider transaction, Associate and related party policies:

The insider transaction of the company' stocks are controlled and according to disclosure format and conditional procedures by the Egyptian exchange authority, while the Associated parties are organized according to the rules of supervisory authorities.



The Legal Representative of SIDPEC
Chief Executive Officer & Managing Director
Eng. Mohamed Ibrahim

